Financial Group
Eurizon

2005 Annual Report

Summary Performance Data

LIFE INSURANCE (in € mn)	31/12/2005	31/12/2004	% Change
Gross volume written	8,118	8,542	-5.0
New production, annualized	7,346	7,842	-6.3
Technical reserves and non-subordinated financial liabilities (1)	44,489	38,936	14.3
PROPERTY-CASUALTY INSURANCE (in € mn)			
Gross premiums written (2)	61	45	35.6
Gross technical reserves	76	61	24.6
Combined ratio	80.9%	80.4%	0.5
FINANCIAL SERVICES (in € mn)			
Funds under management and administration (3)	64,312	59,469	8.1
Total collected volumes (4)	1,841	-276	n.m.
- Net inflows into funds under management	580	-451	n.m.
- Net inflows into funds under administration	292	-1,232	n.m.
OTHER INDICATORS			
Net profit inclusive of minority interests (5) (in € mn)	418.7	345.4	21.2
Return on equity (ROE)	22%	n.a.	n.m.
Consolidated net profit net of minority interests (in € mn)	365.18	299.3	22.2
Number of private bankers	4,150	4,313	-3.8
Number of banking branches	3,172	3,126	1.5

(1) Excludes other financial debt and products with specific assets.
(2) 100% Fideuram Assicurazioni + 100% Egida
(3) Inclusive of life reserves in the amount of €14,228 million at the end of 2005.
(4) Includes new life production of €969 million for 2005.
(5) Inclusive of minority interests and with the application of IAS 32, IAS 39 and IFRS 4.

The Company

Eurizon Financial Group is the Sanpaolo Imi Group subsidiary which holds the controlling interests in Assicurazioni Internazionali di Previdenza (AIP), Italy's second largest underwriter of life insurance, and Banca Fideuram, the country's leading network of financial advisors. Through its operating companies, Eurizon is active in the insurance and funds-management businesses, distributing products and services through two channels: the Sanpaolo Imi banking facilities, and the Banca Fideuram private-banker network.

Key Developments

November 2005

Sanpaolo Imi transfers its holdings in AIP (99.96% of the share capital) and Banca Fideuram (73.37%) to New Step, a company incorporated in October.

January 2006

The Board of Directors of Sanpaolo Imi passes a resolution to expand New Step's activity to the business of asset management (with particular reference to Sanpaolo Imi Asset Management SGR) and to initiate the proceedings for a listing of New Step on the Italian stock exchange.

February 2006

New Step becomes Eurizon Financial Group [(1)].

[(1)] On 30 January 2006, the extraordinary meeting of the shareholders of New Step authorized the company to change its name to "Eurizon Financial Group S.p.A.", with the new name becoming effective as of 3 February 2006

A Leader in Financial Services

Capitalizing on the highly specialized knowledge of its operating companies, the Eurizon Financial Group aims to service its customers over their lifespan, providing a broad array of insurance and financial products for retirement planning, investment, personal protection, and the safeguarding of personal assets and savings.

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Notice of the Shareholders'Meeting

An ordinary meeting of the shareholders has been convened for Friday, 28 April 2006 at 9:00 a.m., at the Company's registered office at Corso Cairoli 1, Turin, Italy, for the purpose of discussing and deliberating on the following meeting agenda:

- Financial statements as of 31 December 2005
- Report of the Board of Directors on operating performance
- Report of the Board of Statutory Auditors
- Resolutions inherent and consequent thereto.

Corporate Officers and Auditors

Board of Directors

Chairman	Luigi Maranzana
Vice Chairman	Piero Luongo
Chief Executive Officer	Mario Greco
Director	Bruno Mazzola

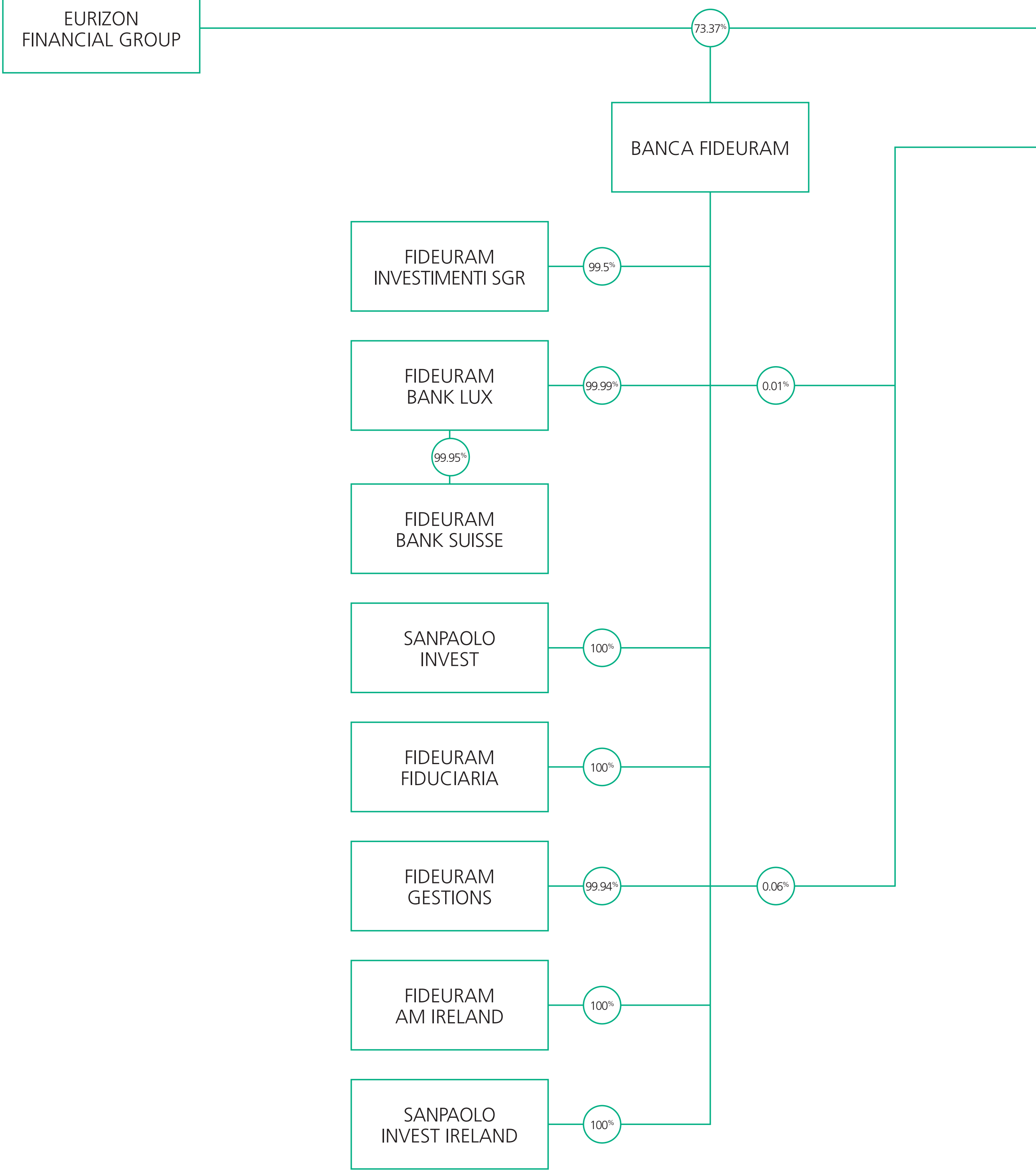
Board of Statutory Auditors

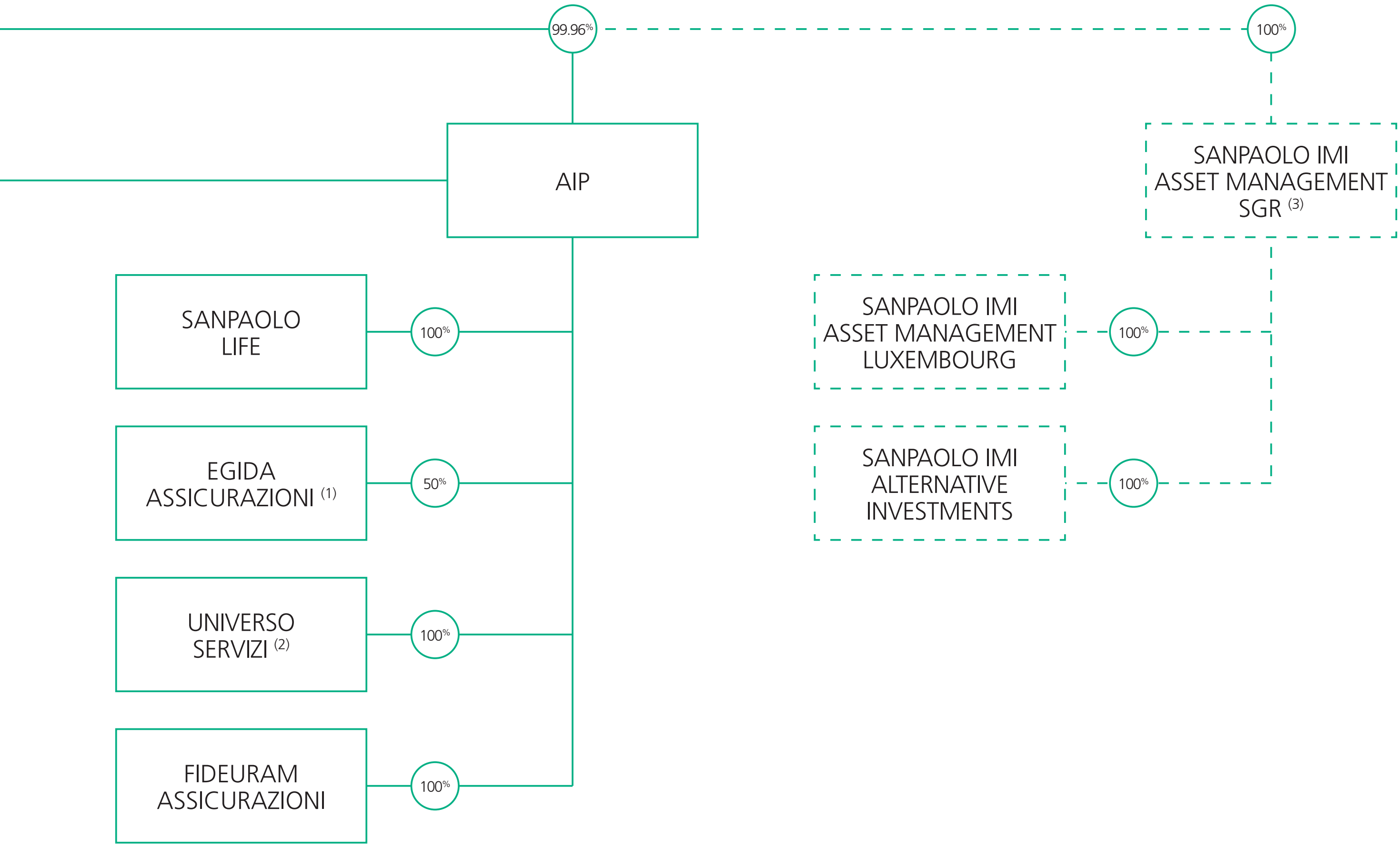
Chairman	Enzo Nalli
Standing Auditors	Lorenzo Ginisio Alessandro Rayneri
Alternate Auditors	Vito Codacci-Pisanelli Riccardo Rota

Independent Auditors

PricewaterhouseCoopers S.p.A.

Group Structure





(1) In December 2005 AIP exercised a call option to purchase the remainig 50 percent of the share capital of Egida held by Reale Mutua.

(2) In January 2006, the Boards of Directors of Eurizon Financial Group and its subsidiaries, as well as the Sanpaolo Imi Board of Directors approved resolutions to concentrate all activities and resources related to support services in a single company. Universo Servizi will be used for this purpose.

(3) The transfer of the asset management activity was approved by the Sanpaolo Imi Board of Directors on 24 January 2006; the transfer is to be perfected upon the procurement of the relative authorizations from the regulatory authorities. Sanpaolo Imi Asset Management SGR is therefore not consolidated in the Eurizon Financial Group's statements as of 31 December 2005.

Report on Operating Performance

Market Environment

GLOBAL ECONOMIC TRENDS

Although decelerating with respect to 2004, the global economy expanded by more than 4 percent in 2005, and was dominated by the performance of both the United States and most countries in Asia, including China and India. After temporarily easing in the first months of 2005, global trade volumes experienced a strong rebound near year end, on increasing indications of stronger economic performance in the Eurozone and Japan, and signs of weakening momentum for the expansion in the United States.

Even though the tensions in the market for crude oil had the effect of driving up consumer prices in various countries, the trend of core inflation (consumer price growth excluding energy and food products) remained modest at a global level. The high prices of energy products did not show up in wage increases, and the expectations about inflation over the medium term remained fairly stable.

Notwithstanding the sharp slowdown in its productive activity during the fourth quarter, the restrictive monetary policy of its central bank, and a series of natural disasters, the United States logged a 3.5-percent increase in GDP in 2005, with the expansion driven by consumption and investments. On the one hand, higher levels of household disposable income contributed to keeping consumption at significant levels, with many households also benefiting from an increase in their net worth as a result of the appreciation of property values. On the other hand, the trend of corporate earnings and corporate liquidity served to stimulate capital investment by businesses.

Averaging 3.4 percent for the full year of 2005, inflation reflected increased costs of energy products. Price tensions became more evident in the second half, partly in response to pressures on producer prices. The Federal Reserve Bank thus ended up adopting an even more restrictive monetary-policy stance than what the markets had initially anticipated, with the policy rate undergoing a series of gradual changes to put it at 4.25 percent by year end. Long-term rates took a different course, and one defined by Greenspan as “puzzling”. Despite a higher cost of funds in the money market, the 10-year benchmark rates receded from 4.5 percent to 4.0 percent in the first half, with a significant decline in the forward premium, and then later returned to 4.5 percent in the second part of the year.

With international investors generally appearing more willing to accept risk, the spreads on U.S. corporate debt securities rose only modestly, despite the difficulties experienced by some specific companies (e.g. General Motors). In contrast to the situation in the U.S., spreads on European and emerging-markets debt issues tended to decline. Though the decrease was quite limited for European issuers, the sovereign issuers from emerging nations witnessed more significant improvements in financing conditions, with the 46-percent contraction of the EMBI+ spread basically reflecting ratings upgrades for many of the nations included in the index.

The robust growth in the United States and the gradually higher interest rates dictated by the Fed were among the main factors accounting for the dollar’s appreciation against the euro and the yen in 2005. The USD/EUR exchange rate thus shifted from around 1.30 at the start of 2005 to 1.19 at year end. The growing public debt and trade deficit continue to represent the greatest factor that could weaken the U.S. currency in the medium term.

In Japan, the recovery of domestic demand was the main factor propping up productive activity, which expanded by 2.8 percent in 2005. While consumption benefited from gradual improvement of the labour market, investments were sustained by the strong trend of corporate profits. The recovery of domestic demand incorporated the positive contribution of demand from abroad, part of which came from the decline of the yen’s value in real terms.

Weaker demand from the Eurozone countries prompted a slowdown in economic growth in many Eastern European nations. Limited progress seems to have been made in convergence toward the Maastricht parameters, particularly in Hungary, which is having difficulties with its public accounts, and in Latvia and Estonia, where the overheating of demand has kept inflation far from the convergence targets. With the firm commitment of its government to the reforms process and having achieved greater macroeconomic stability, Turkey received the green light to begin negotiations for its admittance to the European Union.

Eurozone

Economic growth in the Eurozone basically regained some ground in 2005, even though there were significant differences in performance from country to country. The decline in the value of the euro and the low cost of financing paved the way for a rebound in exports and the gradual recovery of investments, particularly in the second half of the year. The momentum of domestic demand was generally modest in response to a still moderate contribution of consumption. Despite the recovery in the second half, the growth for the full year was lower than expected, totalling around 1.3 percent according to preliminary estimates.

Germany and Italy were the countries reporting the weakest growth in the Eurozone, with the sluggishness of domestic demand adversely impacting the GDP of both nations. France and Spain both registered stronger performance, partly due to the positive trend of household consumption in response to higher employment and higher property values.

The public-sector deficits for the entire Eurozone were close to 3.0 percent of GDP, thus indicating overall convergence to the Maastricht parameter.

Inflation accelerated slightly in 2005, rising to 2.2 percent from 2.1 percent in the prior year, with the trend of oil prices accounting for much of the increase. In December, the European Central Bank adopted more restrictive monetary policy, lifting the refinancing rate from 2.0 percent to 2.25 percent. The shift in the central bank's stance was attributed to concerns about risks regarding the trend of prices and financial stability within the Eurozone in light of the continuing tensions on the oil markets, the significant growth of property values in certain countries, and the ongoing growth of liquidity aggregates.

In Italy, the quarterly trend of productive activity was somewhat mixed in 2005. The GDP growth rate for the full year stood at zero, although the staying power of the economy and consumer- and business-confidence indicators showed some signs of improvement as the months went by. The standstill in GDP is the outcome of a decline in demand from abroad, a reduction in the gross investment of businesses, and the stagnation of household consumption, which were offset by the positive contribution of the change in inventories, investments in residential housing, and higher public-sector spending.

The inflation rate came to 1.9 percent, with the inflationary pressures from the energy sector offset by more limited price momentum for non-energy goods.

Securities Markets

The world's leading equity indices closed the year with gains. The equity markets performed positively in response to the encouraging trend of corporate earnings, as long-term interest rates remained at favourable levels. The performance of the indices was particularly strong in the fourth quarter, as oil prices receded from their summer highs.

The S&P500 added 3.0 percent for the full year, while the Nikkei was up by 40.2 percent, the DJ Euro Stoxx, by 23.0 percent, and the Mibtel, by 13.8 percent. The differences in performance are less pronounced when taking into account the dollar's appreciation of roughly 15.2 percent against the euro and 14.4 percent against the yen, between January and December 2005.

From the standpoint of sectors, the greatest gains in the U.S. market were seen in energy, utility, pharmaceutical and financial stocks, while setbacks were registered for consumer durable goods and telecommunications issues. In the Eurozone, the financial, industrial and commodities sectors performed well, while telecommunications issues experienced a slight decline.

As a result of the strong performance of share prices, the aggregate market capitalization of the companies traded on the Italian exchanges rose to €677 billion, amounting to roughly 49 percent of GDP, compared with €581 billion, and 43 percent of GDP, at the end of 2004. The number of newly listed companies during the year rose to 15, from 8 in 2004. Investment flows on the Italian market resulting from public tender offers for the sale or exchange of securities came to €6.8 billion (€12 billion in 2004); the number of such transactions totalled 18, remaining on par with the figure for 2004. Publicly traded companies tapped funding amounting to €12 billion (€3.3 billion in 2004), through a total of 23 equity offerings for capital increases (28 in 2004). Average daily trading volume in the Italian equity markets rose to €3.73 billion, compared with €2.85 billion in 2004.

Outlook

Economic indicators for the first two months of 2006 have confirmed some moderation in the momentum of the U.S. economy, the start of a cyclical recovery in the Eurozone, and the solidity of the factors underlying the growth in Japan, as evidenced in the final months of 2005. Though under control at a global level, inflationary pressures have continued to mount in terms of the cost of inputs, and in some countries, at the level of producer prices.

At the end of January, the U.S. Federal Reserve Bank steered the policy rate 25 basis points higher, bringing it to 4.5 percent. Based on the comments of Ben Bernanke, who took over as the chairman of the Fed in February, the restrictive cycle may be near an end.

With its January bulletin, the European Central Bank aired concerns over the trend of inflation as a result of the tensions on the oil markets, while it also expressed some apprehensions about the stability of the financial markets over the medium term due to possible asset inflation in the property markets of some countries. In early March, the bank intervened to raise the refinancing rate from 2.25 percent to 2.5 percent, with the markets already expecting further restrictive measures later in the year.

The positive trend of share prices in the month of January tended to push investors to look more actively for high-yielding financial instruments. In the market for mutual funds, this sentiment translated into an outflow of money-market and bond fund investments to the benefit of balanced funds. Investor expectations that the world's leading stock markets will perform positively in 2006 have fuelled expectations that the funds management business will also enjoy another buoyant year.

ITALIAN MARKET

The aggregate financial assets of Italian households grew significantly in 2005, benefiting from the positive performance of the financial markets and from the contribution of a new flow of savings. Gradual changes were seen in the portfolio mix, with a growing preference for direct investment in equity securities and mutual funds, to the detriment of liquid assets, whose weight within the portfolio decreased from 26 percent at the end of 2004 to 24 percent at the end of 2005. Amounts invested in insurance products remained virtually unchanged as a percentage of total assets.

Household Financial Assets

(% of total)	31/12/2003	31/12/2004	III 2005	31/12/2005
Cash and cash equivalents	**27.0**	**26.1**	**24.5**	**24.3**
Total securities	**21.9**	**21.9**	**20.2**	**20.1**
Short-term securities	0.2	0.4	0.1	-
Long-term securities	21.7	21.5	20.1	20.1
- including: private residents	11.9	12.1	11.6	11.5
Mutual funds	**11.9**	**10.4**	**9.9**	**9.8**
Equity securities and equity investments	**22.6**	**24.4**	**28.7**	**28.9**
Insurance and other reserves	**16.1**	**16.6**	**16.2**	**16.5**
Life insurance reserves. pension funds and reserves for employee severance indemnities	15.0	15.5	15.3	15.3
- life insurance reserves	9.1	9.6	9.7	9.8
- pension funds*	1.0	1.0	1.0	0.9
- employee severance indemnities	4.9	4.8	4.6	4.5
Property-casualty insurance reserves	1.1	1.1	1.0	1.0
Other	**0.6**	**0.5**	**0.4**	**0.5**
Total financial assets (in € bn)	**2,907.1**	**3,151.4**	**3,444.8**	**3,552.6**
% change y/y	**4.2**	**8.4**	**14.8**	**12.7**

* Pre-existing, contractual and open pension funds. The breakdown between life insurance reserves, pension funds and reserves for employee severance indemnities was estimated by Prometeia with the use of data sourced from the Bank of Italy, the insurance regulatory authorities ("ISVAP") and the pension fund authority ("COVIP"). Source: Bank of Italy; Prometeia projections for 2005

The year of 2005 was also a positive one for the Italian insurance industry, with total underwriting volume estimated to have grown by 9.0 percent to around €110.1 billion.

Life Insurance

After the slowdown in 2004, the life insurance segment regained momentum in 2005, with its aggregate underwriting volume rising by an estimated 13.0 percent to €74 billion; at the same time, new production is anticipated to have increased by 14.0 percent, accounting for volume of around €60.2 billion.

The growth in the life segment mostly resulted from the sale of traditional policies based on single premiums, in response to the continuing strong demand for guaranteed returns, not only from households, but also from the corporate clientele (institutional investors, companies, etc.). Linked products, and index-linked products, in particular, also made a positive contribution to the life segment's growth, despite a gradual slowdown in the sales of such products over the course of the year.

Banks and the postal system achieved the best performance in terms of product distribution. Business developed through the bancassurance channel grew by an estimated 14.0 percent to account for roughly €38.8 billion of underwriting volume, while product sales through the postal system rebounded after a slowdown in 2004, and were back growing at an estimated rate of around 30.0 percent. In terms of traditional distribution channels, the growth of business at agency networks (7.0 percent) fell below the market average, while direct sales notably expanded (16.0 percent), thereby confirming the particularly strong growth rates of past years, partly due to business in the corporate segment. Financial-advisor networks ended 2005 with underwriting volumes declining for the third consecutive year (€5.7 billion, a decrease of roughly 6.0 percent).

The life insurance segment witnessed increased demand - particularly through the financial-advisor networks - for the total-return management approach, to the detriment of guaranteed, unit-linked products. With the total-return strategy, the process of measuring a return in relation to a benchmark is replaced by a mandate to the manager to generate absolute returns within the boundaries of certain risk parameters.

Although primarily a vehicle for the allocation of stocks of wealth, the life market did see some demand for products dedicated to the targeting of savings flows, and in particular, periodic-premium policies providing significant insurance coverage, including through the inclusion of the property-casualty insurance within the life product.

Insurance companies and some of the larger players in bancassurance started to offer these types of policies, although business volumes fell short of expectations, partly due to Parliament's failure to enact legislation prior to the end of 2005 covering the implementation of the provisions of a law enacted under delegate power regarding the subject of private pensions. The measure directed toward transferring employee severance-indemnity reserves to contractual types of benefit plans has been deferred until 2008 the date on which the planned regulations will go into effect, without any evident effect in terms of the development of the private pension segment. For this reason, the new production of insurance products typically used for retirement plans was virtually nil (€0.3 billion, an increase of around 5.0 percent), while the very robust growth in Class VI products (more than 150%) is the result of contractual funds placing contributions under management mandates.

Property-Casualty Insurance

The property-casualty market experienced modest growth in 2005, with total underwriting volume estimated at over €36.2 billion, for an annual increase of just over 2.0 percent. The market's performance reflects a slowdown in the auto insurance segment, which is estimated to have generated total premiums of roughly €21.4 billion, for annual growth of less than 1.0 percent. The marginal increase in the auto business is the result of both the negative trend of the auto market (new car registrations declined by 1.4 percent) and, more importantly, the significant decreases occurring in premium rates. The other property-casualty lines fared better, growing by an estimated 4.5 percent to account for roughly €15 billion in premiums. While the difficult economic situation in general has adversely impacted the overall market for property-casualty insurance (and the underwriting of insurance for businesses, in particular), the sales of property-casualty products to individuals appear to be gradually on the increase. In 2005, the postal system and banks tended to expand the range of property-casualty products for households, while innovative products for this customer segment were also launched by the traditional brokers and agents.

With underwriting volume expanding by around 6.0 percent to a total of €4.7 billion, health insurance (coverage against accidents and illness) accounted for the highest growth rate among the non-auto lines, and mainly benefited from the sales of policies to individuals. In the property insurance segment, premiums rose by around 5.0 percent to a total of €5 billion, with the effects of the slowdown in the underwriting of corporate risk being mitigated by an expansion in the retail portfolio, partly due to the ongoing positive trend in mortgage-related products. In liability insurance, the total underwriting volume came to around €3.2 billion, with the resulting 4.5 percent rate of growth below the increases reported in recent years; though partly reflective of the tough economic environment, the slowdown is mostly attributable to the lower premium rates in effect for this type of insurance in recent years.

As shown by the available data regarding distribution channels (ISVAP data for 3Q2005, with 2005 full-year data from the National Association of Insurance Companies ("ANIA") still not released), banks and the postal system accounted for around 1.45 percent of total property-casualty premiums underwritten in the first nine months of 2005, compared with a 1.05 percent market share for the full year of 2004 (1.09 percent for the first nine months of 2004). The growth is even more pronounced if auto liability insurance is excluded: in this case, the market share of the banks and the postal system rises from 1.11 percent for the full year of 2004 (1.14 percent for the first nine months) to 1.82 percent for the first nine months of 2005.

Financial Services

The stock of assets under management in the Italian financial services market rose by around 10 percent in 2005, to reach a total of more than €1.2 trillion, with part of the increase attributable to the appreciation of asset values resulting from the positive performance of the financial markets.

Mutual funds and individual portfolios under management were the two market segments reporting the highest rates of growth. With the total assets expanding by around 9.0 percent to €585 billion, mutual funds experienced a strong recovery, basically due to two components: foreign funds, used for structuring complex products (GPF, unit-linked products, etc.), and funds of funds. Assets under management in individual portfolios also enjoyed strong growth, increasing by more than 12 percent to a total of more than €500 billion. The net new investment in the portfolios under management more than doubled in comparison with the prior year as a result of a portfolio innovation process aimed at focusing on private clients' needs, and thus guaranteeing greater flexibility for the options available and a clearer identification of investment objectives.

Financial advisors and direct sales accounted for the bulk of product distribution in 2005. Volumes handled by financial advisors rose by 15.6 percent, while the direct channel had growth of more than 13 percent. After a rather disappointing first half, banks stepped up their marketing of funds management products in the second half, with particular reference to the funds segment, and especially funds providing for a total return; banks thus ended 2005 with an estimated increase of 7 percent in their distribution volume.

Eurizon Financial Group

BACKGROUND

The Eurizon Financial Group was incorporated by the Sanpaolo Imi Group on 4 October 2005 to serve as the focal point for Sanpaolo Imi's activity in the production and distribution of pension and insurance products and services, as well as products and services for the medium-/long-term investment of savings.

Prior to setting up the Eurizon Financial Group, Sanpaolo Imi completed a reorganization of all of its activity in the insurance business. This led to the creation in December 2004 of Assicurazioni Internazionali di Previdenza (AIP), a company which incorporated Sanpaolo Imi's two product companies, Sanpaolo Vita and Fideuram Vita, and which acquired the control of Sanpaolo Life, Fideuram Assicurazioni, Egida and Universo Servizi.

In July 2005, the Sanpaolo Imi Board of Directors passed a resolution to concentrate within a single company the activities of AIP in the insurance business and Banca Fideuram's activity in financial services. Sanpaolo Imi's holdings in AIP and Banca Fideuram were accordingly transferred to the Eurizon Financial Group in November, thereby creating an insurance/financial services concern to operate with the objective of satisfying the customer's needs in the areas of financial investments, insurance, retirement planning, and capital protection, with a special emphasis on a more sophisticated clientele.

As a sub-holding of the Sanpaolo Imi Group, including pursuant to a registration in a special section of a general list provided by Article 113 of Legislative Decree n. 385 of 1993, the Eurizon Financial Group is directly responsible for coordinating the operations and management of its subsidiary companies, in accordance with the directives of its parent company, Sanpaolo Imi.

In January 2006, the Sanpaolo Imi Board of Directors passed another resolution authorizing the initiation of the proceedings for the stock-market listing of the Eurizon Financial Group, and decided at the same time to expand the Eurizon Financial Group's activity to include Sanpaolo Imi Asset Management SGR, a funds management company specializing in retail asset management (mutual investment funds and individual portfolio management).

MARKET SCENARIO AND POSITIONING

The funds management market in Italy is going through significant change as people become more and more aware that they are going to have to manage their retirement needs through individual retirement plans. This situation has prompted both a re-allocation of the financial assets of households, and growing demand for comprehensive and flexible products for protecting capital and covering personal risk.

The market environment has also been affected by several legislative changes. The ISVAP circular n. 551, the new insurance code, and the law on the subject of personal savings require greater transparency of financial products, while pension reforms have paved the way for the gradual transfer of funds out of employee severance-indemnity reserves (the so-called "TFR") and into alternative pension instruments. The new regulations will lead to significant changes in the competitive scenario, with market participants moving to overhaul product lines and sales networks and reshuffling professional resources.

Through its operating companies, Eurizon is active in the businesses of life insurance, property-casualty insurance and financial services, distributing its products through the Banca Fideuram network (including Sanpaolo Invest) of 4,150 private bankers and Sanpaolo Imi's 3,139 banking facilities.

With gross volume written of more than €8 billion, Eurizon is Italy's second-ranking life insurer, with a market share of 12.41 percent of new production computed on an annual basis (Source: ANIA). The subsidiary company, AIP, markets and sells its policies mostly through the Sanpaolo Imi banking branches and the Banca Fideuram private bankers. The company offers traditional life insurance policies, unit- and index-linked policies, and open pension funds.

In property-casualty insurance, Eurizon is a niche player with a market share of less than one percent, operating through the subsidiary companies, Egida and Fideuram Assicurazioni, and mainly offering credit protection insurance, personal insurance and capital-protection plans. The premiums written in 2005 amounted to around €61 million, after consolidating 100 percent of Egida. AIP is in the process of purchasing 50 percent of the property-casualty company from Reale Mutua under a call option exercised in December 2005. Efforts to perfect the purchase are currently under way, including the formalities to obtain the regulatory authorization required. Once the acquisition is completed, AIP will have total control of Egida, which will serve as the productive base for further business development in property-casualty segment.

In the financial services business, Eurizon operates through Banca Fideuram, the leading financial-advisor network in Italy, with market share of 31 percent (Source: Assoreti). As of the end of 2005, the funds under administration and management by the Eurizon Financial Group companies amounted to over €64 billion. In funds management, Banca Fideuram's products and services include an array of mutual investment funds and various types of individual portfolio management. The market share in the mutual funds has steadily grown, ending 2005 at 7.12 percent. In individual portfolio management services, the market share came to 7.66 percent.

Integrating the insurance business with the financial services business translates into a competitive advantage for Eurizon, with the possibility of capitalizing on:

- the capacity to combine the expertise in the various lines of business (insurance, pensions, and funds management), in order to turn out innovative products to respond to different customer needs;

- a multiple-channel distribution network (including the Sanpaolo Imi banking branches and the Banca Fideuram private-banker network) and a service capacity differentiated according to the needs of the various channels and their segments of clientele;

- a highly visible brand name with significant distribution potential in the case of Banca Fideuram, the country's largest provider of financial advisory services;

- a large critical mass for exploiting operating efficiencies;

- the capacity to respond rapidly and manage effectively the needs of the various network channels and of the clientele, as a result of the close connection between distribution and production.

Eurizon's operating philosophy emphasizes (i) product innovation, with the aim of supplying the customer with financial instruments that are most compatible with his means and his personal objectives, and (ii) a differentiated approach by distribution channel.

In terms of growth strategy, the plan is to position Eurizon as a solidly capitalized player that will be capable of taking over other firms, in view of the ongoing consolidation of the European marketplace.

Trend of Operations

APPLICATION OF INTERNATIONAL ACCOUNTING PRINCIPLES

The new framework of reference

In light of the transformation and the globalization of the financial markets in recent years, the European Commission embarked on a process to come up with a set of standards for the preparation of financial statements and financial disclosures by companies.

This process has been aimed at ensuring that the accounting information reported by publicly traded companies is comparable and of a high-quality nature, so as to foster competition and to protect the interests of investors.

In Italy, the government approved a legislative decree (n. 38/2005) on 28 February 2005 which ratified the adoption of the new standards, extending the scope of application of the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) to the non-consolidated financial statements (on an optional basis for 2005 and mandatory thereafter) of publicly traded companies, banks and other, regulated financial firms, as well as to the consolidated financial statements of banks, regulated financial firms, and unlisted insurance companies.

The legislation also took into consideration the need for the harmonization of the provisions of the Italian civil code and the Italian tax code, in order to be able to apply the new principles to the non-consolidated financial statements. Altogether, these measures are designed to guarantee the use of uniform accounting principles in both the consolidated and non-consolidated financial statements, as an essential condition for the comprehensibility of the accounting disclosures.

The structure of the financial statements

The consolidated financial statements for the year of 2005 were prepared by adopting, at a consolidated level, the IAS/IFRS issued by the International Accounting Standards Board, in application of the provisions of Legislative Decree n. 38/2005 which, as indicated, ratified the relative EU regulations.

The international accounting principles introduce important changes to the criteria used as the basis for the preparation of the financial statements, modifying the way in which transactions are reported, the contents of the accounts, the valuation criteria and the reporting formats.

The most significant changes are represented by:

- the introduction of the principle of the prevalence of the economic substance over the legal form of entities under management;
- the introduction of the criterion of fair value (which essentially reflects market value) in place of the cost criterion;
- the direct crediting (charging) to shareholders' equity of earnings (losses) related to certain balance-sheet accounts;
- the significant increase in the extent of the information disclosure required, with particular reference to risk management.

In light of the regulatory framework, Eurizon Financial Group prepared its consolidated financial statements for 2005 in relation to a period of 12 months, in conformity with the principle of the prevalence of substance over form with respect to a transaction involving the combination of companies under common control of the Sanpaolo Imi Group.

With Paragraph 3.b of IFRS 3, the IASB explicitly establishes that business combinations effected between entities under common control are excluded from the framework of application of such principle, deferring to the second phase of the combination project the regulation of this type of business combination (Basis for Conclusions, Paragraphs BC24-BC28).

In absence of an applicable IAS/IFRS, the entity preparing the financial statements may thus define the most appropriate accounting criterion, pursuant to the parameter set by IAS 8, Paragraphs 10-12, which expressly provide that management must create its own accounting policy with due judgement whenever the international principles do not govern the specific transaction.

In Eurizon's case, the accounting principles that best govern this situation are the U.S. GAAP, and in particular, the FAS 141 Business Combinations, which indicates the book-value continuity method as the method applicable for business combinations between entities under common control, and establishes, in Paragraph D16, that the financial statements of the company which is the recipient of the companies shall include the earnings results of the companies for the entire year during which the companies were transferred, as if the transfer were to have taken place at the start of the year.

The peculiarities of the insurance industry

A key aspect of the initial application of IAS/IFRS within the insurance industry is the gradual approach taken toward the adoption of the criterion of fair value.

During the first phase of this process, insurance policies are to be classified in relation to the significance of the insurance risk assumed by the insurer. Specifically:

- if the insurance risk is deemed significant, the contract continues, on a transitory basis, to be valued according to local accounting principles, which provide that premiums, payments, and changes in technical reserves are booked to the profit and loss statement;

- if the insurance risk is not significant, but the policy allows for discretionary participation in profits (inasmuch as it is included in a separate account), the local accounting principles still apply, with the premiums, payments, and changes in technical reserves thus booked to the profit and loss statement. However, in order to reduce the mismatching between the asset valued at fair value and the liability valued at cost, it is possible to adopt so-called "shadow accounting", which provides for allocating the differences between the fair value and the cost of the securities to shareholders' equity, for the portion thereof accruing to the insurer, and to technical reserves, for the portion thereof accruing to the policyholder;

- if the insurance risk is deemed not to be significant and the policy does not allow for discretionary participation in profits, the policy is to be valued in accordance with the rules applicable to financial products, and thus, essentially at fair value. The profit and loss statement thus does not include the premiums related to these products, but only the revenue components, represented by commissions and load charges, and the cost components, represented by commissions and other charges.

The classification of the insurance portfolio

The product portfolio of the insurance companies controlled by Eurizon Financial Group has been classified by taking into account the elements characteristic of the policies. In particular:

- term life policies, annuity policies and variable-universal policies with annuity conversion coefficients guaranteed as of the date of issue, unit-linked policies qualifying as insurance instruments, and property-casualty policies have been classified as insurance policies;

- most of the whole life policies, variable-universal policies, and capital-accumulation policies with separate account management have been classified as financial products with discretionary participation in profits. Shadow accounting has been adopted with respect to these polices;

- index-linked policies and some of the unit-linked policies have been classified as financial products without any discretionary participation in profits.

The classification of the securities portfolio

The securities portfolio of the companies controlled by Eurizon Financial Group has been classified in accordance with international accounting principles, by taking into account the strategic and operational purposes for which the investments were made.

The holdings in the portfolio of the insurance companies to cover unencumbered assets and assets managed in separate accounts have been classified for the most part as securities available for sale, which are reported at fair value, with any differences booked to shareholders' equity.

As previously indicated, the shadow-accounting technique has been applied to the securities under separate-account management. The securities in the portfolio maintained in relation to the index- and unit-linked policies have instead been included among the financial assets stated at fair value, whose gains and losses accrue to the profit and loss statement.

The comparison with the prior year

The international accounting principles provide an option, upon the first-time adoption, of deferring the initial application of the IAS/IFRS in relation to financial instruments and insurance products to 1 January 2005.

The companies controlled by the Eurizon Financial Group have exercised this option.

However, in order to allow for a straight comparison of the 2004 and 2005 data, the report on operating performance includes summary financial statements and detailed schedules in which the results for 2004 have been reclassified, including on the basis of estimates, by applying the IAS/IFRS with reference to financial instruments and insurance products.

OVERVIEW OF CONSOLIDATED RESULTS

(in € mn)	31/12/2005	12/31/2004 proforma	Change	2005/2004 proforma
Net premiums	3,599.3	4,752.7	-1,153.4	-24.3%
- Life insurance	3,568.1	4,733.0	-1,164.9	-24.6%
- Property-casualty insurance	31.2	19.7	11.5	58.4%
Claims-related charges, net	-4,282.3	-5,370.9	1,088.6	-20.3%
Premiums and claims-related charges	**-683.0**	**-618.2**	**-64.8**	**10.5%**
Net commission income	738.2	697.7	40.5	5.8%
Net income from financial instruments and investments	769.5	660.6	108.9	16.5%
Net income from financial instruments stated at fair value, whose gains and losses accrue to the profit and loss statement	434.4	334.3	100.1	29.9%
Operating expenses	-516.2	-480.5	-35.7	7.5%
Other revenues and expenses	-141.1	-102.5	-38.6	37.7%
Profit before taxes and minority interests	**601.8**	**491.4**	**110.4**	**22.5%**
Income taxes	-147.2	-116.6	-30.6	26.2%
Earnings (losses) on discontinued operations	**-35.8**	**-29.4**	**-6.4**	**21.8%**
Consolidated net profit	**418.7**	**345.4**	**73.3**	**21.2%**
- Consolidated net profit - Eurizon Financial Group	365.8	299.3	66.5	22.2%
- Minority interests	52.9	46.1	6.8	14.8%

The Eurizon Financial Group's consolidated net profit for 2005 amounted to €418.7 million, and thus increased by 21.2 percent with respect to the €345.7 million reported on a proforma basis for the previous year. ROE for the year of 2005 came to 22 percent.

In order to provide the same basis for comparison of the 2005 and 2004 data, the profit-and-loss results for 2004 have been restated on a proforma basis, so as to take into account both the impacts of IAS 32 and 39 and IFRS 4, and the financial segment's reporting of the French subsidiaries in accordance with IFRS 5.

Net premiums earned on insurance products and financial products with discretionary participation in profits came to €3,599.3 million, decreasing by 24.3 percent compared with 2004. This reduction was partially offset by the customer preference for products with more of an investment focus, whose production increased by 19 percent to a total of €4.545 billion, but it caused an overall reduction in insurance production, which stood at €8,179.3 million (-5 percent). The decrease in production is to be considered in relation to the reduction in key-person life insurance policies sold to institutional and private clients, and the effects of the expiration of a co-insurance agreement with Poste Vita. Net of such components, the life production expanded by 4.5 percent. Underwriting volumes in the property-casualty business are still marginal.

The life and property-casualty underwriting business was nonetheless more profitable in 2005, with the pre-tax profit rising by 37.4 percent to €327 million.

Claims-related charges amounted to €4,282.3 million (-20.3 percent), with €1,985 million regarding sums paid for claims, surrenders and lapses, and €2,297.3 million relative to changes in the technical reserves.

Net commission income advanced by 5.8 percent, from €697.7 million to €738.2 million, measuring 0.94 percent of the assets under management, with the bulk of the amount, €586.9 million, coming from the financial services segment.

Income on financial instruments and investments totalled €1,203.9 million, rising by 21 percent reflecting changes in asset allocation and the realization of net capital gains.

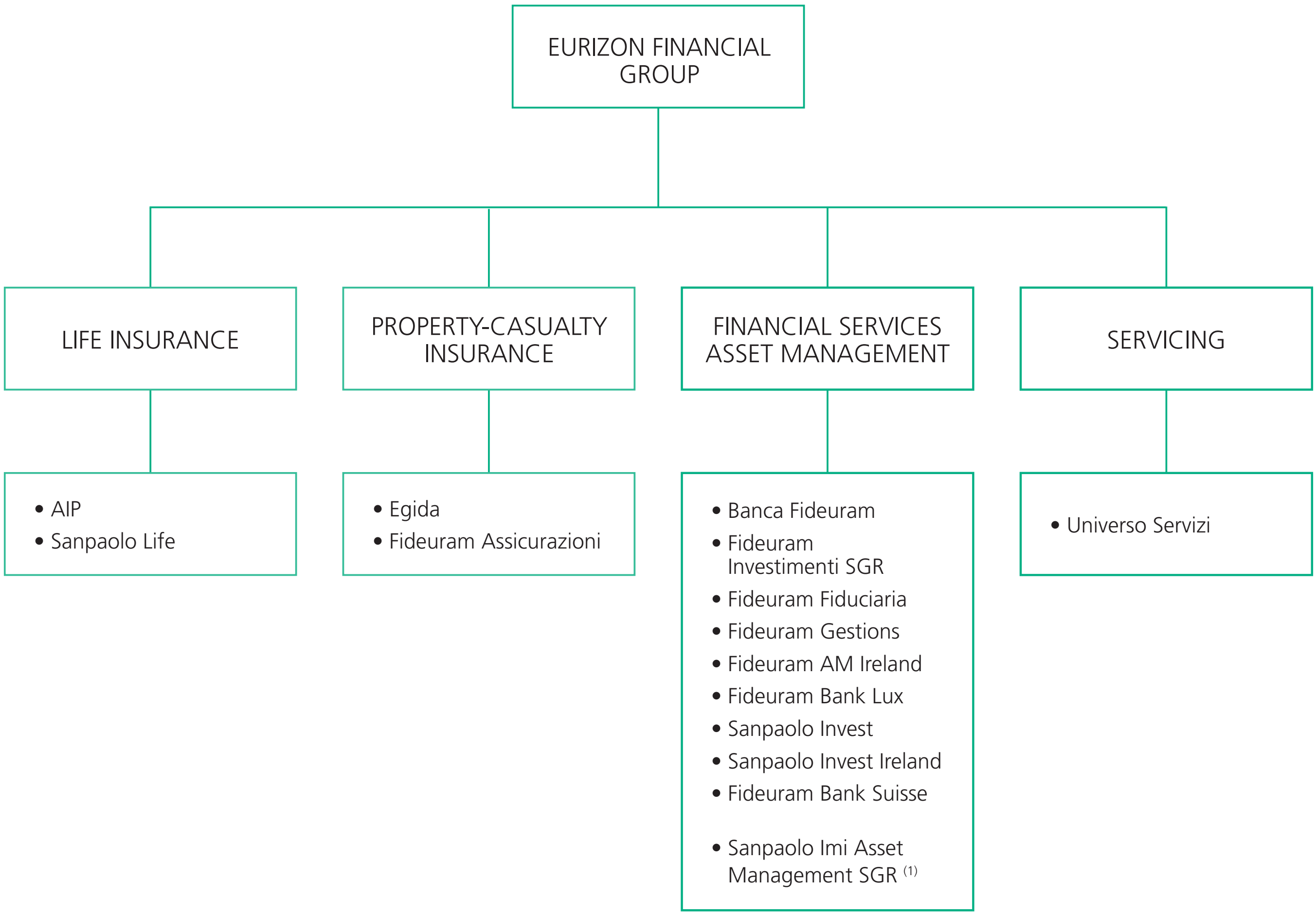
Operating expenses were up by 7.5 percent, going from €480.5 million in 2004 to €516.3 million in 2005, with much of the increase related to the costs for new personnel hired to staff the Group's governance and operating units.

Other revenues and expenses resulted in a net charge of €141.1 million (+37.7 percent), with the balance mainly referring to provisions to the reserves for risks and charges of €72.3 million for indemnities due on the loyalty plans set up by the financial-adviser networks, risks on litigation, and risks on corporate bond trading.

The tax provision amounted to €147.2 million, and includes €140.6 million for current taxes and a €6.6 million charge for deferred tax liabilities (as the balance of deferred tax assets and deferred tax liabilities).

More detailed information on the accounts reported in the preceding table is disclosed hereunder in the discussion of the individual business segments.

STRUCTURE BY BUSINESS ACTIVITY



[1] On 24 January 2006, the Sanpaolo Imi board of directors approved a resolution to transfer the Group's asset management business to Eurizon. The perfection of the transaction is subject to the procurement of the necessary regulatory authorizations.

EURIZON FINANCIAL GROUP: RESULTS BY BUSINESS SEGMENT

With the new format adopted for the presentation of the financial statements, the profit and loss statement for insurance companies is no longer subdivided into sections reporting results from underwriting and investments, but consists of a summary representation of the profit-and-loss data for all of the Eurizon Financial Group's sectors of activity. The data for the individual sectors are then reported in separate schedules in accordance with IAS 14 which governs segment reporting.

In this regard, the Eurizon Financial Group has identified three business segments: life insurance, property-casualty insurance, and financial services. The data for the individual segments reflect the capital, financial position and earnings of the companies belonging to the segments, each of which is treated as a distinct and independent business unit with respect to the other segments. Accordingly, all assets, liabilities, revenues and expenses from transactions between companies belonging to the same segment or between companies belonging to different segments are eliminated.

The tables below illustrate the balance sheet and the profit and loss statement by business segment with regard to 2005:

Balance sheet by business segment

(in € mn)		Life Insurance	Property-Casualty Insurance	Financial Services	Total	Intercompany Eliminations	Total
1	Intangible assets	4.4	1.0	24.8	30.2	24.2	54.4
2	Fixed assets	34.4	0.1	51.1	85.6	-	85.6
3	Technical reserves for the account of reinsurers	4.8	24.3	-	29.1	-	29.1
4	Investments	46,699.8	82.6	10,810.5	57,592.9	-6,425.6	51,167.3
5	Other receivables	327.2	7.8	280.1	615.1	-35.7	579.4
6	Other assets	850.9	0.8	376.5	1,228.2	-40.3	1,187.9
7	Cash and cash equivalents	272.3	4.9	1,327.4	1,604.6	-	1,604.6
	Total assets	**48,193.8**	**121.5**	**12,870.4**	**61,185.7**	**-6,477.5**	**54,708.2**
1	Shareholders' equity	1,251.8	32.7	6,291.3	7,575.8	-5,577.3	1,998.5
2	Provisions	27.3	-	184.3	211.6	-	211.6
3	Technical reserves	22,086.9	75.9	-	22,162.8	-22.5	22,140.3
4	Financial liabilities	22,982.5	2.1	5,783.0	28,767.6	-855.3	27,912.3
5	Payables	911.1	10.2	363.2	1,284.5	-34.9	1,249.6
6	Other liabilities	934.2	0.6	248.6	1,183.4	12.6	1,196.0
	Total liabilities and shareholders' equity	**48,193.8**	**121.5**	**12,870.4**	**61,185.7**	**-6,477.5**	**54,708.2**

Profit and loss statement by business segment

(in € mn)		Life Insurance	Property Casualty Insurance	Financial Services	Total	Intercompany Eliminations	Total
1.1	Net premiums	3,568.1	31.2	-	3,599.3	-	3,599.3
1.2	Commission income	394.1	-	1,012.9	1,407.0	-260.9	1,146.1
1.3	Income and charges from financial instruments stated at fair value, whose gains and losses accrue to the profit and loss statement	395.5	-	41.2	436.7	-2.3	434.4
1.4	Income from equity investments in subsidiaries, affiliates and joint ventures	-	-	-	-	-	-
1.5	Income from other financial instruments and real estate investments	790.5	3.1	107.0	900.6	-8.8	891.8
1.6	Other revenues	20.8	0.4	4.1	25.3	-2.3	23.0
1	**Total revenues and income**	**5,169.0**	**34.7**	**1,165.2**	**6,368.9**	**-274.3**	**6,094.6**
2.1	Claims related charges, net	4,270.5	13.8	-	4,284.3	-2.0	4,282.3
2.2	Commission expense	241.7	-	426.0	667.7	-259.8	407.9
2.3	Charges from equity investments in subsidiaries, affiliates and joint ventures	-	-	-	-	-	-
2.4	Charges from other financial instruments and real estate investments	49.3	0.1	80.8	130.2	-7.9	122.3
2.5	Operating expenses	228.5	9.5	280.6	518.6	-2.3	516.3
2.6	Other expenses	61.7	1.6	101.6	164.9	-0.8	164.1
2	**Total expenses and charges**	**4,851.7**	**25.0**	**889.0**	**5,765.7**	**-272.8**	**5,492.9**
	Profit (loss) before taxes	**317.3**	**9.7**	**276.2**	**603.2**	**-1.5**	**601.7**

Life insurance segment

The life insurance segment incorporates the activities of Assicurazioni Internazionali di Previdenza S.p.A. (AIP), inclusive of the insurance operations previously directly owned by Sanpaolo Imi Group that were transferred to AIP in 2004, the Irish Sanpaolo Life Ltd. and Universo Servizi S.p.A.

The segment's assets amounted to €48,193.8 million, and accounted for 78.8 percent of consolidated assets, prior to the elimination of transactions between business segments.

The segment contributed pre-tax earnings of €317.3 million, or 52.6 percent of consolidated pre-tax earnings, before the elimination of transactions between business segments.

Property-casualty insurance segment

The property-casualty insurance segment incorporates the activities of the insurance companies, Egida S.p.A. and Fideuram Assicurazioni S.p.A.

The segment's assets amounted to €121.5 million and represented 0.2 percent of consolidated assets, prior to the elimination of transactions between business segments.

The segment contributed pre-tax earnings of €9.7 million, or 1.6 percent of consolidated pre-tax earnings, before the elimination of transactions between business segments.

Financial services segment

The financial services segment covers the activities carried out by the Banca Fideuram private-banker networks.

The segment's assets amounted to €12,870.4 million and represented 21 percent of consolidated assets, prior to the elimination of transactions between business segments.

The segment contributed pre-tax earnings of €276.2 million, or 45.8 percent of consolidated pre-tax earnings, before the elimination of transactions between business segments.

LIFE INSURANCE SEGMENT

KEY FINANCIAL DATA

(in € mn)		31/12/2005	31/12/2004 proforma
1	Intangible assets	4.4	4.3
2	Fixed assets	34.4	34.2
3	Technical reserves for the account of reinsurers	4.8	2.5
4	Investments	46,699.8	40,336.4
5	Other receivables	327.2	301.8
6	Other assets	850.9	793.3
7	Cash and cash equivalents	272.3	172.8
	Total assets	**48,193.8**	**41,645.3**
1	Shareholders' equity	1,251.8	1,082.5
2	Provisions	27.3	21.2
3	Technical reserves	22,086.9	19,794.6
4	Financial liabilities	22,982.5	19,572.1
5	Payables	911.1	348.5
6	Other liabilities	934.2	826.4
	Total liabilities and shareholders' equity	**48,193.8**	**41,645.3**

		31/12/2005	31/12/2004 proforma
1.1	Net premiums	3,568.1	4,733.0
1.2	Commission income	394.1	334.2
1.3	Income and charges from financial instruments stated at fair value, whose gains and losses accrue to the profit and loss statement	395.5	305.3
1.4	Income from equity investments in subsidiaries, affiliates and joint ventures	-	-
1.5	Income from other financial instruments and real estate investments	790.5	643.3
1.6	Other revenues	20.8	26.3
1	**Total revenues and income**	**5,169.0**	**6,042.1**
2.1	Claims related charges, net and change in technical reserves	4,270.5	5,360.2
2.2	Commission expense	241.7	170.6
2.3	Charges from equity investments in subsidiaries, affiliates and joint ventures	-	-
2.4	Charges from other financial instruments and real estate investments	49.3	11.4
2.5	Operating expenses	228.5	215.3
2.6	Other expenses	61.7	51.3
2	**Total expenses and charge**	**4,851.7**	**5,808.8**
	Profit (loss) before taxes	**317.3**	**233.3**

During the year, changes were made in underwriting policy, with the gradual termination of the underwriting of capitalization policies, which were used as a treasury-management tool by institutional customers. A sharp increase in the returns on the investment portfolio was also achieved through changes to the portfolio mix, which included greater diversification into equities and other corporate securities and the lengthening of the duration of the bond portfolio.

Gross production

(in € mn)	31/12/2005		31/12/2004 proforma		Change 2005/2004 proforma	
Premiums on financial products with participation in profits	**3,028.1**	**37.3%**	**4,111.6**	**48.1%**	**-1,083.5**	**-26.4%**
- Recurring premiums	264.8	3.3%	322.6	3.8%	-57.8	-17.9%
- Single premiums	2,763.3	34%	3,789.0	44.3%	-1,025.7	-27.1%
Premiums on life insurance products	**544.9**	**6.7%**	**624.8**	**7.3%**	**-79.9**	**-12.8%**
- Recurring premiums	352.7	4.3%	302.1	3.5%	50.6	16.8%
- Single premiums	192.2	2.4%	322.7	3.8%	-130.5	-40.4%
Premiums on financial products without participation in profits	**4,544.8**	**56.0 %**	**3,805.4**	**44.6%**	**739.4**	**19.4%**
- Recurring premiums	354.3	4.4%	313.7	3.7%	40.6	12.9%
- Single premiums	4,190.5	51.6%	3,491.7	40.9%	698.8	20.0%
Total	**8,117.8**	**100.0%**	**8,541.8**	**100.0%**	**-424.0**	**-5.0%**

Gross production came to €8,117.8 million, contracting by 5 percent. Roughly €3,028.1 million of total premiums came from financial products providing for discretionary participation in profits (most of which are under separated account management); volumes in such products decreased by 26.4 percent due to (i) the aforementioned decision to terminate the business in capitalization policies sold to institutional and private clients (which caused production to fall by €508 million), and (ii) the effects of the expiration of a co-insurance agreement with Poste Vita (which caused a decrease of €245 million).

Net of such items, production rose by a slight 4.5 percent, partly due to increased volumes in unit- and index-linked products whose production went from €3,805.4 million to €4,544.8 million (+19.4 percent).

Finally, the premiums related to basic insurance products went from €624.8 million to €544.9 million, thus declining by 12.8 percent.

Sums paid under policies and change in technical reserves

(in € mn)	31/12/2005		31/12/2004 proforma		Change 2005/2004 proforma	
Sums paid	1,972.9	46.2%	1,686.9	31.5%	286.0	17.0%
Change in technical reserves	2,297.6	53.8%	3,673.3	68.5%	- 1,375.7	- 37.5%
Total	**4,270.5**	**100.0%**	**5,360.2**	**100.0%**	**- 1,089.7**	**- 20.3%**

The sum of payments made under the policies and the change in technical reserves decreased from €5,360.2 million in 2004 to €4,270.5 million in 2005.

Amounts paid for claims, lapses and surrenders rose by 17 percent to €1,972.9 million. Instead, the change in technical reserves was a decrease of €2,297.6 million that was some 37.5 percent less than the decrease in 2004, mainly due to reduced production of both basic insurance products and financial products allowing for participation in profits.

Commissions

(in € mn)	31/12/2005		31/12/2004 proforma		Change 2005/2004 proforma	
Commission income	**394.1**	**100.0%**	**334.2**	**100.0%**	**59.9**	**17.9%**
Commission income on unit-linked financial products	46.6	11.8%	37.5	11.2%	9.1	24.3%
Commission income on index-linked financial products	114.6	29.1%	100.0	30.0%	14.6	14.6%
Commission income for management of unit-linked funds	231.3	58.7%	195.3	58.4%	36.0	18.4%
Other commission income	1.6	0.4%	1.4	0.4%	0.2	14.3%
Commission expense	**241.7**	**100.0%**	**170.6**	**100.0%**	**71.1**	**41.7%**
Commission expense on unit-linked financial products	35.3	14.6%	17.9	10.5%	17.4	97.2%
Commission expense on index-linked financial products	70.5	29.2%	44.4	26.1%	26.1	58.8%
Retrocession of commissions for management of unit-linked funs	134.4	55.6%	107.4	62.9%	27.0	25.1%
Other commission expense	1.5	0.6%	0.9	0.5%	0.6	66.7%
Net commissions	**152.4**	**-**	**163.6**	**-**	**-11.2**	**-6.8%**

Financial products without discretionary participation in profits (mainly index- and unit-linked policies for investment purposes) generated net commission income of €152.4 million, for a decrease of 6.8 percent with respect to the prior year.

Commission income rose by 17.9 percent to €394.1 million, reflecting both the increase in commissions on unit-linked products (with the related assets under management growing also as a result of performance) and the higher production of index-linked contracts.

Commission expense rose by 41.7 percent to total €241.7 million, with the change incorporating the fees paid to the distribution networks for the placement of index-linked policies and higher commissions paid back to the placement agents on unit-linked policies underlying funds.

The deferred load charges (deferred income reserve) related to policies serving mainly as investments totalled €385 million, including €81 million related to unit-linked policies and €304 million related to index-linked policies.

Similarly, the deferred commission expense (deferred acquisition costs) related to the same types of contracts totalled €211 million, including €125 million for index-linked products and €86 million for unit-linked products.

The amount of deferred load charges, net of deferred acquisition costs related to future years, thus came to €174 million.

Investment income and charges

(in € mn)	31/12/2005		31/12/2004 proforma		Change 2005/2004 proforma	
Income (charges) on financial investments	**2,620.8**	**230.6%**	**1,929.8**	**205.9%**	**691.0**	**35.8%**
- Financial assets available for sale	746.7	65.7%	633.7	67.6%	113.0	17.8%
- Fair-value designated financial assets	2,011.0	176.9%	1,251.9	133.6%	759.1	60.6%
- Financial assets held for trading	-137.4	-12.1%	44.2	4.7%	-181.6	n,s,
- Financing and loans receivable	0.3	-	-	-	0.3	n,s,
- Other financial assets	0.2	-	-	-	0.2	n,s,
Income (charges) on financial liabilities	**-1,493.2**	**-131.4%**	**-992.6**	**-105.9%**	**-500.6**	**50.4%**
- Financial liabilities stated at fair value	-1,478.2	-130.0%	-990.8	-105.7%	-487.4	49.2%
- Other financial debt	-15.0	-1.3%	-1.8	-0.2%	-13.2	n,s,
Income (charges) on other financial accounts	**9.1**	**0.8%**	**-**	**-**	**9.1**	**100.0%**
Income (charges) on other investments	**-**	**-**	**-**	**-**	**-**	**-**
Total	**1,136.7**	**100.0%**	**937.2**	**100.0%**	**199.5**	**21.3%**

Net investment income for 2005 amounted to €1,136.7 million, thus rising by 21.3 percent with respect to 2004.

The growth of net investment income is mostly the result of the positive performance of the financial instruments stated at fair value, which are mainly related to unit- and index-linked policies. These assets generated earnings of €2,011.1 million in 2005, versus €1,251.9 million in 2004 (+60.6 percent), with the gain partly attributable to the positive performance of the financial markets.

The income related to financial assets available for sale, most of which are assets under separate-account management and owned capital by the Eurizon Financial Group, amounted to €746.7 million in 2005 versus €633.7 million for the prior year; the 18-percent increase is the result of both changes in asset allocation and the realization of net capital gains in the amount of €124 million.

The unwinding of a €521 million portfolio of holdings in various equity funds also had a beneficial impact, with the amounts reinvested directly in equity securities.

Assets and liabilities held for trading purposes generated a net loss of €137.4 million, compared with income of €44.2 million in 2004.

In 2005, the company entered into interest-rate swaps as part of a financial hedging strategy (notional amount of €451 million at year end); the swaps were booked as financial assets stated at fair value, and led to the recognition of €20 million of charges in the profit and loss statement.

Constant maturity swaps (notional amount of €153 million at year end) were also employed for the purpose of achieving more efficient management, and were recorded as assets held for trading purposes; such swaps had a positive impact of €22 million on the profit and loss statement.

The remaining financial derivatives booked as assets refer to the hedging of policies sold mostly as investments (index- and unit-linked products) or similar types of policies held directly by the company and earmarked for sale.

Operating expenses and commissions paid

(in € mn)	31/12/2005		31/12/2004 proforma		Change 2005/2004 proforma	
Commissions and other acquisition expenses	156	68.3%	151.4	70.3%	4.6	3%
Investment management expenses	36.9	16.1%	32.4	15.1%	4.5	13.9%
Other administrative expenses	35.6	15.6%	31.5	14.6%	4.1	13.0%
Total	**228.5**	**100.0%**	**215.3**	**100.0%**	**13.2**	**6.1%**

Commission and investment-management expense for 2005 amounted to €228.5 million, increasing by 6.1 percent with respect to 2004. Commission expense totalled €156 million, rising by 3 percent. Investment management expenses climbed by 13.9 percent to €36.9 million, with the increase mainly reflecting outlays to reinforce the investment management infrastructure and higher management commissions on a higher balance of assets under management.

Other administrative expenses rose by 13 percent to €35.6 million, mainly due to outlays used for building up Eurizon Financial Group's operational and governance units.

BALANCE-SHEET AGGREGATES

Investments

(in € mn)	31/12/2005		31/12/2004 proforma		Change 2005/2004 proforma	
Financial assets available for sale	19,137.1	41.0%	16,410.6	40.7%	2,726.5	16.6%
Fair-value designated financial assets	26,984.4	57.7%	23,615.7	58.5%	3,368.7	14.3%
Financial assets held for trading	533.3	1.1%	262.8	0.7%	270.5	102.9%
Real estate investments	39.3	0.1%	40.2	0.1%	-0.9	-2.2%
Equity investments	-	-	0.1	-	-	n.m.
Financing and loans receivable	5.6	-	7.0	-	-1.4	-20.0%
Total	**46,782.7**	**100.0%**	**40,336.4**	**100.0%**	**6,363.4**	**15.8%**

The growth of investments is the result of (i) an increase in the assets under management and (ii) the positive trend of the equity and bond markets, which translated into an increase in the fair value of both securities available for sale and other financial assets.

The total value of the financial assets stated at fair value went from €23,615.7 million to €26,984.4 million. The 14-percent increase is the result of both net new inflows of funds referring to financial products without participation in profits and the positive performance of the financial markets.

The portfolio of assets available for sale was valued at €19,137.1 million at the end of 2005, thereby reflecting a change of €2,726.5 million (+16.6 percent). In 2005, the following changes were made with respect to the portfolio:

- the equity component of assets under separate-account management was increased by means of direct investments providing for suitable diversification, volatility and return. As of year end, the holdings of the equities of leading Italian and foreign issuers amounted to €1,000 million, or 2 percent of the total portfolio;

- the duration of the investments was increased from 4.2 years to 4.7 years. The initial step toward this objective was the repositioning of the fixed-income portfolio, in order to get to a longer duration that would be more consistent with the maturity profile of the reserves. This was followed by the partial closing in the second half of certain hedging transactions effected at the start of the year: during the first quarter, interest-rate swaps (notional amount of €962 million) were effected to protect some of the capital gains on the fixed-income portfolio at a time when market indicators pointed to the risks of higher interest rates; contracts involving a notional amount of €617 million were unwound in July;

- the investment in corporate securities was increased to total €2,772 million, or 6 percent of total investments, at the end of 2005.

The portfolio of fair-value designated assets (most of which are related to unit- and index-linked policies serving for insurance or investment purposes) expanded by 14.3 percent, to €26,984.4 million. Almost all of the assets are represented by mutual funds in which unit-linked policies have been invested, with the residual portion of the portfolio represented by securities and derivatives related to index-linked policies.

With the net market value in excess of the carrying value, the shareholders' equity reserve for gains and losses on the valuation of securities available for sale reflected €91 million as of the end of 2005, versus €94 million at the end of 2004.

Considering the fiscal effect on the reserves carried as part of shareholders' equity and the amount of the net capital gains attributed to the policyholders through the shadow accounting, the amount of unrealized capital gains on the assets available for sale rose by €160 million during the year, going from €629 million at the end of 2004 to €796 million at the end of 2005.

Technical reserves

(in € mn)	31/12/2005		31/12/2004 proforma		Change 2005/2004 proforma	
Life insurance reserves						
Actuarial reserves	17,629.0	79.8%	15,510.7	78.4%	2,118.3	13.7%
Reserves for sums to be paid	82.0	0.4%	90.8	0.4%	-8.8	-9.7%
Technical reserves where investment risk is borne by the policyholders and reserves related to pension fund management	3,681.2	16.7%	3,635.0	18.4%	46.2	1.3%
Other reserves	694.7	3.1%	558.1	2.8%	136.7	24.5%
- deferred liabilities to policyholders	636.3	2.9%	477.1	2.4%	159.2	33.3%
Total	**22,086.9**	**100.0%**	**19,794.5**	**100.0%**	**2,292.3**	**11.6%**
Life insurance reserves by product type						
Financial products with discretionary participation in profits	14,542.1	65.8%	12,117.4	61.2%	2,424.7	20.0%
Life insurance products	7,544.8	34.2%	7,677.2	38.8%	-132.4	-1.7%
Total	**22,086.9**	**100.0%**	**19,794.6**	**100.0%**	**2,292.4**	**11.6%**
- inclusive of: shadow accounting reserve	636.3	2.9%	477.1	2.4%	159.2	33.4%

The technical reserves, which cover commitments to policyholders in relation to insurance products and the financial products with discretionary participation in profits, totalled €22,086.9 million at the end of 2005. The 11.6-percent increase for the year is the result of (i) the effects of the favourable trend of the market (which is reflected in the returns to the policyholders) and (ii) the positive balance between premiums and sums paid out in relation to such products. The technical reserves incorporate the effect of the application of shadow accounting to the financial assets under separate-account management, namely, the allocation to the policyholders of their portion of potential net capital gains on the investment portfolio. The application of the shadow accounting showed potential net capital gains of €636.3 million accruing to policyholders, versus €477.1 million at the end of 2004 (+33.4 percent).

Non-subordinated financial liabilities

(in € mn)	31/12/2005		31/12/2004 proforma		Change 2005/2004 proforma	
Financial products without discretionary participation in profits	22,647.7	99.7%	19,379.5	99.8%	3,268.2	16.9%
- unit-linked policies	11,617.4	51.2%	9,927.6	51.1%	1,689.8	17.0%
- index-linked policies	10,784.7	47.5%	9,212.9	47.5%	1,571.8	17.1%
- products with specific assets	245.6	1.0%	239.0	1.2%	6.6	2.8%
Other financial debt	56.9	0.3%	37.6	0.2%	19.3	51.3%
Total	**22,704.6**	**100.0%**	**19,417.1**	**100.0%**	**3,287.5**	**16.9%**

The financial liabilities regarding financial products not under separate-account management (mainly financial liabilities related to index- and unit-linked products) amounted to €22,704.6 million, increasing by 16.9 percent with respect to the prior year. The growth reflects (i) the volumes of new production of index-linked products placed by the banking networks, and (ii) the increase in the value of the assets underlying the index- and unit-linked policies as a result of the favourable performance of the financial markets.

PROPERTY-CASUALTY INSURANCE SEGMENT

KEY FINANCIAL DATA

(in € mn)		31/12/2005	31/12/2004 proforma
1	Intangible assets	1.0	0.7
2	Fixed assets	0.1	0.1
3	Technical reserves for the account of reinsurers	24.3	22.1
4	Investments	82.6	61.1
5	Other receivables	7.8	5.9
6	Other assets	0.8	2.0
7	Cash and cash equivalents	4.9	4.6
	Total assets	**121.5**	**96.5**
1	Shareholders' equity	32.7	24.9
2	Provisions	-	-
3	Technical reserves	75.9	60.6
4	Financial liabilities	2.1	-
5	Payables	10.2	10.1
6	Other liabilities	0.6	1.0
	Total liabilities and shareholders' equity	**121.5**	**96.50**

		31/12/2005	31/12/2004 proforma
1.1	Net premiums	31.2	19.7
1.2	Commission income	-	-
1.3	Income and charges from financial instruments stated at fair value, whose gains and losses accrue to the profit and loss statement	-	-
1.4	Income from equity investments in subsidiaries, affiliates and joint ventures	-	-
1.5	Income from other financial instruments and real estate investments	3.1	1.9
1.6	Other revenues	0.4	1.1
1	**Total revenues and income**	**34.7**	**22.7**
2.1	Claims related charges, net	13.8	11.3
2.2	Commission expense	-	-
2.3	Charges from equity investments in subsidiaries, affiliates and joint ventures	-	-
2.4	Charges from other financial instruments and real estate investments	0.1	0.1
2.5	Operating expenses	9.5	5.6
2.6	Other expenses	1.6	1.0
2	**Total expenses and charges**	**25.0**	**17.9**
	Profit (loss) before taxes	**9.7**	**4.7**

Net premiums for the year amounted to €31.2 million. The change in the premium reserve was equal to €13 million, rising by €1 million (+12 percent); the change mainly reflects a longer portfolio duration due to significant underwriting of credit protection insurance which is sold in combination with mortgages and other types of loans. Premiums ceded totalled €21 million (+20 percent), with the retention rate thus going from 61 percent to 65 percent.

Claims-related charges

(in € mn)	31/12/2005		31/12/2004 proforma		Change 2005/2004 proforma	
Claims-related charges	13.7	100.0%	11.4	100.0%	2.3	20.2%
- Sums paid	12.0	87.6%	11.4	100.0%	0.6	5.3%
- Change in loss reserves and other reserves	1.7	12.4%	-	-	1.7	n.s.

Claims-related charges amounted to €13.7 million in 2005, compared with €11.4 million in 2004, and included €12 million of claims paid and €1.7 million represented by the change in loss reserves and other reserves.

Policy acquisition costs and other administrative expenses came to €4 million, rising by 59 percent year on year. Operating expenses for 2005 totalled €9.5 million, increasing by 70 percent with respect to the prior year. Attributable in part to the higher policy acquisition costs, the growth of operating expenses also reflects investments and other administrative expenditures aimed at building up the operational and governance areas of the company.

Property-Casualty ratios

	31/12/2005	31/12/2004	% Change
Combined ratio	80.9%	80.4%	0.5%
Claims ratio	37.9%	41.0%	- 3.1%
Commission ratio	21.9%	18.5%	3.4%
Cost ratio	8.4%	8.5%	- 0.1%

The combined ratio for 2005 stood at 80.9 percent compared with 80.4 percent for 2004. The claims ratio improved from 41 percent to 37.9 percent, while the commission ratio rose from 18.5 percent to 21.9 percent and the cost ratio fell from 8.5 percent to 8.4 percent. The changes reflect a different portfolio mix, with an increase in credit-protection insurance which typically has a low loss ratio and high commission structure.

BALANCE-SHEET AGGREGATES

The technical reserves grew from €61 million at the end of 2004 to €76 million at the end of 2005.

Technical reserves

(in € mn)	31/12/2005		31/12/2004 proforma		Change 2005/2004 proforma	
Property-casualty reserves						
Premium reserve	51.9	68.4%	39.3	64.9%	12.6	32.1%
Loss reserve	22.8	30.0%	20.4	33.7%	2.4	11.8%
Other reserves	1.2	1.6%	0.9	1.5%	0.3	33.3%
Total	**75.9**	**100.0%**	**60.6**	**100.0%**	**15.3**	**25.2%**
Property-casualty reserves by product type						
Accident and illness	48.5	64%	41.7	68.8%	6.8	16.3%
Auto liability	1.2	1.6%	-	-	1.2	n.s.
Motor vehicle hulls	2.4	3.2%	2.0	3.3%	0.4	20%
Maritime, aviation and transport	-	-	-	-	-	-
Fire and other property damage	9.6	12.7%	6.9	11.4%	2.7	39.1%
General liability	6.8	9.0%	6.2	10.2%	0.6	9.7%
Credit and bonds	-	-	-	-	-	-
Pecuniary loss	6.9	9.1%	3.5	5.8%	3.4	97.1%
Legal protection	0.1	-	-	-	0.1	n.s.
Assistance	0.4	0.5%	0.3	0.5%	0.1	33.3%
Total	**75.9**	**100%**	**60.6**	**100.0%**	**15.3**	**25.2%**

FINANCIAL SERVICES SEGMENT

KEY FINANCIAL DATA

(in € mn)		31/12/2005	31/12/2004 proforma
1	Intangible assets	24.8	25.8
2	Fixed assets	51.1	55.4
3	Technical reserves for the account of reinsurers	-	-
4	Investments	10,810.5	4,207.1
5	Other receivables	280.1	163.9
6	Other assets	376.5	315.0
7	Cash and cash equivalents	1,327.4	778.4
	Total assets	**12,870.4**	**5,545.6**
1	Shareholders' equity	6,291.3	646.2
2	Provisions	184.3	123.6
3	Technical reserves for the account of reinsurers	-	-
4	Financial liabilities	5,783.0	4,231.5
5	Payables	363.2	324.9
6	Other assets	248.6	219.4
	Total liabilities and shareholders' equity	**12,870.4**	**5,545.6**

		31/12/2005	31/12/2004 proforma
1.1	Net premiums	-	-
1.2	Commission income	1,012.9	917.9
1.3	Income and charges from financial instruments stated at fair value, whose gains and losses accrue to the profit and loss statement	41.2	29.7
1.4	Income from equity investments in subsidiaries, affiliates and joint ventures	-	-
1.5	Income from other financial instruments and real estate investments	107.0	91.9
1.6	Other revenues	4.1	13.5
1	**Total revenues and income**	**1,165.2**	**1,053.0**
2.1	Claims related charges, net	-	-
2.2	Commission expense	-426.0	-383.5
2.3	Charges from equity investments in subsidiaries, affiliates and joint ventures	-	-
2.4	Charges from other financial instruments and real estate investments	-80.8	-64.4
2.5	Operating expenses	-280.6	-261.4
2.6	Other expenses	-101.6	-89.9
2	**Total expenses and charges**	**-889.0**	**-799.2**
	Profit (loss) before taxes	**276.2**	**253.8**

In 2005, the financial services segment benefited from the positive trend of net commissions (+€52.6 million) and net financial income (+€10.1 million), which more than offset the higher non-recurring provisions set aside to cover risks on corporate bond trading.

Net commissions

(in € mn)	31/12/2005		31/12/2004 proforma		Change 2005/2004 proforma	
Recurring commissions, net	599.6	102.2%	550.5	103.0%	49.1	8.9%
Front-end commissions	57.8	9.8%	63.2	11.8%	-5.4	-8.5%
Other commissions (incentives and other), net	-70.5	-12.0%	-79.3	-14.8%	8.8	-11.1%
Total	**586.9**	**100.0%**	**534.4**	**100.0%**	**52.5**	**9.8%**

Net commissions totalled €586.9 million, increasing by 9.8 percent over the €534.4 million reported for 2004.

Net recurring commissions of €599.6 million were up by €49.1 million (+8.9 percent) over the €550.5 million reported for 2004, partly due to the growth of average assets managed with recurring commissions (up by 7.2 percent, from €40.3 billion to €43.2 billion).

Net front-end commissions of €57.8 million decreased by €5.4 million in comparison with the prior year; this change essentially reflects a decrease in securities-related activity and, to a more limited extent, less activity in the insurance segment, events only partly offset by higher commissions on the placement of mutual funds. Such commissions, however, rebounded in the fourth quarter of 2005 (+€6.4 million), due in part to the positive impact of securities placement commissions.

Incentives and other items accounted for net commission expense of €70.5 million, a contraction of €8.9 million, or 11.2 percent, in comparison with 2004.

The trend of commission flows can be better explained by the trend of the assets under management and the net funding of the financial services segment as reported in the following tables.

Assets under management

(in € mn)	31/12/2005	31/12/2004 proforma	Change 2005/2004 proforma	
Mutual investment funds	18,764	16,827	1,937	11.5%
Individual portfolio management	17,336	15,956	1,380	8.6%
Life insurance	14,067	13,414	653	4.9%
- unit-linked policies	10,103	8,702	1,401	16.1%
Pension funds	161	125	36	28.8%
Total funds under management	**50,328**	**46,322**	**4,006**	**8.6%**
Total funds under administration	**13,984**	**13,147**	**837**	**6.4%**
- securities	11,301	10,901	400	3.7%
Total assets under management	**64,312**	**59,469**	**4,843**	**8.1%**

At the end of 2005, the assets under management and administration totalled roughly €64.3 billion, climbing by 8.1 percent over the €59.5 billion balance at the end of 2004. The increase reflects the positive performance of the assets and, to a lesser extent, the trend of net funding (€1.2 billion).

Net financial income (charges)

(in € mn)	31/12/2005		31/12/2004 proforma		Change 2005/2004 proforma	
Income (charges) on financial investments	**145.0**	**100.0%**	**119.2**	**100.0%**	**25.8**	**21.6%**
Financial assets available for sale	-	-	-	-	-	-
Fair-value designated financial assets	41.2	28.4%	29.7	24.9%	11.5	38.7%
Investments held to maturity	0.1	0.1%	0.1	0.1%	-	-
Financing and loans receivable	103.5	71.4%	89.4	75.0%	14.1	15.8%
Other financial assets	0.2	0.1%	-	-	0.2	n.s.
Income (charges) on financial liabilities	**-77.6**	**100.0%**	**-62.0**	**100.0%**	**-15.6**	**25.2%**
Financial liabilities held for trading	-	-	-	-	-	-
Fair-value designated financial liabilities	-	-	-	-	-	-
Other financial debt	-	-	-5.8	9.4%	-5.8	n.s.
Income (charges) on other financial liabilities	**-77.6**	**100.0%**	**-56.2**	**90.6%**	**-21.4**	**38.1%**
Total	**67.4**		**57.2**		**10.2**	**17.8%**

Net financial income totalled €67.4 million versus €57.3 million in 2004 (+17.8 percent).

The net gains on financial instruments stated at fair value and accrued to the profit and loss statement amounted to €41.2 million (€29.7 million in 2004). The account mainly covers the valuation of insurance policies executed in order to insure market yields on the loyalty plans set up by the private-banker networks. Virtually all of such gains are accrued to the reserve for risks and charges inasmuch as they are to be remitted to the private bankers on the basis of the contractual terms and conditions governing the loyalty plans.

The income from other financial instruments and real estate investments, net of related charges, totalled €26.3 million (€27.5 million in 2004), and included:

- interest and other net income of €23.6 million essentially attributable to lending activity;
- net valuation losses of €2.1 million related to customer receivables;
- net earnings of €4.8 million mainly realized on securities repurchase transactions with customers.

Operating expenses were equal to €280.6 million, rising by 7.3 percent over 2004, mainly due to costs for personnel (+€14.2 million) related to the staffing of the segment's operational and governance areas.

Other costs, net of other revenues, amounted to €97.5 million (€76.4 million in 2004) and consist mostly of adjustments to the value of fixed and intangible assets (€27.2 million versus €35.6 million in 2004) and provisions to reserves for risks and charges (€71.1 million versus €37.2 million in 2004), with the increase in the latter account largely due to the provisions to cover risks on corporate bond trading. The net flow mainly includes:

- €7.4 million of provisions determined with actuarial criteria for contractual indemnities due to the private bankers (€5.5 million in 2004);
- €26.6 million of provisions relative to the loyalty plans set up by the private-banker networks (€22.4 million in 2004), including €16 million referring to the yield on insurance policies (€7.2 million in 2004), as previously described in the comment on net financial income;
- €36.8 million of provisions, mostly non-recurring (€21.2 million), related to potential litigation liabilities and risks related to securities in default involved in transactions executed in prior years (€9.3 million in 2004).

BALANCE-SHEET AGGREGATES

Investments

(in € mn)	31/12/2005		31/12/2004 proforma		Change 2005/2004 proforma	
Real estate investments	-	-	-	-	-	-
Shareholdings	5,600.0	51.8%	-	-	5,600.0	n.s.
Financing and loans receivable	4,444.7	41.1%	3,537.3	84.1%	907.4	25.7%
Financial assets held to maturity	4.7	-	4.7	0.1%	-	n.s.
Financial assets available for sale	0.1	-	0.1	-	-	n.s.
- Equity securities	0.1	-	0.1	-	-	n.s.
- Shares in collective investment funds	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-
- Other financial instruments available for sale	-	-	-	-	-	-
Financial assets stated at fair value, whose gains and losses accrue to the profit and loss statement	761.0	7.0%	665.0	15.8%	96.0	14.4%
- Equity securities	-	-	5.7	0.1%	-5.7	n.s.
- Shares in collective investment funds	0.1	-	-	-	0.1	n.s.
- Debt securities	758.1	7.0%	634.0	15.1%	124.1	19.6%
- Other financial instruments	2.8	-	25.3	0.6%	-22.5	-88.9%
Total investments	**10,810.5**	**100.0%**	**4,207.1**	**100.0%**	**6,603.4**	**157.0%**

Total investments of €10,810.5 million include €5,600 million related to interests held by the Eurizon Financial Group in AIP and Banca Fideuram.

Financial assets stated at fair value whose gains and losses accrue to the profit and loss statement totalled €761 million, and reflected an increase of €96 million over the €665 million posted at 31 December 2004 pro-forma (+14.4 percent), with most of the increase reflecting the purchases of short-term securities in the proprietary portfolio. This account consists largely of fixed-income securities and insurance policies taken out in favour of the private bankers in relation to the loyalty plans set up by the networks.

The financing and loans receivable of €4,444.7 million include €3,319.2 million of amounts due from banks, and €1,125.5 million of customer receivables.

Amounts due from banks include €704.9 million of unlisted securities issued by Sanpaolo Bank S.A. and used primarily for repurchase agreement transactions, and a €150 million floating-rate bond issue.

The customer receivables of €1,125.5 million include €755.1 million of secured receivables, and are €317.4 million higher than the proforma figure of €808.1 million as of the end of 2004.

As of the end of December 2005, the net doubtful credits, including amounts past due by more than 180 days, amounted to €8.4 million. Details with regard to doubtful credits are presented as follows:

- non-performing loans totalled €2.7 million at the end of 2005, and were 3.8 percent higher than the proforma figure of €2.6 million at the end of 2004; risk provisions cover 81.4 percent of these positions;
- loans expired or past due by more than 180 days amounted to €5.7 million, with risk provisions covering 7 percent;
- lump-sum risk provisions to cover performing credits amounted to €3.2 million as of the end of December 2005.

The financial liabilities of €5,783 million mainly refer to amounts due to customers, which totalled €5,138.6 million as of 31 December 2005. The 35.3-percent growth over the proforma figure as of 31 December 2004 is linked to current accounts and deposits.

Business Development

For the full year of 2005, the Eurizon Financial Group's gross insurance volume written came to €8,179 million, including €8,117.8 million of life insurance and €61.2 million of property-casualty insurance. The life insurance business included €4,544.8 million of life premiums, €3,028.1 of premiums on financial products allowing for participation in profits, and €544.9 million of premiums on financial products without participation in profits. New production of life insurance on an annualized basis was €7,345.9 million. Total technical reserves and non-subordinated financial liabilities amounted to €44,489 million, including €22,086.9 million of life insurance reserves (€22,162.8 million, including the property-casualty line of business) and €22,402.1 million of non-subordinated financial liabilities for the life business (€22,704.6 million if the non-subordinated financial liabilities for the products with specific assets of €245.6 million and the €56.9 million of other financial liabilities were to be included). Banca Fideuram closed 2005 with total assets under management of €64,312 million, and total funding of €1,841 million, including €969 million of new production of life insurance.

LIFE INSURANCE

The Eurizon Financial Group is active in the life insurance business through AIP and the Ireland-based Sanpaolo Life, and is Italy's second largest underwriter of life insurance, with a market share of 12.41 percent of annualized new production (taking into account all products distributed in Italy). Eurizon distributes its life products mostly through Banca Fideuram's 4,150 private bankers and Sanpaolo Imi's 3,172 banking branches.

AIP, the Italian production unit, concentrates on developing cash-value products with a minimum guaranteed return, and pension-type products involving various classes of insurance, such as the individual retirement plans ("FIP") for the banking channel. Sanpaolo Life instead focuses on unit-linked products (with or without capital guaranteed) and index-linked products to be distributed through banks. Set up in 1998 and mainly focused on the banking distribution channel, the Irish company has been used as a vehicle for developing highly innovative products, given the greater flexibility of its operations. At present, Sanpaolo Life is looking at developing unit- and index-linked products for potential sale through the private-banker network.

Life insurance: gross insurance volume written and new production

(in € mn)	31/12/2005	31/12/2004 proforma	Change 2005/2004 proforma
Gross insurance volume written	**8,117.8**	**8,541.9**	**-5.0%**
Private bankers	1,430.4	1,819.8	-21.4%
Bancassurance	6,687.4	6,722.1	-0.5%
New production of life insurance	**7,345.9**	**7,841.5**	**-6.3%**
Private bankers	**969.4**	**1,451.8**	**-33.2%**
Unit-linked policies with single premiums	866.9	1,313.4	-34.0%
Traditional policies with single premiums	55.8	13.8	n.s.
Unit-linked policies with recurring premiums	46.7	124.6	-62.5%
Bancassurance	**6,376.5**	**6,389.8**	**-0.2%**
Unit-linked policies with single premiums	643.0	406.2	58.3%
Index-linked policies with single premiums	2,851.5	2,096.0	36.0%
Traditional policies with single premiums	2,779.0	3,787.1	-26.6%
Unit-linked policies with recurring premiums	4.0	3.2	25.0%
Traditional policies with recurring premiums	62.8	68.5	-8.3%
Annuity plans with recurring premiums	36.2	28.9	25.3%
Actuarial reserves and non-subordinated financial liabilities (1)	**44,489.0**	**38,935.1**	**14.3%**
Unit-linked financial liabilities	11,617.4	9,927.6	17.0%
Index-linked financial liabilities	10,784.7	9,212.9	17.1%
Actuarial reserves	22,086.9	19,794.6	11.6%

(1) excluding products with specific assets and other financial liabilities

Eurizon's gross insurance volume written in 2005 came to €8,117.8 million, thus declining by a slight 5 percent in comparison with the €8,541.9 million of the preceding year. At €7,345.9 million, new production was 6.3 percent lower, with the reduction reflecting both a marketing strategy to concentrate on retail business (thereby eliminating the sale of capitalization products to institutional and private clients for treasury-management purposes) and a slowdown in the sales of life polices through the Banca Fideuram private-banker network. Compared with the €978 million of premiums generated in 2004, capitalization policies accounted for €457.2 million of premiums in the first quarter of 2005, and €13.3 million in the second quarter, with no volume thereafter; the decline for the full year was thus 51.9 percent. From the standpoint of the production of the private-banker distribution channel, a year-on-year comparison is somewhat misleading, considering that the changes in asset allocation prompted a major investment in insurance products in 2004, to the detriment of other investment instruments (in particular, funds management products).

The new production through the banking channel in 2005 totalled €6,376.5 million, remaining basically stable in comparison with 2004 and accounting for a market share of approximately 13.6 percent. The result for 2005 incorporates the strong performance of unit- and index-linked products, with the former totalling €647 million of new production (+58.3 percent) and the latter, €2,851.5 million (+36 percent). The new production of traditional policies decreased to €2,779 million (-26.6 percent), as a result of the marketing decisions outlined above in relation to the capitalization policies. Finally, though its overall size is still limited, the annuity business witnessed a 25.3 percent increase, with premiums at €36.2 million.

Single-premium policies accounted for €6,376.5 million (-0.2 percent) of new production through the banking channel, with the remaining €103 million (+2.3 percent) tapped through recurring-premium policies.

A review of the underwriting volume through the banking channel shows strong business development at the banking branches belonging to the former Cardine, whose production rose by 140 percent to €1,262.8 million. Production at the Sanpaolo Banco di Napoli network came to €1,379.1 million, remaining virtually stable (-0.6 percent), while the Sanpaolo network reported new production of €3,894.5 million, for an increase of 1.4 percent.

During the final months of 2005, AIP was evaluating a new approach to selling both life and property-casualty policies, with the objective of providing standardized products and solutions segmented by customer type. Changes are now being made to the range of unit-linked products so as to highlight their insurance aspects and to differentiate them from pure funds-management products. In the area of pensions and retirement plans, the product innovation efforts are based on the development of either new plans that are on competitive footing with the employee severance-indemnity plans ("TFR") or highly customized plans, depending on the segment of reference.

The new production realized through the Banca Fideuram private-banker distribution channel in 2005 totalled €969.4 million, declining by 33.2 percent year on year. Notwithstanding the decrease, Eurizon represents the leading private-banker network in new production of life insurance, with a 31.3-percent market share. Furthermore, the decline in new production needs to be considered within the context of Banca Fideuram's strategy which was concentrated in 2004 on products with higher added value for both the customer and the company (including life products), but, instead, in 2005, was focused on securing new inflows of customer funds across the entire product range, without any specific emphasis on insurance.

A review of the premium flows by product type shows unit-linked production generated €913.6 million of volume (-36.5 percent), while traditional policies accounted for €55.8 million, thanks in part to the November 2005 launch of the new "Fideuram Certa", a cash-value policy with a minimum guaranteed return per annum.

The Banca Fideuram private-banker network's production in 2005 was also still mostly concentrated in single-premium policies (€922.7 million, -30.5 percent), while recurring premiums amounted to €46.7 million (-62.5 percent). The pension and annuity funding tapped through this distribution channel is still limited with respect to its potential, and is presently concentrated in the open pension funds set up and managed by Fideuram Investments. A new, highly flexible retirement plan which is part of the entire family of individual retirement plans was unveiled in January 2006. Incorporating features of different types of existing products (e.g. unit-linked policies and traditional policies), the new retirement plan is a life-cycle investment, meaning that a greater portion of the monies invested goes into less riskier investments as the beneficiary draws closer to retirement. Flexible management tools allow for a personalized approach which can take into account the customer's overall portfolio as well as a specific risk profile.

At the end of 2005, Eurizon's actuarial reserves amounted to €44,489 million, reflecting an increase of 14.3 percent over the balance at the prior year end. A breakdown by product type shows €11,617.4 million related to unit-linked policies, €10,784.7 million related to index-linked policies, and €22,086.9 million related to traditional policies.

Changes in life insurance policies in force

(in € mn)	Policies as of 31/12/2004	New Policies	Other Additions	Surrenders and Lapses	Other Deductions	Policies as of 31/12/2005
Unit-linked policies	461,224	30,852	12,662	25,652	13,953	465,133
Index-linked policies	619,867	196,916	316	124,431	24	692,644
Traditional policies	563,903	64,288	3,714	51,008	1,179	579,718
Capitalization policies	523	240	36	243	36	520
Pensions and annuities	158,365	9,466	6,621	16,981	5,860	151,611
Individual retirement plans	4,119	21,746	5	193	304	25,373
Term life insurance	128,382	115,598	91	24,430	367	219,274
Total	**1,936,383**	**439,106**	**23,445**	**242,938**	**21,723**	**2,134,273**

At the end of 2005, roughly 1.2 million customers acquired a life insurance product through the Sanpaolo Imi banking network, whereas another 300,000 customers purchased their life insurance through the private-banker network. In comparison with the end of 2004, the number of policies in force at the end of 2005 rose by 6.8 percent, and totalled more than 2.1 million.

PROPERTY-CASUALTY INSURANCE

Eurizon is a niche player in property-casualty insurance, operating through Egida for business booked through the banking network, and Fideuram Assicurazioni, for policy sales through the Banca Fideuram private-banker network. Egida, which was still a joint venture with Reale Mutua as of the end of 2005, has been fully consolidated in the Eurizon Financial Group's 2005 financial statements, with a separate indication of the earnings and equity accruing to minority shareholders. The data reported thus refer to 100 percent of Egida.

(in € mn)	31/12/2005	31/12/2004	Change 2005/2004
Gross premiums written	**61.2**	**45.4**	**34.8%**
Private bankers	9.7	10.5	7.6%
- accident insurance	3.3	3.6	-8.3%
- health insurance	6.3	6.8	-7.4%
- other	0.1	0.1	-
Bancassurance	51.5	34.9	47.6%
- bundled	32.8	22.2	47.7%
- stand-alone products	18.7	12.7	47.2%
Gross technical reserves	**75.9**	**60.6**	**25.2%**
Private bankers	19.6	20.0	-2.0%
Bancassurance	56.3	40.6	38.7%

In 2005, the total premiums written amounted to €61.2 million, thus increasing by 34.8 percent over the €45.4 million reported for the prior year. A breakdown of the business by distribution channel shows that €44.6 million, or 72.9 percent of the total, came from banks, €9.7 million, or 15.8 percent, from the private-banker network, and €6.9 million from the Italian postal system (11,3%).

The product portfolio mainly consists of certain types of policies that are complementary to bank products and services marketed at a branch level, rather than stand-alone products. Sales of bundled products by the banking channel grew sharply in 2005, to account for €32.8 million of premiums, with much of the volume concentrated in credit-protection insurance which is packaged and sold with mortgages and other types of loans. Sales of stand-alone products also increased, accounting for 18.7 million of premiums. The company is also introducing a new approach to selling health insurance, homeowners' insurance and personal capital-protection products in combination with life products, with the aim of offering comprehensive solutions by customer segment.

As of the end of 2005, some 250,000 Sanpaolo Imi customers were covered by property-casualty insurance that had been purchased through the banking facilities (inclusive of coverage sold in association with other products). The number of customers having purchased stand-alone products was instead around 80,000 at the end of 2005, while the number of customers serviced through the private-banker network was close to 15,000 at the same date.

Gross technical reserves at the end of 2005 amounted to €75.9 million, thereby reflecting a 25.2-percent increase year on year. The total includes loss reserves of €22.6 million and premium reserves of €52.7 million, with the higher balance of the premium reserves basically reflecting the long-term nature of the credit-protection insurance associated with mortgages and other loans.

FINANCIAL SERVICES

Eurizon operates in the financial services business through the Banca Fideuram and Sanpaolo Invest private-banker networks, commanding a strong leading position and a market share of 31 percent as measured in relation to total assets for this segment of the market. Eurizon offers highly competent advisory services, with the support of an extensive range of products to service the customers' needs, including: banking, funds-management, retirement-planning, and life and property-casualty insurance products. The products are marketed through an open platform, using a multi-brand strategy for mutual investment funds and a multi-manager strategy with respect to the management of individual portfolios invested in funds.

(in € mn)	31/12/2005	31/12/2004	Change 2005/2004
Total funding inflow (outflow)	**1,841**	**-276**	**n.s.**
Net inflow (outflow) of funds under management	580	-451	n.s.
- mutual investment funds	372	-1,102	n.s.
- individual portfolio management	183	628	n.s.
- pension funds	25	23	n.s.
Net inflow (outflow) of funds under administration	292	-1,232	n.s.
New production of life insurance	969	1,407	n.s.
Total assets under management and administration, including life reserves	**64,312**	**59,469**	**8.1%**
Funds under management	36,261	32,908	10.2%
- mutual investment funds	18,764	16,827	11.5%
- individual portfolio management	17,336	15,956	8.6%
- pension funds	161	125	28.8%
Funds under administration	13,983	13,147	6.4%
Life insurance reserves	14,067	13,414	4.9%

In 2005, the private bankers tapped some €1,841 million of new funding, thereby registering considerable improvement in comparison with the €276 million of outflows recorded in the prior year. The total includes €580 million channelled into funds management products, €292 million put into accounts under administration, and €969 million earmarked for new life insurance policies. The performance also improved in terms of net inflows (thus, considering life premiums for both new production and previous policies, net of benefits paid), with 2005 accounting for €1,222 million of net inflows versus the €798 million of net outflows in 2004. The net result for 2005 looks even more significant when reviewing its distribution over the period, with funding of €1,120 million concentrated in the second half of the year.

Changes in the balances of funds under management included:

- €372 million of net new investment in mutual funds, inclusive of a significant shift out of funds directly managed (€745 million) and investment in third parties managed funds selected by the company (€1,118 million);
- €183 million of net new investment in portfolios under management, partly as a result of the continuation of the process initiated by Sanpaolo Invest in 2004;
- €25 million of net new investment in pension funds, which was basically on par with the level reported in 2004.

In 2005, the net funding inflows to administered accounts amounted to €292 million, and consisted of a €487 million increase in balances placed in current accounts, and a €195 million decrease in funds under administration in securities accounts.

Total assets under management and administration, including life reserves, amounted to €64,312 million at the end of 2005, increasing by 8.1 percent year on year, with the bulk of the total represented by funds-management products (whose balance grew by 10.2 percent). The aggregate includes: €18,764 million of assets in mutual investment funds (growth of 11.5 percent in 2005); €17,336 million of assets in individual portfolios under management (+8.6 percent); €161 million of assets in pension funds (+28.8 percent); €14,067 million of life insurance reserves (+4.9 percent); and €13,983 million of funds under administration (+6.4 percent).

As of the end of 2005, the networks had a total of 4,150 private bankers (including 52 exclusively dedicated to insurance); this represents a slight reduction in comparison with the total of 4,313 (including 40 exclusively dedicated to insurance) at the end of 2004. The year of 2005 was nonetheless marked by two distinct phases: a series of resignations and a limited number of new recruits in the first half, and a decrease in turnover and net staffing additions in the second half. A total of 172 professionals signed on as private bankers during 2005, with roughly 70 percent recruited in the second half of the year.

At the end of 2005, the private-banker networks were servicing a total of 691,000 customers.

Control and Management of Risks

Basic principles

The management and control of risks is a vital part of the Eurizon Financial Group’s business, and is based on three fundamental principles:

• the development of a risk-awareness culture within the Group;

• risk measurement and control systems that are in line with the best international practices;

• the organizational separation of the business areas responsible for operations and the areas responsible for control.

ASSET-LIABILITY MANAGEMENT (ALM) AND RISK-BASED CAPITAL: INSURANCE BUSINESS

The insurance industry across Europe has placed an increasing emphasis on the issues of value, risk and capital in the past two years, as shown by various initiatives: from the publication of the guiding principles for the European Embedded Value (EEV) by the CFO Forum in May 2004, to the work groups activated in various states of the EU for the definition and ratification of solvency regulations as part of the Solvency II project (officially launched in the spring of 2004), with the creation of an ad hoc organization by the Committee of European Insurance and Occupational Pensions Supervisors - CEIOPS. Several countries, including the UK, have taken the lead in establishing regulatory provisions which already incorporate the spirit of the preceding initiatives. Other countries, including Italy, are defining the regulatory framework that will govern the risk management and control system for insurance companies.

In line with the trend taking shape at a European level (which also reverberates the demands of potential investors), the senior management of AIP’s finance and actuarial unit embarked on a Financial Analysis Program (FAP) in the second half of 2005, with the objective of measuring the European embedded value (EEV) and risk-based capital (RBC) in conformity with the principles of the CFO Forum and Solvency II, respectively. The project entailed a reorganization of many areas of the company in 2005, and resulted in the investments and actuarial departments being placed under the responsibility of the Finance department and the creation of three new units: (i) asset/liability management (ALM) and capital management, (ii) derivatives and product finance, and (iii) model development and technologies. These units are slated to work together to complete the FAP project by mid-2006. The project is structured in modules, with five sub-projects: two dedicated to the migration to a single platform of the model used for calculating traditional embedded value both for traditionl and unit-linked products of the three companies transferred to AIP; one for the construction of an efficient database AIP for assets; and another two for the development of a dynamic stochastic model for ALM, EEV and RBC for the insurance products, including Sanpaolo Life.

The dynamic model develops projections on randomly generated economic scenarios, simulating the trend of the value of the assets and liabilities on the basis of the technical characteristics of the products, the simulated performance of significant financial variables, and a strategy for managing the direction of investments and divestitures. The ALM system allows for (i) calculating future cash flows “from” and “to” the shareholder for any scenario, and as a result, the average present value of such flows (i.e. the value of business in force, or “Value in Force” (VIF), and (ii) extracting from such aggregate the portion derived from the minimum guarantee options sold to customers. The measurement of the time value of the Financial Options and Guarantees (FOG) is required by the CFO Forum principles, and represents essential information for the disclosure of European embedded value.

The ALM model is an essential tool for measuring RBC, defined as the change in value over an annual period, with a confidence interval of 99.97 percent. The model measures the capital requirement by taking into account actuarial and financial risks. The former include risks arising from an extreme rate of policy surrenders, from shocks in terms of mortality and longevity, and from pressures on expenses; the latter include possible scenarios over one-year periods with regard to pressures on interest rates or credit spreads or the performance of the equity markets. The two resulting components of risk capital are rounded out by another component computed by taking into account operational and reputational risks. The computation of the capital requirement is done with a univariate model, which is first based on the capital needed for each risk factor, and thereafter, on the aggregate capital needed as based on the correlations existing between the various risks.

The metrics adopted, namely, the change of value expressed in terms of VIF or EEV, reflects a mark-to-market valuation which differs from an analysis based on book values. The choice of the mark-to-market valuation not only has the advantage of accurately presenting the company's economic and solvency position and avoiding the underestimation of risks, but, more importantly, it is consistent with a risk management structure that admits the possibility of carrying out transactions on the market. The model which is being developed will allow for putting together investment portfolios that are consistent with the structure of the liabilities, and for making intelligent investment decisions, in particular for specially managed life insurance products, thereby making it possible to control, on a continual basis, the risk profile of the individual portfolios, their expected profitability, and the absorption of capital resulting from the financial strategies chosen and from the actuarial dynamics underlying the business.

FINANCIAL RISKS ON INVESTMENT PORTFOLIOS

The companies of the Eurizon Financial Group manage investment portfolios to cover commitments undertaken with respect to policyholders (life and property-casualty business), and investment portfolios for the employment of their own capital as well as the liquidity generated by customer funding.

In both cases, the main tool for controlling and monitoring market and credit risks is the investment policy adopted by the Group's main companies (AIP, for insurance, and Banca Fideuram, for financial services) which defines the purpose and operational limits of the investments, in terms of the types of assets in which investments can be made, the bases for asset allocation, the distribution by rating classes and credit risk, and the concentration by issuer, sector and market risk (which, in turn, are measures for their sensitivity to the movements of risk factors and value-at-risk).

Investment strategies, portfolio dynamics, and compliance with the operational limits set for the different types of investments are regularly reviewed on a monthly basis by special investments and finance committees set up at a Group level.

MANAGEMENT OF OPERATIONAL AND REPUTATIONAL RISKS

Consistent with recent regulatory developments (Basle II for the banking industry, and Solvency II for the insurance industry) and the regulation adopted by the Sanpaolo Imi Group, in 2005, Eurizon embarked on a special Operational Risk Management (ORM) Project which is aimed at the governance of operational and reputational risks and their quantification through an internal model that computes the value of economic capital. With specific reference to Basle II, Eurizon and the Sanpaolo Imi Group intend to implement and adopt an internal model in 2006 for the advanced measurement approach (AMA) to managing operational risk and for the estimation of the corresponding capital, operational and regulatory requirements.

The internal model uses both a quantitative and qualitative approach. From a quantitative standpoint, the model involves two activities: (i) loss data collection (LDC) and the consequent statistical modelling whose significance can be further improved through the use of historical loss data coming from other leading financial institutions; and (ii) the quantitative analysis of the subjective estimates produced by a risk self-assessment (RSA) carried out by each organizational unit with respect to operational risk perceived from an analysis of the operating scenario.

From a qualitative standpoint, the model consists of an evaluation of the operational framework which is aimed at identifying and assessing possible factors at an organizational, operational, technical or legal level which may cause events that could lead to losses. Operating losses also include those from litigation for the purpose of credit recovery, with the aim of evaluating anything that could cause losses linked to flaws in compliance or the incorrect drafting of contractual conditions or regulations.

The appropriately calibrated model will compute the amount of capital to be allocated against operational risks, including in view of the future Solvency II oversight regulations.

In 2005, AIP and Banca Fideuram set up a special unit dedicated to operational risk management within the risk management department. The unit will also be responsible for guiding the operational risk-management efforts of the subsidiary companies, where individuals have been appointed to serve as the decentralized points of reference for the ORM project.

The gathering and systematic classification of loss data (LDC) was inaugurated in 2005, while the risk self-assessment and the evaluation of the operating framework are to be completed in 2006. The self-assessment, in particular, is considered a critical activity for the purpose of integrating the ORM process into the operating units. A standard internal reporting system is also to be started up for the Eurizon Financial Group head office and the subsidiary companies. A newly established operational risks committee (to meet quarterly) is part of this system and of Eurizon's overall governance structure.

Reputational risks are to be identified and monitored upon the introduction of new products. In particular, the risk management department is expected to become involved in the process of new product development so as to supply all indications about a product's risks and the profitability in relation to that risk, and to ensure satisfactory disclosure to policyholders. With the launch of particularly complex products, the product introduction also entails a random analysis about the characteristics of the specific financial structure so as to ensure those characteristics respond to the investment needs of the customers who decide to put their funds into a specific type of investment.

The suitability of the insurance products mainly marketed as investments, as well as of the financial services in a strict sense, is evaluated with respect to regulatory requirements. In addition, the two main distribution networks (Sanpaolo Imi and Banca Fideuram) are currently involved in important projects to analyze their customers from the standpoint of risk propensity, time horizon, and specific needs, so as to evaluate the effectiveness of each new investment, structuring it within the context of the overall pre-existing portfolio and ensuring it provides the degree of satisfaction for the needs identified.

Other Information

SHAREHOLDER BASE

Eurizon Financial Group is part of the Sanpaolo Imi Banking Group, and is a subsidiary of the parent company, Sanpaolo Imi, which directly owns 100 percent of Eurizon's capital.

RELATIONSHIPS WITH GROUP COMPANIES AND TRANSACTIONS WITH RELATED PARTIES

The Eurizon Financial Group's Board of Directors has ratified the procedures adopted by the Sanpaolo Imi Group for the approval of transactions with related parties; such procedures are designed to establish specific action and responsibilities with respect to the approval of transactions with related parties.

During the year ended 31 December 2005, the Eurizon Financial Group was not a party to any atypical and/or unusual transactions with other companies of the Sanpaolo Imi Group, related parties, or third parties.

During the same period, transactions of an ordinary nature (i.e. not atypical or unusual) were carried out with related parties in accordance with the regulations defined and governed by CONSOB and by Sanpaolo Imi. Such transactions, which were effected on the basis of assessments of reciprocal business benefit, in accordance with the provisions of the law and of internal procedures contemplated therefor, were settled at market conditions. Details about the relationships maintained between the Eurizon Financial Group (and subsidiaries) and the companies of the Sanpaolo Imi Group are provided in the section hereunder entitled "Relationships with Group companies".

Significant transactions with other companies of the Sanpaolo Imi Group were carried out during the year of 2005, as part of the overall project of setting up the Eurizon Financial Group.

In particular:

- the extraordinary meeting of the shareholders held on 7 November 2005 passed a resolution approving a capital increase in the amount of €101 million against the transfer by the sole shareholder, Sanpaolo Imi, of 294,712,333 shares of AIP (equal to 99.96 percent of the share capital) and 719,283,950 shares of Banca Fideuram (equal to 73.37 percent of the share capital);
- on 10 November 2005, the deed of transfer was executed and the transfer became effective as of the same date;
- according to the certified report compiled by the expert appointed pursuant to Article 2343 of the Italian Civil Code, the transfer was effected at conservative market values. In particular, with regard to the criteria for the determination of the issue price of the shares, the valuations made were based: in the case of AIP, on financial methods (appraisal value criterion), applied to conservative estimates of insurance business development; and, in the case of Banca Fideuram, mainly on the price of the bank's shares considered over an adequate period of time;
- the value of the equity interests transferred was estimated, pursuant to the aforementioned Article 2343 of the Italian Civil Code, to be equal at least to the value attributed to the interests for the purpose of the determination of the capital increase and paid-in capital, which was set at €5.6 billion, including €100 million as capital and €5.5 billion as paid-in capital.

RELATIONSHIPS WITH GROUP COMPANIES

The companies belonging to the Eurizon Financial Group's insurance segment executed the transactions summarized below with the companies of the Sanpaolo Imi Group, in normal course of business. Such transactions were effected on the basis of assessments of reciprocal business benefit and settled at market conditions.

The balance-sheet relationships basically refer to the following:

- the ownership of bond securities issued by the parent company, Sanpaolo Imi, or by its subsidiaries, and the related accrual of coupon interest as of the close of the year;
- receivables and payables related to personnel on assignment or the charging back of expenses for the use of office and other space made available by the companies;
- deferred commissions payable relative to contracts not governed by IFRS 4;
- amounts on deposit in current accounts maintained with the banks of the Sanpaolo Imi Group;
- reserves against insurance policies taken out by the companies of the Sanpaolo Imi Group;
- liabilities for investment contracts not governed by IFRS 4;
- payables for subordinated loans;
- payables for commissions due to the Sanpaolo Imi networks, accrued by the networks upon the placement of the Eurizon Financial Group's insurance products;
- payables due to the parent company, Sanpaolo Imi, reported in relation to the consolidated tax return, represented by corporate taxes payable ("IRES").

The profit-and-loss relationships mainly refer to:

- net earnings on the financial instruments issued by the companies of the Group;
- amounts accrued in relation to the current accounts opened at banks;
- expenses and revenues from service agreements in effect and covering the assignment of personnel and the supply of office and other space;
- net charges arising from the payment of insurance benefits to the companies of the Sanpaolo Imi Group and from the change in technical reserves;
- interest expense on the aforementioned subordinated loans;
- fees and commissions paid to the network for the placement of insurance and investment products;
- management commissions paid to the Sanpaolo Imi Group companies managing the securities portfolios.

The Eurizon Financial Group’s companies operating in the banking business did not purchase, either directly or through a fiduciary company or other intermediary, any shares of Banca Fideuram or shares of the parent company, Sanpaolo Imi, during the year.

Banca Fideuram owns 12,655,273 of its own shares which have been set aside to service the 2005-2007 stock option plan approved by the Board of Directors.

During 2005, Banca Fideuram was not a party to any atypical and/or unusual transactions with other companies of the Sanpaolo Imi Group, related parties, or third parties. During the same period, transactions of an ordinary nature (i.e. not atypical or unusual) were carried out with related parties in accordance with the regulations defined and governed by CONSOB and by Sanpaolo Imi. Such transactions, which were effected on the basis of assessments of reciprocal business benefit, in accordance with the provisions of the law and of internal procedures contemplated therefor, were settled at market conditions.

As provided by an agreement executed with Banca Fideuram in 2005, on 9 December 2005, Banca Finnat Euramerica exercised a put option covering 50 percent of the Financière Fideuram shares at a price equal to 80 percent of the purchase price.

On 15 December, Banca Fideuram purchased Banca Finnat Euramerica’s remaining 1.89-percent interest in the share capital of Financière Fideuram, at a price computed on the basis of the carrying value of the shares of the French company in 2004 financial statements. The agreements between the two parties provide for a purchase-price adjustment mechanism that is triggered in the event of a sale to third parties of the Financière Fideuram shares acquired by Banca Fideuram, along with a put option granted to Banca Fideuram covering such shares and exercisable in 2006 at a price equal to the purchase price should the aforementioned sale not take place.

Finally, the relationships which Banca Fideuram maintains with its subsidiaries, the Eurizon Financial Group and Sanpaolo Imi and its subsidiaries fall within the framework of the bank’s ordinary operations.

Banca Fideuram uses the intermediary services of the affiliate company, Banca Imi, and of Banca Finnat Euramerica, for the buying and selling of securities. The compensation for the services is based on market conditions. During 2005, there were no material transactions effected with persons who have administrative, managerial or control responsibilities within Banca Fideuram, the Eurizon Financial Group, or Sanpaolo Imi or companies of the Sanpaolo Imi Group.

Relationships with Group companies

(in € 000's)	Assets	Liabilities	Guarantees and Commitments	Income	Charges
Companies subject to significant influence	-	219	-	-	5
Parent company:	6,408,466	138,057	516	260,874	116,584
- Sanpaolo Imi	-	-	-	-	-
Controlling company:	252	1,003	-	252	4
- Eurizon Financial Group	2	-	-	2	-
Companies under control of controlling company	1,807,610	1,065,653	56,347	322,725	221,508

COMPENSATION TO DIRECTORS AND STATUTORY AUDITORS

The table below shows the number of directors and statutory auditors serving the various boards of the companies belonging to the Eurizon Financial Group for the year of 2005, as well as the aggregate amounts of compensation received by such persons in 2005 in relation to such positions.

Compensation to directors and statutory auditors

	31/12/2005	
(in € 000's)	Number	Amount
Directors	48	3,433
Statutory Auditors	14	363
Total	**62**	**3,796**

CONSOLIDATED EARNINGS PER SHARE

The table below reports earnings per share, calculated by dividing the net profit by the average number of shares outstanding. The Eurizon Financial Group has not issued any financial instruments that could dilute equity or earnings.

Earnings per share

Consolidated net profit (in € 000's)	**418,764**
Consolidated net profit - Eurizon Financial Group	365,854
Minority interests	52,910
Number of shares outstanding	101,000,000
Earnings per share (in €)	**4.146**
Eurizon Financial Group	3.622
Minority interests	0.524

OWNERSHIP OF OWN SHARES AND SHARES OF CONTROLLING SHAREHOLDER

During 2005, Banca Fideuram, a company controlled by Eurizon Financial Group, held 1,120,276 shares of Sanpaolo Imi, with a par value of €2.80 each; such shares had been received from Sanpaolo Imi as part of Banca Fideuram's divestiture of Fideuram Vita. During the first half of 2005, Banca Fideuram sold such shares for €13 million, realizing a gain of €1.1 million.

Eurizon Financial Group does not own any of its own shares or any shares of its parent company.

HUMAN RESOURCES

As of 31 December 2005, the Eurizon Financial Group had 2,399 employees.

The table below provides a breakdown of the Group's staffing:

Full-Time Employees	**Insurance**	**Financial Services**	**Total as of 31/12/2005**
Full-time employees	398	1,866	2,264
- senior managers	31	73	104
- officers	115	1,000	1,115
- clerical employees	252	793	1,045
Personnel on assignment from other Sanpaolo Imi Group companies	79	14	93
Personnel assigned to other Sanpaolo Imi Group companies	-38	1	-37
Other staff (1)	40	39	79
Total	**479**	**1,920**	**2,399**

(1) Includes individuals hired on contracts for specific projects and part-time personnel.

Material Events After Year End and Outlook for 2006

Significant decisions were made in early 2006 in relation to the Eurizon Financial Group's structure and its future development.

Role of Eurizon Financial Group and new organizational structure

On 23 January 2006, the Eurizon Financial Group Board of Directors approved the adoption of a new corporate organization which is now taking shape. The new structure is designed to make it possible for the Eurizon Financial Group to carry out the functions of strategic planning and coordination (through a special unit) and to guide the business development of the operating subsidiaries, which, in turn, will be able to focus their efforts on managing their business and distribution.

As a sub-holding of the Sanpaolo Imi Group, the Eurizon Financial Group is directly responsible for coordinating the operations and management of its subsidiary companies, in accordance with the directives of its parent company, Sanpaolo Imi.

In order to ensure consistent development of the planning and general strategies of all of the companies under its responsibility, the Eurizon Financial Group intends to exercise the functions of:

- Strategic Planning, thereby setting the Group's strategies, and feeding them through to the budgets and plans of the individual companies;
- Governance, thereby ensuring the coordinated supervision of specific markets and business areas;
- Control, thereby ensuring the maintenance of earnings / financial / capital balance for both the individual companies and the Group as a whole, in compliance with, and for the protection of, the role of Sanpaolo Imi's head-office units responsible for auditing and for monitoring and governing credit, financial and operational risks.

The new organizational structure encompasses several areas directly reporting to the Chief Executive Officer, Mario Greco (excluding the audit department which reports to the Board of Directors), and two general managers responsible for the operating activity of the companies of the Eurizon Financial Group.

Mario Greco is general manager for insurance activities, reports directly to the Board of Directors and is responsible for managing the operations of Eurizon's holdings in the insurance business.

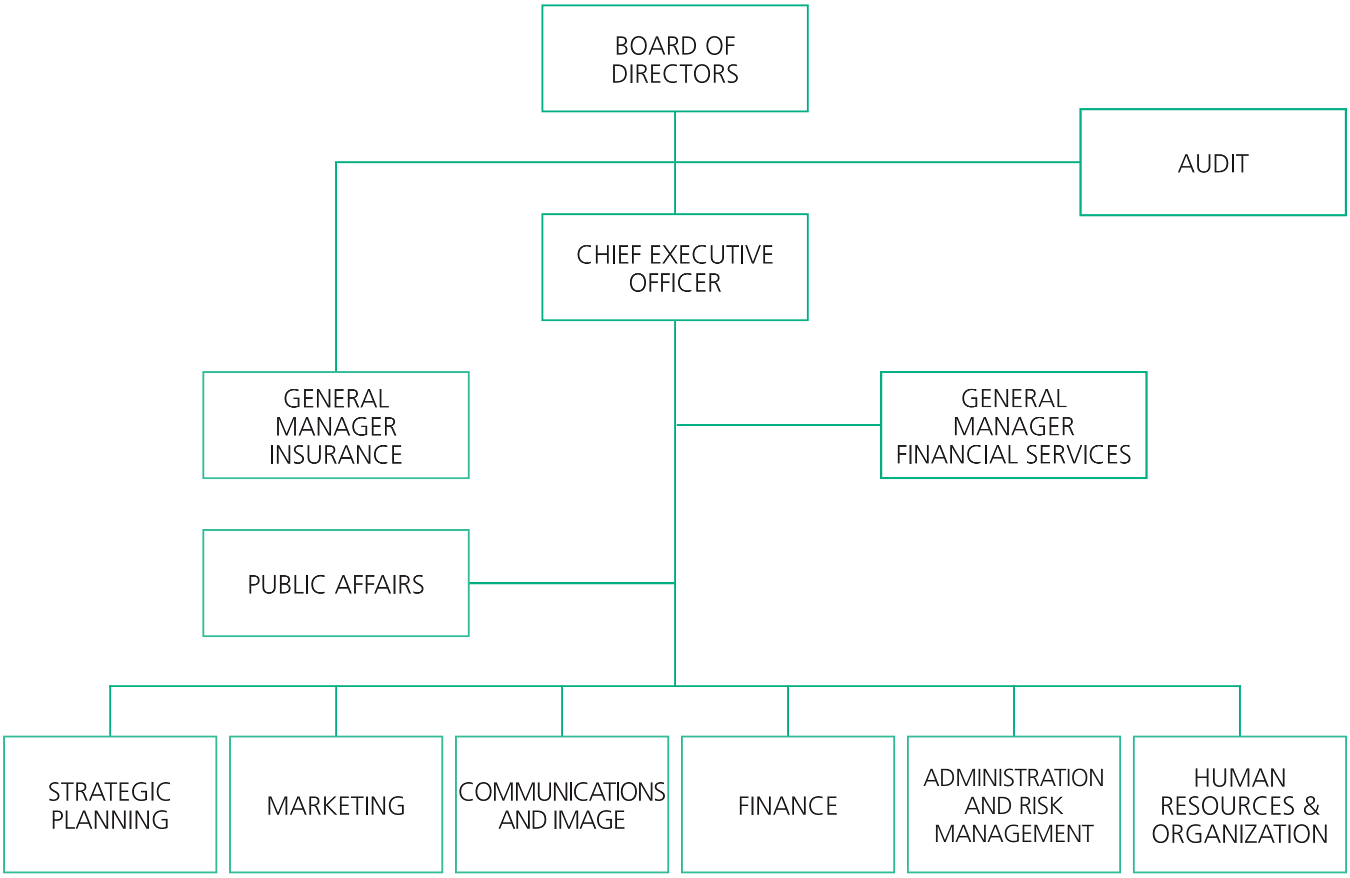
Massimo Arrighi is general manager for financial services, reports to the Chief Executive Officer and is responsible for managing the operations of Eurizon's holdings in the financial services business.

The following departments report directly to the Chief Executive Officer:

- Strategic Planning, headed by Claudia Motta, responsible for outlining business development strategies and the related growth and profitability objectives, the management of the budgeting and control system, and the management of corporate compliance and legal issues;
- Marketing, headed by Francesco Minelli, responsible for marketing policies, the product plan for all lines of business, the design and construction of market support systems, the marketing information system, and the segmentation of the customer base;
- Communications and Image, headed by Vera Gandi, responsible for media relations, activities related to institutional publications, the intranet and internet sites, internal and customer communications, branding, advertising and sponsorships;
- Finance, headed by Alberto Minali, Chief Investment Officer, responsible for defining the investment policies, the asset-liability management and capital-management structure, including financing policies, the calculation of embedded value for the life products and personal financial services;

- Administration and Risk Management, headed by Alberto Maria Maturi, Chief Financial Officer, responsible for preparation of the holding company's financial statements and the consolidated financial statements, fiscal policies and related administrative compliance, risk management for the Eurizon Financial Group, and the coordination of purchasing;
- Human Resources and Organization, headed by Pier Luigi Sappa, responsible for HR management policies (with respect to recruiting, training, salary compensation and incentives), the coordination of union relations, and the governance of regulations regarding the organizational structure and model;
- Public Affairs, headed by Enrico Raffaelli, responsible for relations with the regulatory authorities, trade associations, and public institutions.

The Audit Department, headed by Salvatore Aprile, has responsibility for ensuring the operation and adequacy of the internal controls system, and for the direct control of operations and the risk profiles assumed. This department reports directly to the Board of Directors.



Change of company name from "New Step S.p.A." to "Eurizon Financial Group S.p.A."

On 30 January 2006, the extraordinary shareholders' meeting approved a resolution to change the company name from "New Step S.p.A." to "Eurizon Financial Group S.p.A.". The new name went into effect as of 3 February 2006.

Project for the centralization of Eurizon Financial Group's operating activities within Universo Servizi

On 23 January 2006, with the aim of promoting the development of synergies and achieving an overall reduction of costs, the Boards of Directors of the Eurizon Financial Group, Banca Fideuram and the other subsidiaries of Eurizon Financial Group, as well as the Board of Directors of Sanpaolo Imi approved a plan to set up a single operational entity to house all activity and resources related to AIP's and Banca Fideuram's support services (IT, back-office processing, call center, general services and property management services).

Universo Servizi, a joint-stock company, which is wholly owned and directly controlled by AIP, will be used for this purpose. Already active in providing support services to AIP and to other insurance companies outside of the Sanpaolo Imi Group, Universo Servizi will undergo some changes to its operations in order to service all of the companies of the Eurizon Financial Group. By capitalizing on economies of scale and scope coming from the unification of similar types of activities and professional skills, the company will supply its service on the basis of service agreements that (i) will guarantee greater efficiency, flexibility and speed in responding to the needs of the business units, and (ii) will serve as a support to the companies' business development.

Start-up of project to analyze the possible stock-market listing of the Eurizon Financial Group

On 23 January 2006, the Board of Directors of the Eurizon Financial Group approved the initiation of a project to evaluate the prospect and possible means for a listing of the Eurizon Financial Group on the screen-based market managed by Borsa Italiana, as the logical progression of the activities carried out to date in setting up and launching the new company and as a way to support the business opportunities that the new company might generate. This project was also approved by the Sanpaolo Imi Board of Directors on 24 January 2006.

Activities have also been initiated to provide the Eurizon Financial Group with a corporate governance system in line with the most advanced self-discipline models in the market, so as to ensure the group's necessary operating autonomy for carrying out its role as a sub-holding, including in light of an eventual stock-market listing.

Project to transfer Sanpaolo Imi Asset Management SGR to the Eurizon Financial Group

On 13 February 2006, the Eurizon Financial Group Board of Directors ratified a project previously approved by the Sanpaolo Imi Board of Directors which contemplates the transfer of Sanpaolo Imi's 100-percent interest in Sanpaolo Imi Asset Management SGR, the parent company of Sanpaolo Imi Asset Management Luxembourg SA and Sanpaolo Imi Alternative Investments SGR, to the Eurizon Financial Group, at terms and conditions deemed most efficient therefor and subject to the authorization and approval of the regulatory authorities.

Consolidated Financial Statements

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

Balance sheet – assets

(in € 000's)		31/12/2005	31/12/2004
1	**Intangible assets**	**54,335**	**32,641**
1.1	Goodwill	24,170	-
1.2	Other intangible assets	30,165	32,641
2	**Fixed assets**	**85,595**	**90,287**
2.1	Buildings	72,373	73,884
2.2	Other fixed assets	13,222	16,403
3	**Technical reserves for the account of reinsurers**	**29,012**	**24,651**
4	**Investments**	**51,167,375**	**43,571,718**
4.1	Real estate investments	39,303	40,181
4.2	Equity investments in subsidiaries, affiliates and joint ventures	51	39
4.3	Investments held to maturity	4,662	3,874,223
4.4	Financing and loans receivable	3,782,395	3,027,077
4.5	Financial assets available for sale	19,216,160	12,534,387
4.6	Financial assets stated at fair value, whose gains and losses accrue to the profit and loss statement	28,124,804	24,095,811
5	**Other Receivables**	**579,338**	**450,447**
5.1	Receivables on direct insurance transactions	38,571	18,918
5.2	Receivables on reinsurance transactions	1,152	648
5.3	Miscellaneous receivables	539,615	430,881
6	**Other assets**	**1,188,000**	**727,809**
6.1	Non-current assets or assets of a group held for sale	170,568	-
6.2	Deferred acquisition costs	2,400	-
6.3	Deferred tax assets	400,279	86,264
6.4	Current tax assets	306,436	260,832
6.5	Other assets	308,317	380,713
7	**Cash and cash equivalents**	**1,604,573**	**952,207**
	Total assets	**54,708,228**	**45,849,760**

Balance sheet – liabilities and shareholders' equity

(in € 000's)		31/12/2005	31/12/2004
1	**Shareholders' equity**	**1,998,483**	**1,777,834**
1.1	**Shareholders' equity**	**1,810,221**	**1,769,692**
1.1.1	Capital	101,000	481,078
1.1.2	Other capital instruments	-	-
1.1.3	Capital reserves	574,617	165,358
1.1.4	Retained earnings and other reserves	677,820	734,466
1.1.5	(Own shares)	-	-
1.1.6	Reserve for foreign-exchange differences, net	-	-
1.1.7	Gains (losses) on financial assets available for sale	90,930	-
1.1.8	Other gains (losses) booked directly to shareholders' equity	-	-
1.1.9	Net profit (loss) for the period	365,854	388,790
1.2	**Minority interests**	**188,262**	**8,142**
1.2.1	Capital and reserves	135,352	7,575
1.2.2	Gains (losses) booked directly to shareholders' equity	-	-
1.2.3	Net profit (loss) for the period	52,910	567
2	**Provisions**	**211,707**	**148,380**
3	**Technical reserves**	**22,140,273**	**38,708,026**
4	**Financial liabilities**	**27,912,275**	**4,340,965**
4.1	Financial liabilities stated at fair value, whose gains and losses accrue to the profit and loss statement	22,323,344	-
4.2	Other financial debt	5,588,931	4,340,965
5	**Payables**	**1,249,515**	**730,814**
5.1	Payables on direct insurance transactions	77,720	64,388
5.2	Payables on reinsurance transactions	3,941	2,451
5.3	Miscellaneous payables	1,167,854	663,975
6	**Other liabilities**	**1,195,975**	**143,741**
6.1	Liabilities of a group held for sale	164,009	-
6.2	Deferred tax liabilities	379,704	22,265
6.3	Current tax liabilities	140,038	300
6.4	Miscellaneous liabilities	512,224	121,176
	Total liabilities and shareholders' equity	**54,708,228**	**45,849,760**

CONSOLIDATED PROFIT AND LOSS STATEMENT

(in € 000's)		31/12/2005	31/12/2004
1.1	Net premiums	3,599,302	8,558,594
1.1.1	Gross premiums earned	3,621,461	8,575,518
1.1.2	Premiums ceded to reinsurers	-22,159	-16,924
1.2	Commission income	1,146,078	799,681
1.3	Income and charges from financial instruments stated at fair value, whose gains and losses accrue to the profit and loss statement	434,367	1,232,699
1.4	Income from equity investments in subsidiaries, affiliates and joint ventures	-	-
1.5	Income from other financial instruments and real estate investments	891,746	814,571
1.5.1	Interest income	699,035	632,861
1.5.2	Other income	26,164	6,149
1.5.3	Realized gains	161,489	149,985
1.5.4	Valuation gains	5,058	25,576
1.6	Other revenues	23,024	249,163
1	**Total revenues and income**	**6,094,517**	**11,654,708**
2.1	Claims related charges, net	4,282,300	10,002,405
2.1.2	Sums paid and change in the technical reserves	4,289,488	10,004,980
2.1.3	Portion for the account of reinsurers	-7,188	-2,575
2.2	Commission expense	407,886	265,634
2.3	Charges from equity investments in subsidiaries, affiliates and joint ventures	-	-
2.4	Charges from other financial instruments and real estate investments	122,253	91,329
2.4.1	Interest expense	84,760	62,299
2.4.2	Other charges	1,351	1,566
2.4.3	Realized losses	32,109	17,181
2.4.4	Valuation losses	4,033	10,283
2.5	Operating expenses	516,218	644,225
2.5.1	Commissions and other acquisition expenses	160,681	331,369
2.5.2	Investment management expenses	36,876	8,502
2.5.3	Other administrative expenses	318,661	304,354
2.6	Other expenses	164,086	101,871
2	**Total expenses and charges**	**5,492,743**	**11,105,464**
	Profit (loss) before taxes, discontinued operations and minority interests	**601,774**	**549,244**
3	Income taxes	147,190	129,348
	Profit (loss) before discontinued operations and minority interests	**454,584**	**419,896**
4	**Profit (loss) of discontinued operations**	**-35,820**	**-29,492**
	Consolidated net profit (loss)	**418,764**	**390,404**
	Consolidated net profit - Eurizon Financial Group	**365,854**	**388,790**
	Minority interests [1]	**52,910**	**1,614**

[1] The 2005 net profit reflects the consolidation of Fideuram Wargny in the account "Profit (loss) of discontinued operations" pursuant to IFRS 5, and it is noted that this was not the basis for the consolidation in the 2004 balance sheet.

STATEMENT OF CHANGES IN CONSOLIDATED FINANCIAL POSITION

(in € 000's)	31/12/2004	31/12/2005
Profit (loss) before taxes	**549,244**	**601,774**
Change in non-monetary items	**17,182,616**	**1,532,525**
Change in property-casualty premium reserve	17,538	12,458
Change in property-casualty loss reserve and other technical reserves	14,154	2,478
Change in life actuarial reserves and other technical reserves	17,662,388	2,292,699
Change in deferred acquisition costs	-	-2,400
Change in provisions	48,069	67,563
Non-monetary income and charges from financial instruments, real estate investments and equity investments	-	-871,315
Other changes	-559,531	31,042
Change in receivables and payables generated by operations	**-347,776**	**281,437**
Change in receivables and payables on direct insurance and reinsurance transactions	40,481	-5,335
Change in miscellaneous receivables and payables	-270,917	414,606
Income taxes paid	-117,340	-127,834
Net liquidity generated/absorbed by monetary items regarding investment and financing activity	**-11,340,923**	**1,197,857**
Liabilities on financial contracts issued by insurance companies	-	3,284,580
Payables - banking customers and counterparties in the interbank market	194,313	1,579,422
Financing and loans receivable - banking customers and counterparties in the interbank market	-673,341	-907,405
Other financial instruments stated at fair value, whose gains and losses accrue to the profit and loss statement	-10,861,895	-2,758,740
Total net liquidity derived from operations	**6,043,161**	**3,613,592**
Net liquidity generated/absorbed by real estate investments	-40,140	-
Net liquidity generated/absorbed by equity investments in subsidiaries, affiliates and joint ventures	-	-12
Net liquidity generated/absorbed by financing and loans receivable	-6,479	-35,773
Net liquidity generated/absorbed by investments held to maturity	-2,227,487	6
Net liquidity generated/absorbed by financial assets available for sale	-4,039,467	-2,883,644
Net liquidity generated/absorbed by fixed and intangible assets	42,009	1,351
Other liquidity generated/absorbed by investment activity	20	10,011
Total net liquidity derived from investment activity	**-6,271,544**	**-2,908,061**
Net liquidity generated/absorbed by Group's capital instruments	-42,789	1,275
Net liquidity generated/absorbed by own shares	14,411	10,073
Distribution of dividends by the Group	-199,097	-204,566
Net liquidity generated/absorbed by minority interests' capital and reserves	-999	-1,157
Net liquidity generated/absorbed by subordinated liabilities and participative financial instruments	90,000	124,102
Net liquidity generated/absorbed by other financial liabilities	-5,976	-2,924
Total net liquidity derived from financing activity	**-144,450**	**-73,197**
Effect of foreign-exchange differences on cash and cash equivalents	-	**-**
Opening balance of cash and cash equivalents	1,325,040	972,239
Increase (decrease) of cash and cash equivalents	**-372,833**	**632,334**
Closing balance of cash and cash equivalents	952,207	1,604,573

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(in € 000's)		Balance as of 1/1/2004	Change in Closing Balances	Allocations	Transfers to Profit & Loss Statement	Other Transfers	Balance as of 31/12/2004 [1]
Group Net Equity	Capital	489,876	-	59,823	-	-68,621	481,078
	Other capital instruments	-	-	-	-	-	-
	Capital reserves	52,737	-	165,358	-	-52,737	165,358
	Retained earnings and other reserves	782,581	-	361,843	-	-409,958	734,466
	(Own shares)	-	-	-	-	-	-
	Reserve for foreign-exchange difference, net	-	-	-	-	-	-
	Gains (losses) on financial assets available for sale		-		-		
	Other earnings (losses) accrued directly to shareholders' equity: Gains (losses) on instruments to hedge financial inflows	-	-	-	-	-	-
	Other earnings (losses) accrued directly to shareholders' equity: Gains (losses) on instruments to hedge a net investments in a foreign operation	-	-	-	-	-	-
	Other earnings (losses) accrued directly to shareholders' equity: Reserve for changes in shareholders' equity of companies in which investments are held	-	-	-	-	-	-
	Other earnings (losses) accrued directly to shareholders' equity: Revaluation reserve-intangible fixed assets	-	-	-	-	-	-
	Other earnings (losses) accrued directly to shareholders' equity: Revaluation reserve-tangible fixed assets	-	-	-	-	-	-
	Other earnings (losses) accrued directly to shareholders' equity: Income (losses) related to non-current assets or a group of assets held for sale	-	-	-	-	-	-
	Other earnings (losses) accrued directly to shareholders' equity: Other reserves	-	-	-	-	-	-
	Profit (loss) for the period	255,239	-	-255,239	-	388,790	388,790
	Total group	**1,580,432**	**-**	**331,785**	**-**	**-142,526**	**1,769,692**
Minority interesrs	Capital and reserves	19,572	-	11,987	-	-9	7,575
	Gains (losses) accrued directly to shareholders' equity	-	-	-	-	-	-
	Profit (loss) for the period	-134	-	134	-	567	567
	Total minority interests	**19,438**	**-**	**-11,853**	**-**	**558**	**8,142**
Total		**1,599,870**	**-**	**319,932**	**-**	**-141,968**	**1,777,834**

[1] The data are relative to the combination of AIP and Banca Fideuram
[2] Figures upon the incorporation of Eurizon Financial Group
[3] Change in balances following the transfer of the holdings in AIP and Banca Fideuram

Change in Closing Balances	Allocations	Transfers to Profit & Loss Statement	Other Transfers	Balance as of 05/10/2005 (2)	Balance as of 10/11/2005 (3)	Allocations	Transfers to Profit & Loss Statement	Other Transfers	Balance as of 31/12/2005
-	-	-	-	101,000	-481,078	-	-	-	101,000
-	-	-	-	-	-	-	-	-	-
-	-56,506	-	301	5,500,000	-5,034,536	-	-	-	574,617
-54,042	241,220	-	153	-	-243,977	-	-	-	677,820
-64,512	-	-	10,073	-	54,439	-	-	-	-
-	-	-	-	-	-	-	-	-	-
94,444	-10,010	6,545	-	-	-49	-	-	-	90,930
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-388,790	-	-	-2,663	-50,390	418,907	-	-	365,854
-24,110	**-214,086**	**6,545**	**10,527**	**5,598,337**	**-5,755,591**	**418,907**	**-**	**-**	**1,810,221**
-	-549	-	-922	-	129,248	-	-	-	135,352
-	-	-	-	-	-	-	-	-	-
-	-567	-	-	-	49,058	3,852	-	-	52,910
-	**-1,116**	**-**	**-922**	**-**	**178,306**	**3,852**	**-**	**-**	**188,262**
-24,110	**-215,202**	**6,545**	**9,605**	**5,598,337**	**-5,577,285**	**422,759**	**-**	**-**	**1,998,483**

Notes to the Financial Statements

CONSOLIDATION CRITERIA

BASIS FOR PREPARATION

Regulatory framework of reference

Exercising the option available to companies registered on the general register provided by Article 113 of Italian Legislative Decree n. 385/1993, the Eurizon Financial Group's consolidated financial statements have been prepared by applying the international accounting principles (International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), ratified by the European Commission as of 31 December 2005, on the basis of the procedures provided by EU Directive n. 1606/2002.

Although not ratified by the European Commission, the following documents were also consulted for guidance on the application of the new accounting principles:

- Framework for the Preparation and Presentation of Financial Statements, published by the International Accounting Standards Board (IASB);
- Implementation Guidance, Basis for Conclusions and other documents prepared by the IASB or the International Financial Reporting Interpretation Committee (IFRIC) to supplement the accounting principles issued.

Documents on the application of the IAS/IFRS prepared by the Italian Accounting Organization ("OIC"), the National Association of Insurance Companies ("ANIA") and the Italian Banking Association ("ABI") were also considered for the purposes of the proper interpretation of the new principles.

Structure of the consolidated financial statements

Eurizon Financial Group prepared its consolidated financial statements for 2005 in relation to a period of 12 months, in conformity with the principle of the prevalence of substance over form with respect to a transaction involving the combination of companies under common control of the Sanpaolo Imi Group.

With Paragraph 3.b of IFRS 3, the IASB explicitly establishes that business combinations effected between entities under common control are excluded from the framework of application of such principle, deferring to the second phase of the combination project the regulation of this type of business combination (Basis for Conclusions, Paragraphs BC24-BC28).

In absence of an applicable IAS/IFRS, the entity preparing the financial statements may thus define the most appropriate accounting criterion, pursuant to the parameter set by IAS 8, Paragraphs 10-12, which expressly provide that management must create its own accounting policy with due judgement whenever the international principles do not govern the specific transaction.

In Eurizon's case, the accounting principles that best govern this situation are the U.S. GAAP, and in particular, the FAS 141 Business Combinations, which indicates the book-value continuity method as the method applicable for business combinations between entities under common control, and establishes, in Paragraph D16, that the financial statements of the company which is the recipient of the companies shall include the earnings results of the companies for the entire year during which the companies were transferred, as if the transfer were to have taken place at the start of the year.

In relation to 2004, FAS 141, Paragraph D17, establishes that any comparative data included in the financial statements should be recalculated, in aggregate form, so as to provide the same basis for comparison. In addition, in accordance with the provisions of Paragraph 36 of IAS 1, the comparative data inherent to 2004 must be included in the consolidated financial statements so as to be able to supply a useful tool for making a comparison with the 2005 data. Thus, it is noted that the 2004 balances have been computed by aggregating the consolidated financial statements of the two entities, AIP and Banca Fideuram.

The consolidated financial statements consist of the statements required by IAS 1 (namely, the balance sheet, the profit and loss statement, the statement of changes in shareholders' equity, and the statement of changes in financial position) and these notes to the consolidated financial statements. The financial statements are supplemented by the report on operating performance prepared by the Board of Directors.

The financial statement formats have been prepared on the basis of directives issued on the subject by the Italian insurance regulators ("ISVAP") with Order n. 2404 of 22 December 2005. In addition to the formats required by the regulatory authorities, the notes to the consolidated financial statements supply additional information required by international accounting principles, and other, supplemental information needed to provide a true and fair representation of the Group's financial position and earnings.

The consolidated financial statements of the Eurizon Financial Group have been independently audited by PriceWaterhouseCoopers S.p.A., pursuant to a shareholder resolution dated 7 November 2005, which provided a mandate to the aforementioned independent audit firm for the 2005-2006 two-year period.

The financial statements have been prepared by using the euro as the currency of account; unless otherwise specified, the amounts in the financial statements are reported in thousands of euros.

CONSOLIDATION PRINCIPLES AND AREA OF CONSOLIDATION

As of 31 December 2005, the area of consolidation included Eurizon Financial Group S.p.A. and the insurance, banking and financial companies directly or indirectly controlled by Eurizon Financial Group S.p.A. as well as all of the entities or companies for which the Group sustains most of the risks, obtaining from them, in return, most of the benefits. Several minor entities whose capital and earnings contribution is not significant to the consolidated financial statements have been excluded from the area of consolidation.

In accordance with the international accounting principles, all of the holdings in controlled companies, including companies operating in sectors of activity other than that of the controlling company's, have been consolidated on a line-by-line basis. This method provides that the carrying values of the investments in the controlled companies are offset against the corresponding percentage of net equity held, with the assets and liabilities of the controlled companies consolidated on a line-by-line basis. The offsetting between the investments and the net equity is done with reference to the date on which the controlled companies were consolidated for the first time. Any positive differences arising therefrom are initially attributed, if applicable, to the assets and liabilities of the controlled companies, and thereafter, booked as goodwill; any negative differences are reported in the profit and loss statement.

Goodwill is subject to a periodic test to verify the adequacy of its carrying value. Should the recoverable value of goodwill be less than the carrying value, the difference is booked to the profit and loss statement.

Assets and liabilities, off-balance-sheet transactions, income and expenses, and gains and losses on any material transactions between the companies included in the area of consolidation have been eliminated.

The financial statements used for the preparation of the consolidated financial statements are those drawn up by the boards of directors of the controlled companies as of 31 December 2005, reclassified, if necessary, in order to ensure alignment with the accounting policies adopted by the Group.

The financial statements denominated in currencies other than the euro have been translated into euros on the basis of exchange rates prevailing at year end. Any differences arising from the conversion of the opening balance of shareholders' equity at year-end exchange rates are booked to the consolidated reserves.

Area of consolidation

The holdings in controlled companies, including companies operating in sectors of activity unrelated to the controlling company's, have been consolidated on a line-by-line basis in accordance with accounting principle IAS 27.

Following is a list of the companies consolidated on a line-by-line basis as of 31 December 2005.

Company Name	Country	Method (*)	Total % Held (**)
Assicurazioni Internazionali di Previdenza S.p.A.	Italy	F	99.96
Sanpaolo Life Ltd.	Ireland	F	99.96
Fideuram Assicurazioni S.p.A.	Italy	F	99.96
Egida compagnia di assicurazioni e riassicurazioni S.p.A.(1)	Italy	F	49.98
Universo Servizi S.p.A.	Italy	F	99.96
Banca Fideuram S.p.A.(2)	Italy	F	74.33
Fideuram Bank (Luxembourg) S.A.	Luxembourg	F	74.33
Fideuram Fiduciaria S.p.A.	Italy	F	74.33
Fideuram Investimenti SGR	Italy	F	73.95
Fideuram Gestions S.A.	Luxembourg	F	74.33
Fideuram Bank (Suisse) A.g.	Switzerland	F	74.29
Fideuram Asset Management (Ireland) Ltd.	Ireland	F	74.33
Sanpaolo Invest Sim S.p.A.	Italy	F	74.33
Sanpaolo Invest Ireland Ltd.	Ireland	F	74.33

(1) Consolidated on a line-by-line basis by virtue of the call option in effect as of 31 December 2005.
(2) Banca Fideuram S.p.A. was consolidated on the basis of a 74.33% holding, which takes into account the bank's own shares held by the bank to service the stock option plans.

(*) Consolidation method: Full consolidation = F, Proportional =P, Full consolidation for single head office = U
(**) It is the product of the investment relationships relative to all companies which, in being part of the chain of investments, may be positioned between the company preparing the consolidated financial statements and the company in which the investment is held. Should the latter be directly held by two or more subsidiary companies, the interests of such subsidiaries must be summed.

Mutual investment funds in which the internal funds of unit-linked products have been invested, are consolidated on a line-by-line basis whenever the Eurizon Financial Group holds the majority of a fund's shares outstanding.

Following is a list of the mutual investment funds consolidated on a line-by-line basis as of 31 December 2005.

Mutual investment funds

Fund Name	Country	Method (*)	Total % Held (**)
Fideuram fund euro short term	Luxembourg	F	53.62
Fideuram fund euro bond low risk	Luxembourg	F	61.96
Fideuram fund euro bond medium risk	Luxembourg	F	50.09
Fideuram fund euro bond long risk	Luxembourg	F	59.41
Fideuram fund bond global high yield	Luxembourg	F	58.15
Fideuram fund equity Italy	Luxembourg	F	92.54
Fideuram fund equity Europe	Luxembourg	F	94.63
Fideuram fund euro corporate bond	Luxembourg	F	62.49
Fideuram fund equity Usa	Luxembourg	F	93.89
Fideuram fund equity Japan	Luxembourg	F	93.10
Fideuram fund bond global emerging markets	Luxembourg	F	59.66
Fideuram fund equity Pacific ex Japan	Luxembourg	F	88.78
Fideuram fund equity global emerging markets	Luxembourg	F	91.90
Fideuram fund zero coupon 2007	Luxembourg	F	99.96
Fideuram fund zero coupon 2008	Luxembourg	F	99.96
Fideuram fund zero coupon 2009	Luxembourg	F	99.96
Fideuram fund zero coupon 2010	Luxembourg	F	99.96
Fideuram fund zero coupon 2011	Luxembourg	F	99.96
Fideuram fund zero coupon 2012	Luxembourg	F	99.96
Fideuram fund zero coupon 2013	Luxembourg	F	99.96
Fideuram fund zero coupon 2014	Luxembourg	F	99.96
Fideuram fund zero coupon 2015	Luxembourg	F	99.96
Fideuram fund zero coupon 2016	Luxembourg	F	99.96
Fideuram fund zero coupon 2017	Luxembourg	F	99.96
Fideuram fund zero coupon 2018	Luxembourg	F	99.96
Fideuram fund zero coupon 2019	Luxembourg	F	99.96
Fideuram fund zero coupon 2020	Luxembourg	F	99.96
Fideuram fund zero coupon 2021	Luxembourg	F	99.96
Fideuram fund zero coupon 2022	Luxembourg	F	99.96
Fideuram fund zero coupon 2023	Luxembourg	F	99.96
Fideuram fund zero coupon 2024	Luxembourg	F	99.96
Fideuram fund zero coupon 2025	Luxembourg	F	99.96
Fideuram fund zero coupon 2026	Luxembourg	F	99.96
Fideuram fund zero coupon 2027	Luxembourg	F	99.96
Fideuram fund zero coupon 2028	Luxembourg	F	99.96
Fideuram fund zero coupon 2029	Luxembourg	F	99.96
Fideuram fund zero coupon 2030	Luxembourg	F	99.96
Fideuram fund Usa listed t.t. equity	Luxembourg	F	56.49
Fideuram fund Usa listed consumer staples equity	Luxembourg	F	51.79
Fideuram fund Usa listed financials equity	Luxembourg	F	51.92
Fideuram fund Europe listed t.t. equity	Luxembourg	F	57.31
Fideuram fund Europe listed financials equity	Luxembourg	F	52.54
Fideuram fund zero coupon 2006	Luxembourg	F	99.96
Fideuram fund zero coupon 2031	Luxembourg	F	99.96
Fideuram fund zero coupon 2032	Luxembourg	F	99.96
Fideuram fund zero coupon 2033	Luxembourg	F	99.96
Fideuram fund zero coupon 2034	Luxembourg	F	99.96
Fideuram fund Europe listed consumer discretionary equity	Luxembourg	F	55.08
Fideuram fund Europe listed consumer staples equity	Luxembourg	F	60.05
Fideuram fund Usa listed consumer discretionary equity	Luxembourg	F	55.45
Fideuram fund zero coupon 2035	Luxembourg	F	99.96
Caravaggio	Luxembourg	F	99.96
Doppia opportunità	Luxembourg	F	99.96

(*) Consolidation method: Full consolidation = F, Proportional =P, Full consolidation for single head office = U

(**) It is the product of the investment relationships relative to all companies which, in being part of the chain of investments, may be positioned between the company preparing the consolidated financial statements and the company in which the investment is held. Should the latter be directly held by two or more subsidiary companies, the interests of such subsidiaries must be summed.

ACCOUNTING POLICIES

INSURANCE PRODUCTS

Insurance policies

The products for which the insurance risk is deemed significant include: term life policies, annuity policies and variable-universal policies with annuity conversion coefficients guaranteed as of the date of issue, several types of unit-linked policies, and property-casualty policies. For these products, IFRS 4 basically confirms the applicability of the national accounting principles for the insurance industry, a summary of which is provided as follows:

- premiums are recorded as income in the profit and loss statement, and include all amounts accrued for the period with regard to policies executed, net of any cancellations. Similarly, premiums ceded to reinsurers are recorded as operating expenses for the year;

- provisions to the actuarial reserves are made against gross premiums in order to cover the amount of the commitments to policyholders, which are systematically calculated for each contract with the prospective method, on the basis of the demographic/financial assumptions currently used by the market.

Financial products with discretionary participation

Financial products which are under separate-account management, even though their insurance risk is not significant, and which thus allow for discretionary participation in profits, include most whole life policies, variable-universal, as well as capital-accumulation policies. The accounting treatment of these products is dictated by IFRS 4, the principles of which are summarized hereunder:

- the products are reported in the financial statements basically in accordance with the provisions of local accounting principles on the subject, and thus with the premiums, payments, and changes in technical reserves booked to the profit and loss statement;

- the products have been valued by applying so-called shadow accounting, namely, by allocating unrealized capital gains/losses related to securities available for sale to the technical reserves, for the portion thereof accruing to the policyholders, and to shareholders' equity, for the portion thereof accruing to the insurance companies. Instead, in the case of securities stated at fair value whose gains and losses accrue to the profit and loss statement, the difference between the carrying value and the market value is booked to the profit and loss statement, causing a change in the technical reserves for the portion thereof accruing to the policyholders.

Financial products

Financial products which do not have significant insurance risk and are not included in the separately managed accounts, and which thus do not allow for discretionary participation in profits are essentially the index-linked policies and some of the unit-linked policies, as well as policies with specific assets not included in separately managed accounts. These products are reported in accordance with the principles dictated by IAS 39, which are summarized below:

- the products are reported in the financial statements as financial liabilities and are stated at fair value, on the basis of the fair value option, or at amortized cost. In particular, the index- and unit-linked policies considered as investment contracts are stated at fair value, with the related gains or losses accrued to the profit and loss statement, while the products with specific assets not included in separately managed accounts are valued at amortized cost;

- the profit and loss statement thus does not reflect the premiums related to these products, but only the revenue components, represented by load charges and commissions, and the cost components, represented by commissions and other charges. Pursuant to the international accounting principles set forth in IAS 39 and 18, the revenues and costs related to these products are separated into two components: (i) origination, to be booked to the profit and loss statement as of the date of the policy/product issue, and (ii) investment management service, to be spread over the life of the product, in relation to how the service is provided. In the case of products with specific assets not included in separately managed accounts, the revenues and costs are taken into account in the computation of amortized cost;

- any insurance component in the index- and unit-linked products that can be unbundled is to be valued separately.

FINANCIAL ASSETS AND TRANSACTIONS IN DERIVATIVES

Financial assets stated at fair value, whose gains and losses accrue to the profit and loss statement

The financial assets stated at fair value, whose gains and losses accrue to the profit and loss statement, include assets held for trading and fair-value-designated assets.

The financial assets held for trading include:

• debt or equity securities acquired mainly for the purpose of obtaining a profit thereon in the near term;

• derivatives contracts, except those designated at hedging instruments.

The assets designated at the initial reporting date as financial assets stated at fair value, whose gains and losses accrue to the profit and loss statement, are mainly financial assets related to index- and unit-linked investment-type contracts, assets connected with the management of pension funds, and hedging derivatives.

The financial assets stated at fair value, whose gains and losses accrue to the profit and loss statement, are initially recorded in the balance sheet at their fair value, which generally corresponds to the price paid. The valuation thereafter is based on the trend of fair value, with any changes reported in the profit and loss statement.

Securities and related derivatives contracts whose fair value cannot be determined in a reliable manner are carried in the balance sheet at cost, which is adjusted to reflect losses for impairment of value. Any impairment losses recognized with respect to such assets may not be reversed.

Market prices are used for the determination of the fair value of financial instruments traded in active markets. If no active market exists, the fair value is determined by taking into account prices published for recent transactions and quoted prices for similar financial instruments as well as with reference to valuation models which are primarily based on objective financial variables.

Derivatives are booked as assets if the fair value is positive, and as liabilities, if the fair value is negative. The Group offsets the positive and negative present values on transactions in effect with the same counterparty, whenever such offsetting is contractually admissible.

Investments held to maturity

Investments held to maturity are non-derivative financial instruments, with fixed or determinable payments and fixed maturity, which, in accordance with the Group’s intentions and capacity, are to be held to maturity.

The investments are initially recorded in the balance sheet at their fair value, which generally corresponds to the price paid, plus any transaction costs directly imputable thereto, if material and determinable.

Thereafter, the investments are stated at amortized cost, on the basis of the effective interest-rate method. The earnings and losses related to investments held to maturity are reported in the profit and loss statement when the assets are eliminated from the balance sheet or when the value of the assets has been impaired, as well as through the financial amortization process.

The carrying value of the investments is periodically subject to testing in order to verify the existence of any impairment of value. Applying its experience in the area of valuation, the Group uses all information at its disposal in order to ascertain situations involving an impairment loss and the computation of the amount thereof; such information is based on events that have already occurred and on data observable as of the valuation date. Impairment losses are equal to the difference between the carrying value of the assets and the present value of the estimated future financial flows discounted at the original effective interest rate. Recoveries of value, if any, are recorded in the profit and loss statement up to the amount of the amortized cost that the investments held to maturity would have had if they had not been written down.

Financing and loans receivable

Financing and loans receivable consist of non-derivative financial assets, including debt securities, with fixed or determinable payments, that are not traded in an active market and that were not classified upon their acquisition as financial assets available for sale. Amounts due from banks and customer receivables are classified in this account. The account also includes reinsurance transactions, and thus, the cash deposits with third parties to guarantee the Group’s future obligations.

Financing and loans receivable are booked at their disbursement dates. The assets are initially recorded in the balance sheet at their fair value, which generally corresponds to the sum disbursed, plus any transaction costs directly imputable thereto, if material and determinable.

Thereafter, financing and loans receivable are valued at amortized cost, using the effective interest-rate method.

The carrying value of the financing and loans receivable is periodically subject to testing in order to verify the existence of any losses in value that could cause the impairment of their estimated realizable value. The testing is conducted by taking into consideration: the specific status of the solvency of the debtors with payment difficulties; possible debt-servicing difficulty on the part of individual sectors or countries of residence of the debtors; guarantees in effect; and any negative business trends regarding standard loan categories.

The classification criteria adopted for the account are set out below:

- non-performing positions: receivables due from persons in a state of insolvency or in substantially equivalent situations;
- watchlist positions: receivables due from persons in situations of objective, temporary difficulty that foreseeably can be remedied over an adequate period of time;
- restructured positions: receivables for which a pool of banks (or a single lending bank) grants a debt repayment moratorium and renegotiates the debt at below-market rates;
- past-due positions: receivables which are past due by more than 180 days as of the date of the financial statements;
- country risk: unsecured receivables to persons who are resident in countries which are having difficulty in servicing debt;
- performing positions: receivables which, in their current state, present no specific insolvency risks.

The classification of the doubtful positions is done by the operational units, with the coordination of the head-office areas responsible for credit controls.

The loss provisions on performing and past-due receivables are computed on a lump-sum basis by using an historical/statistical method to estimate the deterioration of the value of the receivables reasonably believed to have occurred as of the date of reference (incurred), but whose actual amount as of the date of valuation is not yet known.

The estimated realizable value of doubtful positions is computed on the basis of the present value of the expected flows of principal and interest, and is formally approved by means of resolutions passed by the Group's governing bodies and by other organizational levels delegated with specific authority therefor.

The estimated collections (expected financial flows), the relative due dates, and the discount rate to be applied are the main variables considered in the computation of the present value of the inflows.

The estimated collections and relative due dates incorporated into the repayment plans for the doubtful positions are determined by detailed analyses and assumptions prepared by the departments responsible for the valuation of the receivables, or in absence thereof, by estimated, lump-sum amounts taken from internal historical series and sector studies. The discounting of the estimated collections included in the repayment plans is predominantly done with the use of the interest rates in effect at the time a position is transferred from "performing" to "doubtful" status.

The writedowns, whether with regard to specific positions or on a lump-sum basis, are effected with an adjustment to the balance-sheet carrying value on the basis of the criteria set out above, and are reversed through a writeback booked to the profit and loss statement whenever the reasons for the writedown no longer apply or whenever the amounts recovered exceed writedowns originally booked.

Considering the method used for the computation of the estimated realizable value of the doubtful positions, the simple passing of time, with the consequent approach of the due dates provided for the recovery, implies an automatic reduction of the implicit financial charges previously accrued as a reduction of the receivables.

Financial assets available for sale

The financial assets available for sale are those financial assets which are not qualifiable as financing and loans receivable, financial assets held to maturity, or financial assets stated at fair value, whose gains and losses accrue to the profit and loss statement. Financial assets available for sale include debt and equity securities not qualifiable as controlling interests, related interests or interests under joint control.

Financial assets available for sale are initially recorded in the balance sheet at their fair value, which generally corresponds to the price paid, plus any transaction costs directly imputable thereto, if material and determinable.

Thereafter, the assets are valued at fair value, with any changes recorded in a specific reserve in shareholders' equity.

Unlisted equity securities whose fair value cannot be computed in a reliable or verifiable manner, including in consideration of the significance of the range of values obtained from the application of the valuation models generally adopted by the market, are booked at cost.

Valuation losses are recognized upon any permanent impairment of value, whereas other changes in valuation are booked to the profit and loss statement when the assets are sold.

With reference to debt securities classified as financial assets available for sale, the related earnings, which are accrued on the basis of amortized cost, are recorded in the balance sheet, with an offsetting entry to the profit and loss statement; the effects of exchange-rate fluctuations are recognized in a similar manner. Foreign-exchange differences in relation to equity securities available for sale are instead reported in a specific reserve in shareholders' equity.

Applying its experience in the area of valuation, the Group uses all information at its disposal in order to ascertain situations involving an impairment loss and the computation of the amount thereof; such information is based on events that have already occurred and on data observable as of the valuation date. A significant and/or continuing decrease of the fair value of an instrument representative of capital that would cause the fair value to fall below cost can be considered objective evidence of an impairment of value.

Impairment losses recognized on equity securities classified as financial assets available for sale may not be reversed through the profit and loss statement. Instead, any recovery of value on such securities is booked to the specific shareholders' equity reserve. Recoveries of value on debt securities, if any, are recorded in the profit and loss statement up to the amount of the amortized cost of the assets.

Derivatives instruments

Financial derivatives are initially recorded at the purchase cost representative of the fair value, and thereafter, at fair value. The determination of the fair value of the derivatives is based on: prices taken from regulated markets or supplied by dealers; transaction valuation models; or discounted cash-flow models.

Financial derivatives may be classified as "hedging derivatives" or "trading derivatives".

Hedging transactions are designed to neutralize the potential losses attributable to specific types of risk via the earnings realizable on the hedging instruments.

With the application of hedge accounting in accordance with the accounting principles of reference, special documentation is drawn up for the purpose of formally reporting the relationship between the hedging instrument and the purpose of the hedging, including risk-management objectives, the strategy for effecting the hedging, and the methods for testing the effectiveness of the hedging. Pursuant to the IAS, the testing of the effectiveness of each hedge is contemplated both at the time the hedging transaction is initially booked and over the life of the transaction. In general, a hedge is considered highly effective if, at its inception or over the term in which it remains in effect, the changes in the fair value or in the changes in the expected future cash flows of the hedged asset or liability are substantially offset by changes in the fair value or cash flows of the hedging instrument, and namely, within an interval of 80 percent and 125 percent.

The hedging relationships cease to exist if the hedging effected through the derivative is no longer highly effective or ceases, the derivative expires or is sold or annulled or exercised, the asset or liability hedged is sold or expires or is reimbursed, or the future hedged transaction is no longer highly probable.

REAL ESTATE INVESTMENTS AND FIXED ASSETS

Real estate investments consist of properties directly owned by the Group or held by the Group under financial leases, which are held for the purpose of earning rental income and/or capital appreciation.

Fixed assets include buildings instrumental to the Group's business, land, works of art, technical systems, furnishings, machinery and equipment.

The buildings instrumental to the Group's business are owned directly or held under financial lease, are used in the production and supply of services or for administrative purposes, and have a useful life in excess of one year.

The fixed assets are initially booked at cost, inclusive of any ancillary charges directly attributable to the purchase of the assets and their placement in service. Thereafter, the assets are stated net of accumulated depreciation (except in the case of land and works of art) and of any writedowns effected to reflect impairment of value. The assets are tested for impairment at each balance sheet date.

Expenditures after the purchase increase the carrying value of the asset or are reported as separate assets only if they result in an increase in the future economic benefits to be derived from the use of the assets. All other expenses sustained after the purchase are charged to the profit and loss statement as incurred.

The cost of the assets is depreciated on a straight-line basis in relation to the residual possibility of the use of each asset. The useful life of the fixed assets subject to depreciation is periodically assessed, and in the event of any adjustment to the initial estimates, the relative rate of depreciation is modified accordingly.

The table below shows the depreciation rates used during 2005.

Real property	
Buildings	3.33% - 4.77%
Personal property and systems	
Furnishings	12%
Computer systems	15% - 40%
Other	10%

In the case of buildings, the land and the building structures constitute separate assets for accounting purposes, and are to be reported separately as of the acquisition date. Land has an indefinite life, and is thus not depreciated.

Works of art are also not depreciated seeing as it is not possible to estimate their useful life and their value is normally not susceptible to declining over time.

Fixed assets are eliminated from the balance sheet at the time of their disposal or when they are permanently retired, and when there are no longer any future economic benefits expected from the assets.

As part of the first-time application of the international accounting principles, IFRS 1 allows for substituting the historical cost of certain real estate investments and/or fixed assets with the fair value reported at the transition date. The Group has elected to take advantage of this option with respect to its holdings of land and works of art, whose fair value has been determined by external appraisal experts especially commissioned therefor.

IFRS 1 also allows first-time adopters to maintain any previous revaluation of real estate assets booked in accordance with national laws and national accounting principles as part of the cost of the assets whenever the value inclusive of the revaluation is, as of the first-time adoption date, substantially comparable to the fair value or to the amortized cost of the asset.

INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of the acquisition of assets and liabilities making up companies or business units over the net fair value of the same as of the date of purchase. Goodwill is not amortized, but rather subject to a periodic impairment test to determine the adequacy of its relative carrying value. This test is effected with reference to the cash-generating organizational unit to which the goodwill is attributed. Any reduction in the value of goodwill is to be recognized whenever the recoverable value of the goodwill is less than its carrying value. The recoverable value is defined as the greater of the fair value of the cash-generating unit, net of selling expenses, and the value in use, which is the present value of the estimated future financial flows generated by (i) the use of the asset in future periods, and (ii) the disposal of the asset as of the end of its useful life.

Other intangible assets

Other intangible assets are mainly expenditures for software acquired from third parties or developed internally.

The costs for the internal development of software are booked as intangible assets subject to the verification of (i) the technical feasibility of completing the projects in relation thereto, and (ii) the capacity of the assets to generate future economic benefits. During the development phase, such assets are valued at cost, inclusive of any ancillary charges directly imputable thereto (including expenditures, if any, for internal staff employed to develop the software). Should it not be possible to verify the elements indicated above, the costs are expensed to the profit and loss statement.

The intangible assets resulting from internally developed software or software acquired from third parties are amortized on a straight-line basis over an estimated useful life of three years, starting from the date on which the applications are completed and placed into service. Should the recoverable value of such assets fall below the carrying value, the difference is recorded in the profit and loss statement.

An intangible asset is eliminated whenever, by virtue of its disposal or permanent impairment of value, it is no longer able to generate future utility.

FINANCIAL LIABILITIES

Financial liabilities stated at fair value, whose gains and losses accrue to the profit and loss statement

Financial liabilities stated at fair value, whose gains and losses accrue to the profit and loss statement, mainly include the liabilities related to index- and unit-linked policies taken out for investment purposes without any significant insurance risk, and which thus do not fall within the framework of application of IFRS 4. The liabilities are determined with reference to the commitments provided by the contracts, and are represented, with the maximum approximation possible, by the assets of reference, pursuant to the provisions of Article 30 of Legislative Decree n. 174/95 and the directives of the insurance regulatory authorities ("ISVAP") issued thereafter.

The financial liabilities stated at fair value, whose gains and losses accrue to the profit and loss statement, also include the derivatives contracts which present negative values as of the close of the accounting period.

Other financial liabilities

Other financial liabilities include interbank loans and amounts due to customers, securities issued and outstanding, deposits received from reinsurers, any financial liabilities incorporated into reinsurance contracts, and the implicit liabilities in leasing contracts. The liabilities are stated at amortized cost.

Other financial liabilities are initially recorded in the balance sheet at their fair value, which generally corresponds to the sum received, less any transaction costs directly imputable to the borrowing transactions.

Thereafter, the liabilities and the securities outstanding, with the exception of sight and short-term liabilities, are reported at their amortized cost with the effective interest-rate method.

The difference between the cost of repurchasing securities and the relative carrying value is booked to the profit and loss statement. Any subsequent sale of repurchased securities previously outstanding represents a new placement for accounting purposes, with the average cost of carry of the relative liabilities adjusted as a result.

TECHNICAL RESERVES

Life insurance reserves

The technical reserves are related to basic insurance policies and to financial contracts that allow for discretionary participation in profits and whose assets are managed in separate accounts. In accordance with IFRS 4, such reserves are computed in accordance with local accounting criteria. Any insurance component of the index- and unit-linked financial products that can be unbundled is to be valued separately, and is computed in accordance with local accounting criteria.

Actuarial reserves

Actuarial reserves refer to: reserves based on pure premiums; reserves for additional medical, professional and sporting premiums; amounts to be carried over to premiums; reserves for issuing discounts; the additional reserves provided pursuant to Article 25, Paragraphs 12 and 14 of Legislative Decree 174/95 (as referenced in Article 36 of Legislative Decree 209/05); and additional reserves. The actuarial reserves include an additional reserve with regard to the additional death benefit payable on index-linked policies, and the reserve for settling the bonus provided by some types of unit-linked policies or the guarantee at the expiration date, if necessary.

The actuarial reserves for virtually the entire portfolio are calculated specifically for each contact with the use of the prospective method, on the basis of the commitments valued in relation to the demographic/financial assumptions deemed most suitable. In the case of some capital-accumulation policies, the reserve has been calculated specifically for each policy with the use of the retrospective method.

The additional reserves also include the reserve provided pursuant to Article 25, Paragraphs 12 of Legislative Decree 174/95 (as referenced in Article 36 of Legislative Decree 209/05), calculated on the basis of the projected returns resulting from the application of the criteria set out in ISVAP Order n. 1801 of 21 February 2001, in accordance with the indications contained in the note prepared by the actuarial profession in Italy.

The reserves for additional medical, professional and sporting premiums are greater than the total amount of additional premiums earned during the year.

The reserves for issuing discounts against the commitments manifested as of the date of the liquidation of securities held in separately managed accounts have been determined pursuant to the directives issued by ISVAP with Circular n. 278 of 23 July 1996.

Premium reserve for supplemental insurance

Supplemental insurance covers the risk of death or of permanent disability following an accident, the risk of serious illness, and the risk of the loss of self-sufficiency in carrying out tasks in normal daily life. The supplemental insurance reserve has been calculated with the pro rata temporis criterion.

Reserve for sums to be paid

The reserve for sums to be paid includes the sums which the insurance company has settled for policy expirations, policy claims, policy redemptions, periodic amounts due, and annuity payments, but which the company has not yet paid as of the valuation date, with the parties to whom such sums are due having accrued the right thereto on or before the end of the year.

Reserve for participation in profits and rebates

The reserve consists exclusively of a reserve for premium rebates in relation to group policies executed in single-year form which pay a death benefit and which contractually provide for the return of a portion of the net premium paid (calculated on the basis of the trend of mortality in relation to the group of persons insured by the policy).

Other technical reserves

The account covers reserves for management expenses to cover the charges which the insurance company has to sustain for the management of the policies. The reserve balance is prudently determined in accordance with the provisions of Article 25, Paragraph 1, letter d and Paragraph 8 of Legislative Decree n. 174/95 (referenced in Article 36 of Legislative Decree 209/05).

Technical reserves where investment risk is borne by the policyholders and reserves related to pension fund management

The account refers to reserves related to insurance contracts whose benefits are linked to investment funds and market indices. Pursuant to the provisions of Article 38 of Legislative Decree 173/97, the technical reserves set up to cover commitments on insurance contracts whose returns are based on investments or indices for which the policyholder sustains the risk, are calculated with reference to the commitments provided by the contracts and are represented with the maximum approximation possible by the assets of reference, pursuant to the provisions of Article 30 of Legislative Decree n. 174/95, as further referenced in Article 41 of Legislative Decree n. 209/05.

Shadow accounting reserve

The technical reserves likewise include the deferred liabilities to the policyholders, namely, the provision for discretionary participation in profits on the contracts of a financial nature linked to separate-account management. The reporting of the deferred liabilities occurs through the application of so-called shadow accounting which consists of allocating to the policyholders a portion of the unrealized capital gains/losses, relative to the financial assets available for sale and the financial assets stated at fair value, whose gains and losses accrue to the profit and loss statement, which make up the separately managed accounts.

Liability adequacy test

In accordance with the provisions of IFRS 4, a liability adequacy test (LAT) is conducted to verify the adequacy of the reserves. This test is conducted by comparing the technical reserves, net of deferred acquisition costs, with the present value of the future cash flows (obtained by projecting the expected cash flow generated by the actual portfolio as of the valuation date), on the basis of realistic assumptions about the fundamental reasons for the reversal of the reserves (i.e. mortality and redemptions) and about the trend of expenses.

The LAT was effected with the use of the information and methodological supports which are used consistently by the company for the purpose of computing embedded value. In particular, deterministic models are used which are based on the projection of all future cash flows, and the assumptions used are established on the basis of so-called best-estimate valuation, which is derived from detailed analysis of the information (if known) about the portfolio of assets and liabilities.

The development of the portfolio's liabilities was effected by distinguishing each rate type in the case of the separately managed accounts, and by projecting the closed portfolio as of 31 December 2005 on the basis of the characteristic elements of each rate.

The testing was effected on the basis of model points that are representative of virtually the entire portfolio (99% of the actuarial reserves), and involved the definition of both financial assumptions about the prospective rates of return and demographic/actuarial assumptions needed to take into account variables such as the run-off of the portfolio and the causes of the stability/interruption of premium payments.

The amount of the liabilities was discounted on the basis of a discount rate of 6.25 percent, obtained by summing the rate on the 10-year Italian treasury bill (BTP) and a risk premium of 2.75 percent.

Property-casualty reserves

The technical reserves for the property-casualty products have been determined on the basis of local accounting principles, as provided by IFRS 4, with the exception of the equalization reserves and the catastrophic reserves which have not been considered inasmuch as they are not admitted by the international accounting principles.

The property-casualty reserves include the premium reserve, the loss reserve and the senescence reserve, which are commented upon hereunder:

- in accordance with Italian accounting principles, the premium reserve for the property-casualty lines consists of the premium-portion reserve and the reserve for risks outstanding. The premium-portion reserve has been set up pursuant to Article 32 Paragraph 2 of Legislative Decree 173/97, as ratified by Legislative Decree 209/05 Code of Private Insurance, and substituted thereafter by Article 37 of Legislative Decree n. 209/05, and it consists of the amounts of gross premiums booked during the year which related to future years. The calculation is effected specifically line by line, using the pro rata temporis method, with the deduction of the directly imputable policy acquisition costs. The reserve for risks outstanding consists of the amount to be set aside to cover the insurance company's risks after year end, so as to cover all indemnities and expenses on the insurance policies executed prior to such date, to the extent to which such amount exceeds the premium-portion reserve and the premiums which are collectible under such contracts; the calculation is made by each line of business reported in the financial statements, on the basis of the loss ratio for the current period and by evaluating it also in relation to the loss ratio for prior years. The premium reserves for business ceded are computed by adopting the same criteria used for direct business;

- the loss reserve is analytically computed based on a prudent valuation of the damages which is developed using objective criteria and a final-cost logic, and is designed to cover the insurance company's commitments for the payment of loss claims and the direct and indirect settlement expenses. The reserve also includes the estimation of the losses incurred but not yet reported, as determined in accordance with the criteria supplied by ISVAP;

- the senescence reserve is set up specifically for the health insurance line, in accordance with the provisions of Article 25 of Legislative Decree 175/1995, as ratified by Legislative Decree 209/05 Code of Private Insurance.

The criteria for setting aside provisions to the technical reserves are based on local accounting principles, with particular reference to the final cost for the loss reserve and the reserve for risks outstanding. These criteria are consistent with those defined by the liability adequacy test, thereby satisfying the requisites provided by IFRS 4.

PAYABLES

Payables arising from direct and indirect insurance transactions

Trade payables arising from direct and indirect insurance transactions are stated at their nominal value.

Employee severance-indemnity reserve

The liabilities relative to employee severance indemnities are reported in the financial statements at their actuarial value, inasmuch as they are qualified as an employee benefit due under a defined benefit plan, pursuant to the provisions of IAS 19.

The reporting of the defined-benefit plans in the financial statements requires an actuarial estimate of the amount of the future benefits that the employees have earned in return for their services in current and prior periods, and the discounting of such benefits in order to compute the present value of the Group's obligations.

The present value of the Group's obligations is computed by an external expert with the projected unit credit method. As part of the general techniques used for determining accrued benefits, this method considers each period of service rendered by employees at the company as one additional benefit unit: the actuarial liability must then be quantified on the basis of the periods of service accrued as of the valuation date; accordingly, the total liability is normally reproportioned on the basis of the relationship between (i) the years of service accrued as of the date of reference of the valuations, and (ii) the length of service achieved overall as of the date contemplated for the payment of the benefit. Furthermore, the aforementioned method provides for considering future wage increases, regardless of the reason therefor (inflation, promotions, contract renewals, etc.), through the date of the termination of the employment relationship.

The annual cost of the defined-benefit plans recorded in the profit and loss statement as part of personnel expense is equal to the sum of (i) the average present value of the benefits earned by the employees for their services during the year, and (ii) the annual interest accrued on the present value of the Group's obligations as of the start of the year, computed by using the discount rate applied to future disbursements adopted for the estimation of the liability as of the end of the preceding year.

Actuarial gains and losses, defined as the difference between the carrying value of the liabilities and the present value of the Group's obligations as of the end of the year, are recorded in the financial statements on the basis of the corridor method, and namely, only when they exceed 10% of the present value of the Group's obligations as of the end of the period. In such case, the excess is booked to the profit and loss statement as of the subsequent year, in line with the average working life of the employees.

Seniority bonuses

The liabilities relative to employee seniority bonuses are recorded in the financial statements, pursuant to IAS 19, on the basis of their actuarial value, inasmuch as they are qualified as an employee benefit due under a defined benefit plan. The liabilities are booked based on the criteria described for the employee severance-indemnity reserve.

OTHER ACCOUNTS AND OTHER INFORMATION

Equity investments

The investments held in companies that have not been fully or proportionally consolidated are those over which the holding company exercises significant influence. Such investments are valued with the net equity method. Companies are subject to significant influence when the holding company guides their administrative, financial and operational strategies by virtue of legal ties and actual existing situations. Significant influence is presumed when the holding company holds 20 percent or more of the voting rights.

Cash and cash equivalents

Cash, cash equivalents, and sight deposits are stated at their nominal value.

Deferred acquisition costs

Deferred acquisition costs include the charges sustained in booking specific types of insurance contracts with a term of more than one year. The costs are amortized in relation to the policy term. As provided by IFRS 4, such costs have been booked on the basis of local accounting principles.

Deferred commission income and expense

Deferred commission income and expenses respectively represent the load charges and the acquisition commissions related to the financial products without discretionary participation in profits, such as the index-linked policies and part of the unit-linked policies. Deferred commission income and expenses are classified, as provided by IAS 39, as financial liabilities stated at fair value, whose gains and losses accrued to the profit and loss statement. The international accounting principles contained in IAS 39 and 18 provide that load charges and acquisition commissions related to these products be identified and separated into two components:

- financial instrument, to be booked to the profit and loss statement as of the date of the policy/product issue;
- investment management service, to be spread over the life of the product, in relation to how the service is provided.

In line with prevalent interpretations, the Group's companies have booked all up-front load charges as part of the investment management service, and they are thus recorded as liabilities to flow through the profit and loss statement over the life of the product. Similarly, the acquisition commissions are considered as incremental costs to be capitalized and amortized over the life of the product; such costs serve as the basis for the recognition of an intangible asset which represents the contractual relationship established with the investor, and the relative right of the company to debit the load charges for the future investment management activity. Deferred commission income and expenses are amortized on a straight-line basis, assuming with accurate approximation that the management activity will be provided on a steady basis over time.

The acquisition commissions have been amortized in light of the verification, pursuant to IAS 36, of their recoverability with the initial load charges and future management fees.

In order to determine the recoverability of the acquisition commissions, the company examines the costs risk among the pricing risks. The verification of the recoverability is done in advance with a profit test, and thereafter, during the life of the contract, through the annual verification of the sustainability of the assumption upon the valuation of the embedded value. The test is repeated with aggregation of the portfolio by rate. With the election of the annual projection assumption, a test is conducted to verify that the amounts received are not less than those expected, for reasons such as contract terminations or market movements other than those assumed for the profit testing. Finally, the costs are examined in order to verify that they are not in excess of the projections. In this regard, the Group has constructed a detailed analytical model capable of breaking down the costs by product macro category and by the product life cycle.

Tax assets and liabilities

Income taxes calculated pursuant to national fiscal legislation are booked at cost, on the basis of the matching principle, consistent with the criteria for the financial-statement reporting of the revenues and expenses constituting the basis for the income tax calculation. The income taxes thus represent the balance of current and deferred tax assets and liabilities in relation to the income for the period.

The companies of the Eurizon Financial Group have elected to take part in the consolidated national income tax return filed by the parent company, Sanpaolo Imi, pursuant to the provisions of Legislative Decree n. 344/2003. The consolidated return allows for the aggregation of the taxable income of all participating companies, and a single corporate income tax payment on the part of the parent company.

Deferred tax assets and liabilities are computed on the basis of the balance-sheet liability method, taking into account the fiscal effect of timing differences related to the values of the assets and liabilities for financial-reporting purposes and the values for tax purposes which determine taxable or deductible amounts in future periods. In this regard, taxable timing differences are those which give rise to taxable amounts in future periods, and deductible timing differences are those which give rise to deductible amounts in future periods.

Deferred tax assets and liabilities are calculated by applying, at the level of each consolidated company, the taxation rates established by the provisions of prevailing law to the taxable timing differences for which the probability of an actual tax payment exists and to the deductible timing differences for which there is reasonable certainty of recovery.

Should the deferred tax assets and liabilities refer to profit-and-loss accounts, the offsetting entry is represented by income taxes.

Should the deferred tax assets and liabilities refer to transactions directly flowing through shareholders' equity, without any entries to the profit and loss statement (for example, the valuation of the financial instruments available for sale or derivatives to hedge financial flows), the deferred tax assets and liabilities are recorded with an offsetting entry to the specific reserves of shareholders' equity as provided therefor (for example, valuation reserves).

Non-current assets and liabilities held for sale

Assets held for sale are valued at the lower of book value and fair value, net of selling costs. The assets, which are part of discontinued operations, and the relative earnings results are reported separately in the balance sheet and in the profit and loss statement. Individual non-current assets, cash-generating units and groups or single parts thereof are classified as held for sale only when the sale is deemed highly probable.

Technical reserves for the account of reinsurers

The commitments for the account of reinsurers, which arise from reinsurance relationships covering the contracts governed by IFRS 4, are recorded and, barring any other valuation in relation to the recoverability of the credit, booked in accordance with the accounting principles applicable to the underlying direct insurance contracts. The deposits of the reinsurance companies with the ceding companies are not included.

Receivables arising from direct and indirect insurance transactions

Receivables from policyholders for premiums not yet collected are initially valued at fair value which normally coincides with nominal value, and thereafter, at each balance-sheet date, at the estimated realizable value. Considering the short-term nature of the receivables, the discounting thereof would not be significant for accounting purposes.

Provisions

Provisions are liabilities whose amount or settlement date is unknown. Provisions are reported in the financial statements when:

- there is a current obligation for a past event;
- the employment of resources to fulfil and extinguish the obligation is probable;
- a reliable estimate of the amount of the obligation can be made.

Whenever the effect of the deferral of the payment of the charge is significant, the Group calculates the provisions in an amount equal to the present value of the expenditures that it expects will be necessary to extinguish the obligations.

Should the amounts set aside be discounted, the amount of the provisions recorded in the balance sheet increases in each period in order to reflect the passage of time.

At each balance-sheet date, the amounts set aside are re-examined and adjusted to reflect the best current estimate.

Whenever it becomes improbable that the resources aimed at producing economic benefits to fulfil the obligation will be used, the provision is reversed.

Own shares

Own shares repurchased are initially booked and carried thereafter at cost, in a special contra account within shareholders' equity. In the event of sale on the market, any difference between the purchase cost and sale price is recorded in shareholders' equity.

Share-based payment plans

The Group accounts for the stock option plans approved as of December 2002 and thereafter on the basis of the reporting criterion provided by IFRS 2 in relation to share-based payments.

On the basis of this criterion, the options granted are valued at the fair value as of the grant date, which coincides with the date on which the plan is approved by the board of directors or other corporate governing body responsible. The fair value is accrued to the profit and loss statement as a commission expense over the period from the grant date to the vesting date, with the offsetting entry booked to a special restricted reserve in shareholders' equity.

Should the options not be exercised as a result of conditions not dependent on the performance of the market, the cumulative cost accrued to cover the plans is reversed to the profit and loss statement with an offsetting entry to the special restricted reserve in shareholders' equity.

Should the options not be exercised as a result of market conditions, the cumulative cost is not reversed, and instead, the special restricted reserve in shareholders' equity serving as the offsetting account to the commission expense for the period from the grant date to the vesting date is reclassified as an unrestricted reserve.

Transactions in foreign currency

Transactions in foreign currency are converted into euros by applying the exchange rate in effect as of the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into euros at the exchange rates prevailing as of the close of the accounting period, whereas non-monetary assets and liabilities denominated in foreign currency, which are not valued at fair value and for which the foreign-exchange risk has not been hedged, are converted into euros at the exchange rates prevailing as of the date on which the assets and liabilities were initially reported in the financial statements.

Foreign-exchange differences related to the conversion of monetary assets and liabilities at rates other than those used at the time the assets and liabilities were originally booked or at the end of the preceding accounting period are accrued to the profit and loss statement.

The foreign-exchange differences related to the conversion of non-monetary assets and liabilities at rates other than those used at the time the assets and liabilities were originally booked, when applicable on the basis of the aforementioned criterion, are accrued as follows:

- to the profit and loss statement if the exchange-rate risk on the non-monetary assets and liabilities is hedged, for the portion actually hedged;
- alternately, to the profit and loss statement or to shareholders' equity if the non-monetary assets and liabilities are valued at fair value, based on the rules for recording changes in fair value in relation thereto.

Recognition of revenues and costs

The revenues for the sale of goods are reported in the financial statements at the fair value of the consideration received, when the following conditions are met:

- the Group has transferred to the buyer the risks and benefits related to the ownership of the goods;
- the value of the revenues may be reliably determined;
- it is probable that the economic benefits will be received by the Group.

Commissions and other income earned on the rendering of services are recorded in the financial statements during the periods in which the services are rendered or with reference to the state of completion of the service. Income earned on the sale of financial products without significant insurance risk is recorded on the basis of contract term; the costs related to the acquisition of such contracts are booked to the profit and loss statement during the same periods in which the income is recorded.

The other income is booked as follows, on the basis of the matching principle:

- interest, including income and charges, is booked when actually earned;
- past-due interest is recorded upon collection;
- dividends are recognized in the profit and loss statement upon the right to receive payment, and thus, at the time the distribution is approved;

- in relation to transactions in financial instruments, the difference between the fair value of the instruments in comparison to the price paid or collected is recorded in the profit and loss statement only if the fair value may be determined in a reliable manner; assuming the use of valuation models which are based on market parameters, observable prices exist for recent transactions in the same market in which the instrument is traded. Barring such conditions, the estimated difference is recorded in the profit and loss statement on a straight-line basis over the term of the transactions.

Expenses are recognized in the profit and loss statement during the periods in which the related revenues are recognized. If the association between revenues and expenses can only be made in a generic and indirect manner, the expenses are recognized over two or more periods, with rational procedures and on a systematic basis. Expenses which cannot be associated with income are booked to the profit and loss statement as incurred.

Standardized purchases and sales of financial assets

The standard purchases and sales of financial assets, namely, those effected on the basis of contracts whose terms require delivery of the assets within a period of time established by market regulations or conventions, are recognized as of their settlement dates.

Cancellation criteria

Financial assets are cancelled upon the expiration of the contractual rights to the financial flows derived from the assets, or when the financial asset is sold, with all of the risks/benefits in relation to the asset being substantially transferred.

Financial liabilities are cancelled from the financial statements when they have been extinguished or at maturity. The cancellation may also occur upon the repurchase of securities previously issued.

INFORMATION ON THE CONSOLIDATED BALANCE SHEET

BALANCE SHEET - ASSETS

FIXED AND INTANGIBLE ASSETS

As of 31 December 2005, total investments in fixed and intangible assets amounted to €179.2 million, and consisted of the following:

	31/12/2005			31/12/2004		
	Cost	Recomputed Value or Fair Value	Book Value	Cost	Recomputed Value or Fair Value	Book Value
Goodwill	24,170	-	24,170	-	-	-
Real estate investments	39,303	-	39,303	40,181	-	40,181
Buildings	72,373	-	72,373	73,884	-	73,884
Other fixed assets	13,222	-	13,222	16,403	-	16,403
Other intangible assets	30,165	-	30,165	32,641	-	32,641
Total fixed and intangible assets	**179,233**	**-**	**179,233**	**163,109**	**-**	**163,109**

Based on a valuation carried out by a third-party appraiser, the market value of the real estate investments as of 31 December 2005 was €7 million higher than the book value.

Goodwill

The goodwill refers to the acquisition of Noricum S.p.A., whose merger with Fideuram Vita S.p.A. and Sanpaolo Vita S.p.A. resulted in the creation of Assicurazioni Internazionali di Previdenza S.p.A. in 2004. In 2005, there was no evidence of impairment of the value of the goodwill.

Real estate investments

As of 31 December 2005, the real estate properties held for investment purposes were held exclusively by the insurance segment, and consisted of the following:

	31/12/2005	31/12/2004
Real estate investments	**39,303**	**40,181**
1.1 Owned properties	**39,303**	**40,181**
- Land	28,542	28,542
- Buildings	10,761	11,639
1.2 Leased under financial lease	**-**	**-**
- Land	-	-
- Buildings	-	-

Buildings

The account balance was equal to €72.4 million as of 31 December 2005 (€73.9 million in 2004), and consisted of the following:

	Total as of 31/12/2005	Total as of 31/12/2004
Buildings	**72,373**	**73,884**
1.3 Owned	**51,267**	**52,609**
- Land	35,133	35,134
- Buildings	16,134	17,475
1.4 Leased under financial lease	**21,106**	**21,275**
- Land	16,302	16,302
- Buildings	4,804	4,973

Other fixed assets

The account balance was equal to €13.2 million as of 31 December 2005 (€16.4 million in 2004), and consisted of the following:

	31/12/2005	31/12/2004
Other fixed assets	**13,222**	**16,403**
1.5 Owned	**13,222**	**16,403**
- Furnishings	4,741	5,195
- Computer systems	2,821	3,988
- Other	5,660	7,220
1.6 Leased under financial lease	**-**	**-**
- Furnishings	-	-
- Computer systems	-	-
- Other	-	-

Other intangible assets

The account balance was equal to €30.2 million as of 31 December 2005 (€32.6 million in 2004), and mainly consisted of costs for software acquired from third parties or developed internally.

TECHNICAL RESERVES FOR THE ACCOUNT OF REINSURERS

The following table shows the components of the account as of 31 December 2005.

Technical reserves for the account of reinsurers

	Direct Business	Indirect Business	Total as of 31/12/2005
Property-casualty reserves	24,257	-	24,257
Premium reserve	12,697	-	12,697
Loss reserve	11,560	-	11,560
Other reserves	-	-	-
Life reserves	4,755	-	4,755
Reserve for sums to be paid	511	-	511
Actuarial reserves	4,244	-	4,244
Technical reserves where investment risk is borne by the policyholders and reserves related to pension fund management	-	-	-
Other reserves	-	-	-
Total technical reserves for the account of reinsurers	**29,012**	**-**	**29,012**

INVESTMENTS

Equity investments

The balance of the "Investments in subsidiaries, affiliates and joint ventures" account was equal to €51 thousand as of 31 December 2005 (€39 thousand in 2004), and referred exclusively to the Eurizon Financial Group's holding in the Studi e Ricerche Fiscali consortium. The change in the account balance year on year is due to an additional investment of €12 thousand.

The table below shows the financial instruments carried on the books as of 31 December 2005, classified in the five categories provided by IAS 39.

Detail of financial assets

	Investments Held to Maturity	Financing and Loans Receivable	Financial Assets Available for Sale	Financial Assets Stated at Fair Value, whose Gains and Losses Accrue to the Profit and Loss Statement		Total as of 31/12/2005
				Financial Assets Held for Trading	Fair-Value Designated Financial Assets	
Equity securities and derivatives valued at cost	-	-	-	-	-	-
Equity securities at fair value	-	-	1,000,131	-	3,415,205	4,415,336
- Listed securities	-	-	1,000,005	-	3,415,205	4,415,210
Debt securities	4,662	861,123	18,166,769	755,757	18,934,647	38,722,958
- Listed securities	4,662	-	18,135,693	649,175	14,136,375	32,925,905
Shares in collective investment funds	-	-	49,260	438	4,062,660	4,112,358
Financing and loans receivable from banking customers	-	457,577	-	-	-	457,577
Interbank financing and loans receivable	-	2,458,127	-	-	-	2,458,127
Deposits with assignors	-	-	-	-	-	-
Financial asset components of insurance contracts	-	-	-	-	-	-
Other financing and loans receivable	-	5,568	-	-	-	5,568
Trading derivatives	-	-	-	365,382	-	365,382
Hedging derivatives	-	-	-	-	-	-
Other financial investments	-	-	-	-	590,715	590,715
Total	**4,662**	**3,782,395**	**19,216,160**	**1,121,577**	**27,003,227**	**51,128,021**

Investments held to maturity

The account refers exclusively to securities held by the companies in the financial services segment.

	Total as of 31/12/2005	
	Book Value	Fair Value
Debt securities	-	-
- Structured securities	-	-
- Other securities	4,662	4,661
Assets transferred and not cancelled	-	-
Impaired assets	-	-
Total	4,662	4,661

Financing and loans receivable

The components of the account as of 31 December 2005 are reported in the following table.

	Total as of 31/12/2005
Financing and loans receivable from banking customers	457,577
Interbank financing and loans receivable	3,319,250
Deposits with assignors	-
Financial asset components of insurance contracts	-
Other financing and loans receivable	5,568
- Loans against policies	5,294
Total	**3,782,395**

The account mainly refers to the financial services segment's receivables from customers and banks, which respectively amounted to €457.6 million and €3,319.3 million as of 31 December 2005. The following tables show the breakdowns of the respective balances.

Financing and loans receivable from banking customers	Total as of 31/12/2005
Current accounts	82,854
Repurchase agreements	230,052
Mortgages	70,649
Credit cards, personal loans, and advances against payroll	22,429
Financial leasing	-
Factoring	-
Other transactions	43,188
Debt securities	-
Impaired assets	8,405
Assets transferred and not cancelled	-
Total	**457,577**

Interbank financing and loans receivable	Total as of 31/12/2005
Amounts due from central banks	**19,519**
- mandatory reserves	19,519
Amounts due from banks	**3,299,731**
Restricted deposits	2,117,841
Other financing	320,767
Debt securities	163,535
Assets transferred and not cancelled	697,588
Impaired assets	-
Total	**3,319,250**

Financial assets available for sale

The table below provides a breakdown of the account balance as of 31 December 2005, with most of the assets referring to the insurance segment.

	Total as of 31/12/2005	
	Listed	Unlisted
Debt securities	18,135,693	31,076
- Structured securities	-	-
- Other debt securities	18,135,693	31,076
Equity securities	1,000,005	-
- Valued at fair value	1,000,005	126
- Valued at cost	-	-
Shares in collective investment funds	-	49,260
Assets transferred and not cancelled	-	-
Impaired assets	-	-
Total	**19,135,698**	**80,462**

Financial assets held for trading

The table below shows the components of the account as of 31 December 2005.

	Total as of 31/12/2005	
	Listed	Unlisted
A. Cash assets		
Debt securities	649,175	106,582
- Structured securities	-	-
- Other debt securities	649,175	106,582
Equity securities	-	-
Shares in collective investment funds	86	352
Assets transferred and not cancelled	-	-
Impaired assets	-	-
Total A	**649,261**	**106,934**
B. Derivatives		
Financial derivatives	-	365,382
Credit derivatives	-	-
Total B	**-**	**365,382**
Total (A + B)	**649,261**	**472,316**

The derivatives contracts included in the account for the insurance segment are mainly constant-maturity swaps. Even though such contracts have been executed in accordance with local regulations in order to hedge risk on bond securities, they have been reported as trading derivatives under IAS/IFRS since they do not meet the criteria provided by international accounting principles to be classified as hedging transactions.

Fair-value designated financial assets, whose gains and losses accrue to the profit and loss statement

The table below shows the components of the account as of 31 December 2005.

	Total as of 31/12/2005	
	Listed	Unlisted
Debt securities	13,982,412	4,952,235
- Structured securities	-	-
- Other debt securities	13,982,412	4,952,235
Equity securities	3,415,205	-
Shares in collective investment funds	31,372	4,031,288
Assets transferred and not cancelled	-	-
Impaired assets	-	-
Other assets, net	-	590,715
Total A	**17,428,989**	**9,574,238**
Financial derivatives	-	-
Credit derivatives	-	-
Total B	**-**	**-**
Total (A + B)	**17,428,989**	**9,574,238**

Detail of assets and liabilities related to contracts issued by insurance companies where investment risk is borne by the customers and assets and liabilities related to pension fund management

	Benefits Associated with Mutual Funds and Market Indices	Benefits Associated with Pension Fund Management	Total as of 31/12/2005
Balance sheet assets	26,089,642	-	26,089,642
Infragroup assets	-	-	-
Total assets	**26,089,642**	**-**	**26,089,642**
Balance sheet financial debt	22,402,043	-	22,402,043
Balance sheet technical reserves	3,681,162	-	3,681,162
Infragroup liabilities	-	-	-
Total liabilities	**26,083,205**	**-**	**26,083,205**

OTHER RECEIVABLES

The table below provides a breakdown of the account balance as of 31 December 2005.

	31/12/2005	31/12/2004
5.1 Receivables on direct insurance transactions	**38,571**	**18,918**
Premiums due from policyholders	21,450	15,767
Due from intermediaries	1,242	216
Due from insurers for coinsurance relationships	15,811	2,932
Other direct insurance receivables	68	3
5.2 Receivables on reinsurance transactions	**1,152**	**648**
5.3 Miscellaneous receivables	**539,615**	**430,881**
Due from the Treasury	202,328	251,718
- principal amounts	158,064	193,509
- interest	43,943	56,056
- prepayment of taxes on insurance	298	2,153
- other	23	-
Management commissions on unit-linked policies	56,352	25,841
Commissions and fees to be received	97,092	60,334
Commissions remitted back by managers	-	-
Other	183,843	92,988
Total	**579,338**	**450,447**

The amounts due from the Treasury include the insurance segment's receivables in relation to a dispute regarding the incorporated company, Fideuram Vita, and specifically, the Treasury's payment of credits claimed on the incorporated company's tax returns and credits for which the claims for reimbursement have already been filed.

OTHER ASSETS

Non-current assets held for sale

The account balance refers to the assets of the Fideuram Wargny business unit, which is part of the financial services segment. Such assets were classified as non-current assets held for sale as of 31 December 2005, pursuant to the provisions of IFRS 5.

Groups of assets (operating units divested)	31/12/2005
Financial assets held for trading	28,511
Financial assets stated at fair value	-
Financial assets available for sale	-
Financial assets held to maturity	-
Amounts due from banks	66,427
Amounts due from customers	40,695
Equity investments	-
Fixed assets	-
Intangible assets	-
Other assets	34,935
Total	**170,568**

Deferred acquisition costs

The account balance of €2.4 million as of 31 December 2005 refers to deferred acquisition costs related to insurance contracts. The account reflects the charges sustained for taking on a specific type of unit-linked policy with a multiple-year term. Such costs are amortized over periods equal the contractual terms of the policies.

Current and deferred tax assets

The companies of the Eurizon Financial Group have elected to take part in the consolidated national income tax return filed by the parent company, Sanpaolo Imi, pursuant to the provisions of Legislative Decree n. 344/2003. The consolidated return allows for the aggregation of the taxable income of all participating companies, and a single corporate income tax payment on the part of the parent company.

The tax assets do not include the corporate income tax receivable due from the parent company (the consolidating entity) resulting from the Eurizon Financial Group's participation in the consolidated national income tax return.

Current and deferred tax assets have been booked in accordance with IAS 12, and reflect the tax positions of the individual consolidated companies with respect to the tax authorities.

Pursuant to the provisions of the ISVAP Order 2404 of 22 December 2005, tax assets include the tax credit booked against sums paid to the Treasury pursuant to Legislative Decree n. 209/2002 (converted, with amendments, into Law n. 265 of 22 November 2002) and Legislative Decree n. 168/2004 (converted into Law n. 192 of 30 July 2004); the receivable has been booked at its nominal value.

A breakdown of prepaid taxes is provided in the table below.

	31/12/2005	31/12/2004
Assets for prepaid taxes with offsetting entry to the profit and loss statement	135,505	86,183
Assets for prepaid taxes with offsetting entry to shareholders' equity	264,774	81
Total	**400,279**	**86,264**

Other assets

The following table shows the components of the account as of 31 December 2005.

	31/12/2005	31/12/2004
Transitory reinsurance accounts	-	-
Items in transit and sundry amounts due	19,822	36,068
Deferred costs of network incentives	58,333	71,486
Deferred commissions on unit-linked insurance	12,135	10,376
Deferred commissions expense on investment contracts	210,705	-
Other	7,322	262,783
Total	**308,317**	**380,713**

The following is noted with reference to the data as of 31 December 2004:

- the deferred commission expense on investment contracts was booked pursuant to the application of IFRS 4 as of 1 January 2005;
- the other assets mainly include prepayments on securities reclassified as investments on 1 January 2005, for the effect of the introduction of IAS 32 and 39.

The deferred commission expense regards the insurance segment only, and reflects deferred commissions on financial products without discretionary participation in profits, the breakdown of which is given in the following table.

	Total as of 31/12/2005
Deferred commission expense on index-linked contracts	124,613
Deferred commission expense on unit-linked contracts	86,092
Total	**210,705**

CASH AND CASH EQUIVALENTS

The following table shows the components of the account as of 31 December 2005.

	Total as of 31/12/2005
Cash	21,712
Unrestricted deposits with central banks	-
Current accounts and unrestricted deposits	1,582,861
Totale	**1,604,573**

The account balance includes €1,327.4 million referring to the financial services segment, and €277.2 million referring to the insurance segment.

BALANCE SHEET - LIABILITIES AND SHAREHOLDERS' EQUITY

CAPITAL AND RESERVES

Shareholders' equity

	Total as of 31/12/2005
Shareholders' equity	**1,998,483**
Group net equity	**1,810,221**
Share capital	101,000
Other capital instruments	-
Reserves	574,617
Retained earnings and other equity reserves	677,820
(Own shares)	-
Reserve for net foreign-exchange differences	-
Earnings or losses on financial assets available for sale	90,930
Other earnings or losses directly booked to shareholders' equity	-
Profit (loss) for the period	365,854
Minority interests	**188,262**
Capital and reserves of minority shareholders	135,352
Earnings or losses directly booked to shareholders' equity	-
Profit (loss) for the period	52,910

Share capital

The Eurizon Financial Group's share capital of €101 million consists of 101 million ordinary shares with a par value of one euro (€1.00) each.

Earnings or losses on financial assets available for sale

The change in earnings on financial assets available for sale refers exclusively to the insurance segment, and specifically, earnings of €90.9 million directly credited to shareholders' equity as a result of the application of shadow accounting.

PROVISIONS

As of 31 December 2005, the account balance was equal to €211.7 million, and consisted of the following:

Provisions

	31/12/2005	31/12/2004
Provisions for:		
- legal disputes	88,911	61,263
- contractual indemnities due to private bankers	39,871	32,676
- network loyalty plans	55,253	29,339
- other risks and charges	27,672	25,102
	211,707	**148,380**

The net provisions to the reserves for risks and charges mostly refer to the financial services segment, and are related to amounts due to the private bankers under contracts and loyalty plans.

A more detailed breakdown of the flow of the provisions for the year is provided in the discussion of "Other revenues and other expenses".

Other provisions mainly include sums to cover litigation in process.

With regard to the insurance segment, it is noted that AIP has agreed to pay its senior executives a sum of around €2 million, should the company not approve a stock option plan in the executives' favour prior to 31 December 2006. Considering that the non-approval of the plan is a condition precedent to the payment and that the approval of the plan is currently deemed highly probable, no provision has been set aside to cover the obligation. It is furthermore noted that €19 million was set aside to a bonus reserve, and €4.656 million of provisions were made in relation to the personnel. A sum of €1.712 million was also set aside to cover tax claims expected following a tax audit with regard to 2003, the outcome of which is still pending. Additional information on this and other tax matters is reported in the discussion of the Group's tax position in these notes.

With reference to pending litigation involving the financial services segment, it is noted that there have been no new developments in the court-ordered investigations regarding several private bankers of the Banca Fideuram Group and employees of the subsidiary company, Fideuram Bank (Suisse). The claims all regard complicity in illegal practices in the financial markets, and specifically, the supply of investment services or financial products on the part of persons not authorized to do so in Italy.

On 5 May 2005, the Spoleto Public Prosecutor's office concluded its investigation in relation to events arising from a Sanpaolo Invest Sim private banker's attempt to swindle some customers. Several representatives of Sanpaolo Invest Sim involved in the investigation were accused of having violated Article 2638 of the Italian Civil Code on the assumption that they did not advise CONSOB of the irregularities concerning such events that emerged from an audit of internal control procedures ordered in relation to the private bankers. The charges of criminal behaviour against these representatives resulted in a claim of administrative liability (for presumed violation of Law 231 of 2001) against Sanpaolo Invest Sim and Banca Fideuram (with the latter deemed jointly liable inasmuch as it was the beneficiary of the partial divestiture of the banking business unit previously belonging to Sanpaolo Invest Sim). Should such liability be established, it would involve the application of sanctions which, in relation to the type of crime of which the company representatives are accused, would be monetary sanctions only. The proceedings, which are only beyond the preliminary phase, are being carefully monitored by a special work group set up at the parent company.

TECHNICAL RESERVES

Components of the technical reserves and changes during the year

The reserves cover commitments to policyholders in relation to property-casualty insurance policies, life insurance policies, and life insurance policies taken out for investment purposes providing for separate account management with discretionary participation in profits. The property-casualty and life reserves are both stated prior to any deduction of amounts for the account of reinsurers.

The table below provides a breakdown of the account balance as of 31 December 2005.

	Direct Business	Indirect Business	Total Book Value 31/12/2005
Property-casualty reserves	**75,747**	**117**	**75,864**
Premium reserve	51,928	-	51,928
Loss reserve	22,658	117	22,775
Other reserves	1,161	-	1,161
Including: reserves following liability adequacy test	-	-	-
Life insurance reserves	**26,064,409**	**-**	**22,064,409**
Reserve for sums to be paid	82,015	-	82,015
Actuarial reserves	17,606,528	-	17,606,528
Technical reserves where the investment risk is borne by the policyholders and reserves related to pension fund management	3,681,162	-	3,681,162
Other reserves	694,704	-	694,704
Including: reserves following liability adequacy test	-	-	-
Including: deferred liabilities to policyholders	636,335	-	636,335
Total technical reserves	**22,140,156**	**117**	**22,140,273**

Criteria adopted in computation of property-casualty reserves

The criteria noted in Part A of these notes also take into account those factors which could have an impact on future cash flows (for example, losses incurred but not reported and possible differences between various areas of the country in the assessment of damages for bodily injury with regard to the general liability and auto liability insurance).

The table below provides detail on the property-casualty reserves as of 31 December 2005.

	Premium Reserves	Loss Reserves	Other Reserves	Total as of 31/12/2005
Property-casualty insurance products	51,928	22,775	1,161	75,864
Total	**51,928**	**22,775**	**1,161**	**75,864**

Detail of the components of the technical reserves

Details of the components of the technical reserves by classes of insurance are provided in the tables below.

Premium reserve

	Direct					Indirect	Total Premium Reserves	Other Technical Reserves
Lines	Premium Portion	Reserve for Risks Outstanding	Total Premium Reserves	Ceded	Net			
Accident	11,134	191	11,325	2,360	8,965	-	8,965	-
Illness	22,607	-	22,607	4,350	18,257	-	18,257	1,161
Motor own-damages	1,158	-	1,158	467	691	-	691	-
Transported goods	1	-	1	-	1	-	1	-
Fire	6,714	-	6,714	2,035	4,678	-	4,678	-
Other property damage	1,923	-	1,923	579	1,344	-	1,344	-
Motor liability	824	-	824	363	461	-	461	-
General liability	248	-	248	92	157	-	157	-
Credit	2	-	2	2	-	-	-	-
Bonds	1	-	1	-	1	-	1	-
Pecuniary losses	6,775	-	6,775	2,434	4,341	-	4,341	-
Legal protection	24	-	24	16	8	-	8	-
Assistance	326	-	326	-	326	-	326	-
Total	**51,737**	**191**	**51,928**	**12,698**	**39,230**	**-**	**39,230**	**1,161**

Loss reserve

Lines	For Current-Year Losses				For Prior-Year Losses				Total Direct			Indirect	Total
	Claims	IBNR	Settlement Expense	Total	Claims	IBNR	Settlement Expense	Total	Total Direct	Ceded	Net		
Accident	2,574	673	96	3,342	1,793	-	92	1,884	5,226	1,670	3,556	117	3,674
Illness	4,821	1,569	71	6,461	1,561	-	63	1,624	8,085	1,979	6,106	-	6,106
Motor own-damages	37	35	3	75	1,055	-	84	1,139	1,214	1,094	121	-	121
Fire	394	53	54	501	64	-	7	71	572	266	306	-	306
Other property damage	226	51	40	316	88	-	15	103	419	159	261	-	261
Motor liability	307	20	6	333	-	-	-	-	333	167	167	-	167
General liability	409	45	42	496	6,013	-	28	6,041	6,537	6,082	455	-	455
Pecuniary losses	80	60	1	141	25	-	-	25	165	86	79	-	79
Legal protection	57	2	-	59	8	-	-	8	67	58	9	-	9
Assistance	15	14	-	29	11	-	-	11	40	-	40	-	40
Total	**8,920**	**2,522**	**312**	**11,753**	**10,617**	**-**	**289**	**10,906**	**22,658**	**11,560**	**11,098**	**117**	**11,216**

Loss development by generation

The tables below summarize the loss development by generation for the main classes of insurance.

Loss development: Class 01 Accident insurance

Year of generation/occurrence	2001	2002	2003	2004	2005	Totale
Amount to reserve: 1000						
as of 31/12 of year of generation N	3,101	2,239	2,851	3,093	3,342	-
as of 31/12 of year N+1	1,078	1,088	1,133	970	-	-
as of 31/12 of year N+2	154	157	345	-	-	-
as of 31/12 of year N+3	77	22	-	-	-	-
as of 31/12 of year N+4	19	-	-	-	-	-
Aggregate amount of loss claims paid	**2,335**	**1,951**	**1,607**	**1,816**	**-**	**-**
Loss reserve on balance sheet as of 31/12/2005	**19**	**22**	**345**	**970**	**3,342**	**4,698**
Final reserve for prior year loss claims	**-**	**-**	**-**	**-**	**-**	**528**
Total loss reserve on balance sheet as of 31/12/2005	**-**	**-**	**-**	**-**	**-**	**5,226**

Loss development: Class 02 Health insurance

Year of generation/occurrence	2001	2002	2003	2004	2005	Totale
Amount to reserve: 1000						
as of 31/12 of year of generation N	4,892	5,046	5,738	4,483	6,461	-
as of 31/12 of year N+2	1,008	1,412	907	936	-	-
as of 31/12 of year N+2	133	539	157	-	-	-
as of 31/12 of year N+3	31	190	-	-	-	-
as of 31/12 of year N+4	18	-	-	-	-	-
Aggregate amount of loss claims paid	**5,843**	**7,263**	**6,393**	**5,838**	**-**	**-**
Loss reserve on balance sheet as of 31/12/2005	**18**	**190**	**157**	**936**	**6,461**	**7,762**
Final reserve for prior year loss claims	**-**	**-**	**-**	**-**	**-**	**324**
Total loss reserve on balance sheet as of 31/12/2005	**-**	**-**	**-**	**-**	**-**	**8,086**

Loss development: Class 03 Motor own-damages

Year of generation/occurrence	2001	2002	2003	2004	2005	Totale
Amount to reserve: 1000						
as of 31/12 of year of generation N	9,070	4,077	462	768	75	-
as of 31/12 of year N+1	1,472	583	76	-	-	-
as of 31/12 of year N+2	867	431	68	-	-	-
as of 31/12 of year N+3	791	275	-	-	-	-
as of 31/12 of year N+4	399	-	-	-	-	-
Aggregate amount of loss claims paid	**6,691**	**3,676**	**53**	**438**	**-**	**-**
Loss reserve on balance sheet as of 31/12/2005	**399**	**275**	**68**	**-**	**75**	**817**
Final reserve for prior year loss claims	**-**	**-**	**-**	**-**	**-**	**397**
Total loss reserve on balance sheet as of 31/12/2005	**-**	**-**	**-**	**-**	**-**	**1,214**

Loss development: Class 08 Fire

Year of generation/occurrence	2001	2002	2003	2004	2005	Totale
Amount to reserve: 1000						
as of 31/12 of year of generation N	54	182	235	440	501	-
as of 31/12 of year N+1	3	11	14	49	-	-
as of 31/12 of year N+2	-	23	6	-	-	-
as of 31/12 of year N+3	-	16	-	-	-	-
as of 31/12 of year N+4	-	-	-	-	-	-
Aggregate amount of loss claims paid	**81**	**183**	**139**	**385**	**-**	**-**
Loss reserve on balance sheet as of 31/12/2005	**-**	**16**	**6**	**49**	**501**	**572**
Final reserve for prior year loss claims	**-**	**-**	**-**	**-**	**-**	**-**
Total loss reserve on balance sheet as of 31/12/2005	**-**	**-**	**-**	**-**	**-**	**572**

Loss development: Class 13 General liability

Year of generation/occurrence	2001	2002	2003	2004	2005	Totale
Amount to reserve: 1000						
as of 31/12 of year of generation N	130	179	148	301	495	-
as of 31/12 of year N+1	74	37	158	172	-	-
as of 31/12 of year N+2	30	17	138	-	-	-
as of 31/12 of year N+3	14	15	-	-	-	-
as of 31/12 of year N+4	14	-	-	-	-	-
Aggregate amount of loss claims paid	**94**	**80**	**181**	**166**	**-**	**-**
Loss reserve on balance sheet as of 31/12/2005	**14**	**15**	**138**	**172**	**495**	**834**
Final reserve for prior year loss claims	**-**	**-**	**-**	**-**	**-**	**5,703**
Total loss reserve on balance sheet as of 31/12/2005	**-**	**-**	**-**	**-**	**-**	**6,537**

The table below shows the portion of the total losses estimated as of 31 December 2005 for 2005 generation which is expected to be settled in the near term (less than 12 months) and remaining portion expected to be settled thereafter (after 12 months or more), with regard to the various classes of insurance.

Lines	< 12 months	> 12 months
Accident insurance	62%	38%
Health insurance	79%	21%
Motor own-damages	85%	15%
Fire and miscellaneous damage to property	92%	8%
General liability	42%	58%

FINANCIAL LIABILITIES

As of 31 December 2005, the account balance was equal to €27,912.3 million, and consisted of the following:

Financial liabilities

	Financial Liabilities Stated at Fair Value, Whose Gains and Losses Accrue to the Profit and Loss Statement		Other Financial Liabilities	Total Book Value 31/12/2005
	Financial Liabilities for Trading	Fair-Value Designated Financial Liabilities		
Participative financial instruments	-	-	-	
Subordinated liabilities	-	-	479,649	479,649
Liabilities from financial contracts issued by insurance companies derived:	-	22,270,141	245,614	22,515,755
- from contracts whose investment risk is borne by the customer	-	22,270,141	-	22,270,141
- from pension fund management	-	-	-	-
- from other contracts	-	-	245,614	245,614
Deposits received from reinsurers	-	-	2,154	2,154
Financial liability components of insurance contracts	-	-	-	-
Securities issued	-	-	153,847	153,847
Amounts due to banking customers	-	-	4,415,227	4,415,227
Interbank debt	-	-	287,514	287,514
Other financing obtained	-	-	-	-
Trading derivatives	29,877	-	-	29,877
Hedging derivatives	-	23,326	-	23,326
Miscellaneous financial liabilities	-	-	4,926	4,926
Total	**29,877**	**22,293,467**	**5,588,931**	**27,912,275**

The liabilities are mostly amounts due on financial products not involving separate-account management (mainly index- and unit-linked products).

The subordinated debt includes €280 million of liabilities related to the insurance segment, and €199.6 million related to the financial services segment.

The subordinated debt for the insurance segment includes:

- five subordinated loans disbursed by Sanpaolo Imi or by its subsidiaries as shown hereunder:

a) €30 million, with nominal annual interest rate of 6-month EURIBOR plus 70 basis point, coming due in April 2007;

b) €5 million, with nominal annual interest rate of 6-month EURIBOR plus 80 basis points, coming due in March 2008;

c) €30 million, with nominal annual interest rate of 6-month EURIBOR plus 75 basis points, coming due in December 2009;

d) €85 million disbursed by Sanpaolo Imi Bank Ireland, with nominal annual interest rate of 1-year EURIBOR plus 35 basis points, coming due in October 2011;

e) €125 million disbursed by Sanpaolo Imi Bank Ireland, with nominal annual interest rate of 1-year EURIBOR plus 35 basis points, coming due in June 2015.

- a five-year, €5 million subordinated bond issue floated in October 2002, to be repaid in full at maturity (October 2007). The bonds, issued at par, provided for the semi-annual payment of interest in arrears, with the interest rate set at 6-month EURIBOR plus 200 basis points.

The subordinated debt of the financial services segment is represented by the floating-rate bonds with semi-annual coupon interest, coming due in October 2009.

The subordinated loans do not contain any provisions for prepayment or for the conversion of the debt into capital or other types of debt obligations.

As of 31 December 2005, the amounts due to customers totalled €4,415.2 million, and exclusively regarded customers of the financial services segment. Detail on the account balance is shown in the table below:

Amounts due to customers

	Total as of 31/12/2005
Current accounts and unrestricted deposits	3,653,514
Restricted deposits	80,752
Financing	-
Liabilities against assets sold and not cancelled from the balance sheet:	680,904
- repurchase agreements	680,904
- other	-
Other	57
Total	**4,415,227**

As of 31 December 2005, the interbank debt amounted to €287.5 million, and exclusively regarded the financial services segment. Detail on the account balance is shown in the table below:

Interbank debt

	Total as of 31/12/2005
Due to central banks	**-**
Due to banks	**287,514**
Current accounts and unrestricted deposits	181,611
Restricted deposits	104,736
Financing	-
Liabilities against assets sold and not cancelled from the balance sheet:	1,000
- repurchase agreements	1,000
- other	-
Other	167
Total	**287,514**

PAYABLES

As of the end of 2005, the account balance was equal to €1,249.5 million, and consisted of the following:

Payables

	31/12/2005	31/12/2004
Payables on direct insurance transactions	77,720	64,388
Payables on reinsurance transactions	3,941	2,451
Other payables:	1,167,854	663,975
- employee severance-indemnity reserve	32,047	34,144
- other fiscal liabilities	14,437	20,812
Total	**1,249,515**	**730,814**

OTHER LIABILITIES

Current and deferred tax liabilities

The companies of the Eurizon Financial Group have elected to take part in the consolidated national income tax return filed by the parent company, Sanpaolo Imi, pursuant to the provisions of Legislative Decree n. 344/2003.

As a result of the Group's election to participate in the consolidated national income tax return, the current tax liabilities include the amount payable to the Treasury for the regional tax on productivity ("IRAP") and the substitution taxes, but not the corporate incomes taxes ("IRES") payable. The net corporate income tax payable or receivable, which is computed as the difference between current tax liabilities and current tax assets (represented by advance payments and other tax credits for tax withholding effected), is reported as a payable or a receivable with respect to the parent company.

The table below shows the components of the deferred tax liabilities account.

Deferred tax liabilities

	31/12/2005	31/12/2004
Deferred tax liabilities with offsetting entry to the profit and loss statement	45,500	13,755
Deferred tax liabilities with offsetting entry to shareholders' equity	334,204	8,510
Totale	**379,704**	**22,265**

The increase in deferred tax liabilities between the end of 2004 and the end of 2005 is mainly due to the effects of the adoption of IAS 32, IAS 39 and IFRS 4 as from 1 January 2005.

Liabilities of a group held for sale

The account balance refers to the liabilities of the Fideuram Wargny business unit, which is part of the financial services segment. Such liabilities were classified as liabilities of a group held for sale as of 31 December 2005, pursuant to the provisions of IFRS 5.

Liabilities of groups of assets held for sale	31/12/2005
Due to banks	11,557
Due to customers	86,306
Securities outstanding	-
Financial liabilities for trading	205
Financial liabilities stated at fair value	-
Reserves	25,019
Other	40,922
Total	**164,009**

Other liabilities

As of 31 December 2005, the account balance was equal to €512.2 million, and consisted of the following:

	31/12/2005	31/12/2004
Pension funds	406	374
Seniority bonuses	5,806	4,875
Deferred income related to investment contracts	385,453	-
Items in transit and sundry amounts due	28,992	41,301
Adjustments for illiquid portfolio items	9,641	4,239
Other	81,926	70,387
Total	**512,224**	**121,176**

With reference to the figure as of 31 December 2004, it is noted that the deferred commission income on investment contracts was booked as a result of the application of IFRS as of 1 January 2005.

The table below provides a breakdown of the deferred commission income related to investment contracts for the insurance segment.

Deferred commission income related to investment contracts

	Total as of 31/12/2005
Related to unit-linked contracts	81,241
Related to index-linked contracts	304,212
Total	**385,453**

Other information

Guarantees issued and commitments	31/12/2005	31/12/2004
Financial guarantees issued	144,076	86,602
Commercial guarantees issued	7,468	7,144
Irrevocable commitments to disburse funds	711,389	1,697,389
Commitments underlying credit derivatives: sales of protection	-	-
Assets pledged to guarantee third-party obligations	10,000	10,000
Other commitments	1,029	94,865
Total	**873,962**	**1,896,000**

Assets pledged to guarantee the Group's own liabilities and commitments	31/12/2005	31/12/2004
Financial assets held for trading	21,549	20,681
Financial assets stated at fair value	-	-
Financial assets available for sale	-	-
Financial assets held to maturity	-	-
Amounts due from banks	697,588	449,564
Amounts due from customers	-	-
Fixed assets	-	-

Management and intermediation for the account of third parties

	Total as of 31/12/2005
Trading of financial instruments for the account of third parties	2,780,492
Assets under management	15,740,665
Securities custody and administration	122,249,416
Other transactions	-

TAX POSITION

Disputes

With reference to the Group's insurance segment, AIP is involved in a dispute regarding the incorporated company, Fideuram Vita, which is essentially aimed at securing payment of credits claimed on the incorporated company's tax returns and credits for which the claims for reimbursement have already been filed. In essence:

- the dispute originated from a tax audit regarding the tax years between 1985 and 1990, in light of reporting effected by the Central Bureau of Tax Auditors. The audit was followed by the issuance of assessments for the payment of corporate income taxes ("IRPEG") and local income taxes ("ILOR") with reference to the full deductibility of provisions to actuarial reserves, acquisition commissions and expenses against the recognition of exempt income. The disputes consequent thereto were concluded in the company's favour after various legal proceedings, and the action to recover the credits was positively concluded;

- for the tax years from 1991 to 2001 (excluding 1994), AIP, at the time of filing its tax returns, acted in accordance with the tax authorities' position in order to avoid the application of sanctions, and thus, while it did not deduct all of the costs from income, it immediately filed a claim for refund. As a result, in addition to the total credits of €32.6 million plus interest of €16 million claimed on the tax return, the company claimed additional credits of €119.8 million, plus interest of €34 million. In order to have such credits recognized, the company has had to proceed with a formal dispute; the legal proceedings in relation thereto have already ended with a ruling favourable to the company in the courts of the first and second degrees, and the case has now been advanced to the Court of Cassation. The tax year of 1997 is an exception, with the favourable sentence of the court of the second degree considered definitive with regard to the reimbursement of credits amounting to €24.2 million, plus interest of €7 million. In addition, with a very recent ruling issued following the compliance proceedings thereafter, the Regional Tax Commission of Rome ordered the tax authorities to reimburse the credit claims along with interest and the related legal expenses. Thus, the reimbursement for this year should occur very soon;

- during 2005, the credits claimed on the tax returns from 1987 to 1993 were reimbursed in a total amount of €25.3 million, plus interest of €16.1 million;

- altogether, AIP is claiming €138.1 million of credits from the tax authorities, plus interest of €43.7 million; the total amount includes: €58.2 million consisting of principal and interest that has already been settled and whose reimbursement is pending; and €123.6 million of principal and interest regarding cases still pending appeal. Considering the favourable outcome of the previous disputes, there should not be any impediments to fully recovering the credits.

Another dispute is pending with regard to an assessment of additional corporate income tax in the amount of €667 thousand served to Sanpaolo Vita S.p.A. by the Milan Tax Collection Agency 1. The outcome of the dispute, which has been favourable to AIP in the courts of the first and second degrees, has not yet been definitively settled since the tax authorities still have time to file an appeal with the Court of Cassation. Provisions to the reserves for risks and charges have been set aside to cover the disputed amount.

The Italian tax police ("Guardia di Finanza") has also carried out a tax audit to examine the income tax paid by Assicurazioni Internazionali di Previdenza (f/k/a Noricum Vita S.p.A.) for the year of 2003. As a result, the tax police have contested the deductibility of €807 thousand of commissions paid and charges sustained for technical and administrative advisory services, claiming that the requisite of the matching principle was not met. The Group believes the findings are completely unfounded, and thus plans to undertake action to protect the company's interests. Provisions to the reserves for risks and charges have also been made in this case to cover the disputed amount.

With reference to the financial services segment, on 20 December 2005, the Regional Unit of Tax Police of Latium served a notice to Banca Fideuram asserting a dispute with regard to the 2003-2004 fiscal years, regarding the overall tax treatment of the partnership loyalty plans for the private-banker network. An in-depth review and assessment of the matter suggests that the tax treatment of past years is valid. Thus, considering there is only a remote risk of the bank losing the case, no provisions have been made against possible future charges in relation to the dispute.

INFORMATION ON THE PROFIT AND LOSS STATEMENT

NET PREMIUMS

Net premiums were equal to €3,599.3 million for 2005, and consisted of the following:

	31/12/2005		
	Gross Amount	Portion for the Account of Reinsurers	Net Amount
Property-casualty insurance			
Net premiums	48,455	17,286	31,169
- Premiums booked	61,208	21,205	40,003
- Change in premium reserve	-12,753	-3,919	-8,834
Life insurance			
Net premiums	3,573,006	4,873	3,568,133
Total	**3,621,461**	**22,159**	**3,599,302**

INCOME AND CHARGES ON INVESTMENTS IN SUBSIDIARY COMPANIES, AFFILIATE COMPANIES AND JOINT VENTURES

The Group did not earn any income or incur any charges on such investments.

INCOME AND CHARGES FROM FINANCIAL INSTRUMENTS AND OTHER INVESTMENTS

Financial instruments and other investments, equal to €1,203.9 million in 2005, with the balance computed as follows:

Income and charges from financial instruments and other investments

	Interest		Other Charges	Realized Gains	
Income (charges) on investments	**1,059,529**	**209,192**	**-367,603**	**1,206,496**	**-372,284**
a From real estate investments	-	1,275	-1,320	-	-
b From equity investments in subsidiaries, affiliates and joint ventures	-	-	-	-	-
c From investments held to maturity	106	-	-	-	-
d From financing and loans receivable	93,141	-	-	5,029	-223
e From financial assets available for sale	596,366	24,888	-31	156,460	-31,886
f From financial assets held for trading	40,182	24,907	-86,746	87,120	-86,436
g From financial assets stated at fair value, whose gains and losses accrue to the profit and loss statement	329,734	158,122	-279,506	957,887	-253,739
Income (charges) on other receivables	**4,378**	**-**	**-**	**-**	**-**
Income (charges) on cash and cash equivalents	**5,044**	**-**	**-**	**-**	**-**
Income (charges) on financial liabilities	**-84,710**	**-**	**-126,553**	**-**	**-**
a From financial liabilities held for trading	-	-	-	-	-
b From financial liabilities stated at fair value, whose gains and losses accrue to the profit and loss statement	-	-	-126,553	-	-
c From other financial debt	-84,710	-	-	-	-
Income (charges) on payables	**-50**	**-**	**-**	**-**	**-**
Total	**984,191**	**209,192**	**-494,156**	**1,206,496**	**-372,284**

Total Realized Income and Charges	Valuation Gains		Valuation Losses		Total Unrealized Income and Charges	Total Income and Charges as of 31/12/2005
	Capital Gains	Recovery of Value	Capital Losses	Impairment of Value		
1,735,330	**1,380,643**	**-**	**-357,675**	**-908**	**1,022,058**	**2,757,322**
-45	-	-	-	-492	-492	-537
-	-	-	-	-	-	-
106	-	-	-	-	-	106
97,947	788	-	-2,905	-	-2,117	95,830
745,797	4,270	-	-220	-416	3,634	749,431
-20,973	20,419	-	-114,213	-	-93,794	-114,767
912,498	1,355,166	-	-240,337	-	1,114,828	2,027,326
4,378	**-**	**-**	**-**	**-**	**-**	**4,378**
5,044	**-**	**-**	**-**	**-**	**-**	**5,044**
-211,263	**-**	**-**	**-1,351,640**	**-**	**-1,351,639**	**-1,562,902**
-	-	-	-	-	-	-
-126,553	-	-	-1,351,640	-	-1,351,639	-1,478,192
-84,710	-	-	-	-	-	-84,710
-50	**-**	**-**	**-**	**-**	**-**	**-50**
1,533,439	**1,380,643**	**-**	**-1,709,315**	**-908**	**-329,580**	**1,203,860**

Income from other financial instruments and real estate investments

Interest income

Interest income amounted to €699 million for the year of 2005, and consisted of the following:

	31/12/2005
Financial assets available for sale	596,366
Financing and loans receivable	93,141
- including: financing and loans receivable - banking customers	31,311
- including: financing and loans receivable - interbank counterparties	54,529
- including: securities classified as L&R	7,301
Financial assets held to maturity	106
Other receivables	4,378
Cash and cash equivalents	5,044
Hedging derivatives	-
Total	**699,035**

The insurance segment accounts for €605.9 million of the total, while the financial services segment accounts for the remaining €93.1 million.

Other income

Other income amounted to €26.2 million for the year of 2005, and consisted of the following:

	31/12/2005
Rental income on leased real property (outside of the Group)	1,275
Dividends	24,237
Income on collective investment funds	-
Other income	652
Total	**26,164**

Other income was generated exclusively by the insurance segment.

Realized gains

Realized gains amounted to €161.5 million for the year of 2005, and consisted of the following:

	31/12/2005
Financing and loans receivable	5,029
Financial assets available for sale	156,460
- debt securities	97,480
- equity securities	23,219
- shares in collective investment funds	35,761
Financial assets held to maturity	-
Other financial transactions (including financial liabilities)	-
Real estate investments	-
Gains on other assets	-
Total	**161,489**

The insurance segment accounts for €156.5 million of the total, while the financial services segment accounts for the remaining €5 million.

Valuation gains

Valuation gains amounted to €5 million for the year of 2005, and consisted of the following:

	31/12/2005
Financing and loans receivable	788
Financial assets available for sale	4,270
- debt securities	3,424
- equity securities	-
- shares in collective investment funds	846
Financial assets held to maturity	-
Other financial transactions (including financial liabilities)	-
Totale	**5,058**

The insurance segment accounts for €4.3 million of the total, while the financial services segment accounts for the remaining €788 thousand.

Charges arising from other financial instruments and real estate investments

Interest expense

Interest expense amounted to €84.8 million for the year of 2005, and consisted of the following:

	31/12/2005
Subordinated liabilities	12,515
Deposits received from reinsurers	50
Debt securities issued	586
Payables to banking customers	57,858
Interbank payables	4,644
Other financing obtained	33
Other financial liabilities	9,074
Hedging derivatives	-
Total	**84,760**

The insurance segment accounts for €7.1 million of the total, while the financial services segment accounts for the remaining €77.6 million.

Other charges

Other charges amounted to €1.4 million for the year of 2005, and consisted of the following:

	31/12/2005
Rental expense on leased property (outside of the Group)	1,320
Other charges	31
Total	**1,351**

Other charges were generated exclusively by the insurance segment.

Realized losses

Realized losses amounted to €32.1 million for the year of 2005, and consisted of the following:

	31/12/2005
Financing and loans receivable	223
Financial assets available for sale	31,886
- debt securities	17,906
- equity securities	13,419
- shares in collective investment funds	561
Financial assets held to maturity	-
Other financial transactions (including financial liabilities)	-
Real estate investments	-
Total	**32,109**

The insurance segment accounts for €31.9 million of the total, while the financial services segment accounts for the remaining €223 thousand.

Valuation losses

Valuation losses amounted to €4 million for the year of 2005, and consisted of the following:

	31/12/2005
Financing and loans receivable	2,905
Financial assets available for sale	636
- debt securities	220
- equity securities	416
- shares in collective investment funds	-
Financial assets held to maturity	-
Other financial transactions (including financial liabilities)	-
Real estate investments	492
Total	**4,033**

The insurance segment accounts for €1.1 million of the total, while the financial services segment accounts for the remaining €2.9 million.

INCOME AND CHARGES FROM FINANCIAL INSTRUMENTS STATED AT FAIR VALUE, WHOSE GAINS AND LOSSES ACCRUE TO THE PROFIT AND LOSS STATEMENT

Financial instruments stated at fair value generated interest income equal to €434.4 million for the year of 2005, with the balance computed as follows:

		31/12/2005
1.3.1	**Income (charges) on fair-value-designated financial assets and liabilities, whose gains and losses accrue to the profit and loss statement**	
g	Income (charges) on fair-value-designated financial assets, whose gains and losses accrue to the profit and loss statement	2,027,327
b	Income (charges) on fair-value-designated financial liabilities, whose gains and losses accrue to the profit and loss statement	-1,478,193
1.3.2	**Income (charges) on financial assets and liabilities held for trading**	
f	Income (charges) on financial assets held for trading	-114,767
a	Income (charges) on financial liabilities held for trading	-
	Total	**434,367**

Fair-value-designated financial assets and liabilities, whose gains and losses accrue to the profit and loss statement, generated interest income equal to €549.1 million for the year of 2005, with the balance computed as follows:

		Interest and Other Income/ Charges, Net	Revaluation/ Writedowns, Net	Realized Gains/ Losses	Total as of 31/12/2005
1.	Financial assets:	210,608	1,123,885	637,017	1,971,510
1.1	Debt securities	236,008	367,856	347,399	951,263
1.2	Equity securities	58,138	537,841	163,441	759,420
1.3	Shares in collective investment funds	17,421	217,368	114,539	349,329
1.4	Other	-100,959	820	11,637	-88,502
2.	Financial liabilities	-128,811	-1,351,640	-	-1,480,451
3.	Other financial assets and liabilities: foreign-exchange differences	-	18	-	18
4.	Derivatives	-	-9,074	67,131	58,057
4.1	Financial derivatives:	-	-9,074	67,131	58,057
	- on debt securities and interest rates	-	-	12,966	12,966
	- on equity securities and equity indices	-	24,774	-	24,774
	- on currencies and gold	-	-	54,165	54,165
	- other	-	-33,848	-	-33,848
4.2	Credit derivatives	-	-	-	-
	Total	**-81,797**	**-236,811**	**704,148**	**549,134**

Financial assets and liabilities held for trading purposes generated interest income equal to €114.8 million for the year of 2005, with the balance computed as follows:

Income (charges) on financial assets and liabilities held for trading

		Interest and Other Income/ Charges, Net	Revaluation/ Writedowns, Net	Realized Gains/ Losses	Total as of 31/12/2005
1.	Financial assets:	27,913	-2,650	3,239	28,502
1.1	Debt securities	27,913	-2,658	2,149	27,404
1.2	Equity securities	-	-1	988	987
1.3	Shares in collective investment funds	-	9	102	111
1.4	Other	-	-	-	-
2.	Financial liabilities	-	-	-	-
3.	Other financial assets and liabilities: foreign-exchange differences	-	5,677	-	5,677
4.	Derivatives	-49,570	-96,820	-2,556	-148,946
4.1	Financial derivatives:	-49,570	-96,820	-2,556	-148,946
	- on debt securities and interest rates	-74,476	-93,143	17,924	-149,695
	- on equity securities and equity indices	24,907	5,537	2,203	32,646
	- on currencies and gold	-	-9,214	-22,683	-31,897
	- other	-	-	-	-
4.2	Credit derivatives	-	-	-	-
	Total	**-21,657**	**-93,793**	**683**	**-114,767**

CHARGES RELATED TO LOSS CLAIMS

Charges related to loss claims amounted to €4,282.3 million for the year of 2005, and consisted of the following:

	31/12/2005		
	Gross Amount	Portion for the Account of Reinsurers	Net Amount
Property-casualty insurance			
Claims related charges, net	18,270	4,505	13,765
- Amounts paid	16,102	4,021	12,081
- Change in loss reserve	2,393	491	1,902
- Change in recoveries	-357	-7	-350
- Change in other technical reserves	132	-	132
Life insurance			
Claims related charges, net	4,271,218	2,683	4,268,535
- Sums paid	1,973,392	453	1,972,939
- Change in reserve for sums to be paid	8,351	352	7,999
- Change in actuarial reserves	2,258,603	1,878	2,256,725
- Change in technical reserves where investment risk is borne by the policyholders and reserves related to pension fund management	-5,404	-	-5,404
- Change in other technical reserves	36,276	-	36,276
Total	**4,289,488**	**7,188**	**4,282,300**

COMMISSION INCOME AND EXPENSES

Commission income amounted to €1,146.1 million for the year of 2005 (€799.7 million for 2004), and consisted of the following:

	31/12/2005	31/12/2004
Guarantees issued	**306**	**364**
Credit derivatives	**-**	**-**
Management, trading and advisory services:	**697,934**	**753,737**
Trading of financial instruments	5,323	6,958
Trading of foreign currencies	33	26
Portfolio management	528,403	565,662
Securities custody and administration	18,176	14,999
Depositary bank	54,803	59,474
Securities placement	11,429	7,672
Order-taking	20,371	30,712
Advisory services	1,289	2,332
Distribution of third-party services	58,107	65,902
- portfolio management	49,885	42,463
- insurance products	6,655	21,890
- other products	1,567	1,549
Collection and payment services	**6,402**	**4,839**
Servicing of securitization transactions	**-**	**-**
Factoring transaction services	**-**	**-**
Tax collection services	**-**	**-**
Other services	**441,436**	**40,741**
Total	**1,146,078**	**799,681**

Commission expenses amounted to €407.9 million for the year of 2005 (€265.6 million for 2004), and consisted of the following:

	31/12/2005	31/12/2004
Guarantees received	**-**	**-**
Credit derivatives	**-**	**-**
Management and trading services:	**286,204**	**237,551**
Trading of financial instruments	171	209
Trading of foreign currencies	25	25
Portfolio management	-	-
- own portfolio	-	-
- third-party portfolios	-	-
Securities custody and administration	6,302	2,972
Placement of financial instruments	3,976	3,490
Off-site marketing of financial products, and other products and services	275,730	230,855
Collection and payment services	**3,133**	**2,674**
Other services	**118,549**	**25,409**
Total	**407,886**	**265,634**

The Group thus realized net commission income of €738.2 million, including €152.4 million relative to the insurance segment and €585.8 million relative to the financial services segment.

The net commissions earned by the insurance segment mainly refer to financial products without significant insurance risk and without discretionary participation in profits, as well as policies with specific assets not covered by separate-account management.

The net commissions earned by the financial services segment mostly refer to management, trading and advisory-service activity carried out for the account of the clientele.

OPERATING EXPENSES

Operating expenses amounted to €516.2 million for the year of 2005, inclusive of €240.4 million relative to the insurance segment and €275.8 million relative to the financial services segment.

	31/12/2005
Commissions and other acquisition expenses	**160,681**
Acquisition commissions	37,030
Other acquisition expenses	23,409
Change in deferred acquisition costs	13
Collection commissions	113,007
Commissions and participation in profits received from reinsurers	-12,778
Investment management expenses	**36,876**
Other administrative expenses	**318,661**
Full-time personnel	148,477
Other personnel	10,167
Other expenses	156,670
Indirect taxes and other taxes	3,347
Total	**516,218**

The following is noted with respect to the expenses for the insurance segment:

- acquisition commissions paid on insurance contracts, net of reinsurance, amounted to €137.3 million;
- investment management expenses refer exclusively to financial instruments.

The main components of the expenditures for the financial services segment regard information services, property rental costs, and charges for advisory services.

It should also be noted that administrative expenses for the insurance segment are broken down in the financial statements on the basis of the areas in which they are incurred, and that prior to such breakdown, the total came to €97.9 million.

OTHER REVENUES AND OTHER EXPENSES

Other revenues

Other revenues amounted to €23 million for the year of 2005 (€249.2 million for 2004), and consisted of the following:

	31/12/2005	31/12/2004
Non-operating revenues	7,968	6,597
Recovery of expenses	3,287	3,714
Foreign-exchanges differences booked to profit and loss statement	-	-
Recovery of value on fixed and intangible assets	-	-
Gains realized on fixed and intangible assets	-	-
Other income	6,314	2,704
Other non-insurance income	5,455	236,148
Total	**23,024**	**249,163**

The change in the balance of other revenues between 2004 and 2005 is related to a change in the classification of management commissions on insurance segment's unit-linked products as required by the adoption of IFRS 4, IAS 32 and IAS 39.

The account mainly reflects revenues earned by the insurance segment and includes the price of €1.9 million agreed for the May 2005 sale of a business portfolio to Unipol Assicurazioni and Aurora. The portfolio covered 9,332 insurance and financial contracts (including those with discretionary participation in profits with separate-account management), with the reserves and financial liabilities in relation thereto amounting to €107 million. The account also includes realized capital gains of €1.4 million, for the sale of various debt securities held as investments, which was consequent to the aforementioned portfolio transfer.

Other expenses

Other expenses amounted to €164.1 million for the year of 2005 (€101.9 million for 2004), and consisted of the following:

	31/12/2005	31/12/2004
Net provisions to reserves for risks and charges:	72,317	37,246
- for litigation and revocatory actions in process	36,861	9,656
- for contractual indemnities to private bankers	7,377	5,243
- other provisions	28,079	22,347
Adjustments to the value of fixed assets:	8,413	11,500
Owned assets:	8,241	11,500
- used in the business	8,241	11,500
- for investment purposes	-	-
Assets under financial lease:	172	
- used in the business	172	
- for investment purposes	-	-
Adjustments to the value of intangible assets:	22,000	24,753
Other insurance-related charges	3,637	6,769
Foreign-exchange differences	1	3,478
Other charges	57,718	18,125
Total	**164,086**	**101,871**

Net provisions to the reserves for risks and charges totalled €72.3 million for the year of 2005, and mainly refer to the financial services segment (€71.1 million). The provisions include:

- €7.4 million, determined with actuarial criteria, to cover amounts contractually due to the private bankers;
- €26.8 million related to the loyalty plans for the private-banker networks;
- €36.9 million of mostly non-recurring provisions, related to potential litigation liabilities and to risks related to securities in default involved in transactions executed in prior periods.

INCOME TAXES

The Group had a net tax provision of €147.2 million for the year of 2005 (versus a provision of €129.3 million for 2004), with the balance consisting of the following:

	31/12/2005	31/12/2004
Current taxes (-)	-140,642	-134,720
Change in current taxes for prior years (+/-)	-	-
Reduction in current taxes for current year (+)	-	-
Changes in deferred tax assets (+/-)	40,496	16,837
Changes in deferred tax liabilities (+/-)	-47,044	-22,209
Tax provision for the period (-) (-1+/-2+3+/-4+/-5)	**-147,190**	**-129,348**

RECONCILIATION BETWEEN TAXES COMPUTED AT STATUTORY RATE AND ACTUAL TAX PROVISION

	31/12/2005
Taxable income	**567,236**
Ordinary tax rate applicable [(1)]	38.11%
Taxes due on basis of ordinary tax rate applicable	216,163
Fiscal impact of:	
- different tax rates on foreign subsidiaries	-88,228
- effects of Fideuram Wargny transaction	13,704
- substitution tax on revaluation of properties	1,306
- regional tax on productivity and other minor effects	4,245
Actual tax provision	**147,190**

[(1)] With respect to Eurizon only, the regional tax on productivity was not considered inasmuch as it is not due.

EARNINGS (LOSSES) ON DISCONTINUED OPERATIONS

	31/12/2005	31/12/2004
Group of assets / liabilities		
Income	42,566	29,451
Charges	-51,186	-42,700
Income (charge) from valuation of group of assets and associated liabilities	-27,200	-16,243
Realized gain (loss)	-	-
Taxes and duties	-	-
Income (loss)	**-35,820**	**-29,492**

The losses on discontinued operations reflect the estimated economic impact of the plan to restructure the French companies belonging to the financial services segment, booked in accordance with IFRS 5.

INFORMATION ON RISKS

RISK MANAGEMENT POLICY

Life insurance

A life insurance portfolio typically has three categories of risks: pricing risks, demographic-actuarial risks and reserving risks.

Pricing risks are managed initially through the definition of a product's technical characteristics and pricing, and thereafter, over the life of the product, through the periodic verification of the sustainability and profitability of the pricing (both at the product level and with respect to AIP's overall liabilities). Thus, when a product is created, a profit-testing instrument is used with the aim of measuring the product's profitability and identifying any potential elements of weakness. The process of launching a product also entails projections, with the presentation of the results of the profit test and the sensitivity analysis to the company's products committee, whose members include senior managers and all department managers.

The demographic-actuarial risks become apparent when the actual trend of claims is less favourable than the trend estimated for the purpose of pricing the products; such risks are also seen with respect to reserving levels. Such risks are managed through statistical analyses, effected at least annually, of the trend of the liabilities on the policy portfolio, subdivided by the type of risks. Risks related to the coverage of costs merit special attention. In this regard, AIP has constructed a detailed analytical model capable of breaking down the costs by product macro category and by the product life cycle. This model, which is used by various departments of AIP (including administration, internal controls and actuarial departments), is used for monitoring costs, correctly pricing products, and supporting the reserving.

Reserving risk is managed by the actuarial department, upon its precise calculation of the actuarial reserves, with a series of: detailed controls (for example, with preventive control covering the proper storage in the system of the variables needed for calculating, such as yields, price quotations, technical bases, parameters for supplemental reserves and recalculation of the individual contract values) and group controls, by comparing the results with the estimates produced on a month-by-month basis. A specific emphasis goes to ensuring the contracts are carried at their proper values; this is done by reconciling the relative portfolio with the reconstruction of the changes (subdivided by cause) occurring during the period, and checking to ensure the amounts settled are consistent with the changes in the reserves. With the objective of providing the best monitoring possible for all of the risks, AIP launched a Financial Analysis Program (FAP) in the second half of 2005; additional information on the FAP is provided in the section on the "Control and Management of Risks".

From the standpoint of AIP's organization structure, the actuarial department has responsibility for pricing, the evaluation of the actuarial reserves, and the valuation of the company's embedded value.

Property-casualty insurance

From the standpoint of risk assumption, the policies are checked at the time they are underwritten in order to ensure that the portfolio corresponds with the technical parameters and pricing agreed with the sales network. The control is both formal and material, and makes it possible to verify the exposure to risk in terms of capital and of insurance limits.

Thereafter, statistical controls are effected for the purpose of checking potentially anomalous situations (for example, the concentration by area or type of risk) and to control the total exposure to a single party (with particular reference to policies providing accident and medical coverage).

Risk concentration factors

The subdivision of premiums by region is shown below and represents one of the risk concentration factors taken into account for the setting of pricing, particularly for auto liability and health insurance.

Regions	Premiums
Piedmont	35,509
Val d'Aosta	195
Liguria	921
Lombardy	6,155
Trentino-Alto Adige	76
Veneto	915
Friuli-Venezia Giulia	204
Emilia-Romagna	1,082
Marches	183
Tuscany	1,008
Umbria	163
Latium	11,177
Campania	1,548
Abruzzo	224
Molise	79
Apulia	522
Basilicata	75
Calabria	276
Sicily	664
Sardinia	203
Total	**61,179**

Risk protection factors

The reinsurance plan for protecting the Group's property-casualty portfolios has been developed on the basis of non-compulsory treaties for the ceding of portions of the business. The treaties provide for a guarantee with respect to permanent disability from illness, in excess of the losses included under such guarantee. The entire reinsurance plan has been implemented with leading reinsurance companies.

The financial risks of the insurance segment

With reference to the investment portfolios of the companies in the Group's insurance segment and the components subject to proprietary-type risk (Class C), the holdings are mostly concentrated in securities with a very high credit quality, with more than 98 percent of the bond securities and derivatives' exposure classified in the high investment-grade category. Investments in equities make up 5.7 percent of the overall portfolio. From the standpoint of issuers, some 80.5 percent of the investments is made up of securities issued by governments, central banks and other public-sector entities.

From the standpoint of distribution by maturity (measured in relation to the residual term to maturity), the concentration in medium-/long-term maturities is the result of a policy to balance (within relatively restricted limits) the mismatching of maturities between the assets placed under separate-account management and the commitments to the customers.

Distribution of investments by rating classes

	Bond Investments by Rating Class						Equity Investments
(in € 000's)	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	Unrated	Total	Equity Securities
Actual holdings	17,366,788	1,141,168	419,553	-	3,050	18,930,559	-
Derivatives	-29,376	-4,816	-	-	-	-34,192	-
Total	**17,337,412**	**1,136,352**	**419,553**	**-**	**3,050**	**18,896,367**	**1,149,333**

Distribution of investments by sector

(in € 000's)	Governments & Central Banks	Other Public Sector	Financial Companies	Insurance Companies	Non-Financial Companies & Others
Actual holdings	15,953,241	190,774	1,555,041	208,714	2,172,122
Derivatives	-	-	-20,231	-	-13,983
Total	**15,953,241**	**190,774**	**1,534,810**	**208,714**	**2,158,139**

Distribution of investments by residual maturity

	Bond Investments by Residual Term to Maturity			Equity Investments
(in € 000's)	Up to 1 Year	1 to 5 Years	More than 5 Years	Equity Securities
Actual holdings	859,863	7,839,624	10,236,038	-
Derivatives	433	8,018	-44,085	-
Total	**860,296**	**7,847,642**	**10,191,954**	**1,145,786**

The credit and financial risks of the financial services segment

Credit risks

The Banca Fideuram Group's lending activity is considered supplemental to the core activity of money management and investment advisory services provided to private clients. As a result, customer loans are essentially made up of demand loans directly linked to the private-banking activity; the loans are also generally secured by collateral or by bank guarantees.

In terms of mix, the total loan portfolio is mostly made up of short-term loans to the interbank market, mainly granted to leading banks in the Eurozone.

No significant changes were made to the lending strategies during the year of 2005.

The Banca Fideuram Group's exposure to credit risk is thus limited overall

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

	Banking Group						Other Companies		Total
	Non-Performing	Watchlist	Restructured	Past-Due	Country Risk	Other	Deteriorated	Other	
Financial assets held for trading	-	-	-	-	-	588,237	-	-	588,237
Financial assets available for sale	-	-	-	-	-	126	-	-	126
Financial assets held to maturity	-	-	-	-	-	4,662	-	-	4,662
Due from banks	-	-	-	-	251	4,623,731	-	-	4,623,983
Due from customers	2,689	-	-	5,716	-	1,117,085	-	-	1,125,489
Financial assets at fair value	-	-	-	-	-	172,754	-	-	172,754
Financial assets held for sale	-	-	-	-	-	170,568	-	-	170,568
Hedging derivatives	-	-	-	-	-	-	-	-	-
Total	**2,689**	**-**	**-**	**5,716**	**251**	**6,677,162**	**-**	**-**	**6,685,818**

Market risks

In tapping customer funds as part of its core business, the Banca Fideuram Group is normally carrying a significant balance of liquidity (in 2005, the average liquidity for the banking group was €3.7 billion).

In order to optimize the asset management process, the Board of Directors of Banca Fideuram approved a plan in 2005 for the drafting of a new investment policy that will provide precise directives on the types of instruments in which the banking group can invest and on risk limits consistent with the banking group's capital structure. The impact of the adoption of international accounting principles (and specifically, IAS 39 regarding financial statements) was also taken into account by the banking group in relation to this project.

The investment activity is governed on the basis of the following guidelines:

- definition of a new set of rules and policies for: investing in securities to go into the banking group's own portfolio; internal treasury settlements; and assets denominated in foreign currency;
- streamlining of the financial and credit risk, so as to bring it into line with the initial sizing of the portfolio and with the new investment policy;
- change in the format of the management authorizations, so that they are consistent with the operational procedures contemplated by the new investment policy.

The securities portfolio will be divided into two macro components:

- a liquidity portfolio that will include securities with limited risk, and whose average financial duration is no greater than six months; this portfolio is to include highly marketable instruments, such as securities eligible for refinancing transactions, repurchase agreements, and interbank deposits with a maturity of less than one week;
- an investment portfolio structured in relation to the structure of banking group's funding, loans and shareholders' equity.

The financial instruments held in the investment portfolio will be subject to specific limits in terms of asset allocation, rating, geographic area, foreign-exchange area, sectors and counterparties. The maximum exposure and loss allowed will be set for each investment activity.

The compliance with the pre-established limits is to be constantly monitored through a controls system that reports market risks in terms of sensitivity to principal risk factors and in terms of VaR.

TRANSITION TO INTERNATIONAL ACCOUNTING PRINCIPLES

INTRODUCTION

The consolidated financial statements as of 31 December 2005 represent the first financial statements of the Eurizon Financial Group prepared in accordance with international accounting principles.

In view of the fact that the comparative data for 2004 included in the 2005 financial statements consist of the aggregation of the financial statement data of two company groups, AIP and Banca Fideuram, net of intercompany accounts, the transition to the international accounting principles entailed a changeover from financial statements drawn up by AIP and Banca Fideuram on the basis of local accounting principles to financial statements drawn up by the same on the basis of the international accounting principles.

This section of the annual report has thus been prepared in order to supply information on the transition to the IAS/IFRS, as provided by IFRS 1 ("First-time adoption of the International Financial Reporting Standards"), in relation to the two company groups, AIP and Banca Fideuram.

ACCOUNTING PRINCIPLES DURING THE TRANSITION TO IAS/IFRS

The general principle on the transition to IAS/IFRS sanctioned by IFRS 1 provides for the restatement of all account balances as of the transition date (1 January 2004), with the retroactive application of the international accounting principles used for the preparation of the first IAS-compliant financial statements, as if such accounting principles were to have been adopted consistently in prior periods. The adjustments arising from the retroactive application of the international accounting principles as of the transition date are booked directly to shareholders' equity reserves.

The rules for the first-time application of IAS/IFRS are dictated by IFRS 1 ("First-time adoption of the International Financial Reporting Standards"), which indicates among its various provisions the contents and criteria to be used for preparing comparative accounting data:

- the data for 2005, which is the first year of the application of IAS/IFRS, must be compared with the 2004 data restated based on the IAS-compliant criteria, with the only exceptions being accounts regarding financial instruments and insurance products, with the presentation of the comparative data in relation to those accounts remaining optional (based on IAS 32 and 39 and IFRS 4). The Eurizon Financial Group has elected to take advantage of the option granted by IFRS 1 and has presented the comparative data in relation to financial instruments and insurance products on the basis of Italian accounting principles;
- in the case of all other principles, the Eurizon Financial Group adjusted the balances to the values that would have been presented if IAS/IFRS were to have been applied on a consistent basis in prior periods (criterion of retroactivity), excluding several specific optional or obligatory exceptions provided by IFRS 1.

The exceptions elected by the two company groups making up the Eurizon Financial Group with the first-time application of the IAS/IFRS principles are outlined as follows:

- business combinations: Eurizon did not retroactively apply IFRS 3 to the business combinations occurring prior to 1 January 2004, and therefore, the goodwill reported in the balance sheet as of such date is not subject to restatement on the basis of IAS/IFRS;
- the restatement of the book value of fixed assets based on fair value rather than cost: Eurizon elected to maintain the historical cost of the fixed assets as of the transition date (1 January 2004), with the exception of two categories of assets (land and works of art) which were adjusted to fair value (as provided by the appraisals of independent experts).
- employee benefits: The provisions of IAS allow for using the "corridor" method in the valuation of the reserves for employee severance indemnities, and thus the possibility of not reporting part of the actuarial gains and losses in relation to such reserves. Eurizon decided not to adopt the corridor method on retroactive basis with respect to the transition date, and therefore, the aforementioned actuarial gains and losses prior to 1 January 2004 have been reported in full.
- share-based payments: Eurizon has elected to not to apply IFRS 2 in relation to the stock option plans whose options were exercisable prior to 1 January 2005.

More detailed information about of the new accounting principles is provided in the description of accounting policies contained in these notes.

RECONCILIATIONS

Eurizon Financial Group has prepared statements reconciling the consolidated financial data prepared on the basis of Italian accounting principles with the consolidated financial data restated in accordance with international accounting principles as of the dates significant to the transition to the international accounting principles. As indicated in the reconciliation statements, IAS 32 and 39 and IFRS 4 were not applied prior to 1 January 2005.

In Eurizon's case, the accounting principles that best govern the comparison with the prior-year data are the U.S. GAAP, and in particular, the FAS 141 Business Combinations, which indicates the book-value continuity method as the method applicable for business combinations between entities under common control, and establishes, in Paragraph D16, that the financial statements of the company which is the recipient of the companies shall include the earnings results of the companies for the entire year during which the companies were transferred, as if the transfer were to have taken place at the start of the year.

In relation to 2004, FAS 141, Paragraph D17, establishes that any comparative data included in the financial statements should be recalculated, in aggregate form, so as to provide the same basis for comparison. In addition, in accordance with the provisions of Paragraph 36 of IAS 1, the comparative data inherent to 2004 must be included in the consolidated financial statements so as to be able to supply a useful tool for making a comparison with the 2005 data. Thus, it is noted that the 2004 balances have been computed by aggregating the consolidated financial statements of the two entities, AIP and Banca Fideuram.

The tables below provide a reconciliation of shareholders' equity as of 1 January 2004, 31 December 2004 and 1 January 2005, and a reconciliation of earnings results with respect to the full year of 2004. The reconciliation of shareholders' equity as of 31 December 2004 and 1 January 2005, and the reconciliation of 2004 earnings were audited by the Group's independent auditors. The reconciliation statements report the pre-tax impact of the changeover for each account included in the new reporting format; the aggregate tax effects are disclosed separately.

Reconciliation of consolidated shareholders' equity pursuant to IFRS 1

		1/1/2004 (1)	31/12/2004 (1)	01/01/2005 (2)
	Shareholders' equity pursuant to Italian accounting principles	**1,567,336**	**1,752,413**	**1,752,413**
	- Shareholders' equity - Eurizon Financial Group	1,554,099	1,751,508	1,751,508
	- Minority interests	13,237	905	905
1	**Intangible assets**	**-1,398**	**-28,744**	**-28,744**
1.1	Goodwill	-	-11,022	-11,022
1.2	Other intangible assets	-1,398	-17,722	-17,222
2	**Fixed assets**	**33,307**	**37,374**	**37,374**
2.1	Buildings	32,382	36,449	36,449
2.2	Other fixed assets	925	925	925
3	**Technical reserves for the account of reinsurers**	**-**	**-**	**-**
4	**Investments**	**-**	**4,853**	**681,483**
4.1	Real estate investments	-	8,072	8,072
4.2	Equity investments in subsidiaries, affiliates and joint ventures	-	-5,005	-5,005
4.3	Investments held to maturity	-	-	-
4.4	Financing and loans receivable	-	-	-944
4.5	Financial assets available for sale	-	-	615,771
4.6	Financial assets stated at fair value, whose gains and losses accrue to the profit and loss statement	-	1,786	63,589
5	**Other receivables**	**-**	**-**	**-**
5.1	Receivables on direct insurance transactions	-	-	-
5.2	Receivables on reinsurance transactions	-	-	-
5.3	Miscellaneous receivables	-	-	-
6	**Other assets**	**-1,233**	**6,328**	**510,233**
6.1	Non-current assets or assets of a group held for sale	-	-	-
6.2	Deferred acquisition costs	-	-	-
6.3	Deferred tax assets	81	-1,274	300,184
6.4	Current tax assets		8,473	8,473
6.5	Other assets	-1,314	-871	201,576
7	**Cash and cash equivalents**	**-**	**-**	**-**
1	**Own shares**	**-**	**-**	**-57,139**
2	**Provisions**	**-15,298**	**-709**	**-709**
3	**Technical reserves**	**-**	**-**	**389,298**
4	**Financial liabilities**	**7,921**	**6,458**	**27,390**
4.1	Financial liabilities stated at fair value, whose gains and losses accrue to the profit and loss statement	-	-	23,707
4.2	Other financial debt	7,921	6,458	3,683
5	**Payables**	**-4,306**	**-5,354**	**-5,354**
5.1	Payables on direct insurance transactions	-	-	-
5.2	Payables on reinsurance transactions	-	-	-
5.3	Miscellaneous payables	-4,306	-5,354	-5,354
6	**Other liabilities**	**13,962**	**20,935**	**758,211**
6.1	Liabilities of a group held for sale	-	-	-
6.2	Deferred tax liabilities	14,092	14,803	367,627
6.3	Current tax liabilities	-	-	-
6.4	Miscellaneous liabilities	-130	6,132	390,584
	Total adjustments on the adoption of IAS/IFRS	**28,397**	**-1,519**	**-25,629**
	Change in area of consolidation	**4,137**	**26,940**	**26,940**
	Shareholders' equity pursuant to IAS/IFRS	**1,599,870**	**1,777,834**	**1,753,724**
	- Shareholders' equity - Eurizon Financial Group	1,580,432	1,769,692	1,745,582
	- Minority interests	19,438	8,142	8,142

(1) Excluding IAS 32, IAS 39, and IFRS 4
(2) Including IAS 32, IAS 39, and IFRS 4

Reconciliation of consolidated earnings results pursuant to IFRS 1

		31/12/2004 [1]
	Consolidated net profit pursuant to Italian accounting principles	**393,420**
	- Consolidated net profit - Eurizon Financial Group	392,853
	- Minority interests	567
1.1	Net premiums	-
1.1.1	Gross premiums earned	-
1.1.2	Premiums ceded to reinsurers	-
1.2	Commission income	1,786
1.3	Income and charges from financial instruments stated at fair value, whose gains and losses accrue to the profit and loss statement	-
1.4	Income from equity investments in subsidiaries, affiliates and joint ventures	-
1.5	Income from other financial instruments and real estate investments	-
1.5.1	Interest income	-
1.5.2	Other income	-
1.5.3	Realized gains	-
1.5.4	Valuation gains	-
1.6	Other revenues	-
1	**Total revenues and income**	**1,786**
2.1	Claims related charges, net	-
2.1.2	Sums paid and change in the technical reserves	-
2.1.3	Portion for the account of reinsurers	-
2.2	Commission expense	1,237
2.3	Charges from equity investments in subsidiaries, affiliates and joint ventures	-
2.4	Charges from other financial instruments and real estate investments	2,205
2.4.1	Interest expense	2,205
2.4.2	Other charges	-
2.4.3	Realized losses	-
2.4.4	Valuation losses	-
2.5	Operating expenses	-2,605
2.5.1	Commissions and other acquisition expenses	-
2.5.2	Investment management expenses	-
2.5.3	Other administrative expenses	-2,605
2.6	Other expenses	10,239
2	**Total expenses and charges**	**11,076**
3	Income taxes	3,659
	Total adjustments on the adoption of IAS/IFRS	**-5,631**
	Change in area of consolidation	**1,568**
	Consolidated net profit pursuant to IAS/IFRS	**389,357**
	- Consolidated net profit - Eurizon Financial Group	388,790
	- Minority interests	567

[1] Excluding IAS 32, IAS 39, and IFRS 4

Following are notes on the principal effects of the transition to the international accounting principles with regard to the two company groups, Banca Fideuram and AIP. The impacts of the first-time application of the international accounting principles on Eurizon's shareholders' equity are stated on an after-tax basis.

Banca Fideuram Group

The Banca Fideuram Group adopted the fair value option essentially for:

- the insurance policies taken out in order to assure market yields on the loyalty plans set up by the private-banker networks, classified as investment securities on the basis of Italian accounting principles;
- certain securities previously classified as trading account securities;

- policies which generated capital gains that were booked to the opening balance of shareholders' equity as of 1 January 2005 (IAS 32 and 39). Based on the contractual provisions governing the aforementioned loyalty plans, the capital gains are due to the private bankers, and thus have been allocated, practically in their entirety, to the reserve for risks and charges as of 2004, pursuant to IAS 37.

In relation to impaired receivables, the valuation adjustments for discounting purposes (computed in relation to the difference between the estimated realizable value of the receivables and the present value of the expected financial flows for principal and interest) were booked as an adjustment to consolidated shareholders' equity as of 1 January 2005, with the revenues to be reported in the profit and loss statements in subsequent years. The simple passing of time, with the consequent approach of the due dates provided for the recovery, implies an automatic reduction of the implicit financial charges previously accrued as a reduction of the receivables.

As a result of the adoption of the amortized cost criterion provided by IAS 39 for the valuation of financial liabilities contracted for purposes other than trading, the value of a subordinated loan was restated with the first-time adoption of IAS/IFRS, with a consequent positive impact on the shareholders' equity as of 1 January 2005. As a result of this change, the profit and loss statements in future years will reflect an increase in charges booked as interest expense with the passage of time.

The Banca Fideuram Group elected to maintain the historical cost of the fixed assets as of the transition date, with the exception of two categories of assets (land and works of art) which were adjusted to fair value (as provided by the appraisals of independent experts). The use of the fair-value criterion has a positive impact on the consolidated shareholders' equity as of 1 January 2004. In consideration of the fact that such assets are deemed to have an indefinite useful life and that their value is normally not susceptible to declining over time, the profit and loss statements in future years will no longer include any depreciation charges in relation to land and works of art.

The new accounting principles allow for the capitalization of intangible assets only if it is probable that the assets will generate future economic benefits and if the cost can be measured in a reliable manner. With the application of such criteria, costs previously capitalized with respect to intangible assets, principally start-up and expansion costs, have been reversed inasmuch as they are no longer subject to capitalization.

In accordance with IAS 32, the holdings of the Bank's own shares were reported at cost as a reduction of shareholders' equity as of 1 January 2005. In previous years, the Bank's reclassified balance sheet regularly reported shareholders' equity net of the value of any own shares held.

With regard to the actuarial valuation of the reserve for employee severance indemnities, the new accounting principle, IAS 19, requires that the liabilities for employee severance indemnities be reported in the financial statements on the basis of their actuarial value inasmuch as they are deemed an employee benefits due on the basis of a defined-benefit plan. The computation of the actuarial value of the reserve had a positive impact on the opening balance of Banca Fideuram Group's shareholders' equity as of 1 January 2004.

The international accounting principle, IAS 37, provides more stringent criteria for the recognition of the reserves that are part of the liabilities, and specifically provides that reserves for future charges may be set up only if they relate to legal/contractual obligations or de facto obligations, as the result of past events, and only if it is probable that such obligations will generate a future use of economic resources, the amount of which can be reasonably estimated. As a result, with the first-time application of the international accounting principles, the Banca Fideuram Group reversed the provisions previously made to the reserves that were deemed no longer compatible with the criteria outlined above.

IAS 37 also provides for the actuarial valuation of the reserves for risks and charges, and the new provisions to the reserves, and specifically establishes that reserve provisions must be made at the present value and adjusted over time whenever the charge to be sustained is of a medium-/long-term nature. In cases where the deferral of obligations over time has a significant impact (for example, reserves for litigation and the indemnities to be paid to private bankers), the Banca Fideuram Group has calculated the amount of the reserves and the provisions to the reserves on the basis of the present value of the outlays expected for extinguishing the obligations. The discounting had a positive impact on the opening balance of Banca Fideuram Group's shareholders' equity as of 1 January 2004, which is to be reflected in costs flowing through the profit and loss statement in future periods.

AIP Group

In accordance with IFRS 4, the policy portfolio has been subdivided into components by pricing, and classified on the basis of the significance of the underlying insurance risk, so as to identify the applicable accounting principle, with details as follows:

- term life policies, annuity policies and variable-universal policies with annuity conversion coefficients guaranteed as of the date of issue, unit-linked policies qualifying as insurance instruments, and property-casualty policies have been classified as insurance policies. For these products, IFRS 4 basically confirms the applicability of the national accounting principles for the insurance industry. The equalization reserves and the catastrophic reserves relative to the property-casualty lines have been reversed inasmuch as they are not admitted by the international accounting principles;

- index-linked policies, some of the unit-linked policies, and policies with specific assets not included in separately managed accounts has been classified as financial products without discretionary participation in profits. These products are booked in accordance with the principles dictated by IAS 39;
- most of the whole life policies, variable-universal policies, and capital-accumulation policies with separate account management have been classified as financial products with discretionary participation in profits. These products are booked in accordance with the principles dictated by IFRS 4, with the adoption of shadow accounting (which provides for allocating the differences between the fair value and the cost of the securities to technical reserves, for the portion thereof accruing to the policyholder and to shareholders' equity, for the portion thereof accruing to the insurer).

The securities held by the company have been classified in accordance with the international accounting principles (IAS 39), by taking into account the strategic and operational purposes for which the investments were made:

- the holdings in the Class C portfolio were mostly classified as securities available for sale. The amounts booked to the valuation reserve in shareholders’ equity were partially offset by the recognition of an offsetting valuation reserve included as part of the insurance liabilities, on the basis of the option available under IFRS 4 to use the shadow accounting method for the portion of earnings due to policyholders;
- the holdings in the Class D portfolio were classified as financial assets stated at fair value, whose gains and losses accrue to the profit and loss statement. In this regard, the company identified the existence of the corporate financial instruments earmarked for special purposes, with the company essentially sustaining most of the risks and obtaining most of the benefits in relation thereto; these investments have been fully consolidated, and include (i) mutual investment funds in which the internal funds of the unit-linked products have been invested, and which are controlled by the company, and (ii) special-purpose companies issuing bonds in which the assets of certain index-linked policies have been invested, and which are controlled by the company;
- the derivatives contracted for the purpose of hedging the capital gains on the bond portfolio passed the hedging test and were thus classified as hedging derivatives.

The AIP Group elected to maintain the historical cost of the fixed assets as of the transition date, with the exception of two categories of assets (land and works of art) which were adjusted to fair value (as provided by the appraisals of independent experts). The use of the fair-value criterion has a positive impact on the consolidated shareholders’ equity as of 1 January 2004. In consideration of the fact that such assets are deemed to have an indefinite useful life and that their value is normally not susceptible to declining over time, the profit and loss statements in future years will no longer include any depreciation charges in relation to land and works of art.

The real property leased by the AIP Group under financial lease has been booked on the basis of IAS 17, with the value of the asset leased recorded among the fixed assets and the obligations on the lease reported as a liability. Amounts flowing through the profit and loss statement include depreciation charges and the reversal of the principal portion of previously paid instalments. In accordance with the accounting principles adopted with respect to owned fixed assets, the value of the land underlying the leased property has been booked at fair value as of 1 January 2004, with the depreciation charges referring only to the building.

In accordance with IAS 19, the reserve for employee severance indemnities has been classified as a defined-benefit plan, and its balance has accordingly been reported on the basis of the projected unit credit method (which uses actuarial calculations). A similar method has been used for the other long-term employee benefits.

The goodwill referring to the deficit booked in 1998 upon the merger by incorporation of AGASS S.p.A., a company acting as an agent for the incorporated Fideuram Vita S.p.A., was written down in consideration of its limited residual value (resulting from the previous amortization charged in accordance with local accounting principles) and the difficulties in reconstructing (for the purpose of the impairment test) the financial flows referring to the cash-generating unit to which the goodwill relates.

In accordance with international accounting principles, the consolidated financial statements include the line-by-line consolidation of all controlled companies, regardless of the sector of activity. The AIP Group’s financial statements thus include the full consolidation of Universo Servizi, which was previously booked, in accordance with local accounting principles, on the basis of the net equity method. The investment in Egida, which was a 50-50 joint venture with Reale Mutua as of the date of the financial statements, has been consolidated on a line-by-line basis, instead of a proportional basis, by virtue of the option exercised by AIP at the end of 2005 to purchase the remaining 50 percent of the company in 2006. The change in the area of consolidation with respect to the fully consolidated companies did not produce any effects on the shareholders equity of the AIP Group. The inclusion of the shareholdings previously consolidated on a proportional basis or on the basis of the net equity method under national accounting principles caused a change in the shareholders’ equity attributable to minority interests.

The new accounting principles allow for the capitalization of intangible assets only if it is probable that the assets will generate future economic benefits and if the cost can be measured in a reliable manner. With the application of such criteria, costs previously capitalized with respect to intangible assets, principally start-up and expansion costs, have been reversed inasmuch as they are no longer subject to capitalization.

List of Consolidated Companies

Company	Country	Method [1]	Activity [2]
Assicurazioni Internazionali di Previdenza S.p.A.	Italy	F	1
Sanpaolo Life Ltd.	Ireland	F	2
Fideuram Assicurazioni S.p.A.	Italy	F	1
Egida compagnia di assicurazioni e riassicurazioni S.p.A.	Italy	F	1
Universo Servizi S.p.A.	Italy	F	11
Fideuram fund euro short term	Luxembourg	F	11
Fideuram fund euro bond low risk	Luxembourg	F	11
Fideuram fund euro bond medium risk	Luxembourg	F	11
Fideuram fund euro bond long risk	Luxembourg	F	11
Fideuram fund bond global high yield	Luxembourg	F	11
Fideuram fund equity Italy	Luxembourg	F	11
Fideuram fund equity Europe	Luxembourg	F	11
Fideuram fund euro corporate bond	Luxembourg	F	11
Fideuram fund equity Usa	Luxembourg	F	11
Fideuram fund equity Japan	Luxembourg	F	11
Fideuram fund bond global emerging markets	Luxembourg	F	11
Fideuram fund equity Pacific ex Japan	Luxembourg	F	11
Fideuram fund equity global emerging markets	Luxembourg	F	11
Fideuram fund zero coupon 2007	Luxembourg	F	11
Fideuram fund zero coupon 2008	Luxembourg	F	11
Fideuram fund zero coupon 2009	Luxembourg	F	11
Fideuram fund zero coupon 2010	Luxembourg	F	11
Fideuram fund zero coupon 2011	Luxembourg	F	11
Fideuram fund zero coupon 2012	Luxembourg	F	11
Fideuram fund zero coupon 2013	Luxembourg	F	11
Fideuram fund zero coupon 2014	Luxembourg	F	11
Fideuram fund zero coupon 2015	Luxembourg	F	11
Fideuram fund zero coupon 2016	Luxembourg	F	11
Fideuram fund zero coupon 2017	Luxembourg	F	11
Fideuram fund zero coupon 2018	Luxembourg	F	11
Fideuram fund zero coupon 2019	Luxembourg	F	11
Fideuram fund zero coupon 2020	Luxembourg	F	11
Fideuram fund zero coupon 2021	Luxembourg	F	11
Fideuram fund zero coupon 2022	Luxembourg	F	11
Fideuram fund zero coupon 2023	Luxembourg	F	11
Fideuram fund zero coupon 2024	Luxembourg	F	11
Fideuram fund zero coupon 2025	Luxembourg	F	11
Fideuram fund zero coupon 2026	Luxembourg	F	11

% Directly Held	Total Held % [3]	% of Votes at Ordinary Shareholders' Meetings [4]	Consolidation %
99.96	99.96	99.96	100
-	99.96	100	100
-	99.96	100	100
-	49.98	50.00	100
-	99.96	100	100
-	53.62	-	100
-	61.96	-	100
-	50.09	-	100
-	59.41	-	100
-	58.15	-	100
-	92.54	-	100
-	94.63	-	100
-	62.49	-	100
-	93.89	-	100
-	93.10	-	100
-	59.66	-	100
-	88.78	-	100
-	91.90	-	100
-	99.96	-	100
-	99.96	-	100
-	99.96	-	100
-	99.96	-	100
-	99.96	-	100
-	99.96	-	100
-	99.96	-	100
-	99.96	-	100
-	99.96	-	100
-	99.96	-	100
-	99.96	-	100
-	99.96	-	100
-	99.96	-	100
-	99.96	-	100
-	99.96	-	100
-	99.96	-	100
-	99.96	-	100
-	99.96	-	100
-	99.96	-	100

Company	Country	Method [1]	Activity [2]
Fideuram fund zero coupon 2027	Luxembourg	F	11
Fideuram fund zero coupon 2028	Luxembourg	F	11
Fideuram fund zero coupon 2029	Luxembourg	F	11
Fideuram fund zero coupon 2030	Luxembourg	F	11
Fideuram fund Usa listed t.t. equity	Luxembourg	F	11
Fideuram fund Usa listed consumer staples equity	Luxembourg	F	11
Fideuram fund Usa listed financials equity	Luxembourg	F	11
Fideuram fund Europe listed t.t. equity	Luxembourg	F	11
Fideuram fund Europe listed financials equity	Luxembourg	F	11
Fideuram fund zero coupon 2006	Luxembourg	F	11
Fideuram fund zero coupon 2031	Luxembourg	F	11
Fideuram fund zero coupon 2032	Luxembourg	F	11
Fideuram fund zero coupon 2033	Luxembourg	F	11
Fideuram fund zero coupon 2034	Luxembourg	F	11
Fideuram fund Europe listed consumer discretionary equity	Luxembourg	F	11
Fideuram fund Europe listed consumer staples equity	Luxembourg	F	11
Fideuram fund Usa listed consumer discretionary equity	Luxembourg	F	11
Fideuram fund zero coupon 2035	Luxembourg	F	11
Caravaggio	Luxembourg	F	11
Doppia opportunità	Luxembourg	F	11
Banca Fideuram S.p.A. (*)	Italy	F	7
Fideuram Bank (Luxembourg) S.A.	Luxembourg	F	7
Fideuram Fiduciaria S.p.A.	Italy	F	11
Fideuram Investimenti SGR	Italy	F	8
Fideuram Gestions S.A.	Luxembourg	F	11
Fideuram Bank (Suisse) A.g.	Switzerland	F	7
Fideuram Asset Management (Ireland) Ltd.	Ireland	F	11
Sanpaolo Invest Sim S.p.A.	Italy	F	11
Sanpaolo Invest Ireland Ltd.	Ireland	F	11

(*) Banca Fideuram S.p.A. was consolidated on the basis of a 74.33% holding, which takes into account the bank's own shares held by the bank to service the stock option plans.

[1] Consolidation method: Full consolidation = F, Proportional =P, Full consolidation for single head office = U
[2] 1= Italian insurer; 2 = EU insurer; 3 = non-EU insurer; 4 = insurance holding company; 5 = EU reinsurer; 6 = non-EU reinsurer; 7 = banks; 8 = funds management company; 9 = miscellaneous holding companies; 10 = real estate company; 11 = other.
[3] It is the product of the investment relationships relative to all companies which, in being part of the chain of investments, may be positioned between the company preparing the consolidated financial statements and the company in which the investment is held. Should the latter be directly held by two or more subsidiary companies, the interests of such subsidiaries must be summed.
[4] Total percentage of votes at the ordinary shareholders' meeting, if different from the percentage directly or indirectly held.

% Directly Held	Total Held % (3)	% of Votes at Ordinary Shareholders' Meetings (4)	Consolidation %
-	99.96	-	100
-	99.96	-	100
-	99.96	-	100
-	99.96	-	100
-	56.49	-	100
-	51.79	-	100
-	51.92	-	100
-	57.31	-	100
-	52.54	-	100
-	99.96	-	100
-	99.96	-	100
-	99.96	-	100
-	99.96	-	100
-	99.96	-	100
-	55.08	-	100
-	60.05	-	100
-	55.45	-	100
-	99.96	-	100
-	99.96	-	100
-	99.96	-	100
74.33	74.33	74.33	100
-	74.33	100	100
-	74.33	100	100
-	73.95	99.50	100
-	74.33	100	100
-	74.29	99.95	100
-	74.33	100	100
-	74.33	100	100
-	74.33	100	100

List of Equity Investments in Subsidiary and Affiliate Companies

Company	Country	Activity (1)	Type (2)	% Held Directly	Total Held % (3)	% of Votes at Ordinary Shareholders' Meeting (4)	Book Value
Consorzio Studi e Ricerche Fiscali	Italy	11	b	-	17.33	20.00	51.00
Financiere Fideuram S.A.	France	11	*	-	73.36	99.98	n.s.
Banque Priveé Fideuram Wargny S.A.	France	7	*	-	73.30	99.91	n.s.
Fideuram Wargny Gestion S.A.	France	11	*	-	73.28	99.97	n.s.
Fideuram Waegny Gestion S.A.M.	France	11	*	-	73.26	99.95	n.s.
Fideuram Wargny Active Broker S.A.	France	11	*	-	73.30	100.00	n.s.
W.D.W. S.A.	France	11	*	-	73.24	99.92	n.s.

(1) 1= Italian insurer; 2 = EU insurer; 3 = non-EU insurer; 4 = insurance holding company; 5 = EU reinsurer; 6 = non-EU reinsurer; 7 = banks; 8 = funds management company; 9 = miscellaneous holding companies; 10 = real estate company; 11 = other
(2) a = controlled companies (IAS 27) ; b = affiliate companies (IAS 28); c = joint venture (IAS 31); * = companies classified as held for sale in conformity with IFRS 5.

(3) It is the product of the investment relationships relative to all companies which, in being part of a chain of investments, may be positioned between the company preparing the consolidated financial statements and the company in which the investment is held. Should the latter be directly held by two or more subsidiary companies, the interests of such subsidiaries must be summed
(4) Total percentage of votes at the ordinary shareholders' meeting, if different from the percentage directly or indirectly held.

On 10 June 2005, the Board of Directors of Banca Fideuram commissioned a consulting firm to proceed in examining possible opportunities for the sale of the banking group's French business, Fideuram Wargny.

The consulting firm embarked on the process, receiving several non-binding offers that were presented to the Banca Fideuram Board of Directors on 10 November 2005.

Meetings with the potential buyers were organized thereafter, with the banking group's objective of securing binding offers. The formalization of binding offers is now under way, and it is deemed highly probable that the entire restructuring process can be completed by the end of 2006. The French operations were thus reported in the 2005 financial statements on the basis of IFRS 5, with the best estimate of the total restructuring charges booked to the profit and loss statement.

Report of the Independent Auditors

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 AND ARTICLE 165 OF LAW DECREE N° 58 DATED 24 FEBRUARY 1998

To the Shareholders of
Eurizon Financial Group SpA

1 We have audited the consolidated financial statements of Eurizon Financial Group SpA and its subsidiaries ("Eurizon Financial Group"), which comprise the balance sheet, income statement, cash flow statement, statement of changes in shareholders' equity and the related notes as of 31 December 2005. These consolidated financial statements are the responsibility of Eurizon Financial Group'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 respectively 13.44 per cent of the consolidated assets and 19.52 per cent of "Total revenues and income" lies with other auditors.

The consolidated financial statements present the prior year corresponding figures prepared in accordance with the same accounting principles except for the effect of the first time application of IAS 32, IAS 39 and IFRS 4 which, as permitted by IFRS 1, were applied starting from 1 January 2005. Furthermore, note in section "Transition to International Accounting Principles" explains the effects of the transition to IFRS as adopted by the European Union. The information presented in note in section "Transition to International Accounting Principles" has been examined by us to provide a

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PRICEWATERHOUSECOOPERS

basis for our opinion on the consolidated financial statements at 31 December 2005.

3 In our opinion, the consolidated financial statements of Eurizon Financial Group as of 31 December 2005 comply with International Financial Reporting 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 Eurizon Financial Group for the year then ended.

Milan, 10 April 2006

PricewaterhouseCoopers SpA

(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)

Holding Company Financial Statements

Balance Sheet

ASSETS

A.1 (in €)		**31/12/2005**	
10.	Cash and cash equivalents		
20.	Due from banks:		1.002.799
	(a) sight	1,002,799	
	(b) other		
30.	Due from financial institutions:		-
	(a) sight		
	(b) other		
40.	Due from customers		
50.	Bonds and other fixed-income securities, issued by:		-
	(a) public entities		
	(b) banks		
	(c) financial institutions		
	including:		
	- own securities		
	(d) other issuers		
60.	Shares, quotas and other equity securities		
70.	Equity investments		
80.	Equity investments in Group companies		5,600,000,000
90.	Intangible assets:		260,442
	including:		
	- start-up costs	145,182	
	- goodwill		
100.	Fixed assets		
110.	Unpaid, subscribed capital:		
	including:		
	- capital called		
120.	Own shares or quotas (with indication of par value)		
130.	Other assets		270,898,977
140.	Accrued income and prepayments:		-
	(a) Accrued income		
	(b) Prepayments		
	Total assets		**5,872,162,218**

LIABILITIES AND SHAREHOLDERS' EQUITY

A.1 (in €)			31/12/2005
10.	Due to banks:		-
	(a) sight		
	(b) time or with advance notice of withdrawal		
20.	Due to financial institutions		-
	(a) sight		
	(b) time or with advance notice of withdrawal		
30.	Due to customers		-
	(a) sight		
	(b) time or with advance notice of withdrawal		
40.	Securities issued:		-
	(a) bonds		
	(b) other		
50.	Other liabilities		8,542,031
60.	Accrued liabilities and deferred income		-
	(a) Accrued liabilities		
	(b) Deferred income		
70.	Reserve for employee severance indemnities		
80.	Reserves for risks and charges:		-
	(a) pensions and similar obligations		
	(b) reserve for taxes		
	(c) other		
90.	Reserves for credit risks		
100.	Reserve for general financial risks		
110.	Subordinated liabilities		
120.	Share capital		101,000,000
130.	Paid-in capital		5,500,000,000
140.	Reserves:		
	(a) legal reserve		
	(b) reserve for own shares or quotas		
	(c) reserves required by the company by-laws		
	(d) other reserves		
150.	Revaluation reserves		
160.	Retained earnings		
170.	Profit (loss) for the period		262,620,187
	Total liabilities and shareholders' equity		**5,872,162,218**

GUARANTEES AND COMMITMENTS

A.1 (in euro)		31/12/2005
10.	Guarantees issued	
20.	Commitments	

Profit and Loss Statement

EXPENSES

A.2 (in €)		10/10/2005 - 31/12/2005	
10.	Interest and similar expense		
20.	Commissions expense		
30.	Losses from financial transactions		
40.	Administrative expenses:		3,796,343.38
	(a) personnel expenses		
	including:		
	- salaries and wages		
	- social-welfare charges		
	- provision to reserve for employee severance indemnities		
	- pensions and similar obligations		
	(b) other administrative expenses	3,796,343.38	
50.	Adjustments to the value of fixed and intangible assets		36,295.45
60.	Other operating expenses		
70.	Provisions for risks and charges		
80.	Provision to reserves for credit risks		
90.	Adjustments to the value of receivables and provisions for guarantees and commitments		
100.	Adjustments to the value of non-current financial assets		
110.	Non-recurring charges		
120.	Positive change in reserve for general financial risks		
130.	Income tax provision for the period		3,185,471.29
140.	Net profit for the period		262,620,187.28
	Total		**269.638.297**

REVENUES

A.2 (in €)			**10/10/2005 - 31/12/2005**
10.	Interest and similar income		3,859.40
	including:		
	- on fixed-income securities		
20.	Dividends and other income:		269,634,438.00
	(a) on shares, quotas and other equity securities		
	(b) on equity investments		
	(c) on equity investments in subsidiaries and affiliates	269,634,438.00	
30.	Commissions earned		
40.	Profits from financial transactions		
50.	Recovery of value on receivables and on provisions for guarantees and commitments		
60.	Recovery of value on non-current financial assets		
70.	Other operating income		
80.	Non-recurring income		
90.	Negative change in reserve for general financial risks		
100.	Loss for the period		262,620,187.28
	Total		**269.638.297**

Report of the Board of Statutory Auditors

Report of the Board of Statutory Auditors to the shareholders pursuant to Article 2429 of the Italian Civil Code

To the Shareholders:

During the year ended 31 December 2005, we carried out the audit activity provided by the law, in conformity with the Regulations of Conduct for the Board of Statutory Auditors recommended by the Italian accounting profession ("Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri").

Before reporting on our activity, we note that the Company was set up on 4 October 2005, and became a significant subsidiary of Sanpaolo Imi S.p.A, following the transfer to the Company of Sanpaolo Imi S.p.A.'s controlling interests in Assicurazioni Internazionali di Previdenza S.p.A. and Banca Fideuram S.p.A. The meeting of the shareholders held on 7 November 2005 passed a resolution to contract the independent audit firm, PricewaterhouseCoopers S.p.A., for the independent audit of the Company's accounts for the years of 2005 and 2006, in accordance with Italian Legislative Decree n. 58 of 24 February 1998.

With the acquisition of the shareholdings mentioned above, the Company was able to embark on its mission of coordinating the operations and management of the Sanpaolo Imi Group's interests in the businesses of funds management, insurance, and retirement planning.

During the brief term of its first business year, the Company adopted an organizational structure based on the existing structures of the subsidiaries, working through outsourcing arrangements and with the expectation of developing a new corporate organization during 2006.

We carried out our audit work within this framework of reference, and in this regard, we note that:

- We audited compliance with the law and the Company's articles of incorporation.
- We took part in the shareholder meetings and the meetings of the Board of Directors, which were carried out in accordance with the applicable provisions of the law and the Company's by-laws; the resolutions approved during the meetings are in accordance with the law and the Company's by-laws.
- With our participation in the three meetings of the Board of Directors that were held during the year, we obtained information from the directors about the Company's business and about the most significant transactions carried out with reference to the Company's earnings, capital and financial position, and we can reasonably affirm that the actions approved and effected are in conformity with the law and the Company's by-laws, and do not appear manifesting imprudent, risky or in potential conflict of interest, or such to compromise the integrity of the share capital.
- We examined and audited, with regard to our specific responsibility, the adequacy of the Company's organization structure and the compliance with the principles of correct administration.
- By procuring information from the managers of the subsidiary providing administrative and accounting services, and reviewing company documents, we evaluated and checked the adequacy of the administrative and accounting system, and the system's capacity to represent business events in a proper manner, and in this regard, we have no specific findings to report.
- We did not detect any atypical and/or unusual transactions carried out with the Company's subsidiaries, related parties or third parties.
- With regard to transactions effected in the normal course of business with related parties or with the Company's subsidiaries, you are referred to the specific section of the report on operating performance providing an adequate description of the characteristics and economic significance of such transactions. Such transactions have been carried out in the Company's interest.
- Upon the express statement of the directors, as confirmed by the independent auditors, it is noted that no additional mandates have been conferred to the independent audit firm.
- We have issued the opinion provided for the conferral of the independent audit mandate to the independent

audit firm, and we express our consent to the registration of start-up costs in the amount of €145,000, net of amortization, among the assets reported in the balance sheet, as outlined by the directors in the notes to the financial statements.

- The reports of the independent auditors on the Company's financial statements and its consolidated financial statements were issued on 10 April 2006, and did not contain any findings or information references.
- We acknowledge that the Company's financial statements and its consolidated financial statements and the respective reports on operating performance have been prepared in accordance with the provisions of prevailing laws.
- During the year, there were no claims filed pursuant to Article 2408 of the Italian Civil Code

During the course of the audit activity and on the basis of the information obtained, we did not detect any omissions, facts subject to criticism, irregularities, or any significant facts that would need to be mentioned in this report.

In light of the foregoing and with reference to our responsibility, we express a favourable opinion on the approval of the financial statements as of 31 December 2005 and the allocation of the annual net profit in accordance with the terms proposed by the Board of Directors.

Turin - Milan, 10 April 2006

The Board of Statutory Auditors

Report of the Independent Auditors

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 AND ARTICLE 165 OF LAW DECREE N° 58 DATED 24 FEBRUARY 1998

To the Shareholders of
Eurizon Financial Group SpA

1. We have audited the financial statements of Eurizon Financial Group SpA as of 31 December 2005 (first financial period). These financial statements are the responsibility of Eurizon Financial Group's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

3. In our opinion, the financial statements of Eurizon Financial Group SpA as of 31 December 2005 comply with the laws governing the criteria for their preparation; accordingly, they give a true and fair view of the financial position and of the results of operations of Eurizon Financial Group SpA.

Milan, 10 April 2006

PricewaterhouseCoopers SpA

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Resolution of the Shareholders' Meeting

The shareholders' meeting held on 28 April 2006 in Turin passed a resolution:

a) approving the Eurizon Financial Group S.p.A. financial statements as of 31 December 2005;

b) approving the proposals formulated by the Eurizon Financial Group Board of Directors, and thus:

approving the allocation of the net profit of €262,620,187.28 as follows:

- 5.0 percent of the net profit, or €13,131,009.36 to the legal reserve;
- €249,470,000 to the shareholders, through the distribution of a dividend of €2.47 per share to the 101 million ordinary shares issued and outstanding;
- the carryover of the residual earnings, €19,177.92;

establishing a dividend payment date of 30 May 2006.

The shareholders' meeting also noted the results contained in the 2005 consolidated financial statements as well as the Board of Directors' Report on Operating Performance.

Exhibits

CONSOLIDATED BALANCE SHEET

Balance sheet – assets

(in € 000's)		31/12/2005	31/12/2004
1	**Intangible assets**	**54,335**	**32,641**
1.1	Goodwill	24,170	-
1.2	Other intangible assets	30,165	32,641
2	**Fixed assets**	**85,595**	**90,287**
2.1	Buildings	72,373	73,884
2.2	Other fixed assets	13,222	16,403
3	Technical reserves for the account of reinsurers	**29,012**	**24,651**
4	**Investments**	**51,167,375**	**43,571,718**
4.1	**Real estate investments**	39,303	40,181
4.2	Equity investments in subsidiaries, affiliates and joint ventures	51	39
4.3	Investments held to maturity	4,662	3,874,223
4.4	Financing and loans receivable	3,782,395	3,027,077
4.5	Financial assets available for sale	19,216,160	12,534,387
4.6	Financial assets stated at fair value, whose gains and losses accrue to the profit and loss statement	28,124,804	24,095,811
5	**Other receivables**	**579,338**	**450,447**
5.1	Receivables on direct insurance transactions	38,571	18,918
5.2	Receivables on reinsurance transactions	1,152	648
5.3	Miscellaneous receivables	539,615	430,881
6	**Other assets**	**1,188,000**	**727,809**
6.1	Non-current assets or assets of a group held for sale	170,568	-
6.2	Deferred acquisition costs	2,400	-
6.3	Deferred tax assets	400,279	86,264
6.4	Current tax assets	306,436	260,832
6.5	Other assets	308,317	380,713
7	**Cash and cash equivalents**	**1,604,573**	**952,207**
	Total assets	**54,708,228**	**45,849,760**

Balance sheet – liabilities and shareholders’ equity

(in € 000’s)		31/12/2005	31/12/2004
1	**Shareholders’ equity**	**1,998,483**	**1,777,834**
1.1	**Shareholders’ equity**	**1,810,221**	**1,769,692**
1.1.1	Capital	101,000	481,078
1.1.2	Other capital instruments	-	-
1.1.3	Capital reserves	574,617	165,358
1.1.4	Retained earnings and other reserves	677,820	734,466
1.1.5	(Own shares)	-	-
1.1.6	Reserve for foreign-exchange differences, net	-	-
1.1.7	Gains (losses) on financial assets available for sale	90,930	-
1.1.8	Other gains (losses) booked directly to shareholders’ equity	-	
1.1.9	Net profit (loss) for the period	365,854	388,790
1.2	**Minority interests**	**188,262**	**8,142**
1.2.1	Capital and reserves	135,352	7,575
1.2.2	Gains (losses) booked directly to shareholders’ equity		
1.2.3	Net profit (loss) for the period	52,910	567
2	**Provisions**	**211,707**	**148,380**
3	**Technical reserves**	**22,140,273**	**38,708,026**
4	**Financial liabilities**	**27,912,275**	**4,340,965**
4.1	Financial liabilities stated at fair value, whose gains and losses accrue to the profit and loss statement	22,323,344	-
4.2	Other financial debt	5,588,931	4,340,965
5	**Payables**	**1,249,515**	**730,814**
5.1	Payables on direct insurance transactions	77,720	64,388
5.2	Payables on reinsurance transactions	3,941	2,451
5.3	Miscellaneous payables	1,167,854	663,975
6	**Other liabilities**	**1,195,975**	**143,741**
6.1	Liabilities of a group held for sale	164,009	-
6.2	Deferred tax liabilities	379,704	22,265
6.3	Current tax liabilities	140,038	300
6.4	Miscellaneous liabilities	512,224	121,176
	Total liabilities and shareholders’ equity	**54,708,228**	**45,849,760**

CONSOLIDATED PROFIT AND LOSS STATEMENT

(in € 000's)		31/12/2005	31/12/2004
1.1	Net premiums	3,599,302	8,558,594
1.1.1	Gross premiums earned	3,621,461	8,575,518
1.1.2	Premiums ceded to reinsurers	-22,159	-16,924
1.2	Commission income	1,146,078	799,681
1.3	Income and charges from financial instruments stated at fair value, whose gains and losses accrue to the profit and loss statement	434,367	1,232,699
1.4	Income from equity investments in subsidiaries, affiliates and joint ventures	-	-
1.5	Income from other financial instruments and real estate investments	891,746	814,571
1.5.1	Interest income	699,035	632,861
1.5.2	Other income	26,164	6,149
1.5.3	Realized gains	161,489	149,985
1.5.4	Valuation gains	5,058	25,576
1.6	Other revenues	23,024	249,163
1	**Total revenues and income**	**6,094,517**	**11,654,708**
2.1	Claims related charges, net	4,282,300	10,002,405
2.1.2	Sums paid and change in the technical reserves	4,289,488	10,004,980
2.1.3	Portion for the account of reinsurers	-7,188	-2,575
2.2	Commission expense	407,886	265,634
2.3	Charges from equity investments in subsidiaries, affiliates and joint ventures	-	-
2.4	Charges from other financial instruments and real estate investments	122,253	91,329
2.4.1	Interest expense	84,760	62,299
2.4.2	Other charges	1,351	1,566
2.4.3	Realized losses	32,109	17,181
2.4.4	Valuation losses	4,033	10,283
2.5	Operating expenses	516,218	644,225
2.5.1	Commissions and other acquisition expenses	160,681	331,369
2.5.2	Investment management expenses	36,876	8,502
2.5.3	Other administrative expenses	318,661	304,354
2.6	Other expenses	164,086	101,871
2	**Total expenses and charges**	**5,492,743**	**11,105,464**
	Profit (loss) before taxes, discontinued operations and minority interests	**601,774**	**549,244**
3	Income taxes	147,190	129,348
	Profit (loss) before discontinued operations and minority interests	**454,584**	**419,896**
4	**Profit (loss) of discontinued operations**	**-35,820**	**-29,492**
	Consolidated net profit (loss)	**418,764**	**390,404**
	Consolidated net profit - eurizon financial group	**365,854**	**388,790**
	Minority interests [1]	**52,910**	**1,614**

[1] The 2005 net profit reflects the consolidation of Fideuram Wargny in the account "Profit (loss) of discontinued operations" pursuant to IFRS 5, and it is noted that this was not the basis for the consolidation in the 2004 balance sheet.

STATEMENT OF CHANGES IN CONSOLIDATED FINANCIAL POSITION

(in € 000's)	31/12/2004	31/12/2005
Profit (loss) before taxes	**549,244**	**601,774**
Change in non-monetary items	**17,182,616**	**1,532,525**
Change in property-casualty premium reserve	17,538	12,458
Change in property-casualty loss reserve and other technical reserves	14,154	2,478
Change in life actuarial reserves and other technical reserves	17,662,388	2,292,699
Change in deferred acquisition costs	-	-2,400
Change in provisions	48,069	67,563
Non-monetary income and charges from financial instruments, real estate investments and equity investments	-	-871,315
Other changes	-559,531	31,042
Change in receivables and payables generated by operations	**-347,776**	**281,437**
Change in receivables and payables on direct insurance and reinsurance transactions	40,481	-5,335
Change in miscellaneous receivables and payables	-270,917	414,606
Income taxes paid	-117,340	-127,834
Net liquidity generated/absorbed by monetary items regarding investment and financing activity	**-11,340,923**	**1,197,857**
Liabilities on financial contracts issued by insurance companies	-	3,284,580
Payables - banking customers and counterparties in the interbank market	194,313	1,579,422
Financing and loans receivable - banking customers and counterparties in the interbank market	-673,341	-907,405
Other financial instruments stated at fair value, whose gains and losses accrue to the profit and loss statement	-10,861,895	-2,758,740
Total net liquidity derived from operations	**6,043,161**	**3,613,592**
Net liquidity generated/absorbed by real estate investments	-40,140	-
Net liquidity generated/absorbed by equity investments in subsidiaries, affiliates and joint ventures	-	-12
Net liquidity generated/absorbed by financing and loans receivable	-6,479	-35,773
Net liquidity generated/absorbed by investments held to maturity	-2,227,487	6
Net liquidity generated/absorbed by financial assets available for sale	-4,039,467	-2,883,644
Net liquidity generated/absorbed by fixed and intangible assets	42,009	1,351
Other liquidity generated/absorbed by investment activity	20	10,011
Total net liquidity derived from investment activity	**-6,271,544**	**-2,908,061**
Net liquidity generated/absorbed by Group's capital instruments	-42,789	1,275
Net liquidity generated/absorbed by own shares	14,411	10,073
Distribution of dividends by the Group	-199,097	-204,566
Net liquidity generated/absorbed by minority interests' capital and reserves	-999	-1,157
Net liquidity generated/absorbed by subordinated liabilities and participative financial instruments	90,000	124,102
Net liquidity generated/absorbed by other financial liabilities	-5,976	-2,924
Total net liquidity derived from financing activity	**-144,450**	**-73,197**
Effect of foreign-exchange differences on cash and cash equivalents	-	**-**
Opening balance of cash and cash equivalents	1,325,040	972,239
Increase (decrease) of cash and cash equivalents	**-372,833**	**632,334**
Closing balance of cash and cash equivalents	952,207	1,604,573

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

		(in € 000's)	Balance as of 1/1/2004	Change in Closing Balances	Allocations	Transfers to Profit & Loss Statement	Other Transfers	Balance as of 31/12/2004 [1]
Group Net Equity		Capital	489,876	-	59,823	-	-68,621	481,078
		Other capital instruments	-	-	-	-	-	-
		Capital reserves	52,737	-	165,358	-	-52,737	165,358
		Retained earnings and other reserves	782,581	-	361,843	-	-409,958	734,466
		(Own shares)	-	-	-	-	-	-
		Reserve for foreign-exchange difference, net	-	-	-	-	-	-
		Gains (losses) on financial assets available for sale		-		-		
	Other earnings (losses) accrued directly to shareholders' equity	Gains (losses) on instruments to hedge financial inflows	-	-	-	-	-	-
		Gains (losses) on instruments to hedge a net investments in a foreign operation	-	-	-	-	-	-
		Reserve for changes in shareholders' equity of companies in which investments are held	-	-	-	-	-	-
		Revaluation reserve-intangible fixed assets	-	-	-	-	-	-
		Revaluation reserve-tangible fixed assets	-	-	-	-	-	-
		Income (losses) related to non-current assets or a group of assets held for sale	-	-	-	-	-	-
		Other reserves	-	-	-	-	-	-
		Profit (loss) for the period	255,239	-	-255,239	-	388,790	388,790
		Total group	**1,580,432**	**-**	**331,785**	**-**	**-142,526**	**1,769,692**
Minority interesrs		Capital and reserves	19,572	-	11,987	-	-9	7,575
		Gains (losses) accrued directly to shareholders' equity	-	-	-	-	-	-
		Profit (loss) for the period	-134	-	134	-	567	567
		Total minority interests	**19,438**	**-**	**-11,853**	**-**	**558**	**8,142**
Total			**1,599,870**	**-**	**319,932**	**-**	**-141,968**	**1,777,834**

(1) The data are relative to the combination of AIP and Banca Fideuram
(2) Figures upon the incorporation of Eurizon Financial Group
(3) Change in balances following the transfer of the holdings in AIP and Banca Fideuram

Change in Closing Balances	Allocations	Transfers to Profit & Loss Statement	Other Transfers	Balance as of 05/10/2005 (2)	Balance as of 10/11/2005 (3)	Allocations	Transfers to Profit & Loss Statement	Other Transfers	Balance as of 31/12/2005
-	-	-	-	101,000	-481,078	-	-	-	101,000
-	-	-	-	-	-	-	-	-	-
-	-56,506	-	301	5,500,000	-5,034,536	-	-	-	574,617
-54,042	241,220	-	153	-	-243,977	-	-	-	677,820
-64,512	-	-	10,073	-	54,439	-	-	-	-
-	-	-	-	-	-	-	-	-	-
94,444	-10,010	6,545	-	-	-49	-	-	-	90,930
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-388,790	-	-	-2,663	-50,390	418,907	-	-	365,854
-24,110	**-214,086**	**6,545**	**10,527**	**5,598,337**	**-5,755,591**	**418,907**	**-**	**-**	**1,810,221**
-	-549	-	-922	-	129,248	-	-	-	135,352
-	-	-	-	-	-	-	-	-	-
-	-567	-	-	-	49,058	3,852	-	-	52,910
-	**-1,116**	**-**	**-922**	**-**	**178,306**	**3,852**	**-**	**-**	**188,262**
-24,110	**-215,202**	**6,545**	**9,605**	**5,598,337**	**-5,577,285**	**422,759**	**-**	**-**	**1,998,483**

BALANCE SHEET BY SECTOR OF ACTIVITY

(in € 000's)		Life Insurance	Property-Casualty Insurance	Financial Services	Eliminations between Sectors	Total
1	Intangible assets	4,399	990	24,776	24,170	54,335
2	Fixed assets	34,402	55	51,138	-	85,595
3	Technical reserves for the account of reinsurers	4,755	24,257	-	-	29,012
4	Investments	46,699,812	82,569	10,810,544	- 6,425,550	51,167,375
5	Other receivables	327,161	7,822	280,093	- 35,738	579,338
6	Other assets	850,948	826	376,516	- 40,290	1,188,000
7	Cash and cash equivalents	272,258	4,906	1,327,409	-	1,604,573
	Total assets	**48,193,735**	**121,425**	**12,870,476**	**- 6,477,408**	**54,708,228**
1	Shareholders' equity	1,251,820	32,676	6,291,285	- 5,577,298	1,998,483
2	Provisions	27,319	49	184,339	-	211,707
3	Technical reserves	22,086,913	75,864	-	- 22,504	22,140,273
4	Financial liabilities	22,982,528	2,063	5,782,952	- 855,268	27,912,275
5	Payables	911,082	10,214	363,161	- 34,942	1,249,515
6	Other liabilities	934,073	559	248,739	12,604	1,195,975
	Total liabilities and shareholders' equity	**48,193,735**	**121,425**	**12,870,476**	**- 6,477,408**	**54,708,228**

PROFIT AND LOSS STATEMENT BY SECTOR OF ACTIVITY

(in € 000's)		Life Insurance	Property-Casualty Insurance	Financial Services	Eliminations between Sectors	Total
1.1	Net premiums	3,568,133	31,169	-	-	3,599,302
1.2	Commission income	394,114	-	1,012,886	-260,922	1,146,078
1.3	Income and charges from financial instruments stated at fair value, whose gains and losses accrue to the profit and loss statement	395,461	-	41,165	-2,259	434,367
1.4	Income from equity investments in subsidiaries, affiliates and joint ventures	-	-	-	-	-
1.5	Income from other financial instruments and real estate investments	790,527	3,052	106,998	-8,831	891,746
1.6	Other revenues	20,760	393	4,142	-2,271	23,024
1	**Total revenues and income**	**5,168,995**	**34,614**	**1,165,191**	**-274,283**	**6,094,517**
2.1	Claims related charges, net	4,270,524	13,816	-	-2,040	4,282,300
2.2	Commission expense	241,726	-	425,996	-259,836	407,886
2.3	Charges from equity investments in subsidiaries, affiliates and joint ventures	-	-	-	-	-
2.4	Charges from other financial instruments and real estate investments	49,345	87	80,753	-7,932	122,253
2.5	Operating expenses	228,522	9,466	280,612	-2,382	516,218
2.6	Other expenses	61,687	1,568	101,591	-760	164,086
2	**Total expenses and charges**	**4,851,804**	**24,937**	**888,952**	**-272,950**	**5,492,743**
	Profit (loss) before taxes	**317,191**	**9,677**	**276,239**	**-1,333**	**601,774**

DETAIL OF FIXED AND INTANGIBLE ASSETS

(in € 000's)	31/12/2005			31/12/2004		
	Cost	Recomputed Value or Fair Value	Book Value	Cost	Recomputed Value or Fair Value	Book Value
Goodwill	24,170	-	24,170	-	-	-
Real estate investments	39,303	-	39,303	40,181	-	40,181
Buildings	72,373	-	72,373	73,884	-	73,884
Other fixed assets	13,222	-	13,222	16,403	-	16,403
Other intangible assets	30,165	-	30,165	32,641	-	32,641
Total fixed and intangible assets	**179,233**	**-**	**179,233**	**163,109**	**-**	**163,109**

DETAIL OF TECHNICAL RESERVES FOR THE ACCOUNT OF REINSURERS

(in € 000's)	Direct Business	Indirect Business	Total as of 31/12/2005
Property-casualty reserves	24,257	-	24,257
Premium reserve	12,697	-	12,697
Loss reserve	11,560	-	11,560
Other reserves	-	-	-
Life reserves	4,755	-	4,755
Reserve for sums to be paid	511	-	511
Actuarial reserves	4,244	-	4,244
Technical reserves where investment is borne by the policyholders and reserves related to pension fund management	-	-	-
Other reserves	-	-	-
Total technical reserves for the account of reinsurers	**29,012**	**-**	**29,012**

DETAIL OF FINANCIAL ASSETS

(in € 000's)	Investments Held to Maturity	Financing and Loans Receivable	Financial Assets Available for Sale	Financial Assets Stated at Fair Value, whose Gains and Losses Accrue to the Profit and Loss Statement		Total as of 31/12/2005
				Financial Assets Held for Trading	Fair-Value Designated Financial Assets	
Equity securities and derivatives valued at cost	-	-	-	-	-	-
Equity securities at fair value	-	-	1,000,131	-	3,415,205	4,415,336
- Listed securities	-	-	1,000,005	-	3,415,205	4,415,210
Debt securities	4,662	861,123	18,166,769	755,757	18,934,647	38,722,958
- Listed securities	4,662	-	18,135,693	649,175	14,136,375	32,925,905
Shares in collective investment funds	-	-	49,260	438	4,062,660	4,112,358
Financing and loans receivable from banking customers	-	457,577	-	-	-	457,577
Interbank financing and loans receivable	-	2,458,127	-	-	-	2,458,127
Deposits with assignors	-	-	-	-	-	-
Financial asset components of insurance contracts	-	-	-	-	-	-
Other financing and loans receivable	-	5,568	-	-	-	5,568
Trading derivatives	-	-	-	365,382	-	365,382
Hedging derivatives	-	-	-	-	-	-
Other financial investments	-	-	-	-	590,715	590,715
Total	**4,662**	**3,782,395**	**19,216,160**	**1,121,577**	**27,003,227**	**51,128,021**

DETAIL OF ASSETS AND LIABILITIES RELATED TO CONTRACTS ISSUED BY INSURANCE COMPANIES WHERE INVESTMENT RISK IS BORNE BY THE CUSTOMERS AND ASSETS AND LIABILITIES RELATED TO PENSION FUND MANAGEMENT

(in € 000's)	Benefits Associated with Mutual Funds and Market Indices	Benefits Associated with Pension Fund Management	Total as of 31/12/2005
Balance sheet assets	26,089,642	-	26,089,642
Infragroup assets	-	-	-
Total assets	**26,089,642**	**-**	**26,089,642**
Balance sheet financial debt	22,402,043	-	22,402,043
Balance sheet technical reserves	3,681,162	-	3,681,162
Infragroup liabilities	-	-	-
Total liabilities	**26,083,205**	**-**	**26,083,205**

DETAIL OF TECHNICAL RESERVES

(in € 000's)	Direct Business	Indirect Business	Total Book Value 31/12/2005
Property-casualty reserves	**75,747**	**117**	**75,864**
Premium reserve	51,928	-	51,928
Loss reserve	22,658	117	22,775
Other reserves	1,161	-	1,161
Including: reserves following liability adequacy test	-	-	-
Life insurance reserves	**26,064,409**	**-**	**22,064,409**
Reserve for sums to be paid	82,015	-	82,015
Actuarial reserves	17,606,528	-	17,606,528
Technical reserves where the investment risk is borne by the policyholders and reserves related to pension fund management	3,681,162	-	3,681,162
Other reserves	694,704	-	694,704
Including: reserves following liability adequacy test	-	-	-
Including: deferred liabilities to policyholders	636,335	-	636,335
Total technical reserves	**22,140,156**	**117**	**22,140,273**

DETAIL OF FINANCIAL LIABILITIES

(in € 000's)	Financial Liabilities Stated at Fair Value, Whose Gains and Losses Accrue to the Profit and Loss Statement		Other Financial Liabilities	Total Book Value 31/12/2005
	Financial Liabilities for Trading	Fair-Value Designated Financial Liabilities		
Participative financial instruments	-	-	-	-
Subordinated liabilities	-	-	479,649	479,649
Liabilities from financial contracts issued by insurance companies derived:	-	22,270,141	245,614	22,515,755
- from contracts whose investment risk is borne by the customer	-	22,270,141	-	22,270,141
- from pension fund management	-	-	-	-
- from other contracts	-	-	245,614	245,614
Deposits received from reinsurers	-	-	2,154	2,154
Financial liability components of insurance contracts	-	-	-	-
Securities issued	-	-	153,847	153,847
Amounts due to banking customers	-	-	4,415,227	4,415,227
Interbank debt	-	-	287,514	287,514
Other financing obtained	-	-	-	-
Trading derivatives	29,877	-	-	29,877
Hedging derivatives	-	23,326	-	23,326
Miscellaneous financial liabilities	-	-	4,926	4,926
Total	**29,877**	**22,293,467**	**5,588,931**	**27,912,275**

DETAIL OF INSURANCE ACCOUNTS

(in € 000's)	31/12/2005		
	Gross Amount	Amount for Account of Reinsurers	Net Amount
Property-casualty business			
Net premiums	48,455	17,286	31,169
a. Premiums booked	61,208	21,205	40,003
b. Change in premium reserve	-12,753	-3,919	-8,834
Claims related charges, net	18,270	4,505	13,765
a. Amounts paid	16,102	4,021	12,081
b. Change in loss reserve	2,393	491	1,902
c. Change in recoveries	-357	-7	-350
d. Change in other technical reserves	132	-	132
Life business			
Net premiums	3,573,006	4,873	3,568,133
Claims related charges, net	4,271,218	2,683	4,268,535
a. Sums paid	1,973,392	453	1,972,939
b. Change in reserve for sums to be paid	8,351	352	7,999
c. Change in actuarial reserves	2,258,603	1,878	2,256,725
d. Change in technical reserves where investment risk is borne by the policyholders and reserves related to pension fund management	-5,404	-	-5,404
e. Change in other technical reserves	36,276	-	36,276

Income and charges from financial instruments and other investments

(in € 000's)	Interest		Other Charges	Realized Gains	
Income (charges) on investments	**1,059,529**	**209,192**	**-367,603**	**1,206,496**	**-372,284**
a From real estate investments	-	1,275	-1,320	-	-
b From equity investments in subsidiaries, affiliates and joint ventures	-	-	-	-	-
c From investments held to maturity	106	-	-	-	-
d From financing and loans receivable	93,141	-	-	5,029	-223
e From financial assets available for sale	596,366	24,888	-31	156,460	-31,886
f From financial assets held for trading	40,182	24,907	-86,746	87,120	-86,436
g From financial assets stated at fair value, whose gains and losses accrue to the profit and loss statement	329,734	158,122	-279,506	957,887	-253,739
Income (charges) on other receivables	**4,378**	**-**	**-**	**-**	**-**
Income (charges) on cash and cash equivalents	**5,044**	**-**	**-**	**-**	**-**
Income (charges) on financial liabilities	**-84,710**	**-**	**-126,553**	**-**	**-**
a From financial liabilities held for trading	-	-	-	-	-
b From financial liabilities stated at fair value, whose gains and losses accrue to the profit and loss statement	-	-	-126,553	-	-
c From other financial debt	-84,710	-	-	-	-
Income (charges) on payables	**-50**	**-**	**-**	**-**	**-**
Total	**984,191**	**209,192**	**-494,156**	**1,206,496**	**-372,284**

Total Realized Income and Charges	Valuation Gains		Valuation Losses		Total Unrealized Income and Charges	Total Income and Charges as of 31/12/2005
	Capital Gains	Recovery of Value	Capital Losses	Impairment of Value		
1,735,330	**1,380,643**	**-**	**-357,675**	**-908**	**1,022,058**	**2,757,322**
-45	-	-	-	-492	-492	-537
-	-	-	-	-	-	-
106	-	-	-	-	-	106
97,947	788	-	-2,905	-	-2,117	95,830
745,797	4,270	-	-220	-416	3,634	749,431
-20,973	20,419	-	-114,213	-	-93,794	-114,767
912,498	1,355,166	-	-240,337	-	1,114,828	2,027,326
4,378	**-**	**-**	**-**	**-**	**-**	**4,378**
5,044	**-**	**-**	**-**	**-**	**-**	**5,044**
-211,263	**-**	**-**	**-1,351,640**	**-**	**-1,351,639**	**-1,562,902**
-	-	-	-	-	-	-
-126,553	-	-	-1,351,640	-	-1,351,639	-1,478,192
-84,710	-	-	-	-	-	-84,710
-50	**-**	**-**	**-**	**-**	**-**	**-50**
1,533,439	**1,380,643**	**-**	**-1,709,315**	**-908**	**-329,580**	**1,203,860**

DETAIL OF INSURANCE OPERATING EXPENSES

(in € 000's)	31/12/2005
Commissions and other acquisition expenses	**160,681**
- Acquisition commissions	37,030
- Other acquisition expenses	23,409
- Change in deferred acquisition costs	13
- Collection commissions	113,007
Commissions and participation in profits received from	-12,778
Investment management expenses	**36,876**
Other administrative expenses	**318,661**
Total	**516,218**

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