



2010 ANNUAL REPORT
BANCA FIDEURAM



$$(a+b)^2 = a^2 + 2ab + b^2$$
$$(a-b)^2 = a^2 - 2ab + b^2$$
$$(a^2 - b^2) = (a-b)(a+b)$$

$$M(x,y)dx + N(x,y)dy = 0$$

$$\frac{dp}{dx} [x + \psi(p)] =$$

$$N \frac{\partial \ln \mu}{\partial x} = \frac{\partial N}{\partial x} + \frac{\partial M}{\partial y}$$

$$a_0 y^n + a_1 y^{n+1} + \dots + a_n$$
$$= x\psi(y') + \psi(y)'$$

$$M(x,y)dx + N(x,y)dy$$
$$\frac{dy}{dx} + pxy = Qxy^n$$

THE TIME OF VALUE

Mission

To help our customers manage their assets wisely, based on a detailed analysis of their real needs and risk profile.

To offer financial and insurance advisory services with the support of expert professionals, acting with total transparency and complete respect for the rules.

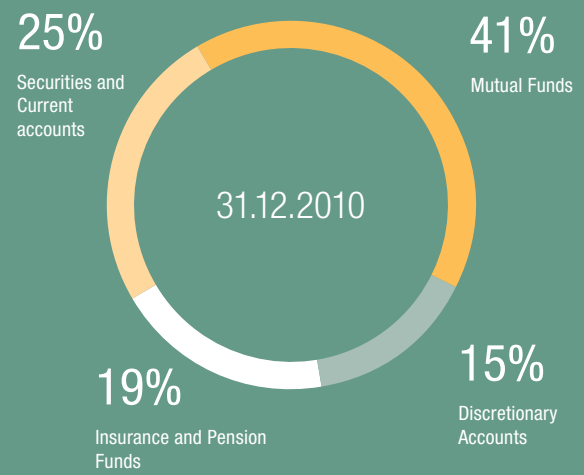
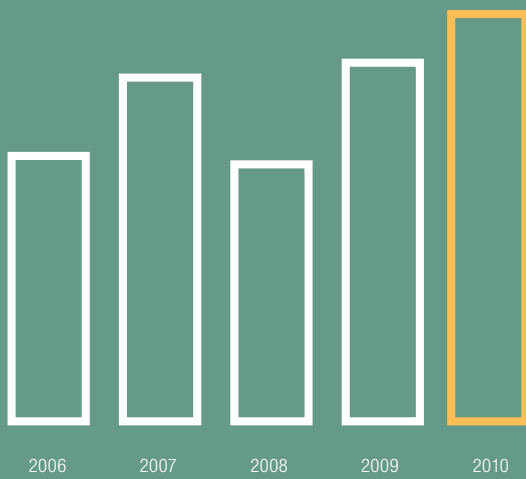
That is Banca Fideuram's Mission.

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4,349

71,591 €m



Personal Financial Advisers

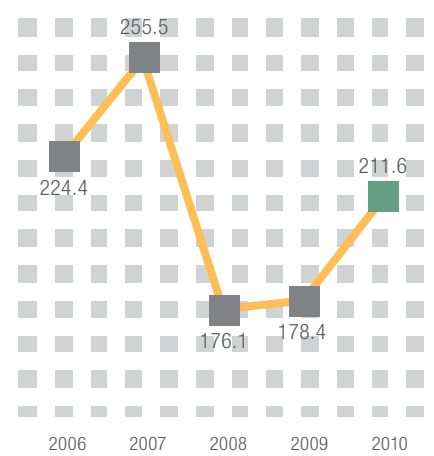
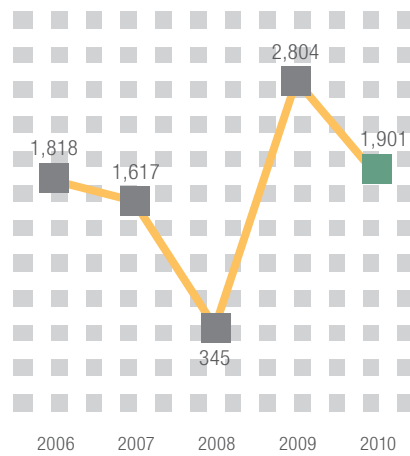
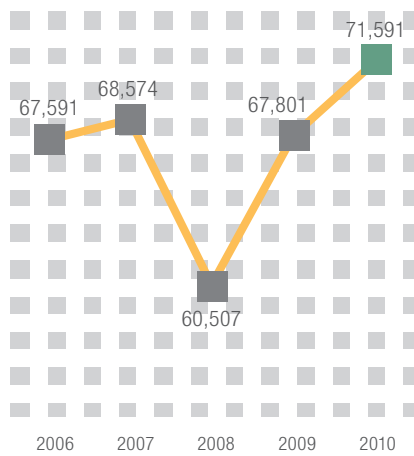
Analysis of Client Assets %

Highlights |

71,591 €m

1,901 €m

211.6 €m



Client Assets

Net inflows

Consolidated net profit

Client Assets

71,591
€m

Net commission income

538.8
€m



Personal Financial Advisers

4,349

Net inflows

1,901
€m

Highlights |

Shareholders' equity

749.2
€m

ROE

28.0 %



Cost/Income Ratio

47.5 %

Net income

211.6
€m

BANCA FIDEURAM AT A GLANCE



○ ———→ Leadership

Key ratios

	2010	2009	2008	2007	2006
CUSTOMER FINANCIAL ASSETS					
Net inflows into managed assets (€m)	4,234	2,928	(3,850)	(892)	681
Total net inflows (€m)	1,901	2,804	345	1,617	1,818
Client Assets (€m)	71,591	67,801	60,507	68,574	67,591
OPERATING STRUCTURE					
Personal Financial Advisers (no.)	4,349	4,292	4,209	4,280	4,216
Employees	1,475	1,485	1,467	1,461	1,304
Personal Financial Advisers' offices (no.) (*)	325	352	352	351	350
Branches (no.)	97	97	97	97	94
CONSOLIDATED FINANCIAL RESULTS					
Consolidated net profit (€m)	211.6	178.4	176.1	255.5	224.4
Consolidated shareholders' equity (€m)	749.2	764.3	513.0	850.3	760.3
Basic consolidated net earnings per share (€)	0.216	0.182	0.180	0.231	0.232
Dividend (€)	0.120	0.104	0.098	0.210	0.209
PROFITABILITY INDICATORS					
R.O.E. (%)	28.0	27.9	25.8	31.7	30.9
Cost / Income Ratio (%)	47.5	53.5	52.6	47.3	49.5
Personnel expenses / Operating income before net impairment (%)	18.6	20.5	19.7	15.4	17.6
Net profit / Average Client Assets (%)	0.30	0.28	0.27	0.37	0.34
E.V.A. (€m)	177.8	144.8	128.9	202.0	182.2

Rating (Standard & Poor's)

Long term: A Short term: A-1 Outlook: Stable

(*) Includes offices located inside bank branches but does not include personal offices. Offices used as the principal office of more than one personal financial adviser are counted once only.

Managed savings environment

Assets (source Bank of Italy)

(€bn)

	2009	2008	2007	2006	2005
Household financial assets in Italy (HFA)	3,594	3,518	3,635	3,588	3,464
Managed assets (MA)	902	841	1,024	1,106	1,110
- Mutual funds	248	245	349	391	417
- Discretionary accounts	447	414	523	548	513
- Life insurance technical reserves (*)	381	339	362	371	355
- Pension funds (*)	49	41	39	37	35
- Adjustments	(223)	(198)	(249)	(241)	(210)
MA as % of HFA	25%	24%	28%	31%	32%

Flows (source Bank of Italy)

(€bn)

	2009	2008	2007	2006	2005
Household financial assets in Italy (HFA)	69	80	97	110	157
Managed assets (MA)	18	(150)	(137)	(9)	68
- Mutual funds	(7)	(80)	(51)	(39)	(4)
- Discretionary accounts	7	(94)	(24)	27	35
- Life insurance technical reserves (*)	42	(23)	(9)	16	42
- Pension funds (*)	8	1	4	3	4
- Adjustments	(32)	46	(57)	(16)	(9)
MA as % of HFA	26%	n.s.	n.s.	n.s.	43%

n.s.: not significant

(*) Life insurance and Pension funds of 2009 are estimated.

Board of Directors

Salvatore Maccarone	Chairman
Angelo Caloia	Deputy Chairman
Matteo Colafrancesco	Managing Director
Alessandro Barberis	Director
Caterina Bima	Director
Franca Cirri Fignagnani	Director
Oscar Giannoni	Director
Cesare Imbriani	Director
Piero Luongo	Director
Giampietro Nattino	Director
Giuseppe Russo	Director
Danilo Intreccialagli	Secretary of the Board of Directors

Internal Audit Committee

Cesare Imbriani	Chairman
Franca Cirri Fignagnani	Member
Giuseppe Russo	Member

Board of Auditors

Vincenzo Mezzacapo	Chairman
Carlo Angelini	Statutory Auditor
Lorenzo Ginisio	Statutory Auditor
Alessandro Cotto	Acting Auditor
Ruggero Ragazzoni	Acting Auditor

General Management

Matteo Colafrancesco	General Manager
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Senior Manager Responsible for the Preparation of the Company Accounts

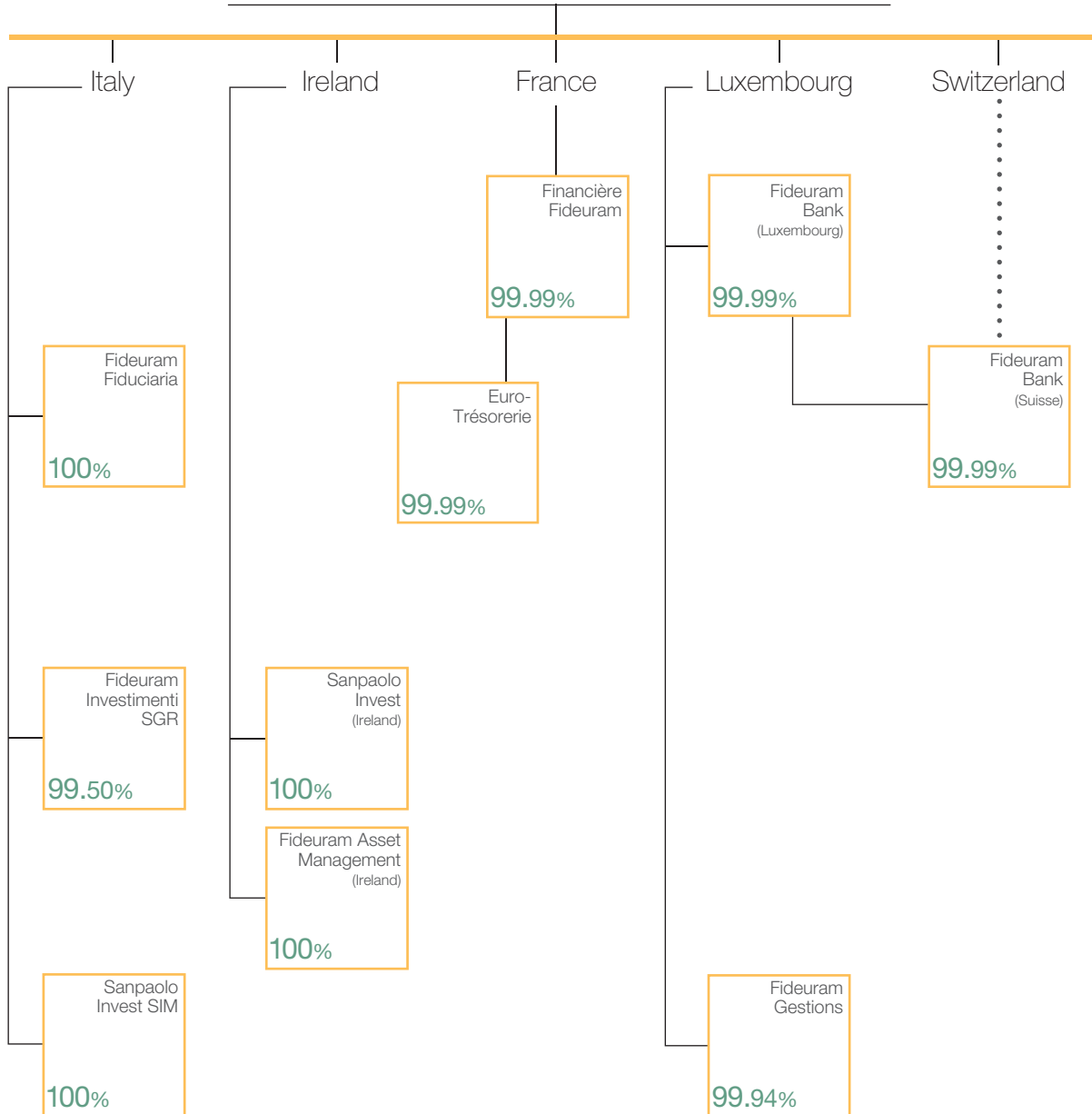
Paolo Bacciga

Independent Auditors

Reconta Ernst & Young S.p.A.



Banca FIDEURAM



Ownership:
— Direct
..... Indirect

THE TIME OF VALUE

Market Scenario

2010 marked the end of an extremely complex three-year period for the global economic system.

Since the second half of 2008 the world has been in the grip of the most serious financial crisis the modern era has seen. At times it seemed as if the entire financial and economic system of the developed countries was about to collapse under the weight of a crisis born of excesses and laissez-faire policies that had been practiced and tolerated for years. We were all very concerned, but also confident that the system would get back on its feet, partly thanks to the substantial supporting actions taken by national governments and supranational bodies. At the same time, greater regulatory rigour put the brakes on the at times unconventional practices - pursued in the unbridled pursuit of profit - that were undermining the foundations of the financial sector with strong repercussions for the real economy.

In 2010, there were, as we expected, major signs of recovery. Global GDP returned to substantial growth, which was undeniably stronger in the emerging economies, but still significant in the developed countries, reaching pre-crisis levels. There are positive signs, then, although growth continues to be dampened by still-weak demand and unemployment that has in many countries risen to its highest levels in a decade. The effects of the crisis can still be felt, above all in those countries with high public debt, such as Greece, Portugal and Ireland. We are in a scenario of light and shadows, requiring close attention by all.

“ SEI advanced advisory service... 21,000 customers with assets of almost €9bn. ”

2010 saw us engaged in actions to support our mission: to offer financial and insurance advisory services to families, acting with total transparency and complete respect for the rules.

We advanced our basic advisory services model, aligning it with ongoing changes in the regulatory framework while extending and innovating our range of products and services.

In the managed assets area, we strengthened our guided open architecture model, centred on Group products, attracting professionals with leading experience and skills for our core products, especially in niche areas, and using sub-investment management agreements for a number of third-party products.

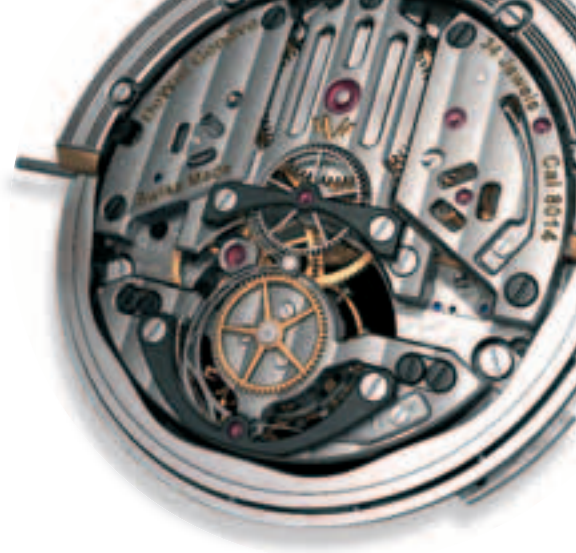
In the non-managed assets area, we continued the placement of bonds issued by our parent company Intesa Sanpaolo and launched our new Fideuram Plus current accounts, which combine our usual particularly competitive cost structure with particularly attractive interest rates on customer deposits. The results were outstanding, with approximately 6,500 new accounts opened, bringing in over €530m net inflows, €240m of which went into managed-asset products.

All this helped us roll out an initiative to revise our customers' portfolios with the aim of helping them gain the maximum benefits offered by managed asset products and a balanced mix in line with the assets' prospects, market scenarios and their own individual risk profile.

We also continued to develop our SEI advanced advisory model, introducing further innovations.

This enabled us to increase the number of customers subscribed to the service to a total of approximately 21,000 at year end, with client assets of close to €9bn - a result that shows the full maturity of the customers attracted to this uniquely innovative paying service, which combines the provision of complete information with clarity and simplicity of presentation.





The Banca Fideuram Group has thus grown:

- the Banca Fideuram and Sanpaolo Invest Networks brought in €1.9bn net inflows, with net inflows into managed-asset products totalling €4.2bn
- Client Assets rose to €71.6bn with managed assets accounting for 74% of this total (€53.5bn)
- Private Banking customers increased both in number (over 23,000 customers at the end of 2010) and total Client Assets (€31.2bn)
- Net profit was €211.6m
- ROE was 28% and our consolidated Core Tier 1 Ratio approximately 14.2%.

Our Investments Continue

2010 saw us launch a raft of strategic initiatives.

We completed the process of setting up the new life insurance company Fideuram Vita, dedicated exclusively to our Personal Financial Advisers. Fideuram Vita has already embarked on a new product and service development plan that has seen it launch a Class I product which will be followed by a flexible and innovative new Class III product in the first half of 2011.

Our Network development initiatives included the launch - in conjunction with the daily business newspaper Il Sole 24 Ore and the University of Rome Tor Vergata - of the first Italian Master's in financial advisory services "Essere Fideuram, Essere Consulente" ("Being Fideuram, Being a Financial Adviser"). We committed to this investment in our human capital and the development of financial culture out of an awareness of the social role played by Personal Financial Advisers and the need to support an influx of brilliant young people into the profession.

We launched the project "Fideuram Mobile Solution", which aims to revolutionise the way our Personal Financial Advisers work by deploying the most advanced computer tools and technologies.

Because we want to bring even greater value to time, dedicating more time to our relationships with our customers.

The tools we provide our Personal Financial Adviser Networks today will be both rationalised and extended across diverse integrated platforms, from the proposal stage to the execution of instructions, offering customers the option of electronic as well as holographic signatures.

“ Fideuram Mobile Solution...
because we want to bring even
greater value to time. ”

FROM THE VALUE OF TIME... TO THE TIME OF VALUE

Banca Fideuram is a benchmark on the market, both as a provider of financial advisory services for families, and as a corporate melting pot capable of synergistically bringing together not just individual professionals in the sector but entire companies as well.

We are committed to growth

At the end of December 2010 we signed a proposal to acquire Banca Sara.

We have increasingly become a major force in Italian banking, ranking alongside the leaders in the country.

We are regarded as a standard-bearer by the world's leading investment companies, who see us as a leader offering important and often exclusive partnership opportunities on the Italian market.

We believe in our values, our service model and the human capital value of our Personal Financial Advisers, management and staff.

We are committed to bringing value to our customers and shareholders.

Like a good watch, we aim to offer readiness, precision, responsiveness and a strong relationship.

For Fideuram, now is the time of value.

“ For Fideuram, now
is the time of value. ”

MATTEO COLAFRANCESCO



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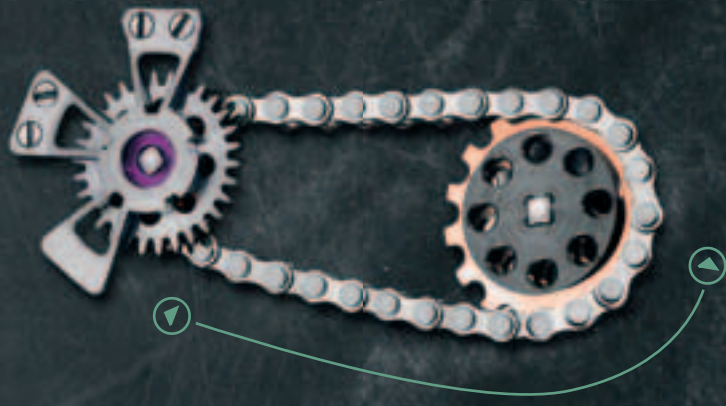
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DIRECTORS' REPORT



Relationship

RECLASSIFIED FINANCIAL STATEMENTS

Consolidated Balance Sheet

(Reclassified - €m)

	31.12.2010	31.12.2009	change	
			amount	%
ASSETS				
Cash and cash equivalents	46.9	77.2	(30.3)	-39.2
Financial assets (other than loans and financial assets held to maturity)	3,045.4	3,133.7	(88.3)	-2.8
Financial assets held to maturity	608.2	605.5	2.7	0.4
Due from banks	2,098.3	3,698.9	(1,600.6)	-43.3
Loans to customers	2,788.7	2,014.8	773.9	38.4
Hedging derivatives	2.5	0.2	2.3	n.s.
Investments in associates	77.0	0.2	76.8	n.s.
Property and equipment	33.4	31.5	1.9	6.0
Intangible assets	21.2	23.2	(2.0)	-8.6
Tax assets	207.7	161.3	46.4	28.8
Other assets	626.6	576.8	49.8	8.6
TOTAL ASSETS	9,555.9	10,323.3	(767.4)	-7.4
LIABILITIES AND SHAREHOLDERS' EQUITY				
Due to banks	409.7	607.8	(198.1)	-32.6
Due to customers	7,151.9	7,736.6	(584.7)	-7.6
Financial liabilities held for trading	42.6	39.5	3.1	7.8
Hedging derivatives	358.7	276.0	82.7	30.0
Tax liabilities	49.1	66.3	(17.2)	-25.9
Other liabilities	455.7	522.1	(66.4)	-12.7
Provisions for risks and charges	338.9	310.5	28.4	9.1
Minority interest	0.1	0.2	(0.1)	-50.0
Equity holders from Parent Company	749.2	764.3	(15.1)	-2.0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	9,555.9	10,323.3	(767.4)	-7.4

n.s. not significant

Consolidated Income Statement

(Reclassified - €m)

	2010	2009	change	
			amount	%
Net interest income	119.7	157.6	(37.9)	-24.0
Net profit (loss) on financial assets and liabilities	21.6	15.3	6.3	41.2
Net commission income	538.8	441.5	97.3	22.0
OPERATING INCOME BEFORE NET IMPAIRMENT	680.1	614.4	65.7	10.7
Net impairment	(1.4)	(0.1)	(1.3)	n.s.
OPERATING INCOME	678.7	614.3	64.4	10.5
Personnel expenses	(126.6)	(125.9)	(0.7)	0.6
Other administrative expenses	(180.8)	(184.2)	3.4	-1.8
Depreciation and amortization	(16.3)	(16.1)	(0.2)	1.2
OPERATING EXPENSES	(323.7)	(326.2)	2.5	-0.8
Net provisions for risks and charges	(52.9)	(43.1)	(9.8)	22.7
Profit (loss) on equity investments	0.9	-	0.9	n.s.
Other income (expense)	-	(5.1)	5.1	-100.0
PROFIT BEFORE TAX	303.0	239.9	63.1	26.3
Income taxes	(71.7)	(57.7)	(14.0)	24.3
Minority interest	-	(0.1)	0.1	-100.0
NET PROFIT BEFORE NON-RECURRING ITEMS	231.3	182.1	49.2	27.0
Non-recurring income (expenses) net of tax	(19.7)	(3.7)	(16.0)	n.s.
NET PROFIT	211.6	178.4	33.2	18.6

n.s.: not significant

MAIN RESULTS AND STRATEGIES

THE ECONOMIC SCENARIO

The recovery in the world economy that began around the middle of last year continued in 2010. There continued to be a significant divergence between growth in the emerging economies, where signs of price inflation pressures were noted, and the developed economies, where growth was more modest, leading to the adoption of further unconventional monetary expansion measures, above all in the U.S.A. The euro area public debt crisis, which began in Greece towards the end of 2009, deepened in 2010, spreading to other peripheral economies (Ireland, Portugal and Spain).

In the **U.S.A.**, GDP growth was around 3%, buoyed by stockbuilding and a recovery in investment (excepting in the residential sector which continued to contract sharply). Consumer spending, which had remained fairly tepid throughout the year, accelerated in the fourth quarter. Job creation remained very weak and unemployment never fell significantly from the high of 10.1% reached at the end of 2009. The extensive underuse of resources led to a sharp fall in inflation, with core inflation (which excludes food and energy) falling from 1.8% at the end of 2009 to a historic low of 0.6% in October 2010. During the summer the markets began to fear a return of recession. This induced the Federal Reserve, which had at the end of March completed the massive programme of buying Treasury Bonds and securitised mortgages it had announced at the beginning of 2009, to again step up its action in support of the economy, embarking on "Quantitative Easing 2", which will see it buying a further USD 600bn Treasury Bonds by mid-2011. This decision was officially taken at the FOMC meeting of 3 November, but the markets had already started to take it as given from the end of August. Fears of a significant slowdown in growth dissipated extensively in the final months of the year and the economy returned to strong growth.

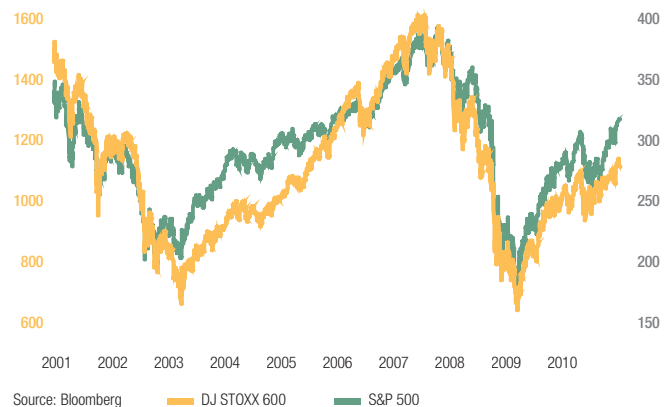
In the **euro area**, the authorities' response to the Greek fiscal crisis was initially confused and uncertain, causing the euro to lose almost 20% of its value against the dollar in the first half of the year. The authorities took decisive action from May, providing a €110bn package of bilateral loans for Greece in conjunction with the International Monetary Fund, while Greece embarked on a tough recovery programme and other peripheral countries adopted extraordinary restrictive monetary measures. A European Financial Stability Facility was also set up in May, with a funding capacity of €440bn (which can be increased to €750bn with the participation of the International Monetary Fund). Lastly, the European Central Bank also became involved, taking the historic decision to buy member states' government bonds directly on the secondary market in order to calm market tensions. Notwithstanding the debt crisis, the euro area economy achieved respectable growth in 2010 (around 1.7%), driven both by a weak euro and the strong recovery of the emerging economies. Price pressures were moderate for

almost the entire year, with inflation only rising above 2% in December due to rising energy and food prices, as well as the price of administrative assets, which were impacted by the various governments' restrictive monetary measures. Core inflation, which excludes food and energy, remained unchanged at around 1%. The debt crisis was rekindled in the final months of the year, with new tensions in the Irish government bonds market and some contagion affecting Portuguese and Spanish bonds. With a deepening financial crisis facing its banks, the Irish government applied to the European Financial Stability Facility and an €85bn aid package was put together with the participation of the IMF. The European Central Bank constantly supported liquidity in the interbank market with new unlimited fund auctions throughout the year.

In **Asia**, the economy continued to grow strongly, although inflationary tensions led to the adoption of what were nevertheless very cautious restrictive monetary policies. China in particular achieved 10% growth, but the large number of loans issued by the banking sector fuelled price pressures, with inflation rising to 5% at year end, and created tensions on the housing market. In the last quarter of the year, the central bank took action with two interest rate increases, while renminbi appreciation remained low notwithstanding the mid-June decision to resume reforming the exchange rate by depegging from the dollar. Growth was also quite vigorous in Japan, driven by foreign demand and a number of tax stimuli that the government introduced to boost consumer spending. Deflationary conditions persisted throughout the year, however, notwithstanding the Bank of Japan's more expansionary policy stance.

Stock market performance was positive notwithstanding the euro area's problems (12.8% for the S&P 500 index in the USA and 8.6% for the STOXX-600 index in Europe), helped by a strong rally that began in late August, when fears of a sharp slowdown in US growth began to recede and the Federal Reserve embarked on an even more expansionary monetary policy. The favourable growth scenario led to a significant fourth-quarter rise in long-term interest rates in the U.S.A. and Europe, which was however insufficient to entirely offset the sharp fall in yields in the first half of the year, such that US treasury bonds and German government bonds ended 2010 approximately 40-50 basis points below their beginning-of-year levels.

Share markets performance



Bond markets performance

(10-years government bond yields)



OVERVIEW OF CONSOLIDATED RESULTS

The Banca Fideuram Group ended 2010 with **consolidated net profit** of €211.6m, up €33.2m (+18.6%) on 2009 (€178.4m). Net of non-recurring items, which principally comprised an extraordinary expense of €18m for the settlement of a tax dispute regarding the 2005 and 2006 financial years, net profit totalled €231.3m, up €49.2m (+27%) on last year.

R.O.E. was 28% (in line with 27.9% at the end of 2009).

This increase in profit before tax compared with last year was principally due to a sharp increase in net commission income (+€97.3m), which was partially offset by decreased net interest income (-€37.9m) and increased provisions (+€9.8m).

The Group's **Cost/Income Ratio** improved significantly to 47.5% compared with 53.5% in 2009.

At 31 December 2010, the **number of Personal Financial Advisers** in the Fideuram and Sanpaolo Invest Networks totalled 4,349 compared with 4,292 at 31 December 2009.

Total staff came to 1,475 employees at that date, compared with 1,485 at 31 December 2009.

Bank Branches and **Personal Financial Advisers' offices** totalled 97 and 325 respectively, with Sanpaolo Invest SIM accounting for 127 of the latter.

Total customer numbers were approximately 611,000 at 31 December 2010, compared with 626,000 at 31 December 2009. Analysing this decrease by customer segment shows that it was entirely composed of marginal customers in the Mass Market segment, with all other customer segments (Private Banking and Affluent) showing growth (+7,000 on December 2009). Assets per client in fact increased approximately 8%, rising from €108,000 at 31 December 2009 to €117,000 at the end of 2010.

The number of customers subscribed to our online services came to approximately 240,000, an increase of 16,000 on 31 December 2009. The number of current accounts opened totalled 413,000 at 31 December 2010 (+4,000 on 31 December 2009). A total of approximately 21,000 customers were subscribed to our SEI advanced advisory service at the end of 2010, accounting for approximately €9bn client assets.

GROUP COMPETITIVE POSITION

Banca Fideuram is a leading Italian banking group in the development, management and distribution of financial products and services for private individuals, benefiting from over 40 years' experience in the sector.

The Group's activities are focused on providing financial advisory services and the development, management and distribution of financial, insurance and banking products and services. These financial advisory services see the Group assisting its customers with the informed management of their assets, based on a detailed analysis of their real needs and risk profile. This support is provided by experienced professionals in our Personal Financial Adviser Networks, enabling the Group to build and consolidate confidential relationships of trust with our customers over time.

The core strengths distinguishing the Group can be summarised as follows:

- A distinctive model centred on the professional relationships between our Personal Financial Advisers and customers ("Network Bank" model), supported by a complete offering of Group products and services, together with a network of 97 dedicated bank branches located throughout Italy, which make a decisive contribution to customer loyalty.
- An integrated Group of companies inside Italy and abroad which enable us to offer an extensive spectrum of products, services and expertise. This international integration, which is based on a strategy of specialisation that allocates each company its own professional competencies, makes it possible to provide a wide range of products in order to anticipate and respond promptly to market opportunities.
- Advisory service model. The professional relationship between each Personal Financial Adviser and customer consists in financial advisory services governed by a specific contract. These services are delivered in two ways:
 - Basic Advisory Services: provided free of charge to all customers and consisting of personalised advisory services regarding the customer's investments.
 - SEI Advanced Advisory Services: provided on the basis of a dedicated contract and subject to the payment of commission, these advanced advisory services consist in identifying the customer's individual requirements classified by "area of need", in analysing their overall position and risk/return profile, identifying the investment strategies and solutions for each individual area of need and monitoring them over time.
- Customer segmentation with a focus on Private Banking. Sharp focus on high-end customers (about 44% of client assets regard Private

Banking customers¹, a figure that is continually growing), a segment with high growth prospects in the Italian Market. A dedicated service model using ad hoc organisational management ("Private Banking Service Line") and dedicated products and services.

- An open architecture model that offers third-party products alongside and to complement our Group products, satisfying even the most sophisticated needs through partnerships with leading third-party investment companies.
- Two well-known brands, Banca Fideuram and Sanpaolo Invest, with consolidated reputations of longstanding on the Italian market both with our customers and Personal Financial Advisers.
- High profitability (e.g.: the highest R.O.E. on the market) leveraging the economies of scale of having the highest average client assets per Personal Financial Adviser in Italy (over €16m per Personal Financial Adviser, which is more than double the market average) and the economies of scope resulting from a consolidated market presence based on over 40 years' experience in the sector.
- Our networks' constant ability to act as a melting pot, synergistically bringing together not just individual professionals in the sector but entire companies as well. With this in mind, the Banca Fideuram Board of Directors Meeting of 16 December 2010 approved the acquisition of 100% of the shares in Banca Sara from Sara Assicurazioni. The acquisition of Banca Sara will enable the Group to strengthen its market leadership by increasing client assets and market share. The transaction will be completed during 2011, subject to a number of conditions being met, regarding which there do not currently appear to be any potential obstacles.

The Group has a leading position for client assets in its reference market (Asset Gathering) with a 30.3% market share at 31 December 2010 (approximately €71.6bn). Moreover, in 2010, the Group was ranked first in Italy for Net Inflows into Managed Assets (€4.2bn, Source: Assoreti) and second for Total Net Inflows (€1.9bn, Source: Assoreti).

The table below shows the distribution of client assets in 2010.

Market share by Client Assets

(€bn)

Company	CA	% of total CA
Banca Fideuram	71.6	30.3%
Banca Mediolanum	37.4	15.8%
Finecobank	28.4	12.0%
Allianz Bank	24.2	10.3%
Banca Generali Group	23.6	10.0%
Azimut Group	16.4	6.9%
Finanza e Futuro	9.1	3.9%
Banca Monte dei Paschi di Siena	6.0	2.5%
Ubi Banca Private Investment	5.9	2.5%
Credem	3.4	1.4%
Banca Network Investimenti	3.1	1.3%
Banca Sara	2.8	1.2%

Source: Assoreti

The table below shows the distribution of Net Inflows in 2010.

Net Inflows 2010

(€bn)

Company	Total Net Inflows	% of total Net Inflows
Banca Mediolanum	3.36	27.4%
Banca Fideuram	1.90	15.5%
Banca Generali Group	1.27	10.3%
Finecobank	1.14	9.3%
Allianz Bank	1.09	8.9%
Azimut Group	0.96	7.8%
Finanza e Futuro	0.62	5.1%
Banca Monte dei Paschi di Siena	0.60	4.9%
UBI Banca Private Investment	0.36	2.9%
Banca Sara	0.35	2.8%
Banca IPIBI Financial Advisory	0.32	2.6%
Credem	0.29	2.4%
Others	0.01	0.1%
Total	12.27	100.0%

Source: Assoreti

Banca Fideuram is in third place in the Italian asset management market, with a total of €36.1bn client assets in Group mutual funds and an 8% market share at 31 December 2010.

(Source: Assogestioni, the Italian Association of Fund Managers)

Asset Management Market in 2010

(€bn)

Company	Client Assets in mutual funds	% of total Client Assets in mutual funds
Eurizon Capital	78.4	17.3%
Pioneer Investments - Unicredit Group	66.0	14.6%
Banca Fideuram	36.1	8.0%
UBI Banca Group	21.0	4.6%
Mediolanum Group	20.1	4.4%
Bipiemme Group	15.9	3.5%
Arca	15.8	3.5%
BNP Paribas Group	15.6	3.4%
Prima	15.3	3.4%
Generali Group	14.7	3.3%
Azimut Group	14.1	3.1%
Others	139.5	30.9%
Total	452.5	100.0%

Source: Assogestioni

1. Private Banking customers: clients with financial assets of over €500,000.

OPERATING RESULTS

ASSETS AND INFLOWS

Client Assets totalled €71.6bn at 31 December 2010, up €3.8bn (+5.6%) on 31 December 2009 as a result both of strong net inflows (+€1.9bn) and the performance of the assets themselves (+€1.9bn).

Client Assets

(€m)

	31.12.2010	31.12.2009	change	
			amount	%
Mutual funds	29,267	23,210	6,057	26.1
Discretionary accounts	10,454	10,373	81	0.8
Life insurance	13,322	13,038	284	2.2
<i>including: Fideuram Vita/ EurizonVita unit linked</i>	9,544	9,987	(443)	-4.4
Pension funds	457	413	44	10.7
Total managed assets	53,500	47,034	6,466	13.7
Total non-managed assets	18,091	20,767	(2,676)	-12.9
<i>including: Securities</i>	13,635	15,478	(1,843)	-11.9
Total Client Assets	71,591	67,801	3,790	5.6

Analysis of these items shows that managed assets, which achieved significant growth principally in mutual funds, totalled €53.5bn compared with €47bn at the end of 2009 (+13.7%). This strong recovery in managed assets, which accounted for 74.7% of total client assets compared with 69.4% at the end of 2009, was largely the result of an initiative by our sales networks to rebalance our customers' portfolios to align them even more closely with their stated risk/return profile.

Non-managed assets totalled €18.1bn, down €2.7bn on the figure at 31 December 2009 (-12.9%).

The gradual shift of customer assets to managed-asset products, which began in the second half of 2009 and is still continuing today, has the aim of enabling customers to benefit from the opportunities offered by the recovery in the financial markets.

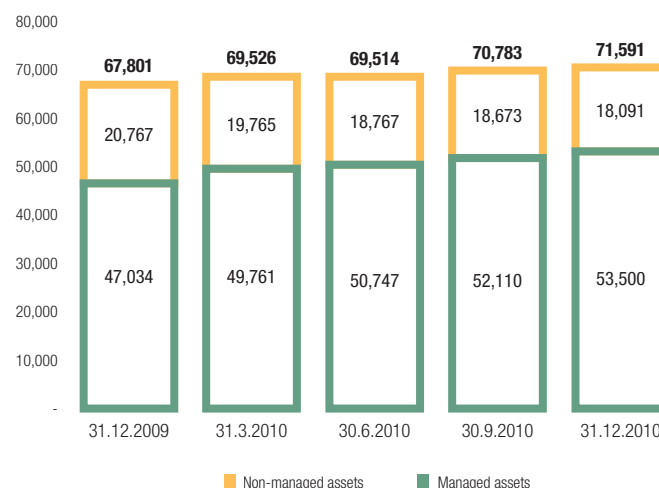
Analysing the allocation of managed assets with recurring fees (mutual funds, discretionary accounts and unit-linked policies) at 31 December 2010 reveals there was growth in investments with a less conservative risk profile, showing that flexible, balanced equity-based investments increased from 41% to 46% of the total, while

there was a decline in bond and money market investments (54% at 31 December 2010 compared with 59% at the end of 2009).

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

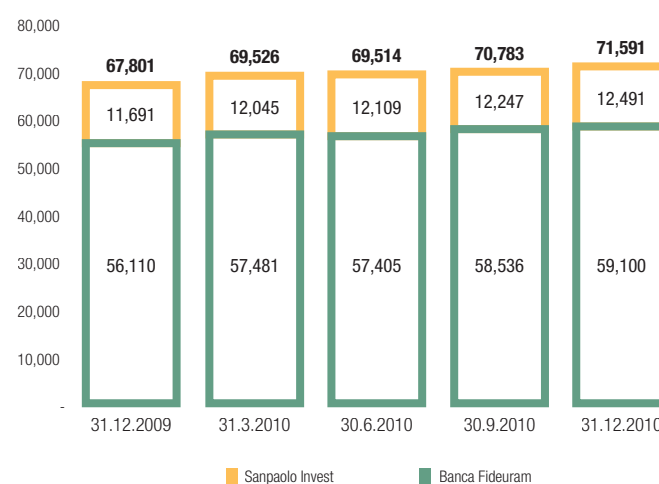
Client Assets - by type of inflows

(€m)



Client Assets - by sales network

(€m)



Total net inflows came to €1.9bn in 2010, down €903m (-32.2%) on the total for the previous financial year (€2.8bn), which moreover largely consisted of inflows resulting from customers repatriating financial assets held outside Italy in accordance with article 13 bis of Italian Decree Law No. 78/2009 ("third tax shield"). Comparing the figures on a like-for-like basis, which is to say net of the impact of the tax shield, net inflows totalled €1.5bn in 2010, up sharply from the total of €0.7bn achieved in 2009 (+119%). Analysis of the item shows that inflows into managed assets were €4.2bn compared with €2.9bn in 2009 (+€1.3bn), above all due to excellent performance in the mutual fund sector (+€1.6bn new inflows). Net inflows into non-managed assets were negative, with a net outflow of €2.3bn compared with a net outflow of €124m at 31 December 2009, mainly as a result of the aforementioned trend for customers to reallocate their assets to managed-asset products.

Net inflows

(€m)

	2010	2009	change amount	%
Mutual funds	4,549	2,997	1,552	51.8
Discretionary accounts	(368)	30	(398)	n.s.
Life insurance	11	(137)	148	n.s.
<i>including: Fideuram Vita/ EurizonVita unit linked</i>	<i>(638)</i>	<i>(416)</i>	<i>(222)</i>	<i>53.4</i>
Pension funds	42	38	4	10.5
Total managed assets	4,234	2,928	1,306	44.6
Total non-managed assets	(2,333)	(124)	(2,209)	n.s.
<i>including: Securities</i>	<i>(1,549)</i>	<i>(1,065)</i>	<i>(484)</i>	<i>45.4</i>
Total net inflows	1,901	2,804	(903)	-32.2

n.s.: not significant

Net inflows

(€m)



FINANCIAL RESULTS

ANALYSIS OF THE INCOME STATEMENT

Group **consolidated net profit** totalled €211.6m in 2010, up 18.6% (+€33.2m) on the previous financial year (€178.4m) as follows:

(€m)	2010	2009	change amount	%
Net interest income	119.7	157.6	(37.9)	-24.0
Net profit (loss) on financial assets and liabilities	21.6	15.3	6.3	41.2
Net commission income	538.8	441.5	97.3	22.0
OPERATING INCOME BEFORE NET IMPAIRMENT	680.1	614.4	65.7	10.7
Net impairment	(1.4)	(0.1)	(1.3)	n.s.
OPERATING INCOME	678.7	614.3	64.4	10.5
Personnel expenses	(126.6)	(125.9)	(0.7)	0.6
Other administrative expenses	(180.8)	(184.2)	3.4	-1.8
Depreciation and amortization	(16.3)	(16.1)	(0.2)	1.2
OPERATING EXPENSES	(323.7)	(326.2)	2.5	-0.8
Net provisions for risks and charges	(52.9)	(43.1)	(9.8)	22.7
Profit (loss) on equity investments	0.9	-	0.9	n.s.
Other income (expense)	-	(5.1)	5.1	-100.0
PROFIT BEFORE TAX	303.0	239.9	63.1	26.3
Income taxes	(71.7)	(57.7)	(14.0)	24.3
Minority interests	-	(0.1)	0.1	-100.0
NET PROFIT BEFORE NON-RECURRING ITEMS	231.3	182.1	49.2	27.0
Non-recurring income (expenses) net of tax	(19.7)	(3.7)	(16.0)	n.s.
NET PROFIT	211.6	178.4	33.2	18.6

n.s.: not significant

Quarterly Consolidated Income Statement

(Reclassified - €m)

	2010				2009				
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Average
Net interest income	32.1	31.0	29.1	27.5	33.0	39.2	42.1	43.3	39.4
Net profit (loss) on financial assets and liabilities	(2.2)	2.0	4.8	17.0	5.0	0.6	(2.1)	11.8	3.8
Net commission income	146.0	134.9	125.5	132.4	134.4	106.9	102.8	97.4	110.4
OPERATING INCOME BEFORE NET IMPAIRMENT	175.9	167.9	159.4	176.9	172.4	146.7	142.8	152.5	153.6
Net impairment	(1.0)	(0.4)	-	-	(0.5)	0.2	(0.1)	0.3	-
OPERATING INCOME	174.9	167.5	159.4	176.9	171.9	146.9	142.7	152.8	153.6
Personnel expenses	(31.7)	(31.6)	(31.5)	(31.8)	(32.2)	(32.1)	(31.4)	(30.2)	(31.5)
Other administrative expenses	(50.6)	(42.4)	(44.4)	(43.4)	(46.9)	(48.0)	(44.5)	(44.8)	(46.1)
Depreciation and amortization	(4.3)	(3.7)	(4.1)	(4.2)	(4.3)	(4.0)	(4.2)	(3.6)	(4.0)
OPERATING EXPENSES	(86.6)	(77.7)	(80.0)	(79.4)	(83.4)	(84.1)	(80.1)	(78.6)	(81.6)
Net provisions for risks and charges	(16.9)	(14.2)	(11.1)	(10.7)	(13.6)	(9.7)	(9.1)	(10.7)	(10.8)
Profit (loss) on equity investments	(1.0)	1.9	-	-	-	-	-	-	-
Other income (expense)	5.2	(1.5)	(2.0)	(1.7)	(4.6)	(0.7)	0.2	-	(1.3)
PROFIT BEFORE TAX	75.6	76.0	66.3	85.1	70.3	52.4	53.7	63.5	59.9
Income taxes	(18.2)	(16.8)	(15.1)	(21.6)	(20.6)	(10.6)	(12.4)	(14.1)	(14.4)
Minority interests	(0.1)	-	0.1	-	(0.1)	-	-	-	-
NET PROFIT BEFORE NON-RECURRING ITEMS	57.3	59.2	51.3	63.5	49.6	41.8	41.3	49.4	45.5
Non-recurring income (expenses) net of tax	1.3	(0.1)	(20.9)	-	(1.8)	(1.2)	(0.2)	(0.5)	(0.9)
NET PROFIT	58.6	59.1	30.4	63.5	47.8	40.6	41.1	48.9	44.6

Operating income totalled €678.7m, up €64.4m (+10.5%) on the €614.3m achieved last year due to increased net commission income (+€97.3m) and net profit on financial assets (+€6.3m), which were partially offset by a fall in net interest income (-€37.9m) and increased write-downs of loans (+€1.3m).

Net interest income

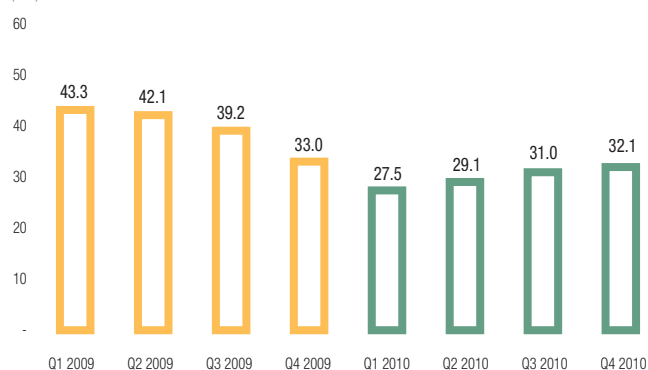
(€m)

	2010	2009	change	
			amount	%
Interest expense on due to customers	(22.7)	(64.7)	42.0	-64.9
Interest expense on due to banks and on debt on issue	(3.1)	(9.2)	6.1	-66.3
Interest income on debt securities	171.1	200.4	(29.3)	-14.6
Interest income on loans	34.2	71.7	(37.5)	-52.3
Net interest on hedging derivatives	(59.9)	(40.9)	(19.0)	46.5
Other net interest income	0.1	0.3	(0.2)	-66.7
Total	119.7	157.6	(37.9)	-24.0

Net interest income totalled €119.7m, down €37.9m (-24%) from the figure for last year. Interbank rates stayed very low throughout 2010, narrowing the deposit-lending rate spread in the period. The decline in net interest income was principally due to the decreased average profitability of short-term assets and, to a lesser extent, a contraction in volumes. Net interest income in the previous financial year had, moreover, been particularly high as a result of strong treasury business benefiting from appropriate lending policies that exploited the extraordinary liquidity premium in the interbank market at the time. Analysis of the quarter-on-quarter figures shows that net interest income did however grow steadily in the course of the year, principally driven by the performance of floating rate assets.

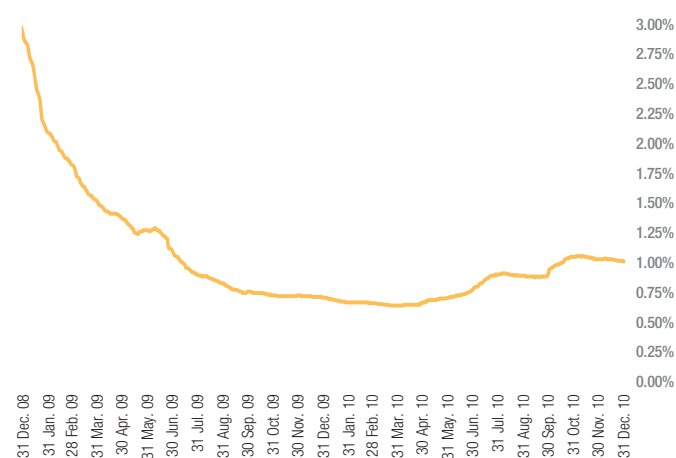
Quarterly net interest income

(€m)



Euribor 3 months rate (2009-2010)

(€m)



Source: Bloomberg

Net profit (loss) on financial assets and liabilities

(€m)

	2010	2009	change amount	%
Net profit (loss) on sale of loans and financial assets available for sales	12.7	(3.1)	15.8	n.s.
Net profit (loss) on trading activities	7.0	17.3	(10.3)	-59.5
Net profit (loss) on hedging derivatives	1.9	1.1	0.8	72.7
Total	21.6	15.3	6.3	41.2

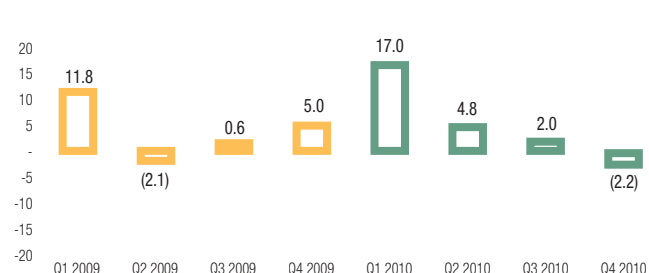
Net profit on financial assets and liabilities came to €21.6m, up €6.3m (+41.2%) on 2009 due to gains on the sale (for a total nominal value of over €1bn) of part of the available-for-sale portfolio, which was subsequently reconstituted during the year.

These transactions were conducted in the first half of 2010 and regarded the sale of certain fixed-rate positions before the interest rate trend reversed. The strong performance of available-for-sale assets was partially offset by a decline in net profit on trading activities (-59.5%) which was

almost entirely the result of this item including €9.8m extraordinary profit on the early termination of certain derivative contracts in 2009.

Quarterly net profit (loss) on financial assets and liabilities

(€m)



Net commission income

(€m)

	2010	2009	change amount	%
Commission income	1,025.3	844.1	181.2	21.5
Commission expense	486.5	402.6	83.9	20.8
Net commission income	538.8	441.5	97.3	22.0

Net commission totalled €538.8m, up €97.3m (+22%) on €441.5m in 2009 due to growth in average managed assets resulting from strong net inflows and market performance, and to customers steadily shifting their asset allocation towards managed-asset products with a less conservative risk profile.

Net recurring fees

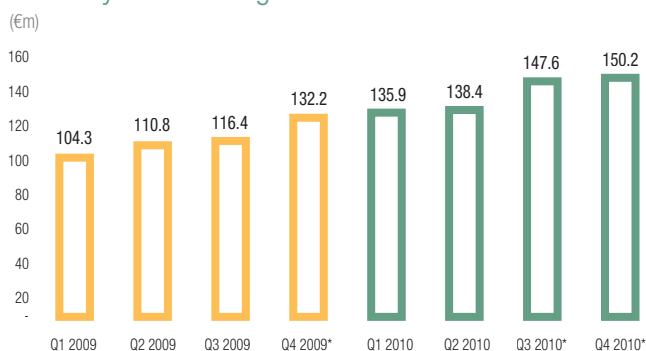
(€m)

	Q1	Q2	Q3	Q4	Total
2010	135.9	138.4	148.1	156.6	579.0
2009	104.3	110.8	116.4	137.2	468.7
Change	31.6	27.6	31.7	19.4	110.3

Net recurring fees totalled €579m, up €110.3m (+23.5%) on the previous financial year largely due to the above-mentioned growth in average managed assets (mutual funds, discretionary accounts and insurance products), which rose from €42.8bn at 31 December 2009 to €50.3bn at the end of 2010 (+17.5%), and to the increased profitability resulting from our customer product mix.

Net recurring fees achieved steady quarter-on-quarter growth in 2010 which accelerated sharply in the second half of the year. Overperformance commission totalled €6.9m in 2010 compared with €5m in December 2009.

Quarterly net recurring fees



(*) The figures for the III and IV quarters of 2010 and the IV quarter of 2009 do not include performance fees so that straight comparisons can be made.

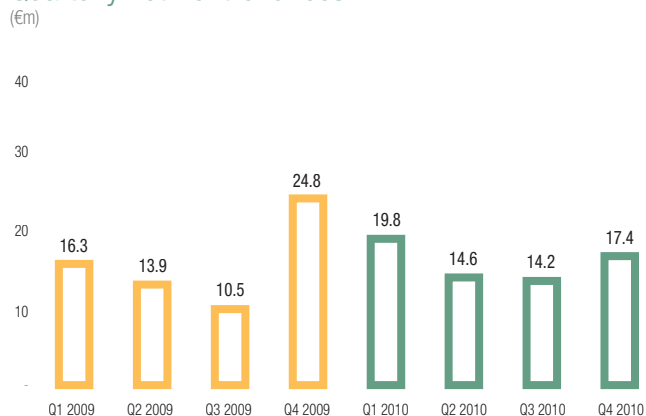
Net front-end fees

(€m)

	Q1	Q2	Q3	Q4	Total
2010	19.8	14.6	14.2	17.4	66.0
2009	16.3	13.9	10.5	24.8	65.5
Change	3.5	0.7	3.7	(7.4)	0.5

Net front-end fees came to €66m, an increase of €0.5m on 31 December 2009. Securities placements in 2010 saw our Personal Financial Adviser Networks promote twenty bond loans that brought in approximately €1.7bn gross inflows (€2bn at 31 December 2009). Analysis of the item shows an increase for fees on mutual funds (+€1.8m), which was partially offset by a decline regarding securities.

Quarterly net front-end fees



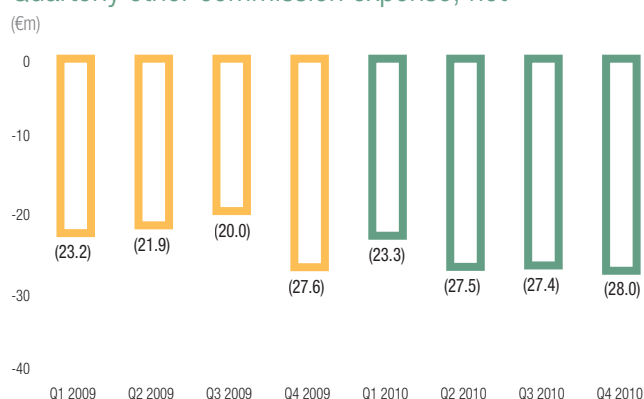
Other commission expense, net

(€m)

	Q1	Q2	Q3	Q4	Total
2010	(23.3)	(27.5)	(27.4)	(28.0)	(106.2)
2009	(23.2)	(21.9)	(20.0)	(27.6)	(92.7)
Change	(0.1)	(5.6)	(7.4)	(0.4)	(13.5)

Commission expense for incentives and others totalled €106.2m, up €13.5m on the figure for the previous financial year (€92.7m) due to increased incentive payments to and provisions set aside for the Personal Financial Adviser Networks in the period following the strong net inflows and managed assets performance achieved.

Quarterly other commission expense, net



Net impairment of loans totalled €1.4m, an increase of €1.3m on the figure for 2009 (€0.1m), largely as a result of portfolio adjustments, comprising write-downs of €3.1m and write-backs of €1.7m.

Operating expenses

(€m)

	2010	2009	change amount	%
Personnel expenses	126.6	125.9	0.7	0.6
Other administrative expenses	180.8	184.2	(3.4)	-1.8
Depreciation and amortization	16.3	16.1	0.2	1.2
Total	323.7	326.2	(2.5)	-0.8

Operating expenses totalled €323.7m, down €2.5m (-0.8%) on the corresponding period in 2009 (€326.2m).

Personnel expenses totalled €126.6m, including the expenses resulting from the return in 2009 of the banking back office staff previously allocated to Intesa Sanpaolo, up €0.7m (+0.6%) on 2009. Comparing the figures on a like-for-like basis, which is to say net of the return of these staff, personnel expenses were approximately €0.7m less than last year.

Other administrative expenses totalled €180.8m, down €3.4m (-1.8%) on the figure for last year (€184.2m). Comparing the figures on a like-for-like basis, which is to say net of the return of these staff to the Group, other administrative expenses were down approximately €1.9m compared with 2009, largely due to lower third-party service costs (IT and operations outsourcing), and advertising and marketing expenses.

Depreciation and amortization totalled €16.3m, which was largely in line (+€0.2m) with the figure for 2009.

Quarterly operating expenses (€m)



Net provisions for risks and charges (€m)

	2010	2009	change amount	%
Personal Financial Advisers' termination indemnities and incentives	11.5	5.7	5.8	101.8
Litigation, securities in default and claims	14.7	16.6	(1.9)	-11.4
Network Loyalty Schemes	26.7	19.6	7.1	36.2
Other provisions	-	1.2	(1.2)	-100.0
Total	52.9	43.1	9.8	22.7

Net provisions for risks and charges came to €52.9m, up €9.8m on the previous financial year (€43.1m). This included €11.5m transferred to the reserve for the termination of agency agreements and incentive commission (+€5.8m on 2009) and provisions of €26.7m regarding the Personal Financial Adviser Loyalty Schemes (+€7.1m on 2009). The increases in these items with respect to the previous financial year were largely the result of our updating the related actuarial criteria to take into account increased Group Personal Financial Adviser loyalty and resultant lower turnover.

The reserve for litigation, securities in default and complaints totalled €14.7m (€16.6m in 2009).

Profit on equity investments, totalling €0.9m, included €2.4m from the 19.99% holding in Fideuram Vita acquired on 29 July 2010, which has been contributing to Group consolidated profit since the third quarter of the year. The total was reduced by a €1.5m loss resulting from the winding up of subsidiary Fideuram Bank Monaco by its immediate parent company Fideuram Bank Luxembourg.

Other income and expense is a residual item for miscellaneous income and expense that cannot be recognised in other items of the income statement. In 2010 it came to €53,000 compared with -€5.1m at 31 December 2009, largely due to the settlement of a legal dispute between Sanpaolo Invest SIM and Banca Sara. The agreement between Sanpaolo Invest, Banca Sara and Sara Assicurazioni on 22 December 2010, provided for a payment of €7m to Sanpaolo Invest in full settlement of said dispute. This payment was made on 30 December 2010. The settlement is upon condition that the sale to Banca Fideuram of Sara Assicurazioni's shares in Banca Sara is completed by 30 June 2011.

This income was balanced by a negative item totalling approximately €7m which principally regarded compensation payments to customers.

Income taxes, for which €71.7m was set aside in the period, were up €14m (+24.3%), in line with the rise in profit before tax in 2010 compared with last year. The tax rate was in line with the previous financial year.

Non-recurring income and expenses net of tax, which include costs that are not ordinary operating costs, came to -€19.7m, comprising the €1.7m costs incurred in 2010 for listing Banca Fideuram on the stock market and the €18m expense of settling a tax dispute, in accordance with the provisions of recent tax legislation, regarding income tax for the 2005 and 2006 financial years of subsidiary Fideuram Investimenti. The case is reported in detail in the section on Legal and tax risk. The 2009 total included €2.1m costs incurred for the integration of the Banca CR Firenze Personal Financial Adviser Network in subsidiary Sanpaolo Invest SIM, €3.5m use of excess surplus funds and the €5.1m expense of settling a tax dispute with the Italian Inland Revenue regarding the Personal Financial Adviser Network Loyalty Schemes.

ASSET AND LIABILITY MANAGEMENT

The main balance sheet items are shown in the tables below, comparing the results with the corresponding figures at 31 December 2009.

(€m)	31.12.2010	31.12.2009	change amount	%
ASSETS				
Financial assets	3,656.1	3,739.4	(83.3)	-2.2
Due from banks	2,098.3	3,698.9	(1,600.6)	-43.3
Loans to customers	2,788.7	2,014.8	773.9	38.4
Investments in associates	77.0	0.2	76.8	n.s.
Property, equipment and intangible assets	54.6	54.7	(0.1)	-0.2
Other assets	881.2	815.3	65.9	8.1
TOTAL ASSETS	9,555.9	10,323.3	(767.4)	-7.4
LIABILITIES AND SHAREHOLDERS' EQUITY				
Due to banks	409.7	607.8	(198.1)	-32.6
Due to customers	7,151.9	7,736.6	(584.7)	-7.6
Financial liabilities	401.3	315.5	85.8	27.2
Other liabilities	504.8	588.4	(83.6)	-14.2
Provisions for risks and charges	338.9	310.5	28.4	9.1
Minority interest	0.1	0.2	(0.1)	-50.0
Equity holders from Parent Company	749.2	764.3	(15.1)	-2.0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	9,555.9	10,323.3	(767.4)	-7.4

n.s. not significant

Quarterly Consolidated Balance Sheets

(Reclassified - €m)

	31.12.2010	30.9.2010	30.6.2010	31.3.2010	31.12.2009	30.9.2009	30.6.2009	31.3.2009
ASSETS								
Cash and cash equivalents	46.9	40.2	40.9	47.8	77.2	39.6	22.1	22.4
Financial assets (other than loans and financial assets held to maturity)	3,045.4	3,174.7	2,928.7	3,168.1	3,133.7	3,077.8	3,158.3	2,771.4
Financial assets held to maturity	608.2	607.2	606.4	605.8	605.5	605.0	605.0	604.9
Due from banks	2,098.3	1,527.9	1,697.4	2,876.1	3,698.9	2,504.1	3,060.1	3,125.1
Loans to customers	2,788.7	2,738.0	2,722.4	2,424.4	2,014.8	1,899.4	1,894.6	1,808.4
Hedging derivatives	2.5	-	-	-	0.2	-	2.2	-
Investments in associates	77.0	81.4	0.2	0.2	0.2	0.2	0.2	0.1
Property and equipment	33.4	32.1	31.4	31.5	31.5	31.2	31.5	31.6
Intangible assets	21.2	19.2	19.2	20.1	23.2	21.6	23.2	24.0
Tax assets	207.7	199.4	201.2	163.4	161.3	117.6	130.9	148.3
Other assets	626.6	622.7	740.7	613.7	576.8	499.9	516.9	658.0
TOTAL ASSETS	9,555.9	9,042.8	8,988.5	9,951.1	10,323.3	8,796.4	9,445.0	9,194.2
LIABILITIES AND SHAREHOLDERS' EQUITY								
Due to banks	409.7	323.5	313.1	393.3	607.8	268.0	409.1	363.0
Due to customers	7,151.9	6,494.4	6,576.7	7,264.0	7,736.6	6,483.0	6,812.5	6,879.7
Debt on issue	-	-	-	-	-	202.2	200.9	205.5
Financial liabilities held for trading	42.6	64.6	45.4	29.1	39.5	30.1	430.0	67.1
Hedging derivatives	358.7	581.0	474.3	352.5	276.0	277.3	216.7	289.2
Tax liabilities	49.1	59.1	52.6	69.4	66.3	44.7	29.3	35.7
Other liabilities	455.7	455.0	540.0	792.3	522.1	512.9	520.0	570.3
Provisions for risks and charges	338.9	347.5	340.1	319.2	310.5	286.9	269.9	256.8
Minority interest	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2
Equity holders from Parent Company	749.2	717.6	646.2	731.1	764.3	691.1	556.4	526.7
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	9,555.9	9,042.8	8,988.5	9,951.1	10,323.3	8,796.4	9,445.0	9,194.2

Group **financial assets** held for treasury and investment purposes totalled €3.7bn, down €83.3m on the figure at the end of 2009 (-2.2%), principally due to a €68.9m decrease in financial assets available for sale, which principally suffered fair value losses in the year. In addition, part of the available-for-sale portfolio was sold in 2010 (for a total nominal value of over €1bn), and the portfolio subsequently reconstituted during the year.

Financial assets

(€m)

	31.12.2010	31.12.2009	change	
			amount	%
Financial assets held for trading	48.1	56.7	(8.6)	-15.2
Financial assets designated at fair value	207.9	218.7	(10.8)	-4.9
Financial assets available for sale	2,789.4	2,858.3	(68.9)	-2.4
Financial assets held to maturity	608.2	605.5	2.7	0.4
Hedging derivatives	2.5	0.2	2.3	n.s.
Total	3,656.1	3,739.4	(83.3)	-2.2

It should be noted that the Group portfolio has no exposure to the American subprime mortgage market and likewise has no exposure to any vehicle companies not included in the consolidation. There were, moreover, no Irish, Portuguese or Spanish government bonds in the portfolio.

Where exposure to Greece is concerned, the Group held government bonds in the available-for-sale portfolio with a nominal value of €119.1m at 31 December 2010, for which a negative valuation reserve of €57.7m before tax effect was recorded. These securities were hedged against interest rate risk for a nominal value of €104m using interest rate swaps. In December 2010, the Group partially hedged its exposure to Greece with a financial guarantee contract having a nominal value of €28m and a term of seven years.

Financial liabilities

(€m)

	31.12.2010	31.12.2009	change	
			amount	%
Financial liabilities held for trading	42.6	39.5	3.1	7.8
Hedging derivatives	358.7	276.0	82.7	30.0
Total	401.3	315.5	85.8	27.2

Financial liabilities, consisting of derivatives, totalled €401.3m, up €85.8m on 31 December 2009, largely as a result of fair value losses on the hedging derivatives in the portfolio. Corresponding fair value gains on fixed-rated debt securities were recorded under assets.

Due from banks

(€m)

	31.12.2010	31.12.2009	change	
			amount	%
Due from Central Banks	137.9	456.7	(318.8)	-69.8
Current account and demand deposits	325.5	496.3	(170.8)	-34.4
Term deposits	455.4	1,690.4	(1,235.0)	-73.1
Debt securities	1,179.5	1,055.5	124.0	11.7
Total	2,098.3	3,698.9	(1,600.6)	-43.3

Due from banks came to €2.1bn, down €1.6bn (-43.3%) from the figure at the end of 2009 principally as a result of a decline in loans in the interbank market, reflecting a decrease in customer deposits (-€0.6bn) and deposits by banks (-€0.2bn) that led to a substantial reduction in treasury business, particularly where term deposits were concerned (-€1.2bn).

Due to banks

(€m)

	31.12.2010	31.12.2009	change	
			amount	%
Current accounts and demand deposits	109.7	560.7	(451.0)	-80.4
Term deposits	300.0	47.1	252.9	n.s.
Total	409.7	607.8	(198.1)	-32.6

Due to banks totalled €409.7m, down €198.1m (-32.6%) on the 2009 financial year due to lower liquidity requirements in the period.

The Group continued to be a net lender on the interbank market, with net interbank deposits of €1.7bn (€2.1bn deposits and €0.4bn loans), down 45.2% from €3.1bn at 31 December 2009 (€3.7bn deposits and €0.6bn loans).

Loans to customers

(€m)

	31.12.2010	31.12.2009	change	
			amount	%
Current accounts	1,098.5	793.2	305.3	38.5
Repurchase agreements	532.5	109.4	423.1	n.s.
Loans	88.3	71.5	16.8	23.5
Other	119.2	110.7	8.5	7.7
Debt securities	946.8	923.4	23.4	2.5
Impaired assets	3.4	6.6	(3.2)	-48.5
Total	2,788.7	2,014.8	773.9	38.4

Loans to customers totalled €2.8bn, up €773.9m on the figure at 31 December 2009 (+38.4%) due to an increase in current account overdrafts, in line with the bank's plans to develop its lending business (+€305.3m), and to the introduction of a new service offering collateralised repurchase agreements to institutional investors (+€423.1m), which replaced certain short-term treasury deposits. Debt securities were up €23.4m, principally as a result of increases in the fair value of fixed-rate securities hedged using interest rate swaps.

Net problem loans, including loans receivable/overdue by more than 180 days, totalled €3.4m at the end of December 2010, down €3.2m on 31 December 2009 as follows:

- Non-performing loans came to €1.4m, down €1.3m from €2.7m at 31.12.2009. The ratio of non-performing loans to loans to customers was 0.05%.
- Doubtful loans totalled €1.8m, down €1.3m from €3.1m at 31.12.2009.
- Loans receivable or overdue totalled €0.2m, down €0.6m from €0.8m at 31 December 2009.

Due to customers

(€m)

	31.12.2010	31.12.2009	change amount	%
Current accounts and demand deposits	6,614.6	7,338.7	(724.1)	-9.9
Term deposits	76.6	84.4	(7.8)	-9.2
Repurchase agreements	460.7	313.5	147.2	47.0
Total	7,151.9	7,736.6	(584.7)	-7.6

Due to customers came to €7.2bn, down €0.6bn from the figure at 31 December 2009 (-7.6%) as the result of a decrease in customer deposits in the year due to customers both reallocating cash to managed assets and subscribing to bonds.

Investments in associates totalled €77m, up €76.8m on last year as a result of the purchase from Eurizon Vita of a 19.99% stake in the share capital of Fideuram Vita, the life insurance company established in 2010 to manage the portfolio of policies distributed by the Personal Financial Advisers in the Banca Fideuram Group.

The **provisions for risks and charges** at 31 December 2010 were up €28.4m (+9.1%) on the corresponding figure at the end of 2009.

Provisions for risks and charges

(€m)

	31.12.2010	31.12.2009	change amount	%
Litigation, securities in default and claims	110.7	109.7	1.0	0.9
Personnel expenses	11.7	15.6	(3.9)	-25.0
Personal Financial Advisers' termination indemnities and incentives	65.9	56.4	9.5	16.8
Network Loyalty Schemes	150.6	128.8	21.8	16.9
Total	338.9	310.5	28.4	9.1

The reserve for the termination of agency agreements and incentive commission and the provisions for the Personal Financial Adviser Network Loyalty Schemes were up €31.3m as a result of new provisions set aside during the year. These provisions included €11m gains in the year on the insurance policies taken out under the Personal Financial Adviser Network loyalty schemes.

The reserve for legal disputes, securities in default and complaints was up €1m (+0.9%) on 31 December 2009.

SHAREHOLDERS' EQUITY

Group shareholders' equity including net profit for the year totalled €749.2m at 31 December 2010, having changed as follows:

Changes in Group Shareholders' Equity

(€m)

Shareholders' equity at 31 December 2009	764.3
Dividend distributions	(101.9)
Change in financial assets available for sale	(106.4)
Acquisition of holding in Fideuram Vita	(22.8)
Exchange rates differences and others	4.4
Net profit	211.6
Shareholders' equity at 31 December 2010	749.2

The €106.4m decrease in financial assets available for sale was principally due to an increase in the negative reserve generated by valuation losses on securities holdings during the year.

The reserve for available-for-sale financial assets totalled -€276.3m at the end of December and amongst other items included:

- €7.8m regarding losses on securities that were reclassified as financial assets held to maturity during the first quarter of 2008.
- €36.1m regarding losses on securities that were reclassified as Loans & Receivables in the third quarter of 2008 following the Group's decision to avail itself of the option provided for by the amendment to IAS 39 in the Annex to Regulation No. 1004/2008 issued by the European Commission on 15 October 2008.

These reserves are being amortized to profit or loss over the residual life of the respective securities in accordance with IAS 39 paragraph 54.

The €22.8m decrease regarded the amount paid for the acquisition of a 19.99% holding in Fideuram Vita S.p.A. In accordance with the Group policy regarding business combinations under common control, which provides for the continuous recognition of such transactions in the accounts, the difference between the amounts paid to EurizonVita S.p.A. (totaling approximately €100m) and the net book values of the assets transferred was recognised, being deducted from the reserves.

The Group did not hold any treasury shares at 31 December 2010. Neither Banca Fideuram nor any of the other companies included in the consolidation bought shares in the bank or its parent company Intesa Sanpaolo during 2010, either directly or through trust companies or third parties.

Reconciliation of parent company and Group shareholders' equity and net profit

(€m)

	31.12.2010	
	Shareholders' equity	including: net profit
Parent company shareholders' equity	624.9	145.9
Net profit of subsidiaries consolidated line-by-line	220.3	220.3
Change in consolidation reserve	(13.5)	2.3
Dividend income from Group companies	-	(152.7)
Write-back of intra-group goodwill	(8.8)	-
Write-back of intercompany securities sales	69.8	(1.9)
Valuation of subsidiaries' available-for-sale financial assets	(144.6)	-
Other differences	1.1	(2.3)
Group shareholders' equity	749.2	211.6

Banca Fideuram's regulatory capital calculated on the basis of its separate accounts totalled €569.9m at 31 December 2010. As a member of the Intesa Sanpaolo Banking Group, Banca Fideuram is subject to the laws and regulations regarding regulatory capital and capital requirements on the basis of its separate accounts, but is not required to present this information on a consolidated basis. Banca Fideuram's regulatory capital components and main capital ratios at 31 December 2010 are shown in the table below.

Banca Fideuram S.p.A. Capital Ratios

(€m)

	2010	2009
Tier 1 Capital	550.7	513.8
Regulatory capital	569.9	551.7
Total risk-weighted assets	3,351.8	3,312.3
Tier 1 Ratio	16.4%	15.5%
Total Capital Ratio	17.0%	16.7%

The Bank of Italy issued a regulation on 18 May 2010, introducing the option of neutralising the effect on regulatory capital of valuation reserves for available-for-sale debt securities issued by the Central Governments of European Union countries. The new supervisory regulations stipulate that the neutralisation may only be applied to changes in a valuation reserve subsequent to 31 December 2009 and that the choice must be:

- Extended to all securities of this kind held as financial assets available for sale
- Applied in the same way by all Group companies
- Applied constantly over time.

The Financial Risk Committee of parent company Intesa Sanpaolo decided in favour of applying this option on 23 June 2010 and Banca Fideuram's regulatory capital requirement has therefore been calculated taking the new regulations into account since 30 June 2010.

Committed to providing comprehensive information, the Group voluntarily calculates its consolidated regulatory and total capital requirements.

At 31 December 2010, our Tier 1 Ratio was 14.2% and our Total Capital Ratio was 14.7%.

SEGMENT REPORTING

The Group's operating structure covers three main Business Segments related to the types of financial products offered to customers.

The table below shows the Group's financial results, transaction data and key indicators by Business Segment. These Segments are analysed using data that show their contribution to Group income after consolidation adjustments.

Business segmentation at 31 december 2010

(€m)

	Managed Financial assets	Life Insurance assets	Banking services and other	Total for Banca Fideuram Group
Net interest income	-	-	119.7	119.7
Net profit (loss) on financial assets and liabilities	-	-	21.6	21.6
Net commission income	377.2	135.6	26.0	538.8
Operating income before net impairment	377.2	135.6	167.3	680.1
Operating expenses	(178.8)	(32.6)	(112.3)	(323.7)
Other	(37.0)	(13.3)	(3.1)	(53.4)
Profit before tax	161.4	89.7	51.9	303.0
Average Client Assets	36,792	13,524	19,107	69,423
Client Assets	39,721	13,779	18,091	71,591
Key indicators				
Cost / Income Ratio	47.4%	24.1%	66.7%	47.5%
Profit before tax / Average Client Assets	0.4%	0.7%	0.3%	0.4%
Net commission income / Average Client Assets	1.0%	1.0%	0.1%	0.8%

Managed Financial Assets Segment

The Managed Financial Assets Segment covers the Group's discretionary accounts and mutual fund business, which totalled €39.7bn at 31 December 2010 (55.5% of total client assets). This segment generated €377.2m net commission income and contributed €161.4m to profit before tax in the year. The ratio of net commission income to Client Assets (CA) was 1%, while the ratio of profit before tax to CA was 0.4%.

Managed Financial Assets

(€m)

	31.12.2010	31.12.2009	% change
Net interest income	-	-	-
Net profit (loss) on financial assets and liabilities	-	-	-
Net commission income	377.2	285.3	32.2
Operating income before net impairment	377.2	285.3	32.2
Operating expenses	(178.8)	(171.3)	4.4
Other	(37.0)	(31.1)	19.0
Profit before tax	161.4	82.9	94.7
Average Client Assets	36,792	29,957	22.8
Client Assets	39,721	33,583	18.3
Key indicators			
Cost / Income Ratio	47.4%	60.7%	
Profit before tax / Average Client Assets	0.4%	0.3%	
Net commission income / Average Client Assets	1.0%	1.0%	

Life Insurance Assets Segment

This segment covers the Group's life insurance and pension funds business, which totalled €13.8bn at 31 December 2010 (19.2% of total client assets). The net commission income generated by this segment came to €135.6m and contributed €89.7m to profit before tax. The ratio of net commission income to Client Assets (CA) was 1%, while the ratio of profit before tax to CA was 0.7%.

Life Insurance Assets

(€m)

	31.12.2010	31.12.2009	% change
Net interest income	-	-	-
Net profit (loss) on financial assets and liabilities	-	-	-
Net commission income	135.6	125.6	8.0
Operating income before net impairment	135.6	125.6	8.0
Operating expenses	(32.6)	(29.2)	11.6
Other	(13.3)	(13.7)	-2.9
Profit before tax	89.7	82.7	8.5
Average Client Assets	13,524	12,868	5.1
Client Assets	13,779	13,451	2.4
Key indicators			
Cost / Income Ratio	24.1%	23.5%	
Profit before tax / Average Client Assets	0.7%	0.6%	
Net commission income / Average Client Assets	1.0%	1.0%	

Banking Services and Other Segment

The Banking Services and Other Segment covers the Group's banking and financial services, together with its central departments, holding activities and finance activities, as well as - generally speaking - the coordination and control activities for its other operating segments. This segment includes non-managed assets, mainly comprised of securities and current accounts, which totalled €18.1bn at 31 December 2010 (25.3% of total client assets). The contribution of this segment to profit before tax was €51.9m.

Banking services and Other

(€m)

	31.12.2010	31.12.2009	% change
Net interest income	119.7	157.6	-24.0
Net profit (loss) on financial assets and liabilities	21.6	15.3	41.2
Net commission income	26.0	30.6	-15.0
Operating income before net impairment	167.3	203.5	-17.8
Operating expenses	(112.3)	(125.7)	-10.7
Other	(3.1)	(3.5)	-11.4
Profit before tax	51.9	74.3	-30.1
Average Client Assets	19,107	20,358	-6.1
Client Assets	18,091	20,767	-12.9
Key indicators			
Cost / Income Ratio	66.7%	61.9%	
Profit before tax / Average Client Assets	0.3%	0.4%	
Net commission income / Average Client Assets	0.1%	0.2%	

OPERATIONS OUTSIDE ITALY

Asset Management

The Banca Fideuram Group's asset management activities have been conducted in Luxembourg for more than 40 years and have also been developed in Ireland over the past decade. At 31 December 2010, 245 personnel were deployed in the companies providing asset management activities in the Group, almost two thirds of whom were employed outside Italy.

Fideuram Bank (Luxembourg)'s business is the custody of assets and settlement of transactions for institutional customers, provided through a select international network of approximately 40 corresponding banks. The bank is in particular responsible for managing the Banca Fideuram Group's Luxembourg and Irish funds, for which it in addition acts as securities lending agent and cash manager. The bank also provides important technological and organisational support for its affiliated companies outside Luxembourg in the form of information technology, administrative and back-office services. The funds managed by Fideuram Bank (Luxembourg) totalled €33.9bn at 31 December 2010.

Fideuram Gestions is the manager of the Luxembourg mutual funds distributed by Banca Fideuram and Sanpaolo Invest (Fonditalia, Interfund SICAV, Fideuram Fund and Fideuram Multimanager Fund). It is responsible for setting up and administering the funds, as well as for calculating their net inventory values and for their risk management. Client assets in the 119 funds concerned totalled €33.1bn at 31 December 2010.

Sanpaolo Invest (Ireland) is the manager of the Irish UCITS III "harmonised" mutual fund distributed under the Ailis Funds name (formerly Sanpaolo Invest Funds) by Banca Fideuram (as distributor) and Sanpaolo Invest SIM (as sub-distributor). The company successfully completed a project during the year for rationalising the number of funds by modifying their investment objectives and merging several of them, reducing the total number from twenty to eleven funds. The client assets managed by the company came to approximately €856m at 31 December 2010.

During the year Fideuram Asset Management (Ireland) continued to strengthen the operating and management processes related to its role as delegated manager of the collective savings products distributed by the companies in the Banca Fideuram Group (Luxembourg, Irish and Italian collective investment undertakings) and the insurance companies in the Intesa Sanpaolo Group. Client assets increased significantly (from €34.5bn at the beginning of the year to approximately €37.3bn at 31.12.2010), principally as a result of strong distribution performance. Lastly, the introduction of advanced IT systems for investment risk management and control was completed in 2010. Following changes to the company processes connected with the new IT systems, the project for revising the entire body of procedures itself was also completed.

Private banking

Our Swiss subsidiary Fideuram Bank (Suisse) was impacted by the extension of the original deadline for Italy's third tax shield provided for by Italian Decree Law No. 194 of 30 December 2009 ("Milleproroghe" Decree). The number of Italian customers availing themselves of the tax concessions provided for by this legislation led to a decline in client assets, which fell from €0.8bn at the beginning of the year to €0.5bn at 31.12.2010. Notwithstanding this decline in client assets, profitability continued to be positive.

Treasury

Part of the Group's treasury and finance activities are conducted in France. These activities are carried out by subsidiary Euro-Trésorerie, which had securities holdings of approximately €1.5bn at the end of 2010 (€1.4bn at 31 December 2009).

HUMAN RESOURCES, PRODUCTS AND SERVICES

HUMAN RESOURCES

More detailed information on our human resources can be found in the related paragraphs of the section "Social Responsibility and sustainable development".

Personal Financial Advisers

The Group's distribution structure (Fideuram and Sanpaolo Invest Networks) totalled 4,349 Personal Financial Advisers at 31 December 2010 compared with 4,292 at 31 December 2009, as shown below.

Banca Fideuram Personal Financial Advisers

	Beginning of period	in	out	net	End of period
1.1.2010 - 31.12.2010	3,088	148	85	63	3,151
1.1.2009 - 31.12.2009	3,103	131	146	(15)	3,088

Sanpaolo Invest Personal Financial Advisers

	Beginning of period	in	out	net	End of period
1.1.2010 - 31.12.2010	1,204	98	104	(6)	1,198
1.1.2009 - 31.12.2009	1,106	218	120	98	1,204

Our recruitment programme brought in 246 new professionals in 2010, compared with 349 in 2009. A total of 189 Personal Financial Advisers left the Group during the year, only 24% of whom, however, moved to competitor networks.

The recruitment programme was conducted with the greatest rigour and professionalism by the managements of the Group's two networks, and focused on finding Personal Financial Advisers of high standing in line with the role of market leader which has always distinguished the Banca Fideuram Group. The training and operations of these top professionals are guided by the principles of ethics and transparency which differentiate the Group and aim, amongst other things, to secure customer loyalty through the support of financial advisory services that are tailored to each customer's personal investment needs and risk profile.

Employees

The Banca Fideuram Group's total employees decreased by 10 in the period, falling from 1,485 at 31 December 2009 to 1,475 at 31 December 2010 (-0.7%). The total workforce including secondments to and from other companies in the Intesa Sanpaolo Group not included in the consolidation of the Banca Fideuram Group and atypical staff remained largely unchanged, being 1,489 at 31 December 2010 compared with 1,490 at the end of December 2009.

Employees

(staff)

	31.12.2010	31.12.2009
Banca Fideuram	1,148	1,135
Sanpaolo Invest SIM	48	48
Financière Fideuram	2	2
Euro-Trésorerie	3	4
Private Banking	29	37
Fideuram Bank (Suisse)	20	26
Fideuram Fiduciaria	9	6
Fideuram Bank (Monaco)	-	5
Asset Management	245	259
Fideuram Asset Management (Ireland)	53	55
Fideuram Bank (Luxembourg)	76	81
Fideuram Investimenti S.G.R.	92	99
Fideuram Gestions	24	24
Total	1,475	1,485

PRODUCTS AND RESEARCH AND DEVELOPMENT

Our product development work in 2010 focused on meeting the challenges of a still uncertain economic and financial market scenario, especially in the first half of the year, in line with the Group's strategic objectives. The projects concerned were conducted directly in conjunction with the related product companies to leverage the specialist skills and insights of all concerned, and targeted both the managed asset and banking segments, aiming to create value for customers by offering increasingly distinctive service levels and product choices.

A large number of the **bank's range of own funds** benefited from this work. The process of rationalising our single-manager Italian funds was completed with the launch of Fideuram Liquidità, Fideuram Rendimento, Fideuram Bilanciato and Fideuram Italia.

A number of important additions were also made to our Fonditalia Luxembourg funds with the creation of the following new investment solutions:

- Four bond funds to complete the range, including one fund which mainly invests in floating-rate corporate bonds (Fonditalia Euro Yield Plus), one which concentrates on investments in bonds with global exposure while focusing in particular on emerging markets (Fonditalia

Global Bond) and one which mainly invests in funds to provide strategic asset allocation in bonds (Fonditalia Core Bond).

- Three “Country” equity funds focused on emerging economies with strong near-future growth prospects (Fonditalia Equity China, Fonditalia Equity India and Fonditalia Equity Brazil).
- Two specialist flexible equity funds, one focused on Europe and the other on Italy (Fonditalia Flexible Europe and Fonditalia Flexible Italy).

A new share class which pays quarterly was added for three bond funds: two existing funds and a new one, each with a different portfolio, risk profile and anticipated returns.

Lastly, the sub-investment management agreement for Fonditalia Flexible New Growth was changed. Enhancing our range of **third-party funds**, we began distributing the products of two new asset management companies:

- Aberdeen Asset Management, with two SICAV open-ended collective investment schemes covering a total of thirty-nine funds, and
- Leonardo Asset Management, with one SICAV open-ended collective investment scheme covering nine funds.

In addition, we introduced an income distribution service for several of our third-party partners, paying both quarterly and monthly, which proved to be an important factor in attracting clients during the year.

On the **discretionary accounts** front, our Fideuram Omnia single advisory contract was enhanced with the addition of three new lines (Active Beta Emerging Markets) which offer greater exposure to Emerging Countries than traditional lines. This followed the expansion of Interfund, the Group SICAV open-ended collective investment scheme that is also the underlying of our discretionary accounts, with the addition of two new funds - Emerging Markets Local Currency Bond and Global Convertible - which are two of the funds in the new Active Beta Emerging Markets lines.

In the **Life Insurance** segment, we launched our first product branded Fideuram Vita, the new company dedicated to the Group’s networks, formed in May 2010 with the aim of relaunching the bank’s insurance products and services. The new product, called Fideuram Vita Garanzia e Valore, is a policy that not only guarantees the customer’s capital but also distributes an annual coupon equal to the revaluation linked to the performance of the underlying fund, with a floor of 1.8%.

Initiatives regarding **non-managed** assets in the year focused both on our range of investments in securities and on our range of banking products.

Where investments in securities were concerned, Banca Fideuram and Sanpaolo Invest participated in many of the Intesa Sanpaolo Group’s issues for Banca dei Territori, as follows:

- Ten primary market placements of senior three-, four- and seven-year bonds, with four offering a floating rate with floor and cap, three offering a floating rate with floor, and three a fixed rate.
- A placement of a subordinated floating-rate bond with a duration of seven years.

In addition, Banca Fideuram and Sanpaolo Invest carried out six placements exclusive to their own networks issued by Banca IMI and linked to the 6-month Euribor:

- Two seven-year floating-rate bonds with floor and cap, one to support the capital repatriated as an effect of article 13-bis of Italian Decree Law. No. 78/2009.
- Two six-year floating-rate bonds with floor and cap.
- One seven-year fixed-to-floating rate bond.
- One three-year floating-rate bond with floor.

In addition, Banca Fideuram and Sanpaolo Invest took part in the placement of an Intesa Sanpaolo seven-year subordinated floating-rate issue exclusively for the Banca Fideuram Group and Intesa Sanpaolo Private Banking networks.

Where our banking products were concerned, we launched two important initiatives designed to incentivise inflows and support the extension of our banking facilities and acquisition of new customers. These initiatives are linked to the new Fideuram Plus current account, a complete account offering a promotional gross annual rate of 1.35% on all current-account-holder deposits up to €1m within a specific time window, combined with low fees and charges.

Lastly, the new Fideuram Credit Cards operated in conjunction with SETEFI, the electronic payment systems management company in the Intesa Sanpaolo Group, and launched in a pilot scheme to our employees and Personal Financial Advisers in May, were rolled out to all our customers.

With the coming into force of the Markets in Financial Instruments Directive (MiFID), the Group centred its service model on advisory support, providing a service for all its customers and through all its service channels that is based on customer profiling for maximum risk level and on ascertaining that there is an appropriate match between each customer’s financial profile and total asset risk.

The Group launched its new fee-paying customised advanced advisory service, named SEI, in mid-June 2009.

After 18 months, over 20,000 customers were subscribed to the service (76% Banca Fideuram and 24% Sanpaolo Invest), served by approximately 2,000 active Personal Financial Advisers.

SEI charges commission for activating the service and regular annual commission, calculated both in relation to the customer’s assets managed by the Group and to their potential.

SEI customers receive regular clear and detailed statements which allow them to track their assets’ progress towards their goals and to monitor the suitability of their asset risks with respect to their financial profile. Combining a distinctive work method, in-depth training and an innovative information technology platform, SEI enables the Group to make the most of its Personal Financial Advisers’ professionalism and expert role.

The “SEI method” is centred on the customer and their needs, which are segmented into six areas: protection, liquidity, reserve, pension, investment and extra-return. SEI provides our Personal Financial Advisers with important support for analysing customer needs, for identifying optimum solutions that meet them and for monitoring their progress over time. What’s more, it does all this while at the same time constantly monitoring the risk of each customer’s total assets in line with the MiFID Directive. A further strength of the service is that SEI can be extended to provide a systematic analysis of all a customer’s assets even if they are with other financial brokers.

The process for assessing the appropriateness of the investments provided through our basic and advanced advisory services was expanded in 2010 to the benefit of our customers. In addition to market risk, the process now incorporates a set of variables that take the compatibility of each financial instrument and customer into account. The process considers the credit risk, complexity and liquidity of the financial instruments in addition to the frequency of the transactions planned. Our objectives for 2011 are to further increase the number of customers subscribed to the SEI service and to continue the development of the IT platform supporting our Personal Financial Advisers in delivering the service.

SYSTEMS AND INFORMATION MANAGEMENT

The Organisation and Security Department is responsible for directing the development of the bank's and its subsidiaries' organisational model with respect to organisational units, sizing and processes.

A number of initiatives were implemented in 2010 to rationalise the operating model and operations of the bank's area and local branches, optimising work organisation by redistributing operations between our branches and head office, while at the same time fully exploiting the IT and process opportunities offered by membership of the Intesa Sanpaolo Group.

In the area of risk management regulations and processes aimed at ensuring compliance with Italian Legislative Decree 231/2001 and with law 262/05 regarding the Senior Manager Responsible for the Preparation of the Company Accounts, the unit formalised and consolidated the documentary presentation of these processes and their classification in accordance with the taxonomic criteria adopted by Intesa Sanpaolo. Implementing the "Model of Organisation, Management and Control" in accordance with said decree, the unit also mapped those branch processes impacted by Legislative Decree 231 and rationalised the related regulations and process documents. The mapping and formalisation of the operating guides regarding those processes impacted by Law 262/05 were completed in the year. These guides form the reference documents for the Group's Financial Management Governance control activities, including its Information and Computer Technology planning and management processes (ICT Processes). In addition, the service contracts governing those activities outsourced to Intesa Sanpaolo Group were revised and updated to align them with the latest operating developments. This included improving the Key Performance Indicators (KPI) adopted for the services provided.

In 2010 we established a Privacy and Business Continuity Management Unit within the Organisation and Security Department, tasked with directly managing the compliance activities regarding the Privacy requirements of Italian Legislative Decree 196/03 ("Code regarding the protection of personal data"), and with developing and implementing the Operational Continuity Plan. In accordance with article 34 of said Legislative Decree, the Group carried out the annual updating of its 2010 Security Programme Document (SPD), and will complete the updating of its 2011 SPD within the time specified by said decree (31 March 2011).

Banca Fideuram benefits from an information system with applications that support our advisory, banking, non-managed assets and finance, asset management, private banking and online banking services, in addition of course to all our administrative and financial governance, accounting and regulatory compliance applications.

Banca Fideuram's market leadership and longstanding commitment to innovation make it essential not only to be able to manage our mature services efficiently, but also to empower financial and service innovation with systems that befit our customers' standing. From an organisational standpoint, this is achieved through the in-house management of the core operations of the bank's business (the applications supporting our financial advisory services and Personal Financial Adviser Networks), while outsourcing the remaining operations to Intesa Sanpaolo Group Services (ISGS) when greater synergies and benefits can be achieved.

The organisational structure of our Information Systems and Operating Services Department was revised in 2010 to bring it into line with the development of our business, upgrading the "Advanced Advisory Systems" and "User Assistance and Internet banking" areas and simultaneously reorganising "the Sales and Integration Systems" area. The tools for determining and monitoring IT expenditure were further upgraded, while the Demand Governance process was put into operation and used to manage around 380 advanced maintenance operations on the Group's main applications, 84 involving ISGS. In addition, IT Governance benefited from the establishment of a specialist contracts management unit and software quality control process to gauge the quality of the Group's application portfolio and monitor supplier services with the support of objective measurements, including numerical quality and productivity indicators. Our Software Quality Improvement initiatives continued in the year, including through the implementation of a structured test process management system. This reduced the number of bugs, particularly those affecting the customer position management application used by our Personal Financial Advisers (SIMPB), building on the positive trend established last year.

The main business-orientated development initiatives consolidated in 2010 are summarised below.

- SEI: The process for generating, checking and sending reports and Direct Marketing material for supporting sales initiatives was consolidated. The development of our applications platform continued with the customisation of monitoring reports, the application's extension to legal persons and customers with multiple mandates, and the advancement of our appropriateness and pensions management applications.
- Appropriateness: More advanced and sophisticated indicators were implemented, the appropriateness simulator was redesigned and a governance tool for the main risk indicators was developed which enabled us to optimise our analysis and reporting activities, replacing diverse complex tools.
- Private Service Line: A new analysis, monitoring and reporting application (AMPro) was released to support our Private Banking customers. Daily management was implemented for 1,900 Key Clients and our historical database from 1.1.2008 onwards was certified.
- Fideuram Online: The transition to our Web 2.0 platform was completed with enhanced usability, an increase in the number of services offered and improved site security through the introduction of the O-Key one-time password.
- Products Plan: The Group launched fifteen new Fonditalia funds, four new SICAV open-ended collective investment schemes (Aberdeen Global I and II, Leonardo, Black Rock and BNY Mellon), one new life insurance product and a new current account, while sixteen revision processes were completed on existing products.
- New Human Resources System: A new system (ADP) was launched which will be operated in tandem with our previous system (HR Access) until 31.3.2011. The new services will then go live during April 2011.
- NAV calculation of Italian Funds: The Information Systems Department took part in the project for transitioning from the NAV calculation system managed by Banca Fideuram using its own application (SAF) to the platform managed by State Street Bank under an outsourcing agreement (GP3).

Lastly, the Banca Fideuram Group's sales systems architecture and applications were subjected to a series of Disaster Recovery tests during 2010, assessing the technological components used to implement the target solution of providing Disaster Recovery for our Finance Division. These were followed by Disaster Recovery tests on the sales and administrative systems and on the core banking clone applications and Finance front and middle office applications. The tests were all passed successfully and certified by Intesa Sanpaolo Group Services.

SUPPLEMENTARY INFORMATION

INTERNAL AUDITING

Compliance

The Banca Fideuram Group considers compliance risk management to be of strategic importance, in the conviction that respect for the law and regulations, together with high standards of propriety in all business relations, are essential in banking and to nurture the public trust on which it is founded.

In accordance with the supervisory regulations issued by the Bank of Italy on 10 July 2007 and the regulatory provisions issued jointly by the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB) and the Bank of Italy on 29 October 2007, Banca Fideuram has a dedicated Compliance Unit which reports directly to the Corporate Risk Manager, who is also the bank's Compliance Officer and Anti-Money Laundering Officer. The Compliance Officer reports to top management. The compliance risk management model is governed by its own internal regulations ("Regulations implementing Group Compliance Guidelines"), approved by the bank's Board of Directors, adopting the Intesa Sanpaolo "Group Compliance Guidelines" and adapting them to the Banca Fideuram Group's corporate context and applicable regulations. These Regulations specify the reference regulatory framework, compliance roles, responsibilities and main processes with a view to mitigating compliance risk through the synergistic action of all bank staff.

The Compliance Unit is directly responsible for performing all the tasks that current regulations require of a compliance unit with respect to the regulatory frameworks considered of greatest relevance by the Supervisory Authorities or regarding which it is nevertheless considered necessary to provide centralised compliance risk management (investment services, market abuse, conflicts of interest, personal transactions, transparency of contractual conditions, customer protection regulations and initiatives, lending of money at exorbitant interest rates, administrative responsibility of legal persons, anti-money laundering, embargoes, insurance and pensions brokerage, solicitation to the public and systems of payment).

When regulatory compliance duties are performed by other company departments and units with the necessary competencies (transactions with related parties, duties of bank group directors, competition protection, privacy protection, safety at work and environmental protection), the Compliance Unit's role is to provide effective guidelines and methodology rules for managing and assessing compliance risk, for coordinating compliance initiatives (including for the purpose of establishing risk priorities), for auditing their effective application by the related departments and units, and for producing integrated information for the Board of Directors.

The aforementioned Regulations implementing Group Compliance Guidelines require the Compliance Unit to provide the Board of Directors with an annual report identifying and assessing the main compliance risks to which the bank is exposed, detailing the activities carried out, any critical situations identified and corrective actions formulated, and an annual programme setting out the related management interventions. The Compliance Unit is in addition also required to produce a half-year report detailing the activities carried out and informing the Board of Directors of any particularly significant events that may have occurred.

Auditing

Internal auditing is the responsibility of the Audit Department, which comprises the following organisational units:

- The Networks Audit Unit, which is responsible for auditing the Personal Financial Advisers in the Fideuram and Sanpaolo Invest Networks, as well as the Group's Area Branches and Local Branches.
- The Central Departments and Subsidiaries Audit Unit, which is responsible for auditing the activities of the Group's central departments (including with respect to ICT service processes) and subsidiaries (as an outsourcer for internal audit unit operations), as well as for monitoring the correct performance of internal audits.

The Head of the Audit Department reports functionally to the Board of Directors and hierarchically to the Managing Director. In addition, the Head of the Audit Department is required to inform the Internal Audit Committee and Board of Directors about the Department's activities, reporting to the former on a monthly basis and to the latter on a half-yearly basis, also doing so with respect to activities carried out on behalf of Group Companies.

Banca Fideuram's Audit Department carried out internal auditing in accordance with specific service contracts for Sanpaolo Invest SIM, Fideuram Investimenti, Fideuram Fiduciaria, Fideuram Asset Management Ireland, Sanpaolo Invest Ireland, Fideuram Gestions, Euro Trésorerie and Financière Fideuram.

The Head of the Audit Department also reports quarterly to the Supervisory Board on the results of the operations carried out in respect of the "Model of organisation, management and control" in accordance with Italian Legislative Decree. No. 231/2001.

Audit activities follow an annual programme that is presented to the bank's Board of Directors and Board of Auditors at least 15 days prior to the date scheduled for examination of the financial statements, following examination by the Internal Audit Committee and, for those aspects within its remit, the Supervisory Board established in accordance with Italian legislative Decree 231/2001.

Audits of the distribution division and bank branches are conducted both through on-the-spot investigations and through a dedicated remote audit IT tool (Audit Information System) developed and constantly updated and implemented for monitoring specific operating areas.

Financial Management Governance

Italian Law 262/2005 brought in a number of important new requirements regarding the role and duties of regulatory and supervisory authorities, the composition of boards of directors, the provisions regarding conflicts of interest and the protection of minority shareholders. In addition, specific regulations were introduced governing the figure of the Senior Manager Responsible for the Preparation of the Company Accounts who reports directly to the Internal Audit Committee and to the Board of Directors. The Senior Manager Responsible for the Preparation of the Company Accounts is required to develop suitable administrative and accounting procedures for preparing the financial statements and all other financial communications and certify that the accounts comply with the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Commission.

Banca Fideuram has formulated specific guidelines and coordination rules for its Model of Financial Management Governance to continuously monitor the suitability and effective application of its administrative and accounting procedures. This Model has been developed taking into account international frameworks such as the recommendations of the Committee of Sponsoring organizations of the treadway commission (CoSo) and the Control objectives for IT and related technology (CoBIT)¹.

The audits carried out in 2010 were conducted on those processes assessed as posing the greatest potential risk in the areas of financial and insurance product distribution, in product sales channel management by the Personal Financial Adviser Network, in Finance, Risk Control, Planning and Monitoring, and in various different business support processes, the processes for managing the Group's technological infrastructure and the applications for its administrative processes.

Upon completion of said activities, the system of internal controls on the financial information of Banca Fideuram and its subsidiaries was considered to be suitable.

1. The Committee of Sponsoring Organizations of the Treadway Commission is a US body dedicated to improving the quality of company information by providing guidance on ethical standards and an effective system of corporate governance and organisation. The Control Objectives for IT and related technology is a set of guidance materials developed by the IT Governance Institute, a US body that aims to develop and improve corporate standards in the IT sector.

SUBSEQUENT EVENTS AND OUTLOOK

Managed assets continued to grow in 2010, generating strong net commission income and profit, which was up 27% on 2009 net of non-recurring items.

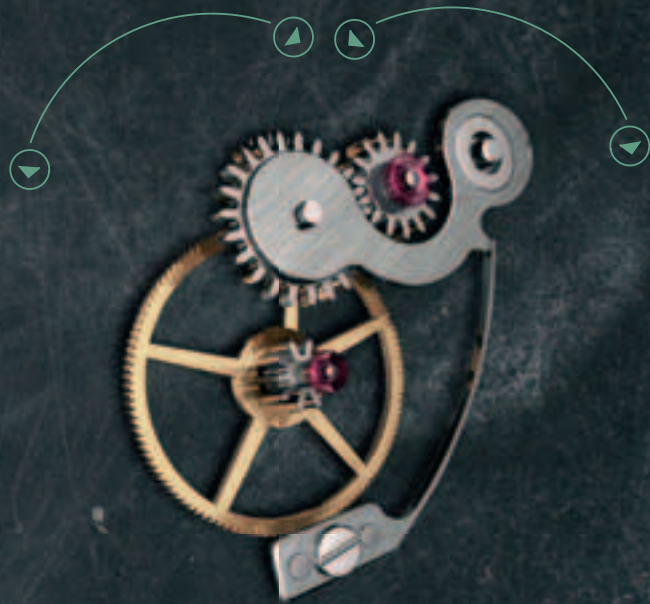
The main foreseeable risks and uncertainties for 2011 are entirely due to the persistent weakness of the real economy and tensions in the financial markets.

The Group's performance in the last quarter of the year should, moreover, drive a further acceleration in recurring fees which, combined with constant cost control, makes it likely that net profit will be up on 2010.

The Board of Directors

Rome, 10 march 2011

SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT



Responsiveness

REPORTING PRINCIPLES

This section has been prepared in accordance with the G3 reporting guidelines of the Global Reporting Initiative (GRI), which are the principal international reference model for social and environmental reporting.

MATERIALITY

In deciding the topics to be covered, every element that significantly influences valuations and stakeholder decisions was examined in line with our Mission Statement.

INCLUSIVENESS

All the company units involved in the reporting process have engaged in an ongoing dialogue with stakeholders in order to meet their expectations.

SUSTAINABILITY

The Banca Fideuram Group is committed to the concept of sustainable development, viewing its own business in a wider context.

COMPLETENESS

The information presented herein refers to the companies included in the consolidation of the Banca Fideuram Group at 31 December 2010 unless stated otherwise. All figures shown refer to the period 1/1/2010 - 31/12/2010. This report may also present qualitative information on any significant events in the early months of 2011.

BALANCE

The information presented herein covers the positive and negative aspects of our results in the year to enable a complete assessment of the Group's performance.

COMPARABILITY

The figures presented herein are, where possible, compared with those for the previous financial year in order to enable stakeholders to analyse changes in the Group's performance.

ACCURACY

The figures presented herein are the result of detailed and direct monitoring. Specific notes indicate where estimates have been used. The information on Distribution of Value was prepared using the data presented in the Consolidated Financial Statements at 31 December 2010.

TIMELINESS

This information is published every year and made available to stakeholders on our company website on the same day as the Banca Fideuram Board of Directors approve it together with the financial statements.

CLARITY

The information in this document is expressed in a simple and accessible manner, so that it can be understood by all stakeholders. The document is translated into English so that it can also be read by non-Italian stakeholders.

GROUP PROFILE

VALUES

Banca Fideuram adopts the Code of Ethical Conduct of its parent company Intesa Sanpaolo, sharing and committing itself to the same values as the Intesa Sanpaolo Group.

The values set out in the Code of Ethical Conduct are an expression of the rich corporate cultures which are the living heritage of the Intesa Sanpaolo Group. Banca Fideuram and its Personal Financial Advisers' daily work is thus not only founded on and in accordance with the guiding principles and general values in the Code of Ethical Conduct, but also rooted in the values that distinguish the bank's culture and tradition, namely:

■ The Centrality of the Individual	Understanding and valuing individual qualities in the relations between our Personal Financial Advisers and our Customers and between Banca Fideuram and our Personal Financial Advisers
■ Professional excellence	Continuous improvement of our knowledge and ability to use it in providing advisory services
■ Openness to the new	Readiness to embrace socioeconomic change and make this an added value of the service we offer
■ Systematic approach	Commitment to developing solutions that comprehensively meet customer needs
■ Dedication to quality of service	Attention to taking care of and improving every aspect, both tangible and intangible, of the bank's service

SHORT HISTORY

1968 Fideuram acquired by Istituto Mobiliare Italiano (IMI) in order to operate in the mutual fund sector, taking over the business of International Overseas Services (IOS). Fideuram offered Italian investors the Fonditalia and Interfund "historical" Luxembourg mutual funds through a Network of approximately 300 Personal Financial Advisers.

1984 Fideuram started offering its first Italian mutual funds: Imirend and Imicapital.

1992 Banca Fideuram formed through the merger of two companies in the IMI Group: Banca Manusardi, which was listed on the Milan stock exchange, and Fideuram. The shares continued to be listed under the new company name.

1996 Banca Fideuram included in the MIB 30 Italian blue-chip index.

1997 Banca Fideuram launched a personalised financial planning service with an advanced technological platform to the benefit of its customers. This service was given the English name "personal financial planning".

1998 Establishment of subsidiary Fideuram Bank (Luxembourg).

2000 Banca Fideuram expanded its business into France with the acquisition of the Wargny Group.

2001 Establishment of subsidiary Fideuram Bank (Suisse) in Switzerland.

2002 Banca Fideuram acquired Sanpaolo Invest SIM.

2004 Insurance subsidiary Fideuram Vita was transferred to Assicurazioni Internazionali di Previdenza S.p.A. (now EurizonVita).

- 2005** Sanpaolo IMI (now Intesa Sanpaolo) transferred its holding in Banca Fideuram to the newly-established company Eurizon Financial Group S.p.A., controlled directly by Sanpaolo IMI.
- 2006** Banca Fideuram's operations support services were centralised in Universo Servizi S.p.A. (subsequently Eurizon Solutions). Eurizon Financial Group S.p.A. launched a public purchase offer to buy all the shares in Banca Fideuram.
- 2007** Following Eurizon Financial Group's successful public purchase offer, Borsa Italiana delisted Banca Fideuram shares from its Mercato Telematico Azionario electronic stock market and Banca Fideuram was brought under the full ownership and direct control of Intesa Sanpaolo with the reorganisation of the Eurizon Group's business. The activities and specialist units previously centralised in the Eurizon Financial Group were brought back within Banca Fideuram, as were the operations support units previously sold to Eurizon Solutions.
- 2008** Banca Fideuram celebrated a history of 40 years' leadership in its sector.
A history in which the bank's role developed from the sale of products to the provision of investment advisory services which bring its customers solutions that are customised to meet their needs.
Completion of the process for converting Fideuram Bank (Monaco) SAM, formerly Fideuram Wargny Gestion SAM, into a bank. Banque Privée Fideuram (subsequently Fideuram France S.A.) returned its banking license.
- 2009** The integration of the Banca CR Firenze Personal Financial Adviser Network in Sanpaolo Invest SIM was completed. The Group launched its SEI advanced advisory service which enables financial planning and risk management to be calibrated to different customers' individual needs. The merger of Fideuram France S.A. and Financière Fideuram S.A. was completed. The bank's first two Private Banking Centres were opened in Turin and Milan. Lastly, the company division responsible for Banca Fideuram's depository bank business was transferred to Intesa Sanpaolo Servizi Transazionali S.p.A.
- 2010** As part of its Group capital management operations, Intesa Sanpaolo launched a project in February to list Banca Fideuram shares on Borsa Italiana S.p.A.'s Mercato Telematico Azionario electronic stock market and to conduct the related global share offering. The application to Borsa Italiana and the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB) to list Banca Fideuram ordinary shares on the Mercato Telematico Azionario was filed in March together with the documents on the public offering prospectus. Considering the unfavourable market conditions, Banca Fideuram and Intesa Sanpaolo subsequently decided against proceeding to list Banca Fideuram in the immediate future, promptly informing the market of their decision in June.
The Intesa Sanpaolo Group's project to reorganise its insurance and pensions division saw the Group spin off the company division serving the Banca Fideuram and Sanpaolo Invest SIM Personal Financial Adviser Networks to form Fideuram Vita. Banca Fideuram owns a 19.99% stake in the share capital of the new life insurance company Fideuram Vita, while Intesa Sanpaolo owns the remaining 80.01%.
The winding up of Fideuram Bank Monaco was completed in December as part of the strategic initiatives for reorganising the Banca Fideuram Group's business outside Italy.
In December, Banca Fideuram and Sara Assicurazioni signed an agreement for Banca Fideuram to buy 100% of the share capital of Banca Sara S.p.A.. The agreement is suspensively conditional upon, *inter alia*, the issue of the necessary authorisations by the competent authorities.

SOCIAL REPORT

CUSTOMERS

Main objectives for 2010

Actions and results achieved

Marketing campaigns to revive relations with "dormant" customers

- Finalised identification of customers with similar financial needs to target with direct marketing campaigns in the first half of 2011.

Acquire new customers exploiting potential of family households

- Continually strengthened range of banking products and services with the launch of the Fideuram Plus Account designed to meet day-to-day banking needs. 6,500 new Fideuram Plus accounts opened in 2010.

Improve customer Satisfaction

- Improved customer care process and consequently reduced the number of complaints in 2010.

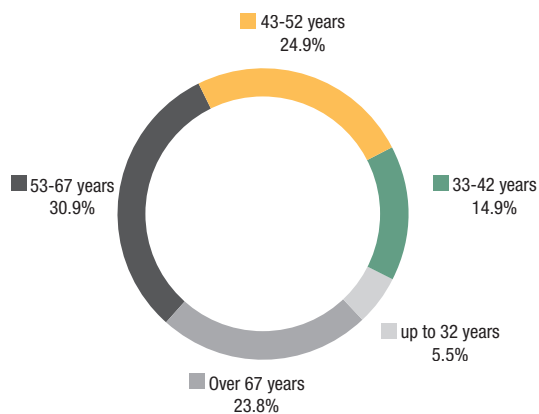
Increase brand visibility

- Increased Banca Fideuram's media visibility through selective press coverage focused on key aspects of our service model (level of customer service, advanced advisory services and enhancing the professionalism of our Personal Financial Advisers).

The Banca Fideuram and Sanpaolo Invest Networks serve approximately 611,000 customers of all ages distributed across the whole of Italy with longstanding relations that are the bedrock of high loyalty to the Group.

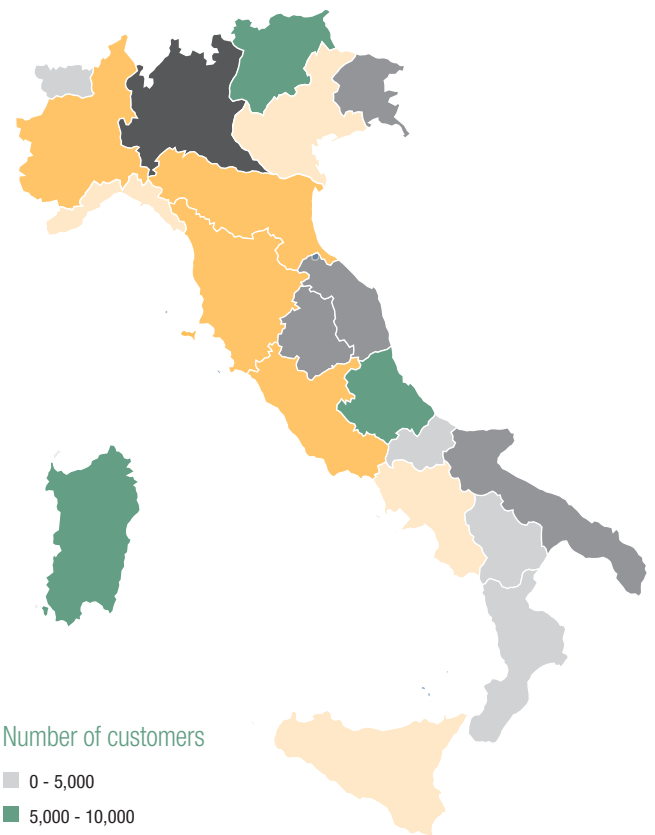
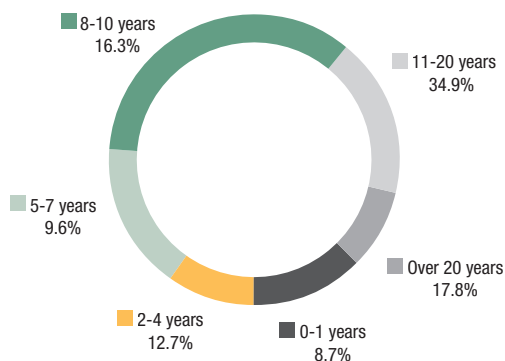
Geographical distribution of customers

Distribution of customers by age⁽¹⁾



1. Excluding legal persons.

Distribution of customers by length of relationship



Fideuram Online

Fideuram Online continued to achieve strong growth in 2010 regarding both the total number of customers (+7% on 2009) and total number of online transactions (over 2,500,000 - including stock market instructions, transfers, other payment instructions and instructions regarding funds and discretionary accounts - an increase of 26% on 2009).

More than 239,000 customers accessed their accounts over the Internet (77% Banca Fideuram customers and 23% Sanpaolo Invest customers).

Transfers over the Internet increased 24% on the previous year, with over 800,000 being carried out in 2010, amounting to 78.6% of all transfers by customers (76% at 31.12.2009).

Fideuram Online was, moreover, once again the channel that was used most for trading in securities, with transactions concluded over the Internet accounting for 68.7% of total customer transactions.

In April, we completed the distribution of the O-Key authentication system, which uses a device that generates a disposable code.

This innovation sees Fideuram Online adopting the highest international security and online fraud protection standards. Over 130,000 customers had used O-Key as at 31 December.

The services offered were completely updated in June with the launch of a **new version of our online banking service**, the salient features of which included the following:

- New graphic design and a new navigation system that make it even easier, faster and more intuitive to obtain information and use the services provided.
- Customisable content that enables customers to choose the information and functions of greatest interest to them and to use a service that is built around their needs.
- New services and functions: online statements, new text message alerts, Single European Payments Area transfers, transfers to countries outside the EU, prepaid card and TV card top-ups and bill payments are just some of the new services offered.

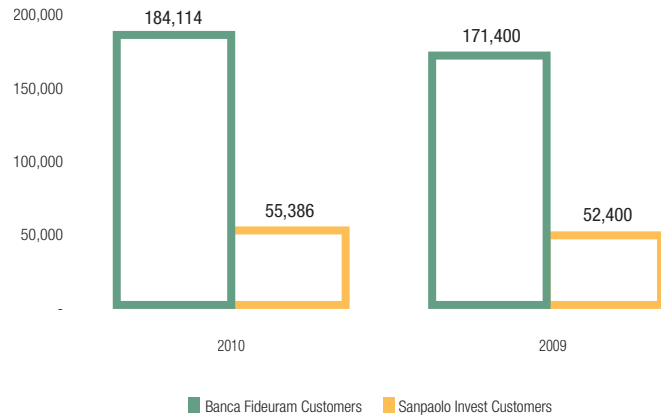
Online Statements were one of the most enthusiastically-received new services introduced in June, such that at year end over 35,000 current account customers had already opted to receive their bank statements directly online.

The services offered were increased further in the second half of the year to enable customers to:

- Consult information on the new BlackRock and Banca Leonardo funds and the new Fideuram Vita Garanzia e Valore policy.
- Use the Best Execution Dinamica order service meeting MiFID Best Execution requirements and also use stop orders for ETFs on the Italian stock market, Borsa Italiana (already available for shares and derivatives listed on the Italian stock market).
- Use transfers for tax benefits online, pay road tax online and use a calendar to note payment due dates and always have them available online.

Our online banking provision will be further enhanced in 2011, focusing in particular on our Online Statements service and new Online Trading service functions.

Online customers



Market research

Banca Fideuram continued to invest in market research in 2010 with the aim of gaining an improved understanding of its customer base and Italian market trends.

During the year, the bank maintained its participation in the principal sector survey, GfK Eurisko's Multifinanziaria survey, which continued to concentrate on the crisis, but with a focus on how Italian families have equipped themselves to attenuate its effects.

A number of reassuring facts emerged:

- One of the stablest and highest savings ratios in the world.
- Substantial personal savings (approximately 8 times disposable income)
- Solid real wealth.

Savings as a reserve have allowed Italian family households to attenuate the impact of the crisis and limit their indebtedness.

In addition to confirming the ability to save of Italian family households, the survey also showed the continuing trend to "self-manage" savings, with only 21% of savings being invested in managed asset solutions.

Italian family households thus continue to be self-reliant, having built up reserves that allow them to be so.

Indeed, increasing uncertainty about the future has led to a cautious approach, with a fall in long-term consumption projects, a reduced propensity to make use of consumer credit and an increased propensity to save.

Where financial behaviour is concerned, the survey confirmed the Italian saver's still-strong need for security, together with its expression in a preference for cash savings (€420bn in current accounts). There has also been a trend towards simpler service choices, with a decrease in the number of customers holding accounts with more than one bank and growth in home banking.

External communications

Corporate Advertising

In 2010 Banca Fideuram aimed to build on the corporate campaign launched in 2009 which was centred on the most distinctive element of our service model, the provision of advisory services. The way we listen closely to our customers, getting to know their investor profile, needs and expectations, and the ability of our Personal Financial Advisers to provide advice on investment strategies suited to meeting these needs were the aspects summarised in the three themes forming our 2009 campaign.

The campaign achieved strong results both for the bank's image and for successfully increasing public understanding and appreciation of the value of Personal Financial Advisers, as testified to by the tests conducted to monitor the effectiveness of our advertising message. The campaign was also considered to be a valid marketing tool for our SEI advisory service, which was launched in 2009 and rolled out fully in 2010.

The campaign was supported by a targeted media strategy. Prominent locations were selected for our campaign posters (Milan and Turin airports), while press advertising was focused on niche publications principally aimed at affluent target groups.



2010 Financial Statements Oscars Campaign

Banca Fideuram won the 2010 Financial Statements Oscars in its category, awarded by the Italian Public Relations Federation (FERPI - Federazione Relazioni Pubbliche Italiana). This prize aims to recognise those Italian companies with financial statements that testify to their commitment to communicating not just their financial results, but their social and environmental performance as well.

A one-page press ad was created with the agency Saatchi & Saatchi to inform our customers and the financial community of this important mark of recognition, thereby increasing market awareness of our commitment to clear and transparent communication of the results we achieve. The headline - "We're so transparent we can't hide our satisfaction" - humorously asserted our consolidated corporate values of transparency, clarity and respect for the rules, values which are also set out in our Mission Statement, and testified to not only by the appreciation of our customers, but by awards and prizes, too.

The press ad appeared in Italy's major national newspapers.





“Auguri Milano”

Banca Fideuram’s maxi-poster in Piazza Missori in the centre of Milan, wishing the city a Merry Christmas in 2010

Below-the-line communications

The first bank in Italy to offer managed asset solutions, the Banca Fideuram Group has been a leader in private banking for over 40 years thanks to the quality of its advisory services. This success has been consolidated over the years, built on the professionalism of our Personal Financial Advisers, the best in the sector for talent, competencies, experience and a clear vision of shared goals that has earned them the full trust of savers. This strong, person-centred approach has formed the core of our below-the-line communications since 2008, creating an image that gives a face to our message and highlights our focus on human relations. Nothing conveys the size and strength of a Group better than facts and figures, but our facts and figures could never have been achieved without our customers’ trust.

The work of the past two years culminated in 2010 with a deepening of mood that was above all centred on our sales tools, presenting our customers and Personal Financial Advisers as people who place their trust in others, choosing to believe and build mutually beneficial relationships. Our Personal Financial Advisers’ eyes, seen close up, became part of this communication, appearing on Banca Fideuram and Sanpaolo Invest brochures, leaflets and point of sale material, as well as on our web sites, conveying goals, desires, needs and priorities.

The very act of looking implies having a clear goal, an expectation that drives one’s investment. In 2010, we revised the layout to support this emphasis on the act of looking, bringing it greater evocative power with cleaner, more modern lines that stretch towards horizons of achievement, combined with fresh desaturated colours and expansive images.

A core element of this reinterpretation will be a new tone of voice from 2011, with below-the-line material that speaks directly to the customer. A tone of voice that aims to achieve a distinctive balance of emotion and evocation, presenting clear and precise information that never descends into merely listing facts.

Roll-out of SEI Advanced Advisory Service

Whereas 2009 was the year in which our SEI Advisory Service was launched, 2010 saw us concentrate our efforts on rolling the service out to our customers, including through dedicated direct marketing initiatives. We completely revised our communications approach, restyling the brochure presenting the service, developing a leaflet for customers that summarises the core elements of advanced advisory support, and launching a communications initiative for existing customers to facilitate the dissemination of information on the benefits of the service. The brochure restyling aimed to achieve greater clarity and simplicity both in the logical progression used to explain the service and in combining evocative but concrete graphics with language chosen for maximum transparency.



Private Banking Project

During 2010, the Banca Fideuram Group successfully began operations at its first four Private Banking centres, opened in Milan and Turin towards the end of 2009.

The work of these Private Banking Centres played a significant role in enabling the Banca Fideuram Group to consolidate its position as one of the top four private banking institutions in Italy, growing from 20,000 private banking customers at the end of 2009 to over

23,000 at the end of 2010, with client assets that increased from 27 to 32 billion euro in the same period.

The human resources dedicated to serving the growing needs of these customers through our Private Service Line were doubled from 7 (end of 2009) to 14 (end of 2010), while modernised, more sophisticated advisory services were developed to provide them not just with financial services but legal, tax and real estate support as well.



Website

In 2010, our website and online services continued to play a prime role in communicating our values and providing marketing and corporate information. A salient event in the year was the launch of our **Interactive Annual Report**, which was widely praised as a further example of Banca Fideuram's commitment to using its online channel to promote its values and to offer the benefits of more immediate and accessible forms of communication that exploit the full potential of the Internet.

Indeed, our Interactive Financial Statements, which went live in September, contributed to our achieving the Financial Statements Oscar, with commendations for:

- The simple yet effective manner in which their content has been organised.
- Elegant design, which complements the high standards that have always distinguished the Group's Annual Report and Social Report.
- Intuitive navigation.

Simplicity, recognisability and consistency continued to be objectives of all our website initiatives.

The website also hosted the communications on Banca Fideuram's first Master's in Private Banking - "**Essere Fideuram, Essere Consulente**" ("Being Fideuram, Being a financial adviser") - in a new section of the minisite dedicated to our Personal Financial Advisers. Alongside information on the first programme in the project, which sees the bank committed to training new talent and promoting the profession of Personal Financial Adviser, visitors to the site can also view testimonials by successful financial advisers thanks to integration with our Key TV corporate TV channel.



PattiChiarì



Banca Fideuram continued consolidating customer awareness of its banking and investment products and services in 2010, as in prior years, increasing its involvement in the "quality commitments" initiative ("impegni per la qualità"), a set of tools and rules developed by the PattiChiarì Consortium to improve relations between banks and their customers.

Banca Fideuram is subscribed to the following Patti Chiarì initiatives:

QUALITY COMMITMENTS REGARDING CUSTOMER MOBILITY

- Publication of average current account closure times
- Automatic direct debit transfer
- Automatic mortgage information transfer
- Automatic collection order transfer
- Automatic mortgage/loan instalment payment transfer
- Transfer of bank transfers
- Transfer of securities dossiers
- Availability of list of current account settlement services

QUALITY COMMITMENTS REGARDING SIMPLICITY AND CLARITY OF INFORMATION

- Package current account comparison engine
- Package current account price indicator
- Informed investments
- Changing account guide
- Changing mortgage guide
- Security guide
- Easy Statements
- Guaranteed cheque clearance times
- Summary Information Sheet

QUALITY COMMITMENTS REGARDING CUSTOMER SERVICE

- Monitoring of current account closure times
- Information on ATM charges
- FARO system monitoring ATM service quality
- FARO centralised call centre
- Mortgage interest tax deduction certificate

QUALITY COMMITMENTS REGARDING SECURITY

- Card charge error refund times
- Card fraud protection
- Home banking protection

Banca Fideuram provided all the info-training aids required to meet these commitments, including brochures, guides and website information for customers, staff and its network.

Customer feedback

A total of 3,258 customer complaints were received in 2010.

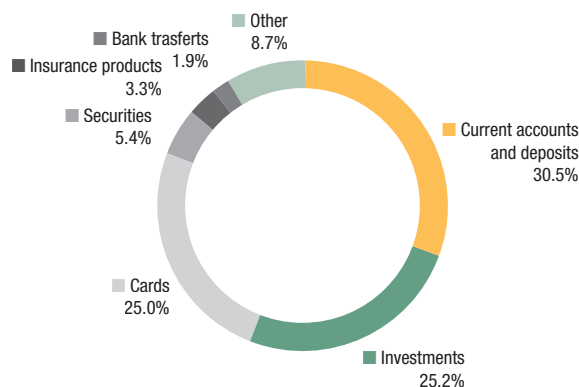
A number of procedural and organisational interventions were completed during the year. These equipped the bank with effective solutions to meet the new obligations resulting from new transparency regulations and the introduction of a Banking and Financial Services Ombudsman which requires brokers to respond to customer complaints (excepting those regarding investment services) within 30 days.

Complaints regarding investment services, which account for approximately 40% of total customer complaints, were down significantly, mainly as result of a decrease in complaints from customers investing in securities issued by the Lehman Brothers Group.

Complaints regarding banking and financial services, which account for approximately 60% of total customer complaints, were also down above all as a result of a reduction in complaints regarding ATM cloning.

The distribution of these complaints was as follows:

Customers complaints



Customer Assistance Service

Our Customer Assistance Service is another important communication channel and our customers' first level of contact with the bank, responding to requests for information received through our website, by e-mail and over the telephone.

Over 209,000 such requests were handled in 2010, with a fulfilment rate that was consistently over 90%.

Main improvement objectives for 2011

The Group has set out to achieve the following in 2011:

- To continually update our products and service channels in line with market developments to look after our customers' needs.
- To continually improve the efficiency of our operating processes with a view to reducing our paper usage and saving time.
- To develop the information provided to all our customers to ensure all our investment proposals and reports/statements are as complete and transparent as possible.
- To develop local relationship-building events which enhance the loyalty of our best customers.

PERSONAL FINANCIAL ADVISERS

Main objectives for 2010

To enhance the Group's distinctive strengths by implementing and disseminating a new approach to advisory support, distinguished by exceptional service levels and value generation for our customers.

To build Group profitability through the reallocation of client assets to managed-asset products.

To build Group value over time by growing client assets, including through redesigning our product classification so that it is based on level of customer service.

Actions and results achieved

- We developed a training programme for our Personal Financial Advisers during 2010 which was aligned with the Group *competencies model* conceived to delineate the new professional profile underpinning our model of financial advisory services. This development in professional profile takes our Personal Financial Advisers from being simple stock brokers (low value for customers) to becoming wealth managers (high value for our customers). This new approach to advisory services, currently focused on a relatively small group in the Networks, defines the "SEI" Personal Financial Adviser on which the Group's strategic growth for the next three years is based.

- The achievements of both Networks regarding the growth of managed assets in relation to total client assets exceeded expectations taking it to over 75%. The Networks' Weighted New Inflows (WNI) were €8.1bn at December 2010, significantly higher than the budget target set (€4.9bn).

- Overall growth of client assets was on target, with Group total client assets exceeding €3.8bn at 31 December 2010. Supporting the achievement of this objective, the Group amongst other things developed a system of Weighted New Inflows in 2010 (and an incentivisation system linked to it) that attributes weightings which increase in relation to customer service level. All products in the same family were grouped in a single class, using zero weightings for non-managed asset products and money market funds to promote a shift to products with higher customer service levels.

Geographical distribution of Networks

The Banca Fideuram Group provides extensive coverage of Italy through two Personal Financial Adviser Networks, the Fideuram Network and Sanpaolo Invest Network.

Both Networks are divided into areas, each of which is sized to suit the business potential of the territory concerned, which can cover several regions or just a few provinces.

The Fideuram Network is divided into eight areas, and the Sanpaolo Invest Network into four. The geographical regions in each area in the Fideuram Network were unchanged from 2009. The Sanpaolo Invest Network was reorganised by allocating the Personal Financial Advisers from Banca Cassa di Risparmio di Firenze (grouped in an area of their own in 2009) to the areas they already covered and by changing the regions making up each area as follows:

Area Structure of the Fideuram Network

Area	2010	2009
1	Valle d'Aosta and Piedmont	Valle d'Aosta and Piedmont
2	Lombardy (Provinces of Milan, Lodi and Pavia) and Liguria	Lombardy (Provinces of Milan, Lodi and Pavia) and Liguria
3	Lombardy (excepting Provinces of Milan, Lodi and Pavia)	Lombardy (excepting Provinces of Milan, Lodi and Pavia)
4	Venetia, Friuli Venezia Giulia and Trentino Alto Adige	Venetia, Friuli Venezia Giulia and Trentino Alto Adige
5	Emilia Romagna	Emilia Romagna
6	Tuscany, Umbria and the Marches	Tuscany, Umbria and the Marches
7	Latium (excepting the Gaeta town council area), Sardinia	Latium (excepting the Gaeta town council area), Sardinia
8	Campania, Abruzzo, Molise, Puglia, Basilicata, Calabria and Sicily, Latium (Gaeta town council area only)	Campania, Abruzzo, Molise, Puglia, Basilicata, Calabria and Sicily, Latium (Gaeta town council area only)

Area Structure of the Sanpaolo Invest Network

Area	2010				2009			
	Bank	Network	Other	Total	Bank	Network	Other	Total
1	Piedmont, Valle d'Aosta, Liguria and Lombardy				Piedmont, Valle d'Aosta, Sardinia and Liguria			
2	Emilia Romagna, Tuscany, Umbria, the Marches, Venetia, Friuli Venezia Giulia and Trentino Alto Adige				Lombardy, Venetia, Friuli Venezia Giulia, Trentino Alto Adige, Emilia Romagna and the Marches			
3	Latium and Sardinia				Tuscany, Umbria and Latium			
4	Abruzzo, Campania, Calabria, Puglia, Molise, Sicily and Basilicata				Abruzzo, Campania, Calabria, Puglia, Molise, Sicily and Basilicata			
5	-				Banca Cassa di Risparmio di Firenze Personal Financial Advisers distributed across all of Italy			

Size of Networks

The Group's two Networks totalled 4,349 at 31 December 2010, comprising 3,151 Banca Fideuram Personal Financial Advisers (3,088 in 2009) and 1,198 Sanpaolo Invest Personal Financial Advisers (1,204 in 2009).

New Personal Financial Advisers recruited totalled 246 at 31 December 2010 (349 in 2009), while a total of 189 left the Networks during the year (266 in 2009), only 46 of whom went to competitor networks. 148 of the new Personal Financial Advisers recruited joined the Fideuram Network (131 in 2009) and 98 joined the Sanpaolo Invest Network (218 in 2009, including those resulting from the acquisition of the Banca Cassa di Risparmio di Firenze Network). 85 of the Personal Financial Advisers leaving the Group were from the Banca Fideuram Network (146 in 2009) and 104 from the Sanpaolo Invest Network (120 in 2009).

Where sector of origin was concerned, the 2010 figures show that the main sources were competitor networks (48% of new Personal Financial Advisers) and bank staff (29%). Those described as coming from other sectors (23%) included in particular young people being launched on the profession of Personal Financial Adviser. The 2010 figures are largely in line with those for the previous year if one excludes the impact of the extraordinary operation integrating the Banca CR Firenze Network.

Fideuram Network - Personal Financial Advisers - Origin by rank

Rank	2010				2009			
	Bank	Network	Other	Total	Bank	Network	Other	Total
Managers	-	-	-	-	-	2	-	2
Personal Financial Advisers	49	52	47	148	47	52	30	129
Total	49	52	47	148	47	54	30	131

Sanpaolo Invest Network - Personal Financial Advisers - Origin by rank

Rank	2010				2009			
	Bank	Network	Other	Total	Bank	Network	Other	Total
Managers	-	-	-	-	-	20	-	20
Personal Financial Advisers	22	66	10	98	12	172	14	198
Total	22	66	10	98	12	192	14	218

Market penetration

The tables below show the regional and area distribution of Personal Financial Advisers in both Networks, along with the market penetration achieved by the Group and consolidated over the years. Indeed, although the 2010 figures for the Fideuram Network are slightly different in absolute terms, their distribution is the same as in 2009. The difference for the Sanpaolo Invest network between the 2010 figures and the previous year was a result of the changes to the regions included in areas 1, 2 and 3, as well as of the inclusion in the four areas of the former Banca Cassa di Risparmio di Firenze Personal Financial Advisers in accordance with the territories for which they were responsible.

Fideuram Network - Area Coverage - Number of Personal Financial Advisers by area

Area	Number of Personal Financial Advisers 2010	Number of Personal Financial Advisers 2009
1	428	419
2	413	405
3	337	330
4	385	365
5	320	324
6	454	446
7	400	395
8	414	404
Total	3,151	3,088

Sanpaolo Invest Network - Area Coverage - Number of Personal Financial Advisers by area

Area	Number of Personal Financial Advisers 2010	Number of Personal Financial Advisers 2009
1	391	256
2	265	263
3	231	267
4	311	298
5	-	120
Total	1,198	1,204

Fideuram Network - Area Coverage - Number of Personal Financial Advisers by region

Region	Number of Personal Financial Advisers 2010	Number of Personal Financial Advisers 2009
Piedmont	423	413
Valle d'Aosta	5	6
Liguria	111	110
Lombardy	639	625
Venetia	266	253
Friuli Venezia Giulia	82	75
Trentino Alto Adige	37	37
Emilia Romagna	320	324
Tuscany	346	344
Umbria	42	39
The Marches	66	63
Latium	373	367
Abruzzo	36	33
Molise	11	10
Campania	164	160
Basilicata	4	4
Puglia	67	66
Calabria	14	16
Sicily	114	111
Sardinia	31	32
Total	3,151	3,088

Sanpaolo Invest Network - Area Coverage - Number of Personal Financial Advisers by region

Region	Number of Personal Financial Advisers 2010	Number of Personal Financial Advisers 2009
Piedmont	156	145
Valle d'Aosta	4	4
Liguria	96	103
Lombardy	135	129
Venetia	53	55
Friuli Venezia Giulia	11	14
Trentino Alto Adige	7	6
Emilia Romagna	80	77
Tuscany	54	56
Umbria	29	28
The Marches	33	35
Latium	216	212
Abruzzo	40	40
Molise	4	4
Campania	114	128
Basilicata	11	12
Puglia	57	58
Calabria	13	12
Sicily	71	72
Sardinia	14	14
Total	1,198	1,204

Organisational structure

Both our Networks have a pyramid organisational structure in three management levels with increasing territorial resource management and development responsibilities, as follows:

Rank Management level Responsibilities

Area Manager	Coordinate resources assigned to area of competence in order to achieve the Group's strategic and business objectives. Contribute to the professional growth of the Networks by implementing training plans that support Group strategies. Contribute to the numerical growth of the Networks by implementing recruitment plans that support the Group's growth. Ensure professional, proper and appropriate business behaviour by the Group's Personal Financial Advisers.
Divisional Manager	Support Area Managers in managing their resources and areas. Direct Regional Managers towards achieving their business objectives through customer and competitor analyses. Carry out training activities and participate in recruitment activities.
Regional Manager	Coordinate and direct the work of Personal Financial Advisers supervised to help ensure budget targets are achieved. Carry out recruitment activities in their area. Play a direct key role for customers with respect to the quality of advisory services provided.

Fideuram Network - Personal Financial Advisers - Staff numbers by rank

Rank	2010	2009
Area Managers	8	8
Divisional Managers	25	25
Regional Managers	119	122
Supervisors	333	344
Personal Financial Advisers	2,666	2,589
Total	3,151	3,088

It should be emphasised that the salient characteristics of the Personal Financial Advisers in the Fideuram Network have remained almost unchanged or have only undergone minimal changes over the years, confirming the structural maturity achieved. The average age of the Personal Financial Advisers in the Fideuram Network increased two years in 2010 compared with 2009, and this increase was distributed evenly across all levels of seniority. The average length of service for each level of seniority

Sanpaolo Invest Network - Personal Financial Advisers - Staff numbers by rank

Rank	2010	2009
Area Managers	4	4
Divisional Managers	14	13
Regional Managers	61	64
Supervisors	143	141
Personal Financial Advisers	976	982
Total	1,198	1,204

also increased by two years, testifying to the network's considerable stability, with low turnover, a strong commitment to shared values and high loyalty. A similar trend could be noted for the Sanpaolo Invest Network in 2010, with the average age of its managers (Area Managers, Divisional Managers and Regional Managers) and Group Managers increasing by three years, while that of its Personal Financial Advisers increased by one year compared with 2009.

Fideuram Network - Personal Financial Advisers - Average age by rank

Rank	Total number	< 30	30-40	40-50	50-60	Over 60	Average age
Area Managers	8	-	-	1	5	2	57
Divisional Managers	25	-	-	11	13	1	51
Regional Managers	119	-	1	54	58	6	50
Supervisors	333	-	15	135	148	35	51
Personal Financial Advisers	2,666	31	260	797	960	618	52
Total	3,151	31	276	998	1,184	662	52

Sanpaolo Invest Network - Personal Financial Advisers - Average age by rank

Rank	Total number	< 30	30-40	40-50	50-60	Over 60	Average age
Area Managers	4	-	-	2	2	-	51
Divisional Managers	14	-	-	7	6	1	52
Regional Managers	61	-	5	30	21	5	50
Supervisors	143	-	25	72	31	15	48
Personal Financial Advisers	976	12	173	430	237	124	48
Total	1,198	12	203	541	297	145	48

Fideuram Network - Personal Financial Advisers - Length of service by rank

Rank	Total number	< 5 years	5-10 years	10-15 years	15-20 years	Over 20 years	Average length of service
Area Managers	8	-	-	-	1	7	25
Divisional Managers	25	1	-	2	4	18	22
Regional Managers	119	4	8	38	21	48	17
Supervisors	333	26	42	110	68	87	15
Personal Financial Advisers	2,666	474	307	848	344	693	14
Total	3,151	505	357	998	438	853	14

Sanpaolo Invest Network - Personal Financial Advisers - Length of service by rank

Rank	Total number	< 5 years	5-10 years	10-15 years	15-20 years	Over 20 years	Average length of service
Area Managers	4	-	-	-	2	2	21
Divisional Managers	14	4	3	-	1	6	13
Regional Managers	61	19	7	7	12	16	12
Supervisors	143	43	18	34	29	19	11
Personal Financial Advisers	976	351	173	216	133	103	10
Total	1,198	417	201	257	177	146	11

The table below shows the distribution of the Personal Financial Adviser Networks by rank and gender.

Fideuram Network - Personal Financial Advisers - Distribution by rank and gender

Rank	2010			2009		
	Men	Women	Total	Men	Women	Total
Managers	149	3	152	152	3	155
Personal Financial Advisers	2,591	408	2,999	2,537	396	2,933
Total	2,740	411	3,151	2,689	399	3,088

Sanpaolo Invest Network - Personal Financial Advisers - Distribution by rank and gender

Rank	2010			2009		
	Men	Women	Total	Men	Women	Total
Managers	77	2	79	79	2	81
Personal Financial Advisers	911	208	1,119	919	204	1,123
Total	988	210	1,198	998	206	1,204

Logistics structure supporting the Networks

Our Personal Financial Advisers are supported in their work by the Banca Fideuram Group's logistics structure, which in 2010 - as in 2009 - consisted of 97 bank branches (7 area main branches and 90 small local branches known as Delivery Points or "Punti di Erogazione") together with 325 Personal Financial Advisers' Offices (198 in the Fideuram Network and 127 in the Sanpaolo Invest Network). During 2010, we opened a Private Banking Centre in Catania to support the work of the Personal Financial Advisers serving our top-segment customers in the area.

Fideuram Network - Area Coverage - Logistics structure by region

Region	Bank branches		Personal Financial Advisers' offices	
	2010	2009	2010	2009
Piedmont	12	12	31	31
Valle d'Aosta	-	-	1	1
Liguria	5	5	9	9
Lombardy	21	21	25	25
Venetia	7	7	20	20
Friuli Venezia Giulia	3	3	6	6
Trentino Alto Adige	2	2	6	6
Emilia Romagna	10	10	20	20
Tuscany	12	12	27	27
Umbria	1	1	4	4
The Marches	2	2	6	6
Latium	6	7	13	14
Abruzzo	1	1	4	4
Molise	-	-	2	2
Campania	6	5	8	7
Basilicata	-	-	1	1
Puglia	3	3	4	4
Calabria	1	1	2	2
Sicily	4	4	6	6
Sardinia	1	1	3	3
Total	97	97	198	198

Sanpaolo Invest Network - Area Coverage - Logistics structure by region

Region	Personal Financial Advisers' offices	
	2010	2009
Piedmont	13	14
Valle d'Aosta	1	1
Liguria	12	12
Lombardy	13	15
Venetia	9	10
Friuli Venezia Giulia	3	3
Trentino Alto Adige	1	1
Emilia Romagna	11	14
Tuscany	8	11
Umbria	5	5
The Marches	4	7
Latium	17	26
Abruzzo	6	8
Molise	1	2
Campania	7	8
Basilicata	1	1
Puglia	5	6
Calabria	2	2
Sicily	5	5
Sardinia	3	3
Total	127	154

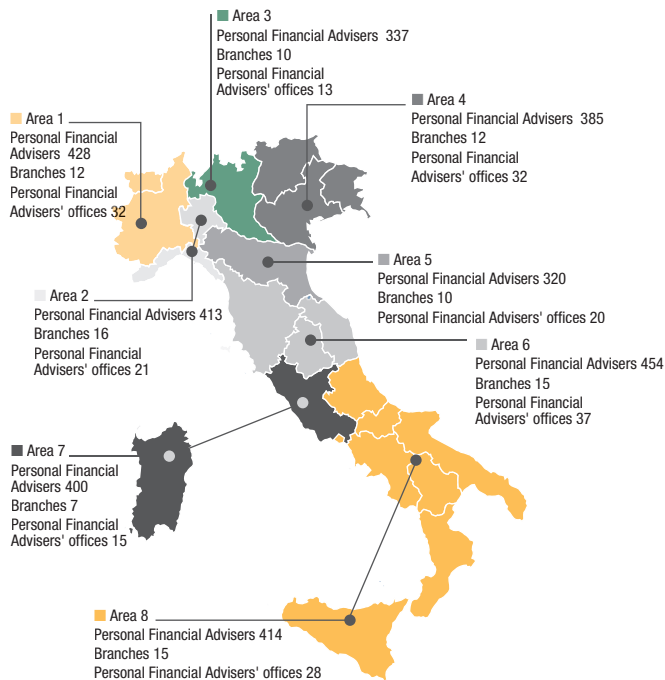
Fideuram Network - Area Coverage - Logistics structure by area

Area	Bank branches		Personal Financial Advisers' offices	
	2010	2009	2010	2009
1	12	12	32	32
2	16	16	21	21
3	10	10	13	13
4	12	12	32	32
5	10	10	20	20
6	15	15	37	37
7	8	8	16	16
8	14	14	27	27
Total	97	97	198	198

Sanpaolo Invest Network - Area Coverage - Logistics structure by area

Area	Personal Financial Advisers' offices	
	2010	2009
1	39	27
2	40	38
3	20	35
4	28	26
5	-	28
Total	127	154

Fideuram distribution network



Sanpaolo Invest distribution network



Contractual relations

Relations between the Banca Fideuram Group and its Personal Financial Advisers are governed by an open-ended agency contract based on Italy's Collective Economic Agreement for Agents and Representatives in the Commerce sector.

This contract both stipulates the basic collective provisions for our Personal Financial Advisers and further benefits which supplement their remuneration, social security and pension provisions, principally by linking them to the achievement of annual sales targets.

Remuneration

The remuneration of the Personal Financial Advisers and Managers in our Networks consists of commission and a variety of bonuses and other incentives supporting the Group's business targets.

The Network Managers are remunerated using a system of overrides based on the fees and commission accrued by the Personal Financial Advisers under their responsibility, the rate of which varies according to their roles, responsibilities and business targets.

In addition to this, there are, moreover, other forms of remuneration for Personal Financial Advisers and Managers which complete the remuneration of the Group's Networks, consisting of a series of bonus and incentive schemes, including non-monetary incentives, which are also used to support the implementation of business policies. Bonus rules are issued every year, specifying the mechanisms for incentivising the Networks to achieve our business targets.

In 2010, the incentive/bonus scheme for Personal Financial Advisers and Network Managers had two primary objectives: to promote a reallocation of client assets to managed-asset products and an increase in the profitability of client assets.

The main drivers used were Weighted New Inflows (WNI) and, secondarily, combined with WNI, Total Net Inflows (TNI). WNI was calculated in relation to a new product classification based on the level of advisory service provided, divided into four tiers (no advisory support, low, medium and high-level advisory support). Different commission and monetary and non-monetary bonus rates were applied as different predetermined inflow levels were reached in each tier. Moreover, the bonus/incentive rewards were increased if targets were reached within the first half of 2010, when Banca Fideuram shares were due to be listed. The considerable market volatility from May onwards led the listing to be put back.

The objective of increasing the productivity of client assets was also supported by incentivising Personal Financial Advisers to use advisory competencies with high added value through an ad hoc scheme paying an equal extraordinary bonus to Personal Financial Advisers and Managers.

Lastly, another extraordinary bonus was provided for Managers only, linked to the bank's overall performance.

All of this was over and above the normal incentive system which was based on the usual bonus and additional commission rates linked to predetermined inflow and recruitment targets.

Network Sales Activities

The Banca Fideuram Group's total net inflows rose to €1,901m in 2010 (€2,804m in 2009), while client assets totalled €71,591m at 31 December 2010 (€67,801m in 2009).

Fideuram Network - Average number of customers for Personal Financial Advisers

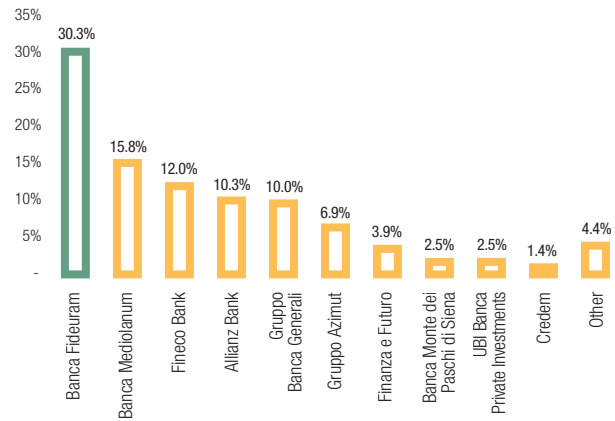
	Number of Personal Financial Advisers	Number of customers	Ratio of Customers to Personal Financial Advisers
2010	3,151	491,752	156:1
2009	3,088	502,268	163:1

Sanpaolo Invest Network - Average number of customers for Personal Financial Advisers

	Number of Personal Financial Advisers	Number of customers	Ratio of Customers to Personal Financial Advisers
2010	1,198	119,144	99:1
2009	1,204	123,962	103:1

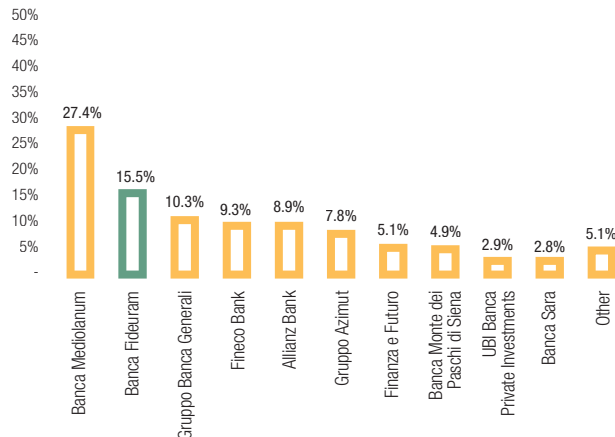
The results achieved in 2010 put the Banca Fideuram Group in first place in the Assoreti ranking for client assets (first place in 2009) and in second place for total net inflows (second place in 2009).

Client Assets at 31 december 2010



Source: Assoreti

Total net inflows 2010



Source: Assoreti



KEY-TV

2010 was a further year of consolidation for Key TV, Banca Fideuram's business TV channel, launched on 16 October 2006. All Banca Fideuram and Sanpaolo Invest Personal Financial Advisers have access to the content of our business TV channel, which has become an increasingly important aid to support them in their work.

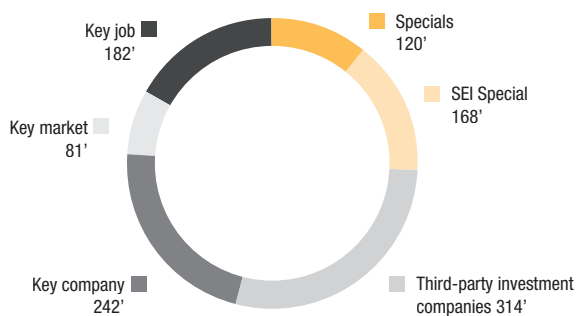
Key TV uses a series of different "formats" - Key Company (on the life of the bank), Key Job (daily work and operating practice) and Key Market (markets and performance) - to deliver a range of programmes that are increasingly aligned with our Personal Financial Advisers' needs.

Space has, moreover, also been dedicated to around 13 third-party investment companies, with special programmes dedicated to presenting those of their products distributed by the Banca Fideuram Group. A total of 85 programme episodes were produced during the year, amounting to 18 hours and 45 minutes' programme time. The many different matters covered relating to the work of our Personal Financial Advisers and their continuing professional development included the communications plan supporting the roll-out of our SEI Advanced Advisory Service, with six special programmes on different aspects of the new method underpinning the service: market context, Personal Financial Adviser earning opportunities, development of the SEI platform, recommended investment and portfolio strategies, new communication aids, regulatory developments and the role of the Personal Financial Adviser, and comparisons with competitor services.

For 2011, Key TV aims to consolidate and strengthen the support it offers our Personal Financial Advisers by increasing its coverage of new economic and financial developments, both through existing programmes and by introducing new formats if necessary.



Minutes of product programme time for each format 2010



Personal Financial Adviser training

During 2010 we continued to provide training for the Group's Networks on the dissemination of the technical, relationship-management and methodological competencies needed to offer customers the Banca Fideuram Group's SEI advanced advisory service.

Our main training initiative supported the field work of around 255 Personal Financial Advisers and 45 managers for approximately 3 months, focusing on a territory of 12 areas (8 Fideuram and 4 Sanpaolo Invest) and providing professional development training courses aimed at maximising the opportunities for achieving widespread, consistently excellent results with respect to increasing client assets, identifying successful case histories to be disseminated to colleagues, and generating ideas and proposals for making the SEI advanced advisory service even more effective.

In addition, we launched a project in 2010 that analysed the best practices of our Top Performing SEI Personal Financial Advisers to construct a "Successful Behaviour Model" for our SEI advanced advisory service. The project will continue in 2011, with the Network Management (Divisional Managers and Regional Managers) being trained to disseminate this model and build case histories independently with their own "best performers".

Alongside these innovative initiatives, we also continued the training programmes undertaken in 2009 to consolidate the specialist competencies of our Personal Financial Advisers and Managers:

- A specialist training programme to support the project for disseminating the service model for our Private Banking customers. This training programme was delivered to Personal Financial Advisers who had acquired substantial experience over long service and/or were high achievers in the provision of advanced advisory services. As in 2009, this training programme was developed and delivered in conjunction with the Imperial College London Business School and SDA Bocconi School of Management. The ongoing involvement of these two institutions ensured the training delivered offered the strengths of continuity and consolidation, an international vision of Wealth Management and an in-depth specialist Wealth Advisory perspective. The synergies between these two initiatives were exploited in 2010, redesigning the program and making it slightly shorter, which allowed us to increase the number of Personal Financial Advisers involved (900 in total from the Banca Fideuram and Sanpaolo Invest networks).
- Insurance and pensions training courses for all newly-recruited Personal Financial Advisers, and refresher training courses for all the Personal Financial Advisers in both the Group's Networks, designed to qualify them for inclusion in the Single Register of Insurance and Reinsurance Brokers (Registro Unico Intermediari assicurativi e riassicurativi - RU) of the Italian supervisory body for private insurance (ISVAP).
- A project supporting European Financial Planning Association (€FPA) certification through the payment of Study Grants for the preparatory courses for the certification exam, and the provision of training for maintaining the €FPA certification of Personal Financial Advisers who have already obtained it.

Management also received experiential training aimed at further developing their strong recruitment skills.

During the latter part of the year, teaching began on the first Banca Fideuram Master's in Private Banking - "Essere Fideuram, Essere Consulente" (Being Fideuram, Being a Financial Adviser) - launched with the aim of providing employment and cultural growth opportunities for motivated young people of merit who have chosen to embark on the career of Personal Financial Adviser.

The Master's course consists of three separate stages: four months of class-based training, six months of field work placements in the Network and a period of approximately thirty months work in the Network. Those taking the Master's receive financial assistance at each stage.

The training sites **In-formati con un click!** (In-form/train yourself with a click!) and **Navigando si impara** (Navigate to learn), created to provide constant refresher training online for our Personal Financial Advisers, were used to deliver the following online courses:

- Refresher training on our product range and new additions to the array of products and services offered.
- Insurance/pensions training in accordance with the new regulations issued by the Italian supervisory body for private insurance (ISVAP).
- Refresher training to update on regulatory developments regarding the provision of out-of-branch services and practicing the profession (Italian National Commission for Listed Companies and the Stock Exchange - CONSOB).

We also launched an important project for rationalising and extending the architecture of our FAD distance learning platform so that we can not only monitor individual courses, but entire training programmes as well, with a view to building certified training cycles in the future.

Our 2010 training figures are shown in greater detail below, broken down into e-learning and class-based training.

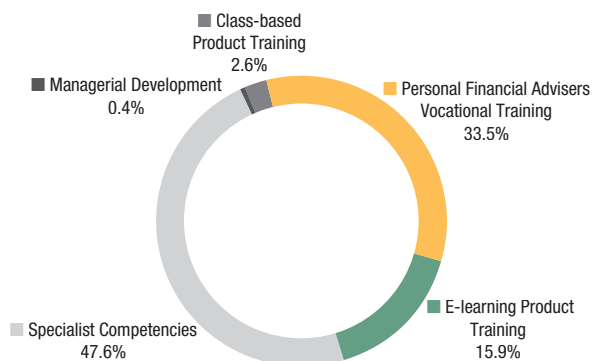
E-learning

Training Area	2010		2009		Change	
	Attendances	Total hours	Attendances	Total hours	Attendances	Total hours
Personal Financial Advisers Vocational Training	26,485	102,007	12,895	99,573	105.4%	2.4%
Product Training	12,648	33,113	9,876	26,515	28.1%	24.9%
Total	39,133	135,120	22,771	126,088	71.5%	7.2%

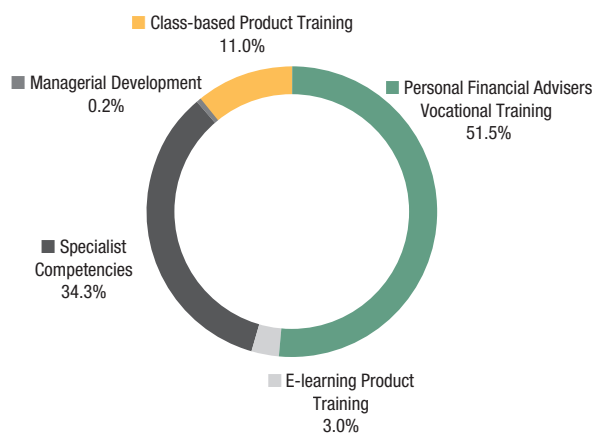
Class-based training

Training Area	2010		2009		Change	
	Attendances	Total hours	Attendances	Total hours	Attendances	Total hours
Specialist Competencies	11,460	117,049	18,388	186,131	-37.7%	-37.1%
Managerial Development	71	908	475	4,555	-85.1%	-80.1%
Class-based Product Training	2,047	12,845	3,400	18,566	-39.8%	-30.8%
Total	13,578	130,802	22,263	209,252	-39.0%	-37.5%

Distribution of Fideuram Network training hours by Training Area (%)



Distribution of Sanpaolo Invest Network training hours by Training Area (%)



Main improvement objectives for 2011

Focus on growth (inflows and recruitment), devoting particular attention to increasing the value aspect of client assets, and renewed concentration on recruitment.

The aim is to increase total net inflows (TNI) with managed assets as a priority, establishing the value of our SEI advanced advisory service by gaining it a greater percentage of new inflows than in 2010.

Emphasis on our SEI advanced advisory service as a distinctive feature of the Banca Fideuram Group service model and a source of additional profitability that is independent of market cycles.

The aim is to substantially increase the overall network commitment to advancing the quality of our advanced advisory services,

- extending the competencies of the basic SEI service to a wider number of Personal Financial Advisers through a combination of method, training and tools.
- further improving our SEI advisory service through roll-out support, advanced training, a certification programme and corporate communications.

SEI client assets were still concentrated over a small number of Personal Financial Advisers at the end of 2010. An advanced advisory services field training plan has been prepared to reach an increasingly large percentage of the Networks.

The training programmes aim to expand and consolidate the technical, methodological and relationship-building competencies that distinguish the SEI system, and in particular:

- Relationship-building competencies, which will be developed following an innovative approach, including an individual coaching programme to disseminate successful case histories. This initiative will involve Managers in particular, emphasising the manager's role in developing the Networks and rolling out the SEI method.
- Wealth Management and Wealth Advisory competencies, both technical and methodological, which will also be developed through special workshops.

The Group's investments in training and professional innovation in 2011 include the preparation of further Master's in Private Banking programmes for young talent. The Master's is a development of the New Talent project we ran in 2009, which aimed to train talented young graduates with specialisations in economics, and launch them on a career as Personal Financial Advisers. These initiatives are seen as strategic investments in the future growth of our Networks, and aim to involve around one thousand young people during the 2011-2013 three-year period. The first Master's programme started on 13 December 2010 and was delivered in conjunction with the University of Rome Tor Vergata and the daily business newspaper *Il Sole 24 Ore* to 40 specially selected young people.

The 2011 bonus and incentive scheme has been designed to support these objectives, paying particularly high bonuses and increased commission for Weighted New Inflows (WNI), a tool developed in 2010 by splitting our products into different tiers based on their advisory value.

The 2011 system also includes new or updated incentive tools (New Portfolio Indemnity, and New Loyalty Bonus for Managers) which are however linked to the application and take-up of the SEI advanced advisory service, growth in Weighted New Inflows (WNI) and recruitment.

EMPLOYEES

Our human resources play a key role in enabling us to achieve our corporate objectives. To this end, we constantly invest in the professionalism of our employees through organisational and training initiatives that aim to enhance individual competencies and promote their development within our Group.

Banca Fideuram Group employees in and outside Italy

	Men			Women			Total		
	2010	2009	% change	2010	2009	% change	2010	2009	% change
Directors	51	54	-5.6	2	2	-	53	56	-5.4
Executive Management	495	486	1.9	273	269	1.5	768	755	1.7
Professional Areas	291	308	-5.5	363	366	-0.8	654	674	-3.0
Total	837	848	-1.3	638	637	0.2	1,475	1,485	-0.7

The Banca Fideuram Group's staff numbers fell by 10 from 1,485 at 31 December 2009 to 1,475 at 31 December 2010. Women accounted for 43.3% of total employees (42.9% in 2009) and men accounted for 56.7% (57.1% in 2009).

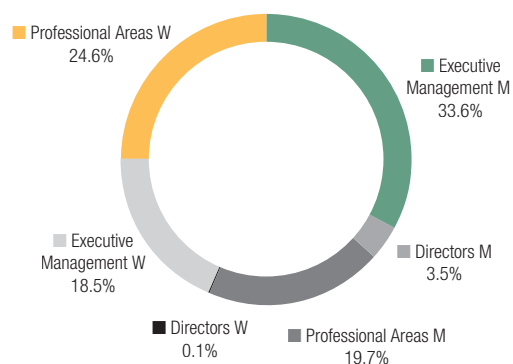
Group personnel working in Italy accounted for 87.9% of total employees (86.7% in 2009), while those working outside Italy accounted for 12.1% (13.3% in 2009).

Banca Fideuram Group employees in Italy

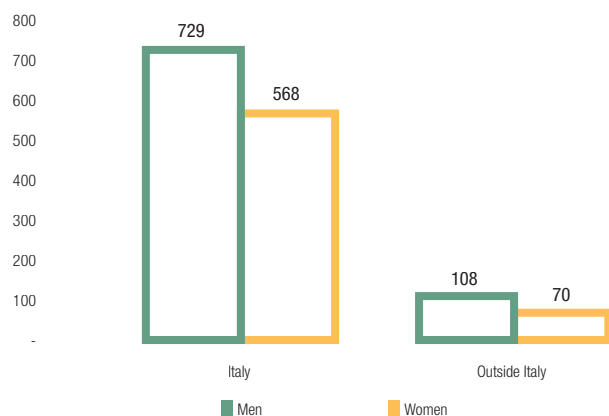
	Men			Women			Total		
	2010	2009	% change	2010	2009	% change	2010	2009	% change
Directors	40	43	-7.0	2	2	-	42	45	-6.7
Executive Management	434	427	1.6	238	232	2.6	672	659	2.0
Professional Areas	255	260	-1.9	328	324	1.2	583	584	-0.2
Total	729	730	-0.1	568	558	1.8	1,297	1,288	0.7

Banca Fideuram Group employees outside Italy

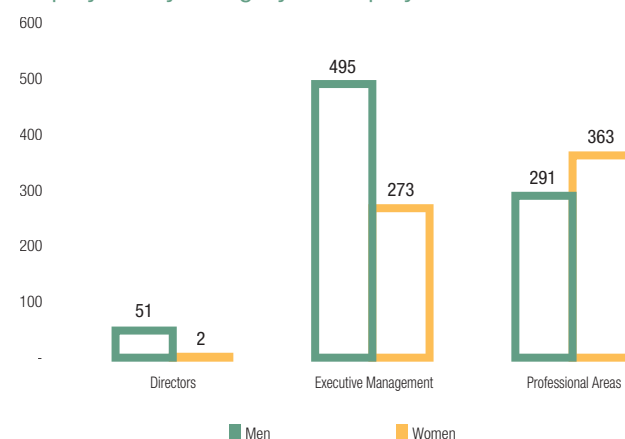
	Men			Women			Total		
	2010	2009	% change	2010	2009	% change	2010	2009	% change
Directors	11	11	-	-	-	-	11	11	-
Executive Management	61	59	3.4	35	37	-5.4	96	96	-
Professional Areas	36	48	-25.0	35	42	-16.7	71	90	-21.1
Total	108	118	-8.5	70	79	-11.4	178	197	-9.6



Employees by gender



Employees by category of employment



Staff contracts

	Men			Women			Total		
	2010	2009	% change	2010	2009	% change	2010	2009	% change
Open-ended	823	831	-1.0	619	610	1.5	1,442	1,441	0.1
Fixed-term	9	15	-40.0	8	12	-33.3	17	27	-37.0
Work-entry contracts	5	2	150.0	9	13	-30.8	14	15	-6.7
Apprenticeship contracts	-	-	-	2	2	-	2	2	-
Total	837	848	-1.3	638	637	0.2	1,475	1,485	-0.7

Italy

	Men			Women			Total		
	2010	2009	% change	2010	2009	% change	2010	2009	% change
Open-ended	716	718	-0.3	550	534	3.0	1,266	1,252	1.1
Fixed-term	8	10	-20.0	7	9	-22.2	15	19	-21.1
Work-entry contracts	5	2	150.0	9	13	-30.8	14	15	-6.7
Apprenticeship contracts	-	-	-	2	2	-	2	2	-
Total	729	730	-0.1	568	558	1.8	1,297	1,288	0.7

Outside Italy

	Men			Women			Total		
	2010	2009	% change	2010	2009	% change	2010	2009	% change
Open-ended	107	113	-5.3	69	76	-9.2	176	189	-6.9
Fixed-term	1	5	-80.0	1	3	-66.7	2	8	-75.0
Work-entry contracts	-	-	-	-	-	-	-	-	-
Apprenticeship contracts	-	-	-	-	-	-	-	-	-
Total	108	118	-8.5	70	79	-11.4	178	197	-9.6

Full Time/Part Time Staff

	Men			Women			Total		
	2010	2009	% change	2010	2009	% change	2010	2009	% change
Full-time staff	834	844	-1.2	494	494	-	1,328	1,338	-0.7
Part-time staff	3	4	-25.0	144	143	0.7	147	147	-
Total	837	848	-1.3	638	637	0.2	1,475	1,485	-0.7

A total of 147 people, amounting to approximately 10% of all employees, were on part-time contracts, 98% of them women, to whom this type of contract appeals due to the flexibility it offers in one's work and therefore to meet family commitments.

Staff age

	Directors			Executive Management			Professional Areas		
	2010	2009	% change	2010	2009	% change	2010	2009	% change
Up to 20	-	-	-	-	-	-	-	2	-100.0
21 to 25	-	-	-	-	-	-	16	25	-36.0
26 to 30	-	-	-	3	4	-25.0	82	114	-28.1
31 to 35	-	1	-100.0	40	83	-51.8	153	161	-5.0
36 to 40	3	9	-66.7	151	164	-7.9	134	121	10.7
41 to 45	14	15	-6.7	157	176	-10.8	78	104	-25.0
46 to 50	18	11	63.6	207	177	16.9	116	90	28.9
51 to 55	7	10	-30.0	129	106	21.7	49	36	36.1
56 to 60	9	10	-10.0	78	43	81.4	23	19	21.1
Over 60	2	-	n.s.	3	2	50.0	3	2	50.0
Total	53	56	-5.4	768	755	1.7	654	674	-3.0

Staff length of service

	Directors			Executive Management			Professional Areas		
	2010	2009	% change	2010	2009	% change	2010	2009	% change
Up to 5 years	7	12	-41.7	73	94	-22.3	197	218	-9.6
6 to 10 years	15	13	15.4	108	123	-12.2	102	175	-41.7
11 to 15 years	11	8	37.5	134	93	44.1	137	54	153.7
16 to 20 years	8	9	-11.1	96	148	-35.1	42	69	-39.1
21 to 25 years	9	11	-18.2	245	204	20.1	129	128	0.8
Over 25 years	3	3	-	112	93	20.4	47	30	56.7
Total	53	56	-5.4	768	755	1.7	654	674	-3.0

Education

	Men			Women			Total		
	2010	2009	% change	2010	2009	% change	2010	2009	% change
Degree, Masters or Diploma	372	371	0.3	250	239	4.6	622	610	2.0
Secondary School	381	391	-2.6	336	344	-2.3	717	735	-2.4
Other	84	86	-2.3	52	54	-3.7	136	140	-2.9
Total	837	848	-1.3	638	637	0.2	1,475	1,485	-0.7

Turnover

A total of 60 new employees were recruited in 2010, 6 through inter-company transfers within the Intesa Sanpaolo Group and the remainder from outside the Group.

The gender split for these new employees was 43.3% male staff and 56.7% female staff.

70 employees left the Group, 16 of whom transferred to other companies in the Intesa Sanpaolo Group. 52.9% of these employees were male staff and 47.1% female staff.

By category of employment

	Joined 2010				Total
	Men	%	Women	%	
Directors	1	100.0	-	-	1
Managers	5	71.4	2	28.6	7
Professional Areas	20	38.5	32	61.5	52
Total	26	43.3	34	56.7	60

	Left 2010				Total
	Men	%	Women	%	
Directors	4	100.0	-	-	4
Managers	12	66.7	6	33.3	18
Professional Areas	21	43.8	27	56.2	48
Total	37	52.9	33	47.1	70

By contract of employment

	Joined 2010				Total
	Men	%	Women	%	
Open-ended	17	37.0	29	63.0	46
Fixed-term	9	50.0	9	50.0	18
Work-entry contracts	5	41.7	7	58.3	12
Apprenticeship contracts	-	-	-	-	-
Total	31	40.8	45	59.2	76

	Left 2010				Total
	Men	%	Women	%	
Open-ended	25	55.6	20	44.4	45
Fixed-term	15	53.6	13	46.4	28
Work-entry contracts	2	15.4	11	84.6	13
Apprenticeship contracts	-	-	-	-	-
Total	42	48.8	44	51.2	86

A total of 16 employees were confirmed in post with open-ended contracts in 2010. These changes for different types of employment contracts are shown for staff joining and leaving the Group in the table above. The gender split for these open-ended contracts was 31.2% male staff and 68.8% female staff.

Career development

	2010					2009				
	Men	%	Women	%	Total	Men	%	Women	%	Total
Promotions to Director	-	-	-	-	-	1	2.0	-	-	1
Promotions within Executive Management	21	25.0	17	25.8	38	12	24.0	11	29.0	23
Promotions to Executive Management	16	19.0	8	12.1	24	12	24.0	7	18.4	19
Promotions within Professional Areas	47	56.0	41	62.1	88	25	50.0	20	52.6	45
Total	84	100.0	66	100.0	150	50	100.0	38	100.0	88

Atypical contracts

The Group entered into a number of staff leasing contracts in 2010 to meet temporary organisational needs or those arising from increases in the volume of work.

Atypical contracts

	31.12.2009		New		Ended		31.12.2010
	No.	No.	%	No.	%	No.	
Women	-	10	77	10	77	-	
Men	-	3	23	3	23	-	
Total	-	13	100	13	100	-	

Career development is focused on merit, assessed in relation to results achieved, competencies possessed and individual ability.

Where head-of-department or higher-level appointments are concerned, special assessments are carried out to ascertain that the managerial competencies possessed are in line with the related job requirements, and accompanied by abilities and attitudes potentially able to support the professional development planning of our people.

Relationships with Trade Union Organisations

The Group held numerous information and discussion meetings with Trade Union Organisations in 2010 on the completion of the process launched in late 2008 to align our Group regulations with the Intesa Sanpaolo Group's harmonised regulations, and on managing the repercussions for personnel of the Group's main projects.

In particular, adopting the criteria of similar Group agreements, the Trade Union Organisations collectively representing the majority of employees came to a number of agreements with the Group regarding:

- Regulations governing the termination of contracts in order to facilitate inter-group mobility.
- On-call arrangements and work on non-working days by Information and Computer Technology staff closely involved in innovative and business development support work.

As part of the preparatory work for the process of listing the bank, an agreement was also reached governing, with immediate effect, the possible use of Employment Termination Indemnities and concessionary loans for the purchase of employee tranche shares.

Prompt and detailed information was also provided on Group-level innovations and matters for negotiation, such as the assessment system, company bonus and healthcare reform, with the establishment of a single Healthcare Fund for all the companies in the Group.

Specific meetings were held to report on the results of the project reorganising the Bank Network and related developments regarding operations streamlining and quality of service.

Last but not least, we held the usual annual meeting to present our corporate data and situation as provided for in Italy's National Collective Bargaining Agreement, and addressed specific staff and work organisation problems during the local meetings held in accordance with said agreement.

Approximately 45.7% of staff were members of a trade union at year end.

The number of hours that employees dedicated to trade union activities in 2010 totalled approximately 2,780, representing approximately 0.11% of theoretical total working hours.

The Banca Fideuram Group's regulations - in line with those of the Intesa Sanpaolo Group - improve on the provisions of Italy's national collective bargaining agreements, with special provisions regarding flexible working hours, reduced lunch breaks, area mobility, leave for family/personal reasons and study, part-time employment, pensions and insurance cover.

Vulnerable employees

Staff belonging to categories of vulnerable persons as defined by Italian law 68/1999 totalled 98 as follows:

Vulnerable employees

	2010 No.
Disabled	53
Orphans, Widows, Asylum Seekers	45
Total	98

In the course of the year, approximately 14,420 hours of leave were granted to employees with serious illnesses or to care for family members with serious diseases.

Development of human resources

2010 was a particularly important year in the processes for developing our people, enabling us to consolidate the managerial behaviour and service quality initiatives launched in prior years and to lay concrete foundations for the planning and implementation of new initiatives to support our business development processes.

This was achieved through the following activities:

- A comprehensive managerial development programme for new heads of department that provides them with the support to take charge of the management and organisational responsibilities of their new jobs effectively.
- A special training module for staff with branch-level responsibilities that aims to identify operational innovations with a view to improving bank work processes.
- The launch of a cross-departmental initiative to simplify written communication procedures that initially involved all Heads of Department and will be extended to a wider cross-section of staff in 2011.
- A specialist Customer Care initiative designed to further enhance the professional profile of our people in this area both through the specialist information they are able to provide and the quality of their interactions with customers.
- In-depth dedicated class-based training on key strategic areas of our business, concentrating in particular on SEI, the management of Private Banking customers and advisory services.
- Substantially increasing the number of staff taking language courses in order to enhance the overall quality of our human resources' individual competencies in an increasingly competitive market scenario.
- Attentive monitoring of corporate compliance-related developments and the systematic launching of class-based training and self-learning initiatives to update all staff on sector regulations, which resulted in a significant increase in training hours taken up over our e-learning platform, as shown in the related table.
- The steady implementation of the class-based training, self-training and field shadowing initiatives provided for in personal professional development plans.
- Completion of the final roll-out of our parent company's Campus platform to all staff.

Our planned activities included special training modules designed to facilitate the participation of vulnerable persons and part-time staff.

Initiatives organised by the Intesa Sanpaolo Group to further enhance the value of our human capital and strategic competencies included, amongst others, the following:

- The adoption of a new manager assessment model that uses a logic which looks significantly ahead of current job requirements, offering a greater ability for those with strong prospects to plan effectively for the delicate moment of upskilling and promotion to positions with more complex responsibilities.
- Participation in a Talent Management project offering different initiatives to different professional communities. The first to be launched was for Emerging Communities, delivering a prestigious specialist development programme to a select group of young graduates, including a number of Banca Fideuram staff, who successfully completed the rigorous selection process.

We also stepped up our internal communications process, which brought a variety of Group opportunities and initiatives to the attention of staff, including in non-work-related areas such as nursery provision (both by the company and external nurseries with whom the Group has arrangements) and the Sanpaolo IMI Recreational Facility.

We also continued to promote the PERmano *work-life balance* initiative launched in 2009 to support colleagues after long periods of leave, not least of all because of its positive reception.

The training provided by Banca Fideuram Group companies in Italy totalled 30,966 hours in 2010 (+30.9% on 2009) as shown below, broken down into:

- Class-based training:
 - Internal: in-house training to meet identified needs.
 - External: training in specific professional areas, delivered by specialist companies/institutes.
- E-learning.

Class-based training

	Training area	2010		2009		Change	
		Attendances	Total hours	Attendances	Total hours	Attendances	Total hours
IN-HOUSE TRAINING	Specialist	1,799	20,267	1,272	16,832	41.4%	20.4%
	Managerial Personal Development	198	2,093	108	1,736	83.3%	20.6%
EXTERNAL TRAINING	Workshops/Conferences	247	4,898	219	4,421	12.8%	10.8%
	Language courses						
	Total	2,244	27,258	1,599	22,989	40.3%	18.6%

E-learning

Training area	2010		2009		Change	
	Attendances	Total hours	Attendances	Total hours	Attendances	Total hours
Specialist	3,561	3,624	263	518	n.s.	n.s.
Managerial Personal Development	29	84	38	142	-23.7%	-40.8%
Total	3,590	3,708	301	660	n.s.	n.s.

n.s.: not significant

Training by type of delivery (total hours)



Employee healthcare, pensions and services

In line with parent company Intesa Sanpaolo's human resource management policies and related tools, we offer a complete spectrum of staff benefits and concessions, including:

- Complementary social security
- Supplementary health care
- Accident insurance covering activities at work and outside work
- Company obligations in the event of the death in service or total permanent disability of employees
- Special staff conditions for bank transactions and loans

Our staff also have access to a wide range of concessionary schemes and services at individual company and Group level, including:

- Recreational and sports facilities
- Tickets and tourism services
- Nursery facilities
- Telephone services.

Safety

A total of 123 health and safety at work inspections were carried out across the Group in 2010.

Banca Fideuram's main offices and branches underwent 94 environmental, safety and security inspections by the Health and Safety Service and Company Physician in 2010 to identify any critical aspects and potential improvements. As a result of these inspections, a number of rectification and improvement requests were presented to the relevant company departments with a view to making our workplaces even more comfortable.

During the year, 27 employees in the Group were involved in accidents at work with work absence, and said absences totalled 714 days. Only 6 of these accidents occurred in the workplace, while the remaining 21 accidents occurred on the journey between home and work.

Security

There were no raids on Banca Fideuram premises in 2010.

SUPPLIERS

Main objectives for 2010

Advancement of the project for rationalising the supply of goods and services.

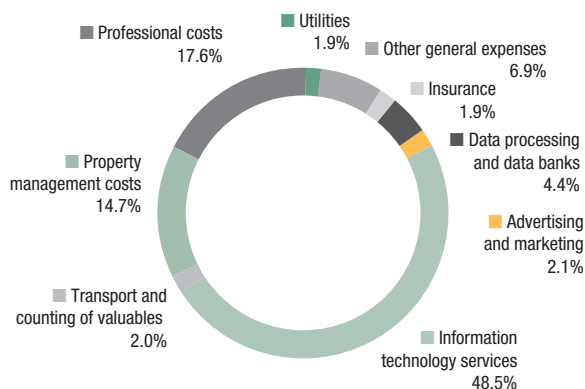
Actions and results achieved

During 2010, we took up a number of framework agreements entered into by Parent Company Intesa Sanpaolo, continued to pursue our cost containment policy and launched several calls for tender for goods and services to obtain new supply contracts that match our current quality and economic requirements more closely.

Profile of suppliers

The work of revising and rationalising the phases in our goods and services procurement procedures continued during 2010, in accordance and in line with our internal spending regulations. The Group had commercial dealings with approximately 2,187 suppliers during the year for a total value of approximately €163.3m. A total of 126 of these partners were classed as “Large Suppliers”, meaning they each supplied goods or services with an annual value in excess of €155,000, accounting for €125.1m altogether.

Distribution of Large Suppliers by activity

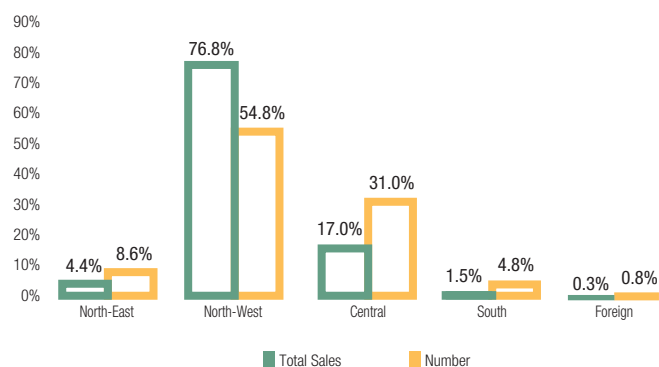


Distribution of Large Suppliers by geographical area

(€m)

2010			
Geographical area	Total Sales	% of total	No. of Suppliers
Region			
Campania	1.3	1.0%	4
Emilia Romagna	2.9	2.3%	5
Friuli Venezia Giulia	0.4	0.3%	1
Latium	20.9	16.7%	37
Liguria	0.2	0.2%	1
Lombardy	35.0	28.0%	55
Piedmont	59.8	47.8%	12
Puglia	0.3	0.2%	1
Sicily	0.3	0.2%	1
Tuscany	0.3	0.3%	2
Valle d'Aosta	1.1	0.9%	1
Venetia	2.3	1.8%	5
Total Italy	124.8	99.7%	125
Foreign			
Great Britain	0.3	0.3%	1
General Total	125.1	100%	126

Geographical distribution of Large Suppliers in and outside Italy by total sales and number



Selection policies

The Banca Fideuram Group's commitment to the continuous improvement of its quality standards places considerable emphasis on the importance of our supplier selection processes, since it is through our suppliers' products and services that we are able to create added value for our customers. Precise selection criteria have been specified so that we can identify suppliers meeting the following requirements to this end:

- Ethical and legal integrity.
- Technical and professional suitability.
- Reliability with respect to the laws regarding confidentiality, data protection and privacy.
- Competitiveness on market.

The selection of suppliers is governed by internal expenditure regulations which require the identification of a pool of possible suppliers who can then be approached through the Suppliers Database of companies and individuals meeting the technical and trust requirements needed to supply goods and services in Italy, including suppliers who may never have been used but are considered worthy of being taken into consideration.

The Suppliers Register is compiled from the Suppliers Database, containing those suppliers with total annual sales of more than €50,000, and is updated annually, removing those who:

- Supplied goods or services with a total value of less than €50,000 in the previous year.
- Were in breach of contract.
- Failed to protect and maintain confidentiality of information.
- Withdrew from a supply contract subsequent to allocation without justification.
- Repeatedly or without justification failed to respond to calls for sealed-bid tenders.

Expenditure commitments and the terms and schedules for the supply of goods and services are managed as follows:

- a) If the planned expenditure exceeds €35,000, there is a call for sealed-bid tenders. In these cases the supply criteria are as follows:
- The supply must generally be awarded to the supplier making the lowest bid.
 - When a bid is 20% below the mathematical mean of all the bids received, said bid must be rejected and the contract awarded to the supplier who has submitted the next best bid.
 - If a supply contract is awarded to a supplier other than the supplier submitting the lowest bid, the choice must be formalised, noting, moreover, the technical and scheduling reasons for the decision.
 - If there are negative notes regarding the supplier awarded the contract, or if they reject the contract, it is then awarded to the supplier who submitted the next best bid, having previously attempted to negotiate them down to align their bid with the lower one.

- b) If the planned expenditure is between €5,000 and €35,000, at least 3 estimates are requested and the supplier is chosen on the basis of best price, delivery times, product quality, type of business relationship with the supplier and their adherence to proper professional standards, as well as difficulty of replacement, in all cases taking care to ensure transparent and proper management.

For expenditures of more than €10,000, estimates in writing are required. The grounds for any departure from these procedures must be noted and all estimates received must be properly filed. These criteria do not apply to contracts for which it is not possible to find several competing suppliers or where there is a need for urgency or compatibility and/or continuity with existing situations, or for contracts of the same kind, where estimates were previously obtained and there has been no increase in cost. Said circumstances must be noted in writing.

- c) If the planned expenditure is less than €5,000, a number of suppliers must be approached for informal estimates, after which the order may be sent direct to the supplier selected.

Relationship Management

Supplier relationship management may be direct or outsourced and is directed towards achieving effective and compliant performance of the contractual agreements.

Improvement objectives for 2011

During 2011, we will continue rationalising and optimising our selection processes by participating in the operating contracts of our parent company, the Intesa Sanpaolo Group, and drawing up direct agreements with the suppliers of various types of goods and services in order to make our liabilities cycle more fluid and transparent.

THE COMMUNITY

Charitable and other donations totalled €250,000 in 2010, equivalent to approximately one thousandth of consolidated gross income in 2009, and were distributed to a number of respected bodies operating in the humanitarian, aid, scientific research, arts and environmental sectors. In pursuit of our community commitments, following detailed enquiries and a diligent selection process, we granted 31 requests for charitable donations in the year out of a total of 78 received, donating a total of €249,935 as follows:

- €95,000 to humanitarian and aid initiatives.
- €114,000 to associations operating in the arts and scientific research sectors.

In addition to said 31 donation requests granted, we also donated €40,935 to initiatives supporting Abruzzo's earthquake victims, to whom we gave special consideration.

The bank has confirmed that the amount set aside for charitable and other donations in 2011 is €250,000. The Bank has likewise confirmed how this will be distributed to respected bodies operating in the aforementioned sectors.

Customer Events

In 2010, Banca Fideuram again organised an event on the subject "SEI: advanced advisory services", held at the Villa Borromeo on the outskirts of Senago near Milan, to which we invited the customers of our Milan Eccellenza Area Personal Financial Advisers. In June we organised an event for our best Milan zone customers at the church of Santa Maria delle Grazie, where our guests were able to enjoy exclusive viewings of Leonardo's Codices exhibited in Bramante's sacristy, followed by a performance of Ludwig van Beethoven's Eroica Symphony in the church itself.

We also organised two exclusive events for Banca Fideuram and Sanpaolo Invest customers in the Autumn, again in Milan - in the Palazzo Reale - on 12 October and 16 November. The evenings began with a cocktail reception in the prestigious Sala delle Otto Colonne of the Palazzo Reale, followed by guided visits to the exhibition "Salvador Dali. Il sogno si avvicina" (Salvador Dali. The dream draws near) dedicated to the great Spanish artist and showing over 50 of his works from museums around the world, held in the Palazzo Reale between 22 September 2010 and 30 January 2011.



In December we put on a photographic exhibition in the cloisters of Banca Fideuram's main Milan branch at 16 Porta Romana. The exhibition - entitled "C'era una volta Milano. 1950-1960 Gli anni della rinascita" (Once upon a time there was Milan. 1950-1960 The years of revival) - presented over forty black and white photographs by the photojournalist Nick Giordano. The opening event on 9 December was attended by more than 200 customers who were able to enjoy a preview showing and meet the photographer.



Following in the footsteps of our Milan event the previous year, we organised a touring exhibition in Turin with the Capuchin Missionaries, presenting 30 nativity scene displays from all five continents of the world. Called "Presepi dal Mondo" (Nativity scenes from around the world), the exhibition visited the Banca Fideuram and Sanpaolo Invest branches in Turin between 1 December 2010 and 8 January 2011.

Sponsorship

Banca Fideuram sponsored a variety of events in Italy during 2010:

- The first “Salone della Gestione del Risparmio” (Managed Asset Fair), organised by Assogestioni, the Italian Association of Fund Managers, and held at the Palazzo Mezzanotte in Milan from 21 to 23 April. This was the first ever Italian event dedicated entirely to the managed asset market.
- “ITForum - Investment & Trading”, organised by Morningstar, from 12 to 14 May at the Rimini Conference Centre (Palazzo dei Congressi).
- 58th Italian Lions Club Congress, held in Montecatini Terme from 21 to 23 May.
- The €fPA European Conference, organised by the European Financial Planning Association Italy with the sponsorship of the Italian Financial Advisers’ Association (ANASF), held at the Marriott Park Hotel in Rome from 12 to 13 November.



Culture, Environment and Research

Banca Fideuram renewed its support for the Italian Multiple Sclerosis Association (AISM), donating €30,000 to help finance a research and development project on new robotic equipment for use in the rehabilitation of people with multiple sclerosis. Banca Fideuram’s partnership with the AISM

began in 2008 and has grown stronger over the years, since the association not only plays an active role in research which is essential for overcoming the disease in the near future, but also provides crucial support to people with the disease and their families, maintaining a strong local presence and close personal contact as key values it shares with Banca Fideuram.



For the Italian Multiple Sclerosis Association (AISM), the work of guiding, promoting and financing research must be centred on the person with Multiple Sclerosis.

To achieve these aims, the AISM acts as a bridge between laboratory research and clinical research, between clinical research and people with Multiple Sclerosis, and between people with Multiple Sclerosis and Institutions.

The AISM has chosen two priority research fields for its Foundation (FISM) to focus on over the next three years:

- 1) *Research projects into all-round treatments for people with Multiple Sclerosis.*
- 2) *Research projects into the causes of progression of the disease, and to find increasingly effective treatments and a definitive cure.*

As part of its commitment to *research projects into all-round treatments for people with Multiple Sclerosis*, the AISM launched an initiative in 2010 with leading centres in Italy and abroad with the aim of validating specific assessment scales, developing innovative and effective rehabilitation treatment protocols and developing increasingly precise disability assessment technologies.

Thanks to your support in 2010 we were able to embark on this important project leading to the development of an Internal Research Unit dedicated to the validation of global rehabilitation treatments for people with MS. Our aim is for these treatments to be recognised by the Italian National Health Service for widespread use by people with MS.

Your donation allowed us to start working with a Bioengineering Researcher to acquire crucial competencies for the development of increasingly precise disability assessment technologies.



The bank's commitment to preserving Italy's artistic heritage led us to make a €15,500 donation to support the restoration of four early 17th century paintings on canvas by Giovanni Andrea Donducci, also known as Mastelletta, owned by the Galleria Spada in Rome - a project championed by the Arts and Culture Unit (Soprintendenza Speciale per il Patrimonio Storico, Artistico ed etnoantropologico) for Rome's Polo Museale museums.



Room II of the Galleria Spada in Rome
 Andrea Donducci, known as **Mastelletta** (Bologna 1575-1655)
 Scene from fable, oil on canvas, 154x111 cm, inv. 278
 Painted: 1602-1604

In line with increasing public attention to training and school and university education, the bank also donated a total of €40,000 to the La Sapienza University and "Via Solidati Tiburzi" and "Via Giulia" schools in Rome, and to the "Liceo Paritario Madre Mazzarello" school in Turin.

Banca Fideuram, also supported the National Trust for Italy (Fondo per l'Ambiente Italiano - FAI) in 2010, donating €5,000 to the "Visto da vicino" project promoted by the Rome delegation of the FAI in conjunction with Rome's Musei Capitolini museums and Arts and Culture Department (Soprintendenza ai Beni Culturali).

Humanitarian projects

Banca Fideuram provided the same level of support for humanitarian projects in 2010 as in prior years. Many existing partnerships with non-profit associations and with Italian and international organisations that operate in areas where social hardship is a real emergency were continued, supporting new projects.

Special attention was dedicated to the non-profit Association "Amici di Alessandra", which promotes initiatives raising awareness of the problems

of underdevelopment and of the imbalances between western countries and the Third World.

In addition, a substantial sum was donated to the non-profit organisation "Salute e Sviluppo ONG" in support of a deserving project to install a new electrical system in the radiology department of the San Camillo Medical Centre in *Ouagadougou*, considered the foremost centre for the prevention and treatment of AIDS in Burkina Faso.

Lastly, Banca Fideuram also continued to provide financial support for the Italian Association for the Blind and Partially-Sighted (Associazione Nazionale Privi della Vista e Ipovedenti), the Lega del Filo d'oro, which assists the deafblind, and the police blood donor and volunteer work charity Associazione Donatori e Volontari Personale Polizia di Stato Onlus.

New links formed with charities during the year included, amongst others, the Milan children's charity Associazione dei Bambini di Milano Onlus, the Pescara association for the parents of haemopathic children (Associazione Genitori Bambini Emopatici) and the Dynamo Camp non-profit recreation therapy association, who successfully approached Banca Fideuram for donations to help them in their charitable work.

Charitable activities of Sanpaolo Invest

In 2010, Sanpaolo Invest set aside a total of €10,000 for charity which was distributed to the following respected bodies in the humanitarian/aid sectors:

- The Lanciano Domani Cultural Association, a non-profit humanitarian and literacy organisation whose 2011 programme of activities includes the completion and expansion of its projects in recent years, with the building of an additional classroom for a nursery school in Goru and the completion of three classrooms in the Awaite village school, together with the connection of the school and dining hall to the electricity network.
- The Associazione Ersilia Onlus, a humanitarian non-profit cultural association that undertakes projects dedicated to the world's poor. The association's 2011 project continues the construction of the first block of the "Felice Tufano" paediatric health centre (8 paediatric and emergency rooms) in the desert town of Manchay on the outskirts of Lima in Peru.

Sanpaolo Invest supported the Italian Multiple Sclerosis Foundation (AISM) in 2010 by buying its Christmas cards.

In 2010, the Banca Fideuram Group company Fideuram Gestions SA chose to donate its Christmas card budget to the association Fondation Maison de la Porte Ouverte, which helps individuals and families in difficulty, helping them to successfully rehabilitate into society.

The Banca Fideuram Group company Fideuram Asset Management Ireland Limited also chose to donate its Christmas card budget to charity in 2010, supporting MS Ireland (an association supporting multiple sclerosis research) and Mediciens Sans Frontiers (for its work in Haiti).

Media Relations

Media relations have always played a central role in Banca Fideuram's communications. Our aim in 2010 was to further increase public understanding of the bank and its subsidiaries' business, highlighting in particular the Group's leadership in private banking and financial advisory services.

Our work in 2010 achieved excellent results in terms both of visibility and greater in-depth understanding of the bank's initiatives. Indeed, the bank more than tripled its press exposure, with a total of 422 articles published in daily, weekly and monthly publications in 2010, compared with 127 in the previous year.

	2010	2009
Local Press	45	5
National Press	366	120
International Press	11	2
Total articles	422	127

The main subjects reported included:

- The launch of the process for listing Banca Fideuram on the Italian Stock Exchange.
- The acquisition of 100% of the share capital of Banca Sara (Sara Assicurazioni Group).

- The launch of "Essere Fideuram, Essere Consulente", a project that aims to train 700 recent university graduates in the profession of personal financial adviser and recruit them to the Group's distribution networks.
- The 2010 Financial Statements Oscar (Oscar di Bilancio) awarded to Banca Fideuram in the category "Major and Large Banks (listed and unlisted)".
- Our half-year and annual financial results.
- The Banca Fideuram Group's leadership as a melting pot in Italy's managed assets market.

The media also paid special attention to the fund managers at Fideuram Investimenti and Fideuram Asset Management Ireland, who were frequently invited to take part in round table discussions and surveys on the state of the markets, and gave interviews on the main trends in the financial industry.

During 2010, Group management enjoyed significant air time, taking part in numerous television and radio broadcasts in which they were able to outline the most significant initiatives undertaken by the Group.

Our objectives for 2011 include stepping up our local press relations, which have always yielded effective contacts for conveying the Group's image incisively. We shall also be aiming to achieve even greater visibility in television programmes and on-line financial journals and magazines.

THE ENVIRONMENT

The Banca Fideuram Group's environmental commitments in 2010 saw us continue the following initiatives and policies:

- Buying electricity for all branches and offices from Consorzio Idroenergia, a supplier that generates electricity from renewable sources, such that almost all the electricity Banca Fideuram uses is renewable energy.
- Replacing cathode ray tube monitors with new liquid crystal display (LCD) models that have a lower environmental impact thanks to their ease of disposal and lower energy consumption.
- Replacing air conditioning systems that use non-ecological refrigerant gases, gaining the additional benefit of lower electricity consumption.

The Bank's energy consumption in 2010 is shown below, compared to the figures for the previous year:

Energy consumption by source

		2010	2009	change %
Electricity	kWh	7,317,399	6,675,235	9.6
Methane	cu. m	301,295	286,425	5.2
Water	cu. m	56,173	60,944	-7.8

Other supplies and waste disposal

Salient amongst supplies with an environmental impact was our purchase of paper, for which spending was as follows:

(All figures in thousands of euros)

	2010	2009	change %
Forms	600	600	-
Copier paper	69	71	-2.8

Annual paper consumption

	2010	2009	change %
Total consumption kg	52,500	66,800	-21.4
Consumption per head kg per person	40	51	-21.6

Annual consumption of toner and ink cartridges

	2010	2009	change %
Toner cartridges Kg	650	500	30.0
Ink cartridges Kg	1,210	2,200	-45.0

Annual consumption of drinks cans/paper cups

	2010	2009	change %
drinks cans/ paper cups	2,900	2,700	7.4

Annual waste production

	2010	2009	change %
Municipal waste Tonnes	2	5	-60.0
Non-hazardous waste Tonnes	42	59	-28.8
Hazardous waste Tonnes	1.350	0.500	170.0

THE FINANCIAL SYSTEM AND OTHER INSTITUTIONS

Relationships with industry associations

Banca Fideuram and its subsidiaries are members of a number of industry associations, including the Italian Banking Association (ABI), the Italian Association of Companies Selling Financial Products and Investment Services (Assoreti), the Italian Association for Limited Liability Companies (Assonime) and the Italian Association of Fund Managers (Assogestioni).

The bank's Chairman is also a Director of the ABI and Italian Federation of Co-operative Credit Banks (Federcasse), while the bank's Managing Director and General Manager is Deputy Chairman of Assoreti.

OTHER EVENTS

Financial Statements Oscars

Banca Fideuram won a 2010 Financial Statements Oscar (Oscar di Bilancio) in the category “Major and Large Banks and Financial Companies”, distinguishing itself for the clarity, completeness and transparency of the information it provided the market through its financial statements. The Financial Statements Oscars, established in 1954 and organised by the Italian Public Relations Federation (FERPI - Federazione Relazioni Pubbliche Italiana) with the President of Italy as patron continues to be the most important Italian award of its kind. The 2010 Financial Statements Oscars were attended by hundreds of companies large and small, together with non-profit organisations and foundations.

Banca Fideuram achieved this sought-after award on the following grounds:



“Document excellent overall, distinguished by attractive graphics, high readability and manageable presentation. The depth of economic and financial analysis was particularly noteworthy, with year-by-year and quarter-by-quarter statements. The Web site benefits from high usability with considerable ease of navigation. The Social Report seems clear and exhaustive”.



This achievement is the result of a strong and concrete commitment that has seen Banca Fideuram pioneer a new way of communicating with the market, choosing to document its financial, environmental, social and governance results in a single tool with the aim of providing increased transparency for our stakeholders together with the financial and wider community. “Integrated Financial Statements” are the challenge of the future. A challenge towards which the prime leaders in private, social, profit and non-profit enterprise have been heading for years.

For Banca Fideuram, they are a new, simple and transparent way of communicating that is able to reach an increasingly vast group of shareholders, colleagues, customers and suppliers, people with whom we interact every day, actively contributing to their prospects and well-being.

The Group will continue to conduct a full dialogue and exchange with its stakeholders, including through its financial statements, as a leader on Italy’s managed assets and private banking market.



DISTRIBUTION OF VALUE

VALUE ADDED STATEMENT

The Group's Value Added Statement below has been prepared using the income statement figures from the 2010 Consolidated Financial Statements. These figures were reclassified following the guidelines of the Italian Banking Association (Associazione Bancaria Italiana - ABI), which have recently been updated and comply with the Global Reporting Initiative's G3. Guidelines. The statement prepared using these reclassified figures breaks the economic value added down into three main components: the economic value added created, distributed and, lastly, retained by the Group. The economic value added generated is the wealth the Group created in the financial year, which is for the most part subsequently distributed to the various different stakeholders with whom the Group has relations as part of its daily operations.

The economic value generated is distributed to:

- Agents, employees and Personal Financial Advisers, who receive a significant amount of the economic value generated in the form of direct or indirect remuneration.
- Suppliers, who receive a significant amount of the value generated, used to cover operating expenses.
- The Government, public authorities, institutions and charities, which receive a significant amount of the wealth created through the payment of direct and indirect taxes and charitable donations.
- Shareholders, who receive a financial return on the funds they have invested in the company.
- The economic value retained by the Group is the difference between the value created and the value distributed, and it is used for productive investments to enable economic growth and financial stability and to ensure the creation of new wealth to the benefit of all stakeholders.

The wealth created by the global business of the Banca Fideuram Group totalled €1,145m in 2010. This wealth was for the most part distributed to stakeholders as follows:

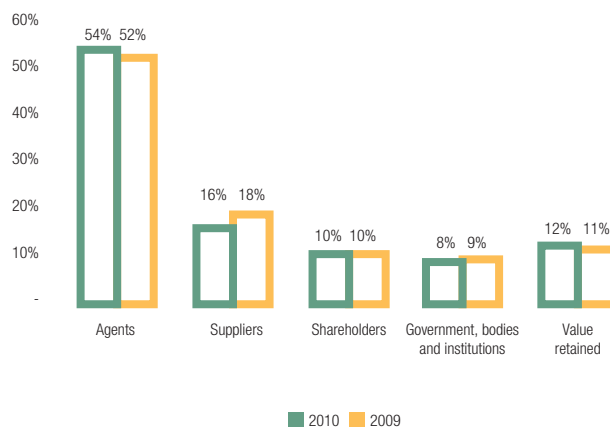
- Agents, freelances, employees and Personal Financial Advisers received 54% of value created totalling €613.2m. This total included the remuneration paid employees, and the amounts set aside for and paid to the Personal Financial Adviser Networks.
- Suppliers received 16%, totalling €179.6m paid for goods and services.

- Shareholders received 10% of value created, largely in the form of the proposed dividend, for a total of €117.6m.
- Government, bodies and institutions received €88.7m, principally in the form of income tax, equating to approximately 8% of economic value generated. The community received a total of €0.3m in the form of donations and gifts.
- The remaining €145.9m was retained by the business system to maintain the efficiency of the business complex, and consisted of deferred tax assets and liabilities, amortisation and depreciation, provisions for risks and charges and retained profit.

Comparison with the previous financial year shows a significant increase in wealth created, which benefited all categories of stakeholders with the exception of suppliers, as a result of the Group's expenditure rationalisation policies.

(€m)	2010	2009
Wealth created	1,145.0	1,012.3
Value added distributed	(999.1)	(904.0)
Agents/freelances	(613.2)	(528.3)
Suppliers	(179.6)	(183.5)
Shareholders	(117.6)	(102.0)
Government, bodies and institutions	(88.7)	(90.2)
Value retained	145.9	108.3

Wealth created



Value Added Statement

(€m)

		2010	2009
10.	Interest income and similar income	205.4	272.6
20.	Interest expense and similar expense	(85.7)	(114.9)
40.	Commission income	1,025.3	844.1
50.	Commission expense (not including expense for PFA Network)	(49.2)	(42.3)
70.	Dividends and similar income	-	0.1
80.	Net profit (loss) on trading activities	5.6	14.8
90.	Net profit (loss) on hedging activities	1.9	1.1
100.	Net profit (loss) on sale/repurchase of:	12.7	(3.2)
	a) loans	(2.3)	(0.6)
	b) financial assets available for sale	15.0	(2.6)
	c) financial assets held to maturity	-	-
	d) financial liabilities	-	-
110.	Net gains or losses on financial assets and liabilities designated at fair value	12.5	23.9
130.	Net impairment of:	(1.4)	(0.1)
	a) loans	(1.8)	(0.1)
	b) financial assets available for sale	-	-
	c) financial assets held to maturity	-	-
	d) other financial transactions	0.4	-
220.	Other income/(expense)	19.4	16.2
270.	Gain (loss) on disposal of investments	(1.5)	-
A	Total wealth created	1,145.0	1,012.3
180.b (partial)	Other administrative expenses (not including indirect taxes and donations/gifts)	(179.6)	(183.5)
	Value distributed to suppliers	(179.6)	(183.5)
180.a	Personnel expenses (including PFA network)	(613.2)	(528.3)
	Value distributed to employees and agents/freelances	(613.2)	(528.3)
330.	Minority interest in net profit/(loss) for the year	-	(0.1)
	Value distributed to third parties	-	(0.1)
	Profit distributed to shareholders	(117.6)	(101.9)
	Value distributed to shareholders	(117.6)	(102.0)
180.b	Other administrative expenses: indirect taxes	(22.7)	(23.3)
209.	Income taxes for the year (current taxes)*	(65.7)	(66.7)
	Value distributed to Central and Branch Administration	(88.4)	(90.0)
180.b	Other administrative expenses: donations and gifts	(0.3)	(0.2)
	Value distributed to community and environment	(0.3)	(0.2)
B	Total value distributed	(999.1)	(904.0)
C	Value retained	145.9	108.3

* The figures differ from the income statement in excluding deferred tax assets and liabilities, which are shown in a separate item of their own.

REPORT ON CORPORATE GOVERNANCE



Solidity

a) Organisational structure

Banca Fideuram's organisational structure includes the following company bodies:

- The Shareholders' Meeting, which expresses the corporate will.
- The Board of Directors, appointed by the Shareholders' Meeting for a period of three financial years and vested with all management powers regarding the company.
- The Chairman of the Board of Directors - appointed by the Board of Directors from among its members - who is the company's legal representative in dealings with third parties and in legal proceedings.
- The Internal Audit Committee, established within the Board and made up of three of its members, is a technical body which acts in an advisory and investigative capacity.
- A Deputy Chairman, appointed by the Board of Directors from among its members.
- A Managing Director, appointed by the Board of Directors, which determines his/her powers in accordance with the by-laws.
- In accordance with the by-laws, the General Management shall comprise a General Manager, if appointed, and one or more persons who may be appointed Joint General Manager and Vice General Manager. They execute, in accordance with the duties and competencies assigned by the Board of Directors, the decisions taken by the Board of Directors and Company Bodies, managing the bank's current business, organising its activities and deciding the appointment and assignment of personnel. The General Management, each member of which is appointed by the Board of Directors, currently comprises the General Manager (appointment covered by the Managing Director).
- The Board of Auditors, appointed by the Shareholders' Meeting for a period of three financial years and made up of three Statutory Auditors and two Acting Auditors, which acts in a supervisory role regarding compliance with the law and by-laws and, in particular, regarding the suitability of the organisational, administrative and accounting solutions adopted by the bank and their operation in practice.
- The Senior Manager Responsible for the Preparation of the Company

Accounts, appointed as provided for in the by-laws, who performs the duties assigned by the Board of Directors.

The powers and operating procedures of the Company Bodies are set out in laws and regulations, in the by-laws and in resolutions by the competent bodies. In particular, the Board of Directors has approved the "Regulations of the Banca Fideuram Board of Directors" in accordance with the Bank of Italy's Supervisory Regulations regarding the organisation and corporate governance of banks.

The independent audit is carried out by an auditing company that meets the requirements of Italian law. Banca Fideuram has appointed Reconta Ernst & Young S.p.A. as the independent auditors for its separate and consolidated financial statements for the 2007-2012 financial years.

b) Share capital

The bank's fully paid-up share capital pursuant to article 5 of the by-laws is €186,255,207.16 divided into 980,290,564 ordinary shares with a par value of 0.19 euro each, wholly owned by Intesa Sanpaolo S.p.A., which - as the parent company of the banking group of that name - is also responsible for the bank's management and coordination.

c) Role of subholding company

Banca Fideuram heads an integrated group of companies both in and outside Italy that specialise in the distribution and management of financial products (these companies are listed in Table 1). In addition to financial products, the group also distributes insurance and pension products supplied by Fideuram Vita S.p.A., a life insurance company in the Intesa Sanpaolo Group.

Table 1

Holdings in companies controlled as at 31.12.2010

Name	Registered Office	Ownership		
		% direct	% indirect	% total
Sanpaolo Invest SIM S.p.A.	Rome	100.00	-	100.00
Fideuram Fiduciaria S.p.A.	Rome	100.00	-	100.00
Fideuram Investimenti SGR S.p.A.	Milan	99.50	-	99.50
Sanpaolo Invest (Ireland) Ltd	Dublin	100.00	-	100.00
Fideuram Asset Management (Ireland) Ltd	Dublin	100.00	-	100.00
Fideuram Bank (Luxembourg) S.A.	Luxembourg	99.99	-	99.99
Fideuram Gestions S.A.	Luxembourg	99.94	-	99.94
Fideuram Bank (Suisse) A.G.	Lugano	-	99.99	99.99
Financière Fideuram S.A.	Paris	99.99	-	99.99
Euro-Trésorerie S.A.	Paris	-	99.99	99.99

1. COMPANY MANAGEMENT

a) Board of Directors

The Bank's current Board of Directors comprises 11 members, appointed by the Ordinary Shareholders' Meeting of 7 April 2009, who shall remain in office until the Shareholders' Meeting called to approve the financial statements for the 2011 financial year.

The current members of the Board of Directors are:

Salvatore MACCARONE	Chairman
Angelo CALOIA	Vice Chairman
Matteo COLAFRANCESCO	Managing Director/General Manager
Alessandro BARBERIS	Director
Caterina BIMA	Director
Franca CIRRI FIGNAGNANI	Director
Oscar GIANNONI	Director
Cesare IMBRIANI	Director
Piero LUONGO	Director
Giampietro NATTINO	Director
Giuseppe RUSSO	Director

Within the structure of the Bank's Board of Directors, the title of Executive Director may only be applied to the Managing Director and General Manager, in consideration of his/her assigned duties and powers of executive management and for the direction of the Bank's business and of the Personal Financial Adviser networks.

Nine of the other Directors (Salvatore Maccarone, Angelo Caloia, Alessandro Barberis, Caterina Bima, Franca Cirri Fignagnani, Oscar Giannoni, Cesare Imbriani, Giampietro Nattino and Giuseppe Russo) satisfy the requirements of independence set out in article 13 of the by-laws. These directors:

- Are not employed by and do not have ongoing consultancy or remunerated work or other financial relations with the bank or its subsidiaries, parent companies or companies in which it has a joint controlling interest able to compromise their independence.
- Are not executive directors of the bank or its subsidiaries, parent companies or companies in which it has a joint controlling interest.
- Are not relatives up to the second degree of consanguinity or affinity of any people in the situations specified in point (b) above.

Pursuant to said article 13 of the by-laws, the Board of Directors issued a specific regulation setting the maximum number of appointments outside the Intesa Sanpaolo Group that may be held by Directors (5 for Executive Directors and 10 for Non-Executive Directors). On the basis of the declarations of the individual Directors concerned, all the Directors respect the limits on the total number of appointments they may each respectively hold.

In accordance with article 17 of the by-laws, the Board of Directors is in charge of the bank's ordinary and extraordinary management, excepting in those matters where Italian law restricts decision-making power to the Shareholders' Meeting. In particular, the Board of Directors has the authority to make decisions concerning, inter alia, general management policy, strategic policy and operations and

business and financial plans, the approval of internal regulations, the appointment of General Management and internal audit managers, and the purchase and sale of equity investments.

The Board of Directors likewise has the authority to make decisions concerning the following:

- Mergers and spin-offs in the cases and following the procedures provided for by current legislation and regulations.
- The establishment and closure of sub-offices.
- Reductions in the share capital in cases of the withdrawal of shareholders.
- Amendments aligning the by-laws with regulatory provisions.

In line with the Italian Stock Exchange's Code of Self-Discipline of Listed Companies, the Board of Directors expressly retained sole responsibility for the following duties in particular when delegating authority to the company's other bodies:

- Examining and approving the strategic business and financial plans of the bank and its subsidiaries, the bank's system of corporate governance and the Group structure, as well as formulating directives governing relations with subsidiaries.
- Approving the bank's separate and consolidated budgets and monthly, quarterly, half-yearly and annual financial statements.
- Assessing the suitability of the organisational, administrative and general accounting systems of the bank and of its strategically significant subsidiaries put in place by the Managing Director and General Manager, paying particular attention to the internal audit system and management of conflicts of interest.
- Delegating authority to company bodies and revoking such authority, specifying the limits to and procedures for the exercise of said authority.
- Deciding, in line with Group policies, the remuneration of the members of General Management as well as, following favourable consultation with the Board of Auditors, the remuneration of directors with special positions or duties.
- Evaluating general performance, taking into consideration, in particular, the information received from company bodies and regularly comparing the results achieved with those planned.
- Examining and providing prior approval for strategically, economically or financially significant transactions by the bank and its subsidiaries, paying particular attention to situations in which one or more directors have a potential direct or indirect conflict of interest, or, more generally, to transactions with related parties.
- Reporting to the Shareholders at the Shareholders' Meeting on activities carried out and planned.

Where transactions with related parties in particular are concerned, on 16 December 2010, the bank's Board of Directors adopted the new Intesa Sanpaolo Regulations governing transactions with related parties. The main points in this procedure are described later in this report.

The Board of Directors must be kept constantly informed of all decisions taken by delegated bodies through information supplied at regular intervals by the Managing Director and General Manager.

Meetings of the Board of Directors, which the by-laws stipulate must as a rule be held at two-month intervals, are normally held every month. The Board of Directors held 13 meetings in 2010. Board Meeting Attendance was 87% overall, both where all the Directors and the Independent Directors in particular were concerned.

b) Chairman

In accordance with the provisions of the by-laws, the Chairman is empowered to act as the bank's legal representative.

The Board of Directors has in addition assigned non-managerial duties and powers to the Chairman that are instrumental in the operation of the bank, including:

- Supervising the implementation - by the Managing Director and General Manager - of the resolutions of the Board of Directors.
- Acting on the decisions of the Board of Directors, having taken due note of the opinions of the Managing Director and General Manager, with respect to the bank's share capital and the purchase and sale of equity investments.
- Proposing the appointment and dismissal of members of General Management in consultation with the Managing Director and General Manager and specifying their duties and responsibilities.
- Formulating and managing media communications, branding and charitable activities in consultation with the Managing Director and General Manager.

c) Managing Director and General Manager

The Managing Director and General Manager is responsible for the management of the bank and Personal Financial Adviser Networks, with full powers of ordinary and extraordinary management in accordance with the general planning and strategic policies decided by the Board of Directors, with the sole exception of those powers which by law may not be delegated and those restricted to the Board of Directors or other company bodies.

d) Internal Audit Committee

The Board of Directors is supported in its institutional functions by a Technical Committee set up from among its members, which acts in an advisory and investigative capacity.

The Internal Audit Committee is made up of three non-executive directors, at least two of whom must be independent directors as defined in the by-laws. The Internal Audit Committee is currently made up of the Directors Cesare Imbriani, who also chairs the committee, Giuseppe Russo and Franca Cirri Fignagnani - all non-executive directors and independent as defined in the by-laws.

The following participate in the work of the Committee: the Chairman of the Board of Auditors, the Managing Director and General Manager, the Head of the Audit Department and the Corporate Risk Manager, as well as the Head of the parent company's Audit Department or another Director appointed by the latter.

The Internal Audit Committee held 12 meetings in 2010.

The Members of the Board of Directors and Internal Audit Committee are provided with the documents and information required for proper evaluation of the items on the agenda suitably in advance of their meetings.

2. REMUNERATION OF DIRECTORS

The policies governing the remuneration of directors in accordance with article 12 of the by-laws are approved by the Shareholders' Meeting.

The latter decides the annual remuneration of each Director and any compensation for attending meetings of the Board of Directors and any Committees in accordance with article 18 of the by-laws.

The Board of Directors decides the remuneration of Directors with special positions or duties, in accordance with article 2389 of the Italian Civil Code, having taken due note of the opinion of the Board of Auditors. The Managing Director is, as General Manager, entitled to a gross fixed salary and a variable bonus linked to the achievement of objectives set in advance by the Board of Directors.

Details of the remuneration paid to the Directors are provided in the Notes to the Annual Financial Statements.

3. INTERNAL AUDIT SYSTEM

The internal audit system is an essential core component of the bank's corporate processes, designed to ensure, through managing the related risks, that the bank and its subsidiaries are managed properly with a view to achieving their set objectives and, at the same time, to taking care of their stakeholders' interests.

The internal audit system operates in accordance with the relevant laws and regulations in force and, in particular, the related provisions of the Bank of Italy's supervisory regulations, the Italian Finance Consolidation Act and the provisions implementing it issued by the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB) and the Bank of Italy, as well as the internal regulations of the Intesa Sanpaolo Group.

The related duties are entrusted to the aforementioned Internal Audit Committee and a dedicated Audit Department, which reports directly to the Board of Directors and to the Managing Director and General Manager, enjoys the necessary autonomy and independence from the operating structures and has unrestricted access to company data, archives and assets in the performance of its duties.

The Board of Directors has assigned the Internal Audit Committee the following duties:

- Assisting the Board of Directors in the performance of its duties of establishing guidelines and periodic checks into the suitability and effective operation of the Bank's and its subsidiaries' internal audit system.
- Examining the work plans prepared by the Head of the Audit Department and by the Compliance Officer and their periodic reports.
- Evaluating, together with the Senior Manager Responsible for the Preparation of the Company Accounts and the Independent Auditors, the suitability of the accounting policies used and their compatibility for the purposes of preparing the separate and consolidated financial statements, through examination of the annual and interim accounts, together with the results presented in the auditors' reports.

- Evaluating the suitability and effective operation of the bank's accounting system, including with the support of the Senior Manager Responsible for the Preparation of the Company Accounts and the auditors.
- Maintaining close contacts with the Board of Auditors, through the Chairman of the Board of Auditors' participation in the Committee's meetings, in order to ensure a prompt two-way exchange of information on matters relevant to the internal audit system.
- Reporting to the Board of Directors, at least six-monthly, upon the approval of the financial statements and half-year report, on the activities carried out and on the suitability of the bank's and its subsidiaries' internal audit systems.

The Committee is in addition also required to:

- Provide prior evaluation of any significant insider transactions with related parties.
- Assess customer complaints concerning bonds issued by corporate parties in default and proposals regarding compensation for damages to customers for any offences by Personal Financial Advisers.
- Performing any additional duties assigned by the Board of Directors, in particular with regard to relations with the Independent Auditors.

The Board of Directors adopted the new Banca Fideuram "Model of organisation, management and control in accordance with Italian Legislative Decree No. 231 of 8 June 2001" at its meeting of 11 December 2008 (most recently updated at its meeting of 22 July 2010), which aims to prevent the possibility of the offences specified in the decree from being committed and, consequently, the administrative responsibility of the company.

The duty of supervising the operation and effectiveness of the model and compliance with it is entrusted to a Supervisory Board vested with autonomous powers of initiative and control that is autonomous, independent, professional and operates with continuity of action.

The Supervisory Board is currently made up of Director Cesare Imbriani, who Chairs the Board, Alessandro Cotto (Acting Auditor) and Pierluigi Cipolloni (Head of the bank's Audit Department).

The Supervisory Board held 14 meetings in 2010.

The Audit Department is responsible for auditing the proper conduct of the bank's operations and processes, assessing the bank's overall internal audit system and its suitability for ensuring the effectiveness and efficiency of company processes, the reliability and integrity of accounting and management information, and the compliance of operations both with the policies established by the company's governance bodies and with internal and external regulations.

The activities of the Audit Department are principally focused on identifying any abnormal or risk behaviour and situations, any infringements of the law and regulations in Italy and abroad, as well as any failure to respect internal procedures and regulations, formulating recommendations regarding the implementation of the measures required to eliminate the phenomena noted.

The Audit Department currently comprises the following units:

- The Networks Audit Unit, which is responsible for planning and carrying out audits on the Banca Fideuram and Sanpaolo Invest Networks and bank branches.

- The Central Departments and Subsidiaries Audit Unit, which is responsible for carrying out the auditing and internal auditing of the bank's central organisational departments and of those subsidiaries for which it performs Internal Auditing under outsourcing agreements.

The Head of the Audit Department:

- Reports on the work carried out in the period and on any specific related matters to have arisen to every meeting of the Internal Audit Committee, which are as a rule held monthly.
- Prepares a half-yearly report on the work carried out, which is presented to the Board of Directors and Board of Auditors following its prior presentation to the Internal Audit Committee.
- Prepares an annual Work Plan submitted to the Internal Audit Committee, Board of Directors and Board of Auditors.

The Audit Department provides prompt notification of any confirmed serious irregularities to the Chairman of the Board of Directors, the Managing Director and General Manager, the Chairman of the Internal Audit Committee, the Chairman of the Board of Auditors and the Head of Parent Company Intesa Sanpaolo's Audit Department, presenting the related information at the earliest practicable meeting of the Internal Audit Committee and, in the most serious cases, of the Board of Directors.

The Corporate Risk Department reports directly to the Board of Directors and to the Managing Director and General Manager. The department is responsible for drawing up risk management and compliance guidelines and policies in line with company strategies and objectives and parent company Intesa Sanpaolo's guidelines, as well as for coordinating their implementation.

The Compliance Unit within the Corporate Risk Department is independent of the operating departments and organisationally and operationally separate from the Audit Department. The Compliance Unit is responsible for identifying, over time, the laws and sector regulations which apply, measuring and evaluating their impact on company processes and procedures, while verifying the bank's compliance with them, in addition to managing the audit and control activities carried out pursuant to Italian Legislative Decree No. 231/2001.

The Compliance Unit monitors compliance risk, verifying that all internal processes are consonant with the objective of preventing the infringement of any laws and regulations, in addition to supporting company departments with the ex-ante evaluation of the compliance aspects of projects and with developing and proposing any organisational and procedural changes for ensuring appropriate management and preventing compliance risks, evaluating the effectiveness of said changes over time.

The Board of Directors and Internal Audit Committee are kept informed of the Compliance Unit's activities at six-monthly intervals.

The Head of the Corporate Risk Department is also the bank's Compliance Officer.

At its meeting of 15 April 2010, the Board of Directors approved the current "Banca Fideuram Operational Risk Management Regulations" implementing the "Group Operational Risk Management Guidelines", adapting the guiding policies, organisational architecture and general Operational Risk Management processes provided for at Intesa Sanpaolo Group level to its own operating context.

4. TRANSACTIONS WITH RELATED PARTIES

The Board of Directors adopted the new "Intesa Sanpaolo Regulations governing the management of transactions with related parties" at its 16 December 2010 meeting, which was adopted by our parent company pursuant to article 2391 bis of the Italian Civil Code, as put into effect by Regulation No. 17221 of the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB) of 12 March 2010, amended by resolution No. 17389 of 23 June 2010.

These Regulations, which are intended to ensure the correctness of significant transactions carried out, either directly or by subsidiaries, with related parties in parent company Intesa Sanpaolo, specify the following in particular:

- The criteria for identifying related parties.
- The rules for identifying transactions with related parties.
- Exemptions from the Regulations.
- The preliminary, proposal and decision-making procedures for transactions with related parties.
- The identification of transactions with related parties to be submitted to the prior opinion/authorisation of parent company Intesa Sanpaolo.
- Requirements regarding the subsequent notification of the Board of Directors of parent company Intesa Sanpaolo and the market.

In those cases where the related party is also a director of the banking group, the situation is not only governed by the group's regulations for transactions with related parties, but also by the special provisions set forth in article 136 of Italian Legislative Decree No. 385/1993 (the Banking Consolidation Act - Testo Unico Bancario) concerning transactions with the Directors of Banking Groups, as well as - where appropriate - the provisions of articles 2391 and 2391-bis of the Italian Civil Code governing directors' interests, and article 2497-ter of the Civil Code on decisions taken by parties that play a senior management or coordinating role, as well as the provisions of article 2373 of the Civil Code regarding shareholders in conflict-of-interest situations.

5. CONFIDENTIAL INFORMATION

The Board of Directors adopted the Intesa Sanpaolo "Regulations governing the communication of inside information to the market", which it implemented by issuing its own internal regulations in compliance with Italian market abuse law and regulations.

6. SHAREHOLDERS' MEETINGS

The practice adopted to date by the Board of Directors has always been as follows:

- To ensure shareholders are provided with information on the bank at Shareholders' Meetings.
- To encourage the participation of all the Directors in Shareholders' Meetings.

Shareholders' Meetings are called in accordance with the by-laws, giving written notice delivered at least eight days in advance by registered mail with return receipt to all shareholders in the list of shareholders, sent to their respective places of domicile or, if the shareholder has specifically requested it for this purpose, to their fax number or e-mail address.

There were three Banca Fideuram Shareholders' Meetings during the 2010 financial year.

7. BOARD OF AUDITORS

The term of the bank's current Board of Auditors, appointed by the Shareholders' Meeting on 10 April 2008, ends with the Shareholders' Meeting called to approve the 2010 financial statements.

The current Board of Auditors consists of:

Vincenzo MEZZACAPO	Chairman of the Board of Auditors
Carlo ANGELINI	Statutory Auditor
Lorenzo GINISIO	Statutory Auditor
Ruggero RAGAZZONI	Acting Auditor
Alessandro COTTO	Acting Auditor

The Board of Auditors held 16 meetings in 2010.

The Board of Auditors takes part in every meeting of the Board of Directors and is therefore continuously informed about the bank's activities. In accordance with the combined provisions of article 2381 of the Italian Civil Code and article 19 of the by-laws, and to ensure that the Board of Auditors possesses every informational tool necessary to perform its duties effectively, the Directors report to the Board of Auditors at least quarterly on their work and on the most significant economic, financial and asset-related transactions of the bank and its subsidiaries, as well as on any transactions in which they have a direct or indirect interest, or which have been influenced by parties that play a senior management or coordinating role. In accordance with Italian Legislative Decree No. 39/2010 (also known as the Italian Auditing Consolidation Act - Testo Unico della Revisione), the Board of Auditors is in addition required to evaluate the Independent Auditors' proposals, submitted with the aim of gaining appointment, as well as the work plan prepared for the audit and the results set out in the report and letter of comments.

CONSOLIDATED FINANCIAL STATEMENTS



Precision

Consolidated Balance Sheet

(thousands of euros)

	31.12.2010	31.12.2009
ASSETS		
10. Cash and cash equivalents	46,933	77,188
20. Financial assets held for trading	48,130	56,680
30. Financial assets designated at fair value	207,886	218,723
40. Financial assets available for sale	2,789,397	2,858,332
50. Financial assets held to maturity	608,196	605,451
60. Due from banks	2,098,325	3,698,915
70. Loans to customers	2,788,746	2,014,785
80. Hedging derivatives	2,459	236
90. Adjustment of financial assets subject to generic hedging	-	-
100. Investments in associates	77,039	190
110. Reinsurers' share of technical reserves	-	-
120. Property and equipment	33,380	31,541
130. Intangible assets	21,188	27,135
including: goodwill	-	-
140. Tax assets	207,723	161,308
a) current	21,635	12,075
b) deferred	186,088	149,233
150. Non-current assets and groups of assets held for sale	-	-
160. Other assets	626,548	572,805
TOTAL ASSETS	9,555,950	10,323,289

Chairman of the
Board of Directors
Salvatore Maccarone

Managing Director
Matteo Colafrancesco

Senior Manager Responsible for the
Preparation of the company accounts
Paolo Bacciga

Consolidated Balance Sheet

(thousands of euros)

	31.12.2010	31.12.2009
LIABILITIES AND SHAREHOLDERS' EQUITY		
10. Due to banks	409,677	607,756
20. Due to customers	7,151,877	7,736,555
30. Debt on issue	-	-
40. Financial liabilities held for trading	42,652	39,503
50. Financial liabilities designated at fair value	-	-
60. Hedging derivatives	358,667	276,024
70. Adjustment of financial liabilities subject to generic hedging	-	-
80. Tax liabilities	49,067	66,334
a) current	26,468	36,329
b) deferred	22,599	30,005
90. Liabilities associated with non-current assets held for sale and discontinued operations	-	-
100. Other liabilities	433,801	498,461
110. Employment termination indemnities	22,079	23,586
120. Provisions for risks and charges:	338,861	310,527
a) Pensions and other commitments	-	-
b) Other provisions	338,861	310,527
130. Technical reserves	-	-
140. Valuation reserves	(252,876)	(149,880)
150. Redeemable shares	-	-
160. Capital instruments	-	-
170. Reserves	595,035	540,460
180. Share premium reserve	9,138	9,138
190. Capital	186,255	186,255
200. Treasury shares (-)	-	-
210. Minority interest	107	216
220. Net profit (loss) for the year	211,610	178,354
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	9,555,950	10,323,289

Chairman of the
Board of Directors
Salvatore Maccarone

Managing Director
Matteo Colafrancesco

Senior Manager Responsible for the
Preparation of the company accounts
Paolo Bacciga

Consolidated Income Statement

(thousands of euros)

	2010	2009
10. Interest income and similar income	205,390	272,566
20. Interest expense and similar expense	(85,712)	(114,939)
30. Net interest income	119,678	157,627
40. Commission income	1,025,315	844,059
50. Commission expense	(486,495)	(402,572)
60. Net commission income	538,820	441,487
70. Dividends and similar income	2	57
80. Net profit (loss) on trading activities	5,569	14,804
90. Net profit (loss) on hedging derivatives	1,865	1,124
100. Net profit (loss) on sale or repurchase of:	12,719	(3,124)
a) loans	(2,282)	(579)
b) financial assets available for sale	15,001	(2,545)
c) financial assets held to maturity	-	-
d) financial liabilities	-	-
110. Net profit (loss) on financial assets and liabilities designated at fair value	12,460	23,914
120. Total net interest and trading income	691,113	635,889
130. Net impairment on:	(1,410)	(142)
a) loans	(1,763)	(127)
b) financial assets available for sale	-	-
c) financial assets held to maturity	-	-
d) other financial transactions	353	(15)
140. Operating income on financing activities	689,703	635,747
150. Net insurance premiums	-	-
160. Other income/expense from insurance operations	-	-
170. Operating income on financing and insurance activities	689,703	635,747
180. Administrative expenses:	(329,259)	(328,042)
a) personnel expenses	(126,688)	(121,063)
b) other administrative expenses	(202,571)	(206,979)
190. Net provisions for risks and charges	(81,880)	(81,869)
200. Depreciation of property and equipment	(3,039)	(2,532)
210. Amortization of intangible assets	(13,240)	(15,309)
220. Other income/expense	19,462	16,272
230. Operating expenses	(407,956)	(411,480)
240. Profit (loss) on equity investments	2,354	-
250. Net fair value gains (losses) on property and equipment and intangible assets	-	-
260. Adjustments to goodwill	-	-
270. Gain (loss) on disposal of investments	(1,470)	-
280. Profit (loss) before tax	282,631	224,267
290. Income taxes	(71,047)	(45,837)
300. Profit (loss) after tax	211,584	178,430
310. Profit (loss) after tax on groups of assets held for sale	-	-
320. Net profit (loss) for the year	211,584	178,430
330. Minority interest	26	(76)
340. Parent company interest in net profit (loss) for the year	211,610	178,354

Chairman of the
Board of Directors
Salvatore Maccaroni

Managing Director
Matteo Colafrancesco

Senior Manager Responsible for the
Preparation of the company accounts
Paolo Bacciga

Consolidated statement of comprehensive income

(thousands of euros)

	31.12.2010	31.12.2009
10. Net profit/loss for the period	211,584	178,430
Other comprehensive income after tax		
20. Financial assets available for sale	(103,662)	160,176
30. Property and equipment	-	-
40. Intangible assets	-	-
50. Hedging of foreign investments	-	-
60. Hedging of financial flows	-	-
70. Exchange rate differences	3,416	(46)
80. Non-current assets held for sale	-	-
90. Actuarial gain/loss on defined-benefit plans	-	-
100. Revaluation reserves related to investments carried at equity	(2,751)	-
110. Total other comprehensive income after tax	(102,997)	160,130
120. Total comprehensive income	108,587	338,560
130. Total comprehensive income attributable to minority interest	(26)	76
140. Total comprehensive income attributable to parent company	108,613	338,484

Chairman of the
Board of Directors
Salvatore Maccarone

Managing Director
Matteo Colafrancesco

Senior Manager Responsible for the
Preparation of the company accounts
Paolo Bacciga

Statement of changes in consolidated shareholders' equity

(thousands of euros)

	Balance as at 31.12.2009	Change to opening balance	Balance as at 1.1.2010	Allocation of income for the previous year		Changes in the year							Total comprehensive income for the year	Shareholders' equity as at 31.12.2010	Group Shareholders' equity	Minority interest	
				Reserves	Dividends and other	Changes in reserves	Transactions involving shareholders' equity										
							Issue of new shares	Purchase of treasury shares	Distribution of extraordinary dividends	Change in capital instruments	Derivatives based on treasury shares	Stock options					Other changes
Capital:	186,403	-	186,403	-	-	-	-	-	-	-	-	-	(5)	-	186,398	186,255	143
a) Ordinary shares	186,403	-	186,403	-	-	-	-	-	-	-	-	-	(5)	-	186,398	186,255	143
b) Other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	9,138	-	9,138	-	-	-	-	-	-	-	-	-	-	-	9,138	9,138	-
Reserves:	540,452	-	540,452	76,404	-	(21,830)	-	-	-	-	-	-	-	-	595,026	595,035	(9)
a) from net income	427,484	-	427,484	76,404	-	(21,830)	-	-	-	-	-	-	-	-	482,058	482,067	(9)
b) other	112,968	-	112,968	-	-	-	-	-	-	-	-	-	-	-	112,968	112,968	-
Valuation reserves	(149,880)	-	(149,880)	-	-	-	-	-	-	-	-	-	-	(102,997)	(252,877)	(252,876)	(1)
Capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit/loss for the year	178,430	-	178,430	(76,404)	(102,026)	-	-	-	-	-	-	-	-	211,584	211,584	211,610	(26)
Shareholders' equity	764,543	-	764,543	-	(102,026)	(21,830)	-	-	-	-	-	-	(5)	108,587	749,269	749,162	107
Group shareholders' equity	764,327	-	764,327	-	(101,950)	(21,828)	-	-	-	-	-	-	(5)	108,613	749,162		
Minority interest	216	-	216	-	(76)	(2)	-	-	-	-	-	-	(5)	(26)	107		

Chairman of the
Board of Directors
Salvatore Maccarone

Managing Director
Matteo Colafrancesco

Senior Manager Responsible for the
Preparation of the company accounts
Paolo Bacciga

Statement of changes in consolidated shareholders' equity

(thousands of euros)

	Balance as at 31.12.2008	Change to opening balance	Balance as at 1.1.2009	Allocation of income for the previous year		Changes in the year								Shareholders' equity as at 31.12.2009	Group Shareholders' equity	Minority interest	
				Reserves	Dividends and other	Changes in reserves	Transactions involving shareholders' equity						Total comprehensive income for the year				
							Issue of new shares	Purchase of treasury shares	Distribution of extraordinary dividends	Change in capital instruments	Derivatives based on treasury shares	Stock options					Other changes
Capital:	186,468	-	186,468	-	-	-	-	-	-	-	-	-	(65)	-	186,403	186,255	148
a) Ordinary shares	186,468	-	186,468	-	-	-	-	-	-	-	-	-	(65)	-	186,403	186,255	148
b) Other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	9,144	-	9,144	-	-	-	-	-	-	-	-	-	(6)	-	9,138	9,138	-
Reserves:	451,448	-	451,448	80,053	-	8,951	-	-	-	-	-	-	-	-	540,452	540,460	(8)
a) from net income	338,480	-	338,480	80,053	-	8,951	-	-	-	-	-	-	-	-	427,484	427,492	(8)
b) other	112,968	-	112,968	-	-	-	-	-	-	-	-	-	-	-	112,968	112,968	-
Valuation reserves	(310,010)	-	(310,010)	-	-	-	-	-	-	-	-	-	-	160,130	(149,880)	(149,880)	-
Capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit/loss for the year	176,172	-	176,172	(80,053)	(96,119)	-	-	-	-	-	-	-	-	178,430	178,430	178,354	76
Shareholders' equity	513,222	-	513,222	-	(96,119)	8,951	-	-	-	-	-	-	(71)	338,560	764,543	764,327	216
Group shareholders' equity	513,028	-	513,028	-	(96,068)	8,883	-	-	-	-	-	-	338,484	764,327			
Minority interest	194	-	194	-	(51)	68	-	-	-	-	-	-	(71)	76	216		

Chairman of the
Board of Directors
Salvatore Maccarone

Managing Director
Matteo Colafrancesco

Senior Manager Responsible for the
Preparation of the company accounts
Paolo Bacciga

Statement of consolidated cash flows (Indirect method)

(thousands of euros)

	2010	2009
A. OPERATING ACTIVITIES		
1. Operations	349,601	288,317
Net profit/loss	211,610	178,354
Net profit (loss) on financial assets held for trading and on financial assets/liabilities designated at fair value	(16,120)	(25,616)
Net profit (loss) on hedging derivatives	(1,865)	(1,124)
Net profit (loss) on financial assets available for sale	(15,001)	2,545
Net impairment	1,410	142
Depreciation of property and equipment and amortization of intangible assets	16,279	17,841
Net provisions for risks and charges and other costs/income	82,754	82,918
Uncollected net insurance premiums	-	-
Uncollected other insurance income/expense	-	-
Unpaid taxes and levies	71,047	45,837
Net adjustments/write-backs of net value after tax of groups of assets held for sale	-	-
Other adjustments	(513)	(12,580)
2. Cash from/used in financing activities	737,363	491,566
Financial assets held for trading	14,119	54,869
Financial assets designated at fair value	23,297	(10,831)
Hedging derivatives	(358)	888
Financial assets available for sale	(22,476)	(87,227)
Due from banks: demand deposits	170,294	(97,168)
Due from banks: other receivables	1,428,411	859,655
Loans to customers	(776,121)	(162,318)
Other assets	(99,803)	(66,302)
3. Cash from/used in financial liabilities	(924,388)	(621,851)
Due to banks: demand deposits	(450,932)	196,544
Due to banks: other debts	252,853	(41,652)
Due to customers	(584,678)	(525,947)
Debt on issue	-	(202,440)
Financial liabilities held for trading	3,149	(43,357)
Financial liabilities designated at fair value	-	-
Hedging derivatives	82,643	(31,333)
Other liabilities	(227,423)	26,334
Net cash from/used in operating activities	162,576	158,032
B. INVESTMENT ACTIVITIES		
1. Cash from		4,386
Disposal of subsidiaries	-	-
Dividend income in investments in associates	-	57
Sale of financial assets held to maturity	-	4,329
Sale of property and equipment	-	-
Sale of intangible assets	-	-
Sale of subsidiaries and company divisions	-	-
2. Cash used in	(90,881)	(18,217)
Acquisition of subsidiaries	(74,495)	(70)
Acquisition of financial assets held to maturity	(2,745)	-
Acquisition of property and equipment	(6,348)	(2,316)
Acquisition of intangible assets	(7,293)	(15,831)
Acquisition of subsidiaries and company divisions	-	-
Net cash from/used in investing activities	(90,881)	(13,831)
C. FUNDING ACTIVITIES		
Issue/purchase of treasury shares	-	-
Issue/purchase of capital instruments	-	-
Distribution of dividends and other	(101,950)	(96,068)
Net cash from/used in funding activities	(101,950)	(96,068)
NET CASH GENERATED/USED IN THE YEAR	(30,255)	48,133
Reconciliation		
Cash and cash equivalents at beginning of year	77,188	29,055
Net cash generated/used in the year	(30,255)	48,133
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at end of year	46,933	77,188

Chairman of the
Board of Directors
Salvatore Maccarone

Managing Director
Matteo Colafrancesco

Senior Manager Responsible for the
Preparation of the company accounts
Paolo Bacciga

Notes to the Consolidated Financial Statements

■ Part A - Accounting policies

A.1 - General

- Section 1 - Declaration of compliance with the international accounting standards
- Section 2 - General accounting policies
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- Section 4 - Subsequent events
- Section 5 - Other aspects

A.2 - Main financial statement items

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- Section 2 - Financial assets available for sale
- Section 3 - Financial assets held to maturity
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- Section 6 - Hedging transactions
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- Section 9 - Intangible assets
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- Section 11 - Current and deferred tax assets and liabilities
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A.3 - Fair value disclosures

■ Part B - Notes to the consolidated balance sheet

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- Section 7 - Loans to customers - Item 70
- Section 8 - Hedging derivatives - Item 80
- Section 10 - Investment in associates - Item 100
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- Section 2 - Commission income and expense - Items 40 and 50
- Section 3 - Dividends and similar income - Item 70
- Section 4 - Net profit (loss) on trading activities - Item 80
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- Section 11 - Administrative expenses - Item 180
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■ Part D - Total comprehensive income

- Components of total comprehensive income

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- 1.1 Credit risk
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■ Part F - Information on consolidated shareholders' equity

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■ Part L - Segment Reporting

PART A

ACCOUNTING POLICIES

A.1 - GENERAL

SECTION 1

DECLARATION OF COMPLIANCE WITH THE INTERNATIONAL ACCOUNTING STANDARDS

The Consolidated Financial Statements of the Banca Fideuram Group have been prepared pursuant to Italian Legislative Decree No. 38 of 28 February 2005 in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as approved by the European Commission up until 31 December 2010, following the procedure provided for by EC Regulation No. 1606/2002.

The Consolidated Financial Statements of the Banca Fideuram Group have been prepared in accordance with Bank of Italy Circular No. 262 of 22 December 2005 and subsequent amendments, taking note of the interpretation guidelines provided by the Bank of Italy.

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

There were no derogations from the application of the IAS/IFRS.

SECTION 2

GENERAL ACCOUNTING POLICIES

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

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

The results at 31 December 2010 have been presented alongside the figures for the previous financial year for the purposes of comparison. The report uses the euro as its functional currency. The figures in the Financial Statements and Notes are stated in thousands of euro unless specified otherwise.

The balance sheet and income statement at 31 December 2010 accompanying the Directors' Report are a reclassified condensed balance sheet and reclassified condensed income statement to facilitate comparison of the figures for different periods and to enable a clearer and more immediate understanding of the bank's financial position. These statements contain appropriate groupings of the items in the official financial statements.

Moreover, the reclassified income statement has been changed as follows to provide a clearer presentation of the Group's operating performance:

- Net profit on financial assets and the Group's provisions have been stated net of the returns on the insurance policies taken out as part of the Personal Financial Adviser Networks' Loyalty Schemes, which - in pertaining to the Personal Financial Advisers - are recognised in the official statement as gains on assets designated at fair value and allocated to the provisions for risks and charges.
- Indirect taxes recovered, which are recognised in the official Bank of Italy schedule as other income, are deducted directly from the related costs.
- Non-recurring income and expenses have been reclassified in a separate item of their own, "Non-recurring income (expenses) net of tax".

SECTION 3

SCOPE AND METHODS OF CONSOLIDATION

The companies included in the consolidation of Banca Fideuram S.p.A. at 31 December 2010 are listed below.

Equity investments in wholly-owned subsidiaries

	Registered office	Type of relationship (*)	Ownership		% votes (**)
			Held by	%	
A. Companies					
A.1 Consolidated line-by-line					
1. Banca Fideuram S.p.A. - Rome	Rome				
Capital Eur 186,255,207.16 in shares of Eur 0.19 each					
2. Sanpaolo Invest SIM S.p.A. - Rome	Rome	1	BF	100.000%	
Capital Eur 15,264,760 in shares of Eur 140 each					
3. Fideuram Investimenti SGR S.p.A. - Milan	Milan	1	BF	99.500%	
Capital Eur 25,850,000 in shares of Eur 517 each					
4. Fideuram Fiduciaria S.p.A. - Rome	Rome	1	BF	100.000%	
Capital Eur 1,551,000 in shares of Eur 517 each					
5. Fideuram Asset Management (Ireland) Ltd - Dublin	Dublin	1	BF	100.000%	
Capital Eur 1,000,000 in shares of Eur 517 each					
6. Sanpaolo Invest Ireland Ltd - Dublin	Dublin	1	BF	100.000%	
Capital Eur 500,000 in shares of Eur 1 each					
7. Fideuram Gestions S.A. - Luxembourg	Luxembourg	1	BF	99.939%	
Capital Eur 10,000,000 in shares of Eur 100 each					
8. Fideuram Bank (Luxembourg) S.A. - Luxembourg	Luxembourg	1	BF	99.996%	
Capital Eur 30,000,000 in shares of Eur 1,225.94 each					
9. Fideuram Bank (Suisse) A.G. - Lugano	Lugano	1	FBL	100.000%	
Capital Chf 15,000,000 in shares of Chf 1,000 each					
10. Financière Fideuram S.A.- Paris	Paris	1	BF	99.999%	
Capital Eur 346,761,600 in shares of Eur 25 each					
11. Euro-Trésorerie S.A. - Paris	Paris	1	FF	99.999%	
Capital Eur 250,038,322.2 in shares of Eur 15.3 each					

LEGEND

(*) Type of relationship

1 = majority of voting rights at general meeting

Held by:

BF= Banca Fideuram

FBL= Fideuram Bank (Luxembourg)

FF= Financière Fideuram

(**) Voting rights are only shown when they differ from % capital ownership

The consolidated financial statements include Banca Fideuram and its direct and indirect subsidiaries. A company is considered to be a subsidiary if Banca Fideuram directly or indirectly holds more than half the voting rights, or if it has the power to appoint the majority of its directors or to determine its financial and management policies despite holding less than half the voting rights.

A company is considered to be an associate company if it is subject to significant influence, which is to say if Banca Fideuram holds 20% or more of the voting rights directly or indirectly, or if it is able to determine the company's financial and management policies by virtue of special legal ties.

All the subsidiaries were consolidated line-by-line. Since all the assets and liabilities of these subsidiaries are consolidated, their book value is offset by the corresponding share of shareholders' equity held by the Group.

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

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

All relations with respect to assets and liabilities, and all income and expenses between consolidated companies are eliminated.

The financial statements used for the line-by-line consolidation were those at 31 December 2010, as approved by the competent bodies of the subsidiary undertakings, adjusted where necessary to align them with Group accounting policies.

The financial statement data of companies operating outside the European Monetary Union are translated to euro applying the year-end exchange rates to balance sheet items and the average exchange rates for the year to income statement items. Any exchange rate differences arising from conversions at said exchange rates are recognised in the revaluation reserve.

Compared to the situation at 31 December 2009, Fideuram Bank (Monaco) S.A.M. was no longer included in the line-by-line consolidation of the Banca Fideuram Group, following the winding up of the subsidiary in December 2010.

Associate companies were consolidated using the equity method. This method involves initially recognising the investment in the associate at cost and subsequently adjusting the value in relation to the Group interest in the associate company's shareholders' equity. The difference between the carrying value of the investment in the associate and the interest in the associate company's shareholders' equity is recognised as an increase or decrease in the book value of the investment in the associate. The Group interest in the associate's operating profit is recognised in a separate item of the consolidated income statement.

SECTION 4

SUBSEQUENT EVENTS

There were no significant subsequent events requiring any changes to be made to the consolidated financial statements at 31 December 2010.

SECTION 5

OTHER ASPECTS

The Banca Fideuram Group's Consolidated Financial Statements and the separate financial statements of the parent company are audited by Reconta Ernst & Young S.p.A.

The table below provides detailed information on the remuneration that the Banca Fideuram Group paid Reconta Ernst & Young and the other entities in its network for the auditing and other services they provided in the 2010 financial year, in accordance with article 2427 of the Italian Civil Code and article 149 duodecies of the Regulations for Companies Issuing Financial Statements (No. 11971) issued by the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB).

Type of service	Entity providing the service	Recipient	Remuneration (in thousands of euro)
Independent audit (*)	Reconta Ernst & Young	Banca Fideuram Subsidiaries	2,192
Other Services (**)	Reconta Ernst & Young	Banca Fideuram Subsidiaries	529
Total			2,721

(*) This figure includes €1,071 thousand paid for the auditing of the mutual funds managed by Group companies.

(**) Includes €449 thousand paid for activities connected with the procedure for listing Banca Fideuram shares on the stock exchange.

A.2 - MAIN FINANCIAL STATEMENT ITEMS

This section sets out the accounting policies adopted to prepare the consolidated financial statements at 31 December 2010.

It should be noted that, following interpretation guidance issued by the Bank of Italy, the Statement of changes in equity shows the overall amounts involved (regarding both the Group and third parties). The Statement of changes in equity at December 2009 has therefore been restated so that straight comparisons can be made.

SECTION 1

FINANCIAL ASSETS HELD FOR TRADING

Financial assets held for trading include the following:

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

Financial assets held for trading are initially recognised in the balance sheet at their fair value, which is usually their purchase price. They are subsequently measured at their fair value with a balancing entry in the income statement.

Securities and derivatives for which the fair value cannot be determined reliably are carried in the financial statements at cost, adjusted for losses from any decline in value. The fair value of financial instruments listed on active markets is taken to be their market value. In the absence of an active market, the fair value is determined on the basis of the prices of recent transactions and the market values of similar financial instruments, taking the results of valuation models (mainly based on objective financial variables) into account.

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

SECTION 2

FINANCIAL ASSETS AVAILABLE FOR SALE

These are financial assets that cannot be classified as loans, financial assets held to maturity, financial assets held for trading or financial assets designated at fair value.

Available-for-sale financial assets are initially recognised in the balance sheet at their fair value, which is usually their purchase price plus any transaction costs, if material and determinable, directly attributable to them.

They are subsequently recognised at fair value in a balancing entry of a specific shareholders' equity reserve.

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

The valuations recorded in the shareholders' equity reserve are recognised in the income statement upon disposal or when a loss due to decline in value is verified. The Group verifies situations in which a loss due to a decline in value is deemed to have occurred, and the related estimates, using all the information at its disposal, based on observable data of events that have already occurred at the valuation date.

Losses due to the decline in value of equities cannot lead to write-backs in the income statement when the reasons for the write-downs cease to apply. These write-backs are therefore recorded in a separate shareholders' equity reserve.

Conversely, write-backs of debt securities are recorded in the income statement. Interest on debt securities in this category is calculated using the effective interest rate method and recorded in the income statement.

SECTION 3

FINANCIAL ASSETS HELD TO MATURITY

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

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

They are subsequently valued at their amortised cost, calculated using the effective interest method. Gains and losses on financial assets held to maturity are recognised in the income statement when these assets are written off or when their value declines, as well as through the amortisation process.

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

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

SECTION 4

LOANS

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

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

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

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

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

- *Non-performing loans*: Loans to parties that are insolvent or in a substantially equivalent situation.
- *Doubtful loans*: Loans to parties that are in a situation that is objectively one of temporary difficulty which they are likely to overcome in an appropriate period of time.
- *Restructured loans*: Loans in which a pool of banks (or a single-lender bank) grants a deferment of a debt and renegotiates the loan at interest rates that are below market rates.
- *Overdue loans*: Loans to parties which have payments overdue or past due at period end as defined by the relevant Bank of Italy regulations.
- *Country risk*: Unsecured loans to residents of countries with debt-servicing difficulties.
- *Performing loans*: Loans to parties that did not present any specific insolvency risks at the valuation date.

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

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

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

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

The write-downs, which are analytical and collective, are write-downs to the amount recorded under balance sheet assets in accordance with the above principles, and are reinstated by write-backs relating to the income statement item for net write-downs to loans if the reasons for the write-downs cease to apply or the amounts recovered exceed the original write-downs.

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

SECTION 5

FINANCIAL ASSETS DESIGNATED AT FAIR VALUE

The IAS/IFRS accounting standards permit one to classify any financial asset as a financial instrument designated at fair value with a balancing entry in the income statement that is recognised as such at the time of purchase, providing it falls within the cases provided for by the applicable legislation.

The Banca Fideuram Group has mainly adopted the Fair Value Option for the insurance policies taken out to insure the market yields of the Personal Financial Adviser Networks' Loyalty Schemes, considering them to be a group of financial assets measured at fair value in line with IAS guidelines.

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

SECTION 6

HEDGING TRANSACTIONS

The Group uses derivative contracts to hedge the interest rate risk of certain of its fixed-rate securities.

These hedging transactions aim to neutralise any potential losses from interest rate fluctuations with the income obtained from the hedging instruments.

The relationship between the hedging instruments and items hedged is documented formally and the effectiveness of the hedging verified at regular intervals. A hedge is considered to be effective when the cash flow fluctuations of the item hedged are completely offset by the cash flows from the hedging instrument, keeping the ratio between the fluctuations within a range of between 80% and 125%. The hedging derivatives are recognised at fair value. For fair value hedging, the fluctuations in the value of the derivatives and hedged instruments are recognised in the income statement where the component attributable to interest rate risk is concerned. Any difference, indicating the extent to which the hedge is only partially effective, consequently has a net financial effect.

SECTION 7

INVESTMENTS IN ASSOCIATES

Companies over which the Group exercises significant influence are carried at equity.

A company is considered to be subject to significant influence when the Group directs its administrative, financial and management choices by virtue of legal and de facto ties, and this is assumed to be the case when the Group holds 20% or more of the voting rights.

The equity method involves initially recognising the investment in the associate at cost and subsequently adjusting the value in relation to the Group interest in the associate company's shareholders' equity. The difference between the value of the investment in the associate and the interest in the associate company's shareholders' equity is included in the book value of the investment in the associate. The Group interest in the associate's operating profit is recognised in the consolidated income statement. If there is evidence that the value of an equity investment may have decreased, the bank proceeds to estimate the recoverable value of the equity investment. If the recoverable value is less than the book value, the difference is recognised in the income statement.

SECTION 8 PROPERTY AND EQUIPMENT

Property and equipment include:

- Land
- Immovable property used for operating purposes
- Technical plant and equipment
- Furniture, plant and equipment
- Works of art.

Immovable property used for operating purposes is defined as buildings owned (or leased under financial leasing contracts) that are used for the production and supply of services or for administrative purposes, and which have a useful life that is longer than one year. Property and equipment are initially recognised at cost, with the latter understood to mean both the purchase price and any related direct charges incurred for the purchase or commissioning of the asset.

Any expenses subsequent to purchase increase the book value of the asset or are recorded as separate assets only when they lead to an increase in the future economic benefits resulting from the use of the investments. Other expenses incurred subsequent to purchase are recorded in the income statement in the financial year when they are incurred.

Subsequent to their initial recognition, property and equipment are recognised at cost, deducting any depreciation and loss in value.

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

- Land, which has an indefinite useful life and is not, therefore, depreciable. The value of land is, moreover, also accounted for separately from the value of buildings, even when they are purchased together. This splitting of the value of land and the value of buildings is performed on the basis of a survey by independent experts solely for buildings held on a "ground-to-roof" basis.

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

The useful life of property and equipment subject to depreciation is verified periodically. If the initial estimates require adjustment, the related depreciation rate is consequently also changed. In addition, at every accounting reference date, the bank also verifies whether there are any signs of an asset having suffered an impairment loss. If this is the case, the bank proceeds to calculate the recoverable value of the asset, which is the higher of net sale price and value in use. Should the reasons for the impairment loss cease to apply, the bank estimates the asset's recoverable value.

Property and equipment are written off the balance sheet upon disposal or when an asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

SECTION 9 INTANGIBLE ASSETS

Intangible assets are identifiable non-monetary assets without physical substance, possessed for long-term use. They include goodwill and software developed in-house or purchased from third parties.

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

When the incremental costs on buildings that are not owned and not leased under financial leasing agreements do not regard independently identifiable tangible assets, they are recognised in the financial statements as Other assets when future economic benefits can be derived from them. These costs are amortised over the lease terms. Expenses regarding the in-house development of software are recognised in the financial statements as intangible assets following verification of the technical feasibility of completion and their ability to generate future economic benefits. During the development phase, these assets are valued at cost, complete with any related direct expenses, including expenses for the personnel involved in the projects.

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

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

SECTION 10

NON-CURRENT ASSETS AND GROUPS OF ASSETS HELD FOR SALE

Individual non-current assets and groups of assets and liabilities in the process of disposal which it is considered highly likely will be sold are classified as “Non-current assets and groups of assets held for sale” and “Liabilities associated with non-current assets held for sale and discontinued operations”. These non-current assets are recognised at the lower of book value and fair value, net of sales costs. Any income and expense regarding groups of assets held for sale is recognised in the income statement net of tax.

SECTION 11

CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES

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

The Italian companies in the Banca Fideuram Group avail themselves of the “Istituto del consolidato fiscale nazionale” tax consolidation regime introduced by Italian Legislative Decree No. 344 of 12.12.2003 as subsidiaries of parent company Intesa Sanpaolo. This tax consolidation regime provides for the aggregation of the taxable income of all the subsidiaries and a single payment of IRES corporate income tax by the Parent Company.

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

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

When the deferred tax assets and liabilities regard components recognised in the income statement, they are recorded in a balancing entry under income taxes.

Whereas when the deferred tax assets and liabilities regard transactions that have had a direct effect on shareholders' equity without influencing the income statement (such as the valuation of available-for-sale financial instruments and derivative contracts hedging financial flows),

they are recorded as a balancing entry under shareholders' equity, in respect of the related reserves, if any.

SECTION 12

PROVISIONS FOR RISKS AND CHARGES

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

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

These provisions include the provisions set aside to cover losses on legal disputes, including claims from receivers, estimated disbursements arising from customer complaints regarding the brokerage of securities, and allocated to the reserve for the termination of agency agreements and incentive commission, as well as the provisions set aside for the Network Loyalty Schemes.

The reserve for the termination of agency agreements and incentive commission, which is calculated using actuarial valuations, includes the provisions for Personal Financial Advisers' severance indemnities and the “meritocratic indemnity” set aside under the “New Collective Economic Agreement for Agents in the Commerce Sector”, which came into force on 2 April 2002.

The Network Loyalty Schemes - long-term incentive schemes which entitle the Personal Financial Advisers to a bonus that is linked to the stock of financial assets under their management - involve setting aside provisions under “other provisions” that are the best estimate of the amounts due to the Personal Financial Advisers calculated using actuarial valuations.

The provision for personnel expenses includes early retirement incentives and the provision set aside to pay seniority bonuses to employees, determined on the basis of an independent actuary's report, using the methods specified in IAS 19.

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

In those cases where the provisions are discounted, the total for the provisions recorded in the financial statements increases in each financial year to reflect the passing of time. The provisions set aside are reassessed at every accounting reference date and adjusted to reflect the best current estimate.

The provision is reversed when it becomes unlikely that it will be necessary to use resources that are suitable for generating economic benefits to fulfil the obligation.

SECTION 13

DEBTS AND DEBT ON ISSUE

The items Due to banks and Due to customers cover all the technical forms of borrowing from said counterparties.

Debt on issue is recognised net of any portion repurchased.

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

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

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

SECTION 14

FINANCIAL LIABILITIES HELD FOR TRADING

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

The same accounting policies as for financial assets held for trading are used.

SECTION 18

OTHER INFORMATION

Treasury shares

Treasury shares that have been repurchased are recognised at cost in a specific item deducted from Group's shareholders' equity and are not therefore subject to valuation. If they are sold on the market, any difference between the purchase price and sale price is recognised in the components of shareholders' equity.

Provision for employment termination indemnities

Following the 2007 Finance Act, which brought forward to 1 January 2007 the complementary social security reform provided for by Italian Legislative Decree No. 252/2005, the employment termination indemnity contributions accrued up until 31.12.2006 continue to be recognised in the provision for employment termination indemnities. The provision for employment termination indemnities accrued up until 31.12.2006 therefore continues to be considered a "defined benefit" scheme, consequently making it necessary to perform an actuarial valuation which, however, differs from the calculation method adopted up until 31 December 2006 in no longer making the benefit proportional to the period of employment. This is because the employment period to be taken into account is considered to

have been accrued in full as a result of the change to the accounting treatment of the provision from 1 January 2007.

The discount rate used is set with reference to the average market interest rate at the valuation dates, weighted in relation to the percentage of the amount paid and advanced, for each maturity, with respect to the total amount to be paid and advanced for the entire obligation to be discharged in full. The service costs of the plan are recognised under staff costs as the net total of accrued interest, any anticipated income on the assets held for the purposes of the plan, and actuarial gains and losses. The latter are calculated using the "corridor method", which is to say as the portion of cumulative actuarial gains and losses at the end of the previous financial year that exceeds 10% of the present value of the benefits generated by the plan. This portion is recognised in the income statement in relation to the expected average working life of the participants in the plan.

Following the reform, the employment termination indemnity contributions accrued from 1 January 2007 constitute a "defined contribution" scheme whether the employee opts for complementary social security or for the contributions to be paid to the Treasury fund managed by Italy's Department of Social Security. The value of the contributions - which is recorded under staff costs - is calculated on the basis of the contributions due without applying any actuarial calculation methods.

Accrued expenses and deferred income

Accrued expenses and deferred income, which consist of expense and income accrued on assets and liabilities in the period, are recorded in the financial statements as adjustments to the related assets and liabilities.

Provisions for guarantees and commitments

The individual and collective provisions set aside to cover the estimated possible disbursements connected with the credit risk of guarantees and commitments, determined adopting the same accounting treatment for loans above, are stated under Other liabilities.

Revaluation reserves

This item includes the revaluation reserves for available-for-sale financial assets, as well as the revaluation reserves stated in accordance with special laws.

Payments in shares

The Group applies the accounting treatment provided for by IFRS 2 regarding payments based on shares for any stock option plans. The options granted are valued at fair value as at the day they were assigned, which is the date when the plan was approved by the competent bodies. This fair value is a component of fee and commission expense distributed over the period in which the entitlements assigned accrue, recorded as a balancing entry for an unavailable component of shareholders' equity. The total cost recorded in the financial statements for the stock option plans is reversed in the income statement with a balancing entry in respect of the specific unavailable component of shareholders' equity if the options are not exercised for reasons that are independent of market trends. If the options are not exercised as a result of market conditions, the total cost is not reversed, but rather the component of shareholders' equity recorded as a balancing entry to fee and commission expense in the period when the plan entitlements accrued become available.

Recognition of costs and revenues

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

Income is recognised at the time it becomes receivable. Commission income and other income from the provision of services are recognised in the periods when the services themselves are provided. Other income is recognised on an accrual basis.

Specifically:

- Interest income is recognised on an accrual basis that takes the actual return into account.
- Default interest is recognised at the time of collection.
- Dividends are recognised in the income statement at the time their distribution is decided.
- For transactions in financial instruments, the difference between the fair value of the instruments and the amount paid or received is recognised in the income statement only in cases where the fair value can be reliably determined.
- The revenues deriving from the sale of non-financial assets are recognised at the time their sale is completed.

Purchases and sales of financial assets

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

Write-off policy

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

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

Business combinations

The transfer of control of a company (or of an integrated group of businesses and assets that is run and managed jointly) constitutes a business combination transaction.

IFRS 3 is the reference accounting standard for business combinations. EC Regulations No. 494 and 495 have introduced a number of new requirements regarding business combinations and ownership interests in subsidiaries.

IFRS 3 requires an acquirer to be identified for all business combination transactions. The acquirer is normally identified as the entity obtaining control of another entity or group of assets. The acquisition and therefore the initial consolidation of the acquired entity is recognised at the date when the acquirer effectively obtains control of the entity or assets acquired.

The cost of a business combination transaction must be calculated as the sum of the following:

- The fair value at the transaction date of the assets sold, of the liabilities incurred or assumed and of the capital instruments issued by the acquirer in exchange for control.

- Any additional charges directly attributable to the business combination.

Business combination transactions are recorded using the purchase method, which involves recognising:

- The assets, liabilities and potential liabilities of the acquired entity at their respective fair values on the date of acquisition, including any intangible assets identifiable not already recognised in the financial statements of the acquired entity.
- Minority interests in the acquired entity in proportion to the related interest in the net fair values.
- The goodwill held by the Group, calculated as the difference between the cost of the business combination and the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Any positive difference between the Group's interest in the net fair value of the assets, liabilities and contingent liabilities acquired and the cost of the business combination is recognised in the income statement.

The fair value of the assets, liabilities and potential liabilities of the acquired entity may be calculated on a provisional basis before the end of the financial year in which the business combination takes place and must be finalised within twelve months of the date of acquisition.

Transactions for the purposes of reorganisation between two or more entities or businesses which are already members of the Banca Fideuram Group or which belong to the Intesa Sanpaolo Group and do not involve changes in the control structures irrespective of the percentage of minority interests before and after the transaction (referred to as business combinations of entities subject to joint control) do not constitute business combinations, being outside the scope of IFRS 3. Such transactions are considered to have no economic substance unless they result in a significant change in cash flows. Hence, in the absence of any specific IAS/IFRS Standard or Interpretation, and in accordance with IAS 8 - which requires a company, in the absence of any specific Standard or Interpretation, to use its own judgment in applying an accounting policy which provides relevant, reliable and prudent information that reflects the economic substance of the transaction - these transactions are recognised maintaining the continuity of the values stated by the acquired entity in the financial statements of the acquiring entity. In accordance with this policy, the same values are recorded in the balance sheet as if the companies (or company divisions) involved in the business combination had always been combined. The assets acquired are stated in the financial statements of the acquiring company at the same values that they had in the financial statements of the transferor company. Any difference between the price paid/collected and the net book value of the assets transferred is recorded directly as a balancing entry under shareholders' equity net of any deferred tax assets and liabilities (if necessary).

Use of estimates and assumptions in the preparation of the financial statements

The preparation of financial statements may also require the use of estimates and assumptions that can have significant effects on the amounts stated in the balance sheet and income statement, and on the information on assets and contingent liabilities provided in the financial statements. The preparation of these estimates involves using the information available and adopting subjective valuations, which are also based on historical experience, to formulate reasonable assumptions for reporting management performance. The estimates and assumptions used may by their nature vary from year to year, such that one cannot rule out the possibility of the values currently stated in the financial statements differing, even significantly, in subsequent years as a result of changes in the subjective valuations used.

Subjective valuations by company directors are mainly required for:

- Quantifying loan losses and, as a rule, other financial assets.
- The valuation models used for the fair value measurement of financial instruments not listed on active markets.
- Quantifying staff provisions and provisions for risks and charges.
- Making estimates and assumptions regarding the recoverability of deferred tax assets.
- Calculating the prepaid expenses on the Personal Financial Adviser Network bonuses linked to specified inflow targets.

Fair value measurements

The fair value of an asset or liability is the value for which it can be traded in a transaction between independent counterparties with a reasonable knowledge of market conditions and the relevant facts regarding the subject of the transaction. Fundamental to the definition of fair value is the assumption that the entity is fully operational and that there is no need for it to wind up or significantly reduce its business, or to undertake operations under unfavourable conditions. The fair value reflects the loan quality of the instrument in that it takes counterparty risk into account.

The fair value of financial instruments is measured using financial market prices for instruments listed on active markets, or using internal valuation models for other financial instruments.

A market is considered to be active when the quoted prices representing effective, standard market transactions that have occurred over an appropriate reference period are readily and regularly available through stock exchanges, dealers, brokers, sector companies, pricing services or authorised bodies.

If the instrument is not quoted on an active market or if the market is not operating normally, which is to say when there is an insufficient number of continuous transactions and the bid/ask spread and volatility are not sufficiently low, the fair value of the financial instruments is mainly determined using valuation techniques that aim to establish the price of a hypothetical independent transaction, motivated by normal market considerations at the valuation date.

These techniques include:

- Reference to market values that can be indirectly linked to the financial instrument being valued and can be obtained from products with similar risk characteristics (comparable approach).
- Valuations performed using - even only partially - inputs that are not obtained from observable market parameters, making use of estimates and assumptions formulated by the valuer (Mark-to-model).

There is no choice regarding which of these methodologies is chosen, since they have to be applied in hierarchical order and specified in the financial statements by level.

Absolute priority is given to the quoted active market prices of the assets and liabilities being measured (Level 1 - Effective market quotes) or of similar assets and liabilities (Level 2 - Comparable approach) and the lowest priority to unobservable inputs, which are accordingly more discretionary (Level 3 - Mark-to-model approach).

The following are considered to be instruments quoted in active markets (Level 1): harmonised mutual funds, spot exchange rate transactions, futures, options and shares listed on regulated markets, bonds listed on the EuroMTS platforms and bonds for which a pricing service has provided at least three executable quotes with an appropriate bid-ask spread continuously, and hedge funds where the units are redeemable monthly.

If the prices of the financial instruments are not quoted on active markets, the fair value is measured using the comparable approach (Level 2), which adopts valuation models that mainly use market parameters. In these cases, the valuations are not based on the prices of the instrument being valued, but on prices or credit spreads obtained from the quoted prices of instruments that are broadly similar in terms of risk, using a given pricing model. This approach consists in researching transactions on active markets in instruments which are comparable in terms of risk with the instrument being valued.

Lastly, the fair value measurement of certain financial instruments requires the use of valuation models that use parameters which cannot be observed directly on the market and therefore involve estimates and assumptions by the valuer (Level 3).

The valuation method adopted for a given financial instrument is maintained over time and only changed if there are substantial changes in market conditions or subjective changes regarding the issuer of the financial instrument.

The fair value disclosures incorporated in the notes to the financial statements use this fair value measurement hierarchy to provide analyses of the financial assets and liabilities by fair value level.

A.3 FAIR VALUE DISCLOSURES

A.3.1 Transfers between categories

In accordance with the related compulsory disclosure requirements, the Group states that it availed itself of the amendment to IAS 39 introduced by EC Regulation No. 1004/2008 and reclassified €668.5m available-for-sale bonds as Loans & Receivables in the third quarter of 2008. If the Group had not availed itself of the option of reclassifying

these bonds, they would have suffered a further loss of approximately €213,846,000 as the difference between the theoretical total negative reserve at 31 December 2010 (€257,961,000) and the total negative reserve recorded under shareholders' equity at the reclassification date (€44,115,000).

A.3.1.1 Reclassified financial assets: book value, fair value and effect on total comprehensive income

Type of financial instrument	Source category	Destination category	Book value at 31.12.20010	Fair value at 31.12.2010	Comprehensive income without transfer (before tax)		Comprehensive income for the year (before tax)	
					Estimations	Other	Estimations (*)	Other
Debt securities	Financial assets available for sale	Due from banks	16,279	15,055	(889)	739	239	674
Debt securities	Financial assets available for sale	Loans to customers	891,841	674,189	(212,957)	34,910	59,888	34,603

(*) Includes changes in fair value attributable to interest-rate hedging.

A.3.1.4 Effective interest rate and anticipated financial flows of reclassified assets

Type of financial instrument	Source category	Destination category	Effective interest rate	Anticipated financial flows
Debt securities	Financial assets available for sale	Due from banks and loans to customers	5.5%	1,287,345

A.3.2.1 Accounting categories: fair value analysis

	31.12.2010			31.12.2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets/liabilities designated at fair value						
1. Financial assets held for trading	15,540	32,590	-	20,401	36,279	-
2. Financial assets designated at fair value	2	207,884	-	1,009	217,714	-
3. Available-for-sale financial assets	2,789,307	83	7	2,858,241	82	9
4. Hedging derivatives	-	2,459	-	-	236	-
Total	2,804,849	243,016	7	2,879,651	254,311	9
1. Financial liabilities held for trading	-	42,652	-	-	39,503	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	358,667	-	-	276,024	-
Total	-	401,319	-	-	315,527	-

A.3.2.2 Annual changes in financial assets designated at fair value (level 3)

	FINANCIAL ASSETS			
	Held for trading	Designated at fair value	Available for sale	Hedging
1. Opening balance	-	-	9	-
2. Increases	-	-	-	-
2.1 Purchases	-	-	-	-
2.2 Profits recognised under:	-	-	-	-
2.2.1 Income statement	-	-	-	-
- including capital gains	-	-	-	-
2.2.2 Shareholders' equity	X	X	-	-
2.3 Transfers from other levels	-	-	-	-
2.4 Other increases	-	-	-	-
3. Decreases	-	-	2	-
3.1 Sales	-	-	-	-
3.2 Redemptions	-	-	1	-
3.3 Losses recognised under:	-	-	1	-
3.3.1 Income statement	-	-	1	-
- including losses	-	-	-	-
3.3.2 Shareholders' equity	X	X	-	-
3.4 Transfers to other levels	-	-	-	-
3.5 Other decreases	-	-	-	-
4. Closing balance	-	-	7	-

PART B

NOTES TO THE CONSOLIDATED BALANCE SHEET

Assets

SECTION 1 CASH AND CASH EQUIVALENTS - ITEM 10

1.1 Cash and cash equivalents: analysis

	31.12.2010	31.12.2009
a) Cash	34,937	42,534
b) Demand deposits with Central Banks	11,996	34,654
Total	46,933	77,188

SECTION 2 FINANCIAL ASSETS HELD FOR TRADING - ITEM 20

2.1 Financial assets held for trading: analysis

	31.12.2010			31.12.2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	15,439	-	-	20,297	15	-
1.1 Structured securities	-	-	-	1	-	-
1.2 Other debt securities	15,439	-	-	20,296	15	-
2. Equities	-	-	-	-	-	-
3. Units in mutual funds	101	-	-	104	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreement assets	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	15,540	-	-	20,401	15	-
B. Derivatives						
1. Financial derivatives	-	32,590	-	-	36,264	-
1.1 Held for trading	-	32,590	-	-	36,264	-
1.2 Connected with fair value option	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 Held for trading	-	-	-	-	-	-
2.2 Connected with fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total B	-	32,590	-	-	36,264	-
Total (A+B)	15,540	32,590	-	20,401	36,279	-

2.2 Financial assets held for trading: analysis by debtors/issuers

	31.12.2010	31.12.2009
A. Cash assets		
1. Debt securities	15,439	20,312
a) Governments and Central Banks	14,953	19,841
b) Other public entities	-	-
c) Banks	427	441
d) Other issuers	59	30
2. Equities	-	-
a) Banks	-	-
b) Other issuers:	-	-
- Insurance companies	-	-
- Financial Institutions	-	-
- Non-financial companies	-	-
- Other	-	-
3. Units in mutual funds	101	104
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total A	15,540	20,416
B. Derivatives		
a) Banks	23,270	7,535
- fair value	23,270	7,535
b) Customers	9,320	28,729
- fair value	9,320	28,729
Total B	32,590	36,264
Total (A+B)	48,130	56,680

2.3 Cash financial assets held for trading: changes in the year

	Debt securities	Equities	Units in mutual funds	Loans	Total
A. Opening balance	20,312	-	104	-	20,416
B. Increases	6,060,810	6,407	590	-	6,067,807
B.1 Purchases	6,058,514	6,398	579	-	6,065,491
B.2 Increases in fair value	-	-	9	-	9
B.3 Other increases	2,296	9	2	-	2,307
C. Decreases	6,065,683	6,407	593	-	6,072,683
C.1 Sales	6,044,341	6,143	589	-	6,051,073
C.2 Redemptions	18,831	-	-	-	18,831
C.3 Decreases in fair value	90	-	-	-	90
C.4 Transfers to other categories	-	-	-	-	-
C.5 Other decreases	2,421	264	4	-	2,689
D. Closing balance	15,439	-	101	-	15,540

SECTION 3
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE - ITEM 30

3.1 Financial assets valued at fair value: analysis

	31.12.2010			31.12.2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities (*)	2	207,884	-	1,009	217,714	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	2	207,884	-	1,009	217,714	-
2. Equities	-	-	-	-	-	-
3. Units in mutual funds	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	2	207,884	-	1,009	217,714	-
Cost	2	170,756	-	983	192,901	-

(*) The Level 2 debt securities are policies taken out by the Group to insure the market yields of the Personal Financial Adviser Network Loyalty Schemes.

3.2 Financial assets designated at fair value: analysis by debtors/issuers

	31.12.2010	31.12.2009
1. Debt securities	207,886	218,723
a) Governments and Central Banks	2	2
b) Other public entities	-	-
c) Banks	-	-
d) Others issuers	207,884	218,721
2. Equities	-	-
a) Banks	-	-
b) Other issuers:	-	-
- Insurance companies	-	-
- Financial Institutions	-	-
- Non-financial companies	-	-
- Other	-	-
3. Units in mutual funds	-	-
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total	207,886	218,723

3.3 Financial assets designated at fair value: changes in the year

	Debt securities	Equities	Units in mutual funds	Loans	Total
A. Opening balance	218,723	-	-	-	218,723
B. Increases	15,124	-	-	-	15,124
B.1 Purchases	2,605	-	-	-	2,605
B.2 Increases in fair value	12,233	-	-	-	12,233
B.3 Other increases	286	-	-	-	286
C. Decreases	25,961	-	-	-	25,961
C.1 Sales	-	-	-	-	-
C.2 Redemptions	25,896	-	-	-	25,896
C.3 Decreases in fair value	1	-	-	-	1
C.4 Other decreases	64	-	-	-	64
D. Closing balance	207,886	-	-	-	207,886

SECTION 4

FINANCIAL ASSETS AVAILABLE FOR SALE - ITEM 40

4.1 Financial assets available for sale: analysis

	31.12.2010			31.12.2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	2,465,147	-	-	2,716,689	-	-
1.1 Structured securities	3,605	-	-	57,049	-	-
1.2 Other debt securities	2,461,542	-	-	2,659,640	-	-
2. Equities	69	83	7	-	82	9
2.1 Valued at fair value	69	83	-	-	82	-
2.2 Valued at cost	-	-	7	-	-	9
3. Units in mutual funds	324,091	-	-	141,552	-	-
4. Loans	-	-	-	-	-	-
Total	2,789,307	83	7	2,858,241	82	9

4.2 Financial assets available for sale: analysis by debtors/issuers

	31.12.2010	31.12.2009
1. Debt securities	2,465,147	2,716,689
a) Governments and Central Banks	866,450	847,827
b) Other public entities	-	-
c) Banks	747,674	988,584
d) Other issuers	851,023	880,278
2. Equities	159	91
a) Banks	-	-
b) Other issuers:	159	91
- Insurance companies	-	-
- Financial Institutions	-	-
- Non-financial companies	159	91
- Other	-	-
3. Units in mutual funds	324,091	141,552
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total	2,789,397	2,858,332

4.3 Financial assets available for sale hedged with micro-hedging

	31.12.2010	31.12.2009
1. Financial assets hedged with fair value micro-hedging	1,048,070	865,937
a) Interest rate risk	1,048,070	865,937
b) Price risk	-	-
c) Exchange rate risk	-	-
d) Credit risk	-	-
e) Other risks	-	-
2. Financial assets hedged with micro-hedging of financial flows	-	-
a) Interest rate	-	-
b) Exchange risk	-	-
c) Other	-	-
Total	1,048,070	865,937

4.4 Financial assets available for sale: changes in the year

	Debt securities	Equities	Units in mutual funds	Loans	Total
A. Opening balance	2,716,689	91	141,552	-	2,858,332
B. Increases	1,413,055	70	335,131	-	1,748,256
B.1 Purchases	931,513	1	330,000	-	1,261,514
B.2 Increases in fair value	34,150	-	-	-	34,150
B.3 Write-backs recognised in:	-	-	-	-	-
- income statement	-	-	-	-	-
- shareholders' equity	-	-	-	-	-
B.4 Transfers from other categories	-	-	-	-	-
B.5 Other increases	447,392	69	5,131	-	452,592
C. Decreases	1,664,597	2	152,592	-	1,817,191
C.1 Sales	1,024,851	-	143,447	-	1,168,298
C.2 Redemptions	134,580	1	-	-	134,581
C.3 Decreases in fair value	156,589	-	9,145	-	165,734
C.4 Impairment write-downs	-	-	-	-	-
- income statement	-	-	-	-	-
- shareholders' equity	-	-	-	-	-
C.5 Transfers to other categories	-	-	-	-	-
C.6 Other decreases	348,577	1	-	-	348,578
D. Closing balance	2,465,147	159	324,091	-	2,789,397

SECTION 5

FINANCIAL ASSETS HELD TO MATURITY - ITEM 50

5.1 Financial assets held to maturity: analysis

	Total 31.12.2010				Total 31.12.2009			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debts securities (*)	608,196	563,405	-	-	605,451	588,356	-	-
- Structured securities	102,361	96,647	-	-	102,032	100,991	-	-
- Other debt securities	505,835	466,758	-	-	503,419	487,365	-	-
2. Loans	-	-	-	-	-	-	-	-

(*) Includes €583,452 thousand regarding bonds which were reclassified from the available-for-sale portfolio in the first quarter of 2008. A negative reserve of €7,783 thousand was recorded under shareholders' equity for these securities, which are being amortised to profit and loss over their residual life.

5.2 Financial assets held to maturity: analysis by debtors/issuers

	31.12.2010	31.12.2009
1. Debt securities	608,196	605,451
a) Governments and Central Banks	4,808	4,660
b) Other public entities	-	-
c) Banks	390,691	389,361
d) Other issuers	212,697	211,430
2. Loans	-	-
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total	608,196	605,451
Total fair value	563,405	588,356

5.4 Financial assets held to maturity: changes in the year

	Debt securities	Loans	Total
A. Opening balance	605,451	-	605,451
B. Increases	8,161	-	8,161
B.1 Purchases	4,596	-	4,596
B.2 Write-backs	-	-	-
B.3 Transfers from other categories	-	-	-
B.4 Other increases	3,565	-	3,565
C. Decreases	5,416	-	5,416
C.1 Sales	-	-	-
C.2 Redemptions	4,527	-	4,527
C.3 Write-downs	-	-	-
C.4 Transfers to other categories	-	-	-
C.5 Other decreases	889	-	889
D. Closing balance	608,196	-	608,196

SECTION 6
DUE FROM BANKS - ITEM 60

6.1 Due from banks: analysis

	31.12.2010	31.12.2009
A. Due from Central Banks: analysis	137,851	456,205
1. Term deposits	37,699	227,500
2. Statutory reserve	100,152	228,705
3. Repurchase agreement assets	-	-
4. Other	-	-
B. Due from banks	1,960,474	3,242,710
1. Current accounts and demand deposits	325,517	495,811
2. Term deposits	455,443	1,690,371
3. Other	15	1,046
3.1 Repurchase agreement assets	-	-
3.2 Finance leases	-	-
3.3 Other	15	1,046
4. Debt securities	1,179,499	1,055,482
4.1 Structured securities	67,520	268,709
4.2 Other debt securities	1,111,979	786,773
Total (book value)	2,098,325	3,698,915
Total (fair value) (*)	2,049,926	3,682,269

(*) The difference with respect to the book value was due to losses on debt securities.

6.2 Due from banks hedged with micro-hedging

	31.12.2010	31.12.2009
1. Loans hedged with fair value micro-hedging	90,473	83,591
a) Interest rate risk	90,473	83,591
b) Exchange rate risk	-	-
c) Credit risk	-	-
d) Other risks	-	-
2. Loans hedged with micro-hedging of financial flows	-	-
a) Interest rate	-	-
b) Exchange rate	-	-
c) Other	-	-
Total	90,473	83,591

SECTION 7 LOANS TO CUSTOMERS - ITEM 70

7.1 Loans to customers: analysis

	31.12.2010		31.12.2009	
	Performing	Impaired (*)	Performing	Impaired
1. Current accounts	1,098,518	2,822	793,175	5,961
2. Repurchase agreement assets	532,516	-	109,438	-
3. Loans	88,307	242	71,473	224
4. Credit cards, personal loans and loans with repayments deducted directly from wages	38,380	73	37,541	100
5. Finance leases	-	-	-	-
6. Factoring	-	-	-	-
7. Other transactions	80,846	259	73,128	351
8. Debt securities	946,783	-	923,394	-
8.1 Structured securities	6,644	-	154,323	-
8.2 Other debt securities	940,139	-	769,071	-
Total (book value)	2,785,350	3,396	2,008,149	6,636
Total (fair value) (**)	2,563,615	3,396	1,907,764	6,636

(*) Impaired assets comprised non-performing loans totalling €1,409 thousand, doubtful loans totalling €1,765 thousand and loans past due for more than 180 days totalling €222 thousand.

(**) The difference with respect to the book value was due to losses on debt securities.

7.2 Loans to customers: analysis by debtors/issuers

	31.12.2010		31.12.2009	
	Performing	Impaired	Performing	Impaired
1. Debt securities	946,783	-	923,394	-
a) Governments	855,580	-	754,655	-
b) Other public entities	-	-	-	-
c) Other issuers	91,203	-	168,739	-
- Non-financial companies	-	-	-	-
- Financial institutions	81,798	-	153,692	-
- Insurance companies	-	-	-	-
- Other	9,405	-	15,047	-
2. Loans to	1,838,567	3,396	1,084,755	6,636
a) Governments	-	-	-	-
b) Other public entities	772	-	143	-
c) Other parties	1,837,795	3,396	1,084,612	6,636
- Non-financial companies	289,265	377	205,265	393
- Financial institutions	554,265	260	117,961	249
- Insurance companies	74	-	23	-
- Other	994,191	2,759	761,363	5,994
Total	2,785,350	3,396	2,008,149	6,636

7.3 Loans to customers: hedged loans

	31.12.2010	31.12.2009
1. Loans hedged with fair value micro-hedging	850,947	754,655
a) Interest rate risk	850,947	754,655
b) Exchange rate risk	-	-
c) Credit risk	-	-
d) Other risks	-	-
2. Loans hedged with micro-hedging of financial flows	-	-
a) Interest rate	-	-
b) Exchange rate	-	-
c) Other	-	-
Total	850,947	754,655

SECTION 8 HEDGING DERIVATIVES - ITEM 80

8.1 Hedging derivatives: analysis by type of hedge and level

	Fair value 31.12.2010			Notional values 31.12.2010	Fair value 31.12.2009			Notional values 31.12.2009
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	-	2,459	-	242,800	-	236	-	114,920
1) Fair value	-	2,459	-	242,800	-	236	-	114,920
2) Financial flows	-	-	-	-	-	-	-	-
3) Investments outside Italy	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Financial flows	-	-	-	-	-	-	-	-
Total	-	2,459	-	242,800	-	236	-	114,920

8.2 Hedging derivatives: analysis by assets/liabilities hedged and type of hedge (book value)

	Fair Value					Macro-hedging	Hedging of financial flows		Investments outside Italy
	Specific						Micro-hedging	Macro-hedging	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Other risks				
1. Financial assets available for sale	2,459	-	-	-	-	X	-	X	X
2. Loans	-	-	-	X	-	X	-	X	X
3. Financial assets held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	-	X	-	X
5. Other transactions	-	-	-	-	-	X	-	X	-
Total assets	2,459	-	-	-	-	-	-	-	-
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
Total liabilities	-	-	-	-	-	-	-	-	-
1. Anticipated transactions	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	-	X	-	-

SECTION 10 INVESTMENTS IN ASSOCIATES - ITEM 100

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

Name	Registered office	Type of relationship	Ownership		% votes
			Held by	% owned	
A. Companies					
1. Fideuram Vita S.p.A.	Rome	1	Banca Fideuram	19.990	
2. Studi e Ricerche Fiscali - Consortium	Rome	1	Banca Fideuram	7.500	
3. SIA - S.SB. S.p.A.	Milan	1	Banca Fideuram	0.019	
4. Società Gestione per il Realizzo S.p.A.	Rome	1	Banca Fideuram	0.634	
5. Intesa Sanpaolo Group Services S.C.p.A.	Turin	1	Banca Fideuram	0.007	
			Sanpaolo Invest	0.001	
			Fideuram Investimenti	0.001	

1. Entities subject to significant influence.

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

	Total assets	Total revenues	Net profit/loss	Shareholders equity ^(*)	Consolidated book value	Fair value
A. Companies carried at equity						
A2. Entities subject to considerable influence						
1. Fideuram Vita S.p.A.	11,075,608	1,421,077	(8,425)	349,022	76,849	
2. Studi e Ricerche Fiscali - Consortium	1,190	2,134	-	258	19	
3. SIA - S.SB. S.p.A.	254,135	310,886	(20,727)	147,760	4	
4. Società Gestione per il Realizzo S.p.A.	58,636	12,486	8,619	50,166	97	
5. Intesa Sanpaolo Group Services S.C.p.A.	1,270,128	1,690,814	-	496,040	70	

(*) including the result in the previous column.

10.3 Investments in associates: changes in the year

	31.12.2010	31.12.2009
A. Opening balance	190	120
B. Increases	77,225	770
B.1 Purchases ^(*)	77,225	770
B.2 Write-backs	-	-
B.3 Revaluations	-	-
B.4 Other increases	-	-
C. Decreases	376	700
C.1 Sales	-	700
C.2 Write-downs	-	-
C.3 Other decreases	376	-
D. Closing balance	77,039	190
E. Total revaluations	-	-
F. Total adjustments	-	-

(*) Regards the acquisition of a 19.99% stake in Fideuram Vita.

10.5 Commitments regarding investments in associates subject to significant influence

Following the acquisition of 19.99% of the share capital in Fideuram Vita S.p.A. (described in Section H of these notes to the financial statements), Banca Fideuram and Intesa Sanpaolo (which owns the remaining 80.01% of shares) signed an agreement regarding options to buy and sell their respective holdings in the insurance company. As a result of this agreement, parent company Banca Fideuram recorded commitments of “put options issued” totalling approximately €400m.

SECTION 12

PROPERTY AND EQUIPMENT - ITEM 120

12.1 Property and equipment: analysis of assets valued at cost

	31.12.2010	31.12.2009
A. Functional assets		
1.1 Owned	33,380	31,541
a) land	21,323	21,323
b) buildings	4,779	4,160
c) furniture	3,264	2,604
d) electronic equipment	1,907	1,036
e) other	2,107	2,418
1.2 Purchased under financial leasing agreements	-	-
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
Total A	33,380	31,541
B. Investment assets		
2.1 Owned	-	-
a) land	-	-
b) buildings	-	-
2.2 Purchased under financial leasing agreements	-	-
a) land	-	-
b) buildings	-	-
Total B	-	-
Total (A+B)	33,380	31,541

12.3 Functional property and equipment: changes in the year

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross opening balance	21,323	68,849	32,672	41,528	37,937	202,309
A.1 Total net impairments	-	(64,689)	(30,068)	(40,492)	(35,519)	(170,768)
A.2 Net opening balance	21,323	4,160	2,604	1,036	2,418	31,541
B. Increases	-	1,191	2,067	1,405	254	4,917
B.1 Purchases	-	1,191	2,062	1,399	230	4,882
B.2 Expenditures for capitalised improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value recognised in:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	-	-	-	-
B.7 Other increases	-	-	5	6	24	35
C. Decreases	-	572	1,407	534	565	3,078
C.1 Sales	-	-	4	-	35	39
C.2 Amortization	-	572	1,403	534	530	3,039
C.3 Impairment write-downs recognised in:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Decreases in fair value recognised in:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Transfer to:	-	-	-	-	-	-
a) investment tangible assets	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other decreases	-	-	-	-	-	-
D. Net closing balance	21,323	4,779	3,264	1,907	2,107	33,380
D.1 Total net impairments	-	65,262	28,377	40,628	39,566	173,833
D.2 Gross closing balance	21,323	70,041	31,641	42,535	41,673	207,213
E. Valuation at cost	-	-	-	-	-	-

The depreciation rates applied to property and equipment were as follows (% range):

Building: 3%

Furniture: between 12% and 15%

Electronic equipment: between 20% and 40%

Other: between 7,5% and 30%

SECTION 13

INTANGIBLE ASSETS - ITEM 130

13.1 Intangible assets: analysis by type of asset

	31.12.2010		31.12.2009	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	X	-	X	-
A.1.1 Group interests	X	-	X	-
A.1.2 Third party interests	X	-	X	-
A.2 Other intangible assets	21,188	-	27,135	-
A.2.1 Assets valued at cost:	21,188	-	27,135	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	21,188	-	27,135	-
A.2.2 Assets valued at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	21,188	-	27,135	-

13.2 Intangible assets: changes in the year

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		Finite life	Indefinite life	Finite life	Indefinite life	
A. Gross opening balance	-	-	-	65,205	-	65,205
A.1 Total net impairments	-	-	-	(38,070)	-	(38,070)
A.2 Net opening balance	-	-	-	27,135	-	27,135
B. Increases	-	-	-	11,589	-	11,589
B.1 Purchases	-	-	-	11,582	-	11,582
B.2 Increases in internally generated intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Increases in fair value recognised in:	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Other increases	-	-	-	7	-	7
C. Decreases	-	-	-	17,536	-	17,536
C.1 Sales	-	-	-	62	-	62
C.2 Write-downs	-	-	-	13,567	-	13,567
- Depreciation and amortization	X	-	-	13,240	-	13,240
- Write-downs	-	-	-	327	-	327
+ shareholders' equity	X	-	-	-	-	-
+ income statement	-	-	-	327	-	327
C.3 Decreases in fair value recognised in:	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Other decreases	-	-	-	3,907	-	3,907
D. Net closing balance	-	-	-	21,188	-	21,188
D.1 Total net adjustments	-	-	-	30,186	-	30,186
E. Gross closing balance	-	-	-	51,374	-	51,374
F. Valuation at cost	-	-	-	-	-	-

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

SECTION 14

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

14.1 Deferred tax assets: analysis

	31.12.2010	31.12.2009
Breakdown of deferred tax assets:		
- Incentive payments to Personal Financial Adviser Networks	63,118	55,373
- Provisions for future charges	36,667	35,459
- Financial assets available for sale (*)	65,928	29,199
- Losses carried forward (**)	15,337	23,592
- Other	5,038	5,610
Total	186,088	149,233

(*) The increase in taxes was due to fair value gains on AFS securities. As a cautious measure, the tax credits accrued from 31.12.2007 regarding the losses on subsidiary Euro-Trésorerie's available-for-sale assets were not recognised.

(**) The losses carried forward regard the tax benefit of the losses accrued in prior years by the Group's French subsidiaries.

14.2 Deferred tax liabilities: analysis

	31.12.2010	31.12.2009
Breakdown of deferred tax liabilities:		
- Financial assets available for sale	15,023	24,037
- Other	7,576	5,968
Total	22,599	30,005

14.3 Change in deferred tax assets (balancing entry in income statement)

	31.12.2010	31.12.2009
1. Opening balance	119,408	97,779
2. Increases	17,232	66,770
2.1 Deferred tax assets recognised in the year	16,911	66,259
a) from prior years	-	25,278
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) other	16,911	40,981
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	321	511
3. Decreases	17,073	45,141
3.1 Deferred tax assets reversed in the year	17,073	44,942
a) rebates	17,073	44,942
b) write-downs for uncollectibility	-	-
c) changes in accounting policies	-	-
d) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	199
4. Closing balance	119,567	119,408

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

	31.12.2010	31.12.2009
1. Opening balance	5,697	5,535
2. Increases	5,833	3,762
2.1 Deferred tax liabilities recognised in the year	5,833	3,761
a) from prior years	-	7
b) due to changes in accounting policies	-	-
c) other	5,833	3,754
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	1
3. Decreases	4,241	3,600
3.1 Deferred tax liabilities reversed in the year	666	740
a) rebates	666	667
b) due to changes in accounting policies	-	-
c) other	-	73
3.2 Reductions in tax rates	-	-
3.3 Other decreases	3,575	2,860
4. Closing balance	7,289	5,697

14.5 Change in deferred tax assets (balancing entry in shareholders' equity)

	31.12.2010	31.12.2009
1. Opening balance	29,825	43,764
2. Increases	37,382	7,538
2.1 Deferred tax liabilities recognised in the year	37,382	7,246
a) from prior years	-	-
b) due to changes in accounting policies	-	-
c) other	37,382	7,246
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	292
3. Decreases	686	21,477
3.1 Deferred tax liabilities reversed in the year	394	21,388
a) rebates	378	2,606
b) write-downs for uncollectibility	-	-
c) due to changes in accounting policies	-	-
d) other	16	18,782
3.2 Reductions in tax rates	-	-
3.3 Other decreases	292	89
4. Closing balance (*)	66,521	29,825

(*) Principally deferred tax assets regarding losses on available-for-sale debt securities.

14.6 Change in deferred tax liabilities (balancing entry in shareholders' equity)

	31.12.2010	31.12.2009
1. Opening balance	24,308	2,571
2. Increases	1,758	21,890
2.1 Deferred tax liabilities recognised in the year	1,742	21,808
a) from prior years	-	-
b) due to changes in accounting policies	-	-
c) other	1,742	21,808
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	16	82
3. Decreases	10,756	153
3.1 Deferred tax liabilities reversed in the year	9,977	64
a) rebates	3,587	64
b) due to changes in accounting policies	-	-
c) other	6,390	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	779	89
4. Closing balance (*)	15,310	24,308

(*) Principally deferred tax liabilities regarding gains on available-for-sale debt securities.

14.7 Other information

The Italian companies in the Banca Fideuram Group again availed themselves of the "istituto del consolidato fiscale nazionale" tax consolidation regime in 2010 as subsidiaries of parent company Intesa Sanpaolo. This tax consolidation regime, which is governed by special regulations, provides for the aggregation of the taxable income of all the Group companies involved, and a single payment of IRES corporate income tax by the parent company in its role as "consolidating company".

SECTION 16

OTHER ASSETS - ITEM 160

16.1 Other assets: analysis

	31.12.2010	31.12.2009
Accrued commission income	186,504	163,650
Prepaid expense relating to Network incentive costs (*)	153,505	135,011
Due from Personal Financial Advisers	150,039	110,852
Clearing accounts and other receivables	60,664	87,652
Due from tax authority	27,853	36,029
Other accrued income and prepaid expenses	11,815	5,355
Prepaid expense relating to Unit Linked insurance commissions (**)	10,683	13,198
Other	25,485	21,058
Total	626,548	572,805

(*) Prepaid expense regarding the bonuses for the managed assets (quality)/insurance/net inflow targets set in the 2004-2010 schemes and linked in value to the length of the contractual relationships with customers.

(**) Prepaid expense on commission expense paid to the Networks and linked in value to the commission income from the policies sold in the period 2003 - 2010.

Liabilities

SECTION 1

DUE TO BANKS - ITEM 10

1.1 Due to banks: analysis

	31.12.2010	31.12.2009
1. Due to Central Banks	-	-
2. Due to banks	409,677	607,756
2.1 Current accounts and demand deposits	110,225	560,609
2.2 Term deposits	299,452	47,137
2.3 Loans	-	10
2.3.1 Repurchase agreement liabilities	-	10
2.3.2 Other	-	-
2.4 Debts from commitments to repurchase own equity instruments	-	-
2.5 Other debts	-	-
Total	409,677	607,756
Fair value	409,677	607,756

SECTION 2

DUE TO CUSTOMERS - ITEM 20

2.1 Due to customers: analysis

	31.12.2010	31.12.2009
1. Current accounts and demand deposits	6,598,297	7,335,872
2. Term deposits	76,581	84,376
3. Loans	460,693	313,455
3.1 Repurchase agreement liabilities	460,693	313,455
3.2 Other	-	-
4. Debts from commitments to repurchase own equity instruments	-	-
5. Other debts	16,306	2,852
Total	7,151,877	7,736,555
Fair value	7,151,877	7,736,555

SECTION 4
FINANCIAL LIABILITIES HELD FOR TRADING - ITEM 40

4.1 Financial liabilities held for trading: analysis

	Nominal value	31.12.2010 Fair Value			FV*	Nominal value	31.12.2009 Fair Value			FV*
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Cash Liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	1	-	5	-	5
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	-	-	-	-	-	1	-	5	-	5
B. Derivatives										
1. Financial derivatives	X	-	42,652	-	X	X	-	39,498	-	X
1.1 Held for trading	X	-	42,652	-	X	X	-	39,498	-	X
1.2 Connected with fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Connected with fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	X	-	42,652	-	X	X	-	39,498	-	X
Total (A+B)	X	-	42,652	-	X	X	-	39,503	-	X

FV*: Fair value calculated excluding any changes in value due to changes in the credit rating of the issuer with respect to the issue date.

SECTION 6
HEDGING DERIVATIVES - ITEM 60

6.1 Hedge derivatives: analysis by type of hedge and level

	Fair value 31.12.2010			Nominal value 31.12.2010	Fair value 31.12.2009			Nominal value 31.12.2009
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	-	358,667	-	2,798,811	-	276,024	-	2,615,391
1. Fair value	-	358,667	-	2,798,811	-	276,024	-	2,615,391
2. Financial flows	-	-	-	-	-	-	-	-
3. Investments outside Italy	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1. Fair value	-	-	-	-	-	-	-	-
2. Financial flows	-	-	-	-	-	-	-	-
Total	-	358,667	-	2,798,811	-	276,024	-	2,615,391

6.2 Hedging derivatives: analysis by portfolio hedged and type of hedging

	Fair value					Macro-hedging	Hedging of financial flows		Investments outside Italy
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Other risks		Micro-hedging	Macro-hedging	
1. Financial assets available for sale	202,458	-	-	-	-	X	-	X	X
2. Loans	156,209	-	-	X	-	X	-	X	X
3. Financial assets held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	-	X	-	X
5. Other transactions	-	-	-	-	-	X	-	X	-
Total assets	358,667	-	-	-	-	-	-	-	-
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
Total liabilities	-	-	-	-	-	-	-	-	-
1. Anticipated transactions	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	-	X	-	-

SECTION 10

OTHER LIABILITIES - ITEM 100

10.1 Other liabilities: analysis

	31.12.2010	31.12.2009
Due to Personal Financial Advisers	229,009	199,691
Clearing accounts and other payables	68,890	131,839
Due to suppliers	49,341	43,342
Payroll and social security payables	24,381	28,591
Other tax liabilities	10,089	13,151
Due to social security and pension institutions	7,136	6,403
Amounts to be collected by customers	6,973	44,909
Other	37,982	30,535
Total	433,801	498,461

SECTION 11

EMPLOYMENT TERMINATION INDEMNITIES - ITEM 110

11.1 Employment termination indemnities: changes in the year

	31.12.2010	31.12.2009
A. Opening balance	23,586	24,793
B. Increases	1,342	1,927
B.1 Provision for the year	930	1,133
B.2 Other increases	412	794
C. Decreases	2,849	3,134
C.1 Indemnities paid	2,433	3,037
C.2 Other decreases	416	97
D. Closing balance	22,079	23,586

The main actuarial criteria and reference rates used to determine the provision for employment termination indemnities were as follows:

- Discount rate 4.7%
- Anticipated rate of increase in remuneration 3.4%
- Annual inflation rate 2.0%

SECTION 12

PROVISIONS FOR RISKS AND CHARGES - ITEM 120

12.1 Provisions for risks and charges: analysis

	31.12.2010	31.12.2009
1. Company pension funds	-	-
2. Other provisions for risks and charges	338,861	310,527
2.1 Litigation	86,015	91,071
2.2 Personnel expenses	11,690	15,633
2.3 Personal Financial Advisers' termination indemnities and incentives	65,877	56,376
2.4 Network loyalty schemes	150,647	128,816
2.5 Other provisions	24,632	18,631
Total	338,861	310,527

2.1 The provisions for litigation comprise the provisions set aside to cover potential losses on litigation, including claims from receivers and the provisions connected with the Group policy regarding corporate securities in default.

2.2 The provision for personnel expenses comprise early retirement incentives and the provisions set aside to pay seniority bonuses to employees.

2.3 The Provision for Personal Financial Advisers' termination indemnities and incentives were calculated using actuarial valuations that take the indemnities actually accrued into account, together with the composition of the Network and the indemnities paid to those Personal Financial Advisers that had left the Group in the previous 5 financial years. The Provision also included the incentive compensation payable upon the achievement of performance targets set aside under the "New Collective Economic Agreement for Agents in the Commerce Sector" of 26 February 2002.

2.4 The Provisions for the Network Loyalty Schemes represent the best estimate of the amount required to discharge the obligation at the accounting reference date, calculated using actuarial valuations.

2.5 Other provisions principally concerned expenses that the Group could incur to settle disputes with the Italian Inland Revenue regarding the tax deduction of the Banca Fideuram Personal Financial Adviser Network's Loyalty Schemes and regarding the income tax payable by Fideuram Investimenti for the 2005 and 2006 financial years.

12.2 Provisions for risks and charges: changes in the year

	Total	
	Pension funds	Other provisions
A. Opening balance	-	310,527
B. Increases	-	94,713
B.1 Provisions for the year	-	90,004
B.2 Changes due to the passage of time	-	3,043
B.3 Changes due to changes in the discount rate	-	-
B.4 Other increases	-	1,666
C. Decreases	-	66,379
C.1 Utilisation in the year	-	40,582
C.2 Changes due to changes in the discount rate	-	-
C.3 Other decreases	-	25,797
D. Closing balance	-	338,861

SECTION 15

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

15.1 "Capital" and "Treasury shares": analysis

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

At 31 December 2010, the share capital totalled €186,255,207 divided into 980,290,564 ordinary shares with a par value €0.19.

The Group did not hold any treasury shares at 31 December 2010.

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

	Ordinary	Other
A. Shares at beginning of financial year	980,290,564	-
- full paid-up	980,290,564	-
- partially paid-up	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balance	980,290,564	-
B. Increases	-	-
B.1 New issues	-	-
- Cash issues:	-	-
- business combination transactions	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- Free issues:	-	-
- for employees	-	-
- for directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other increases	-	-
C. Decreases	-	-
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Company sale transactions	-	-
C.4 Other decreases	-	-
D. Outstanding shares: closing balance	980,290,564	-
D.1 Treasury shares (+)	-	-
D.2 Shares at end of financial year	980,290,564	-
- full paid-up	980,290,564	-
- partially paid-up	-	-

OTHER INFORMATION

1. Guarantees and commitments

	31.12.2010	31.12.2009
1. Financial guarantees	82,204	86,691
a) Banks (*)	15,643	13,287
b) Customers	66,561	73,404
2. Commercial guarantees	7,256	5,957
a) Banks	-	-
b) Customers	7,256	5,957
3. Commitments to grant finance	76,044	7,502
a) Banks	28,393	6,023
i) certain to be called on	28,393	6,023
ii) not certain to be called on	-	-
b) Customers	47,651	1,479
i) certain to be called on	47,455	1,240
ii) not certain to be called on	196	239
4. Commitments underlying credit derivatives: protection sales	-	-
5. Assets pledged as security for third-party liabilities	-	-
6. Other commitments	400,557	384
Total	566,061	100,534

(*) Includes the options regarding the holding in Fideuram Vita S.p.A. described in section 10.5.

2. Assets pledged as security for own liabilities and commitments

	31.12.2010	31.12.2009
1. Financial assets held for trading	-	-
2. Financial assets designated at fair value	-	-
3. Financial assets available for sale	391,891	68,979
4. Financial assets held to maturity	-	-
5. Due from banks	111,607	266,232
6. Loans to customers	209,966	4,450
7. Property and equipment	-	-

5. Administration and trading on behalf of third parties

	31.12.2010
1. Execution of customer instructions	3,075,667
a) Purchases	1,428,552
1. Settled	1,428,154
2. Not settled	398
b) Sales	1,647,115
1. Settled	1,646,717
2. Not settled	398
2. Portfolio management	46,719,482
a) Individual	18,158,331
b) Collective	28,561,151
3. Custody and administration of securities	
a) Third-party securities held on deposit: connected with activities as depositary bank (excluding portfolio management)	54,763,445
1. Securities issued by companies included in the consolidation	46,134,487
2. Other securities	8,628,958
b) Third-party securities held on deposit (excluding portfolio management): other	28,552,407
1. Securities issued by companies included in the consolidation	-
2. Other securities	28,552,407
c) Third-party securities deposited with third parties	58,910,898
d) Portfolio securities deposited with third parties	5,480,103
4. Other transactions	11,843,168

PART C

NOTES TO THE CONSOLIDATED INCOME STATEMENT

SECTION 1

INTEREST - ITEMS 10 AND 20

1.1 Interest income and similar income: analysis

	Debt securities	Loans	Other transactions	2010 Total	2009 Total
1. Financial assets held for trading	240	-	-	240	582
2. Financial assets designated at fair value	15	-	-	15	24
3. Financial assets available for sale	95,496	-	-	95,496	96,028
4. Financial assets held to maturity	6,364	-	-	6,364	9,642
5. Due from banks	32,942	5,970	-	38,912	103,947
6. Loans to customers	36,018	28,183	-	64,201	61,933
7. Hedging derivatives	X	X	-	-	-
8. Other assets	X	X	162	162	410
Total	171,075	34,153	162	205,390	272,566

1.3 Interest income and similar income: other information

1.3.1 Interest income on financial assets denominated in foreign currencies

	2010	2009
On financial assets denominated in foreign currencies	296	7,246

1.4 Interest expense and similar expense: analysis

	Debts	Securities	Other liabilities	2010 Total	2009 Total
1. Due to Central Banks	-	X	-	-	-
2. Due to banks	3,097	X	-	3,097	3,547
3. Due to customers	22,685	X	-	22,685	64,746
4. Debt on issue	X	-	-	-	5,693
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities designated at fair value	-	-	-	-	-
7. Other liabilities and provisions	X	X	58	58	72
8. Hedging derivatives	X	X	59,872	59,872	40,881
Total	25,782	-	59,930	85,712	114,939

1.5 Interest expense and similar expense: hedging gains and losses

	2010	2009
A. Hedging gains	18,703	29,186
B. Hedging losses	78,575	70,067
C. Net gains / losses (A-B)	(59,872)	(40,881)

1.6 Interest expense and similar expense: other information

1.6.1 Interest expenses on liabilities denominated in foreign currencies

	2010	2009
On liabilities denominated in foreign currencies	254	445

SECTION 2

COMMISSION INCOME AND EXPENSE - ITEMS 40 AND 50

2.1 Commission income: analysis

	2010	2009
a) Guarantees given	434	448
b) Credit derivatives	-	-
c) Management, brokerage and advisory services:	990,645	810,182
1. Trading in financial instruments	3,427	5,638
2. Currency trading	109	96
3. Portfolio management:	148,200	145,413
3.1 Individual	120,836	109,522
3.2 Collective	27,364	35,891
4. Custody and administration of securities	9,066	9,264
5. Depository bank	15,675	17,266
6. Placement of securities	52,553	46,831
7. Receipt and transmission of instructions	19,643	22,548
8. Advisory services	22,431	6,150
8.1 Regarding investments	22,431	6,150
8.2 Regarding investment structure	-	-
9. Supply of third-party services	719,541	556,976
9.1 Portfolio management	549,295	375,435
9.1.1 Individual	5,970	7,364
9.1.2 Collective	543,325	368,071
9.2 Insurance products	164,906	175,331
9.3 Other products	5,340	6,210
d) Collection and payment services	8,294	6,443
e) Securitization services	-	-
f) Factoring services	-	-
g) Tax collection services	-	-
h) Management of multilateral trading systems	-	-
i) Processing and management of current accounts	5,416	7,465
j) Other services	20,526	19,521
Total	1,025,315	844,059

2.2 Commission expense: analysis

	2010	2009
a) Guarantees received	114	-
b) Credit derivatives	-	-
c) Management and brokerage services:	478,979	393,112
1. Trading in financial instrument	5,268	697
2. Currency trading	20	23
3. Portfolio management:	29,735	27,233
3.1 Owned	29,735	27,199
3.2 On behalf of third parties	-	34
4. Custody and administration of securities	6,646	4,837
5. Placement of financial instruments	-	-
6. Sales of financial products, products and services through non-branch channels	437,310	360,322
d) Collection and payment services	2,082	2,199
e) Other services	5,320	7,261
Total	486,495	402,572

SECTION 3

DIVIDENDS AND SIMILAR INCOME - ITEM 70

3.1 Dividends and similar income: analysis

	2010		2009	
	Dividend income	Income from units in mutual funds	Dividend income	Income from units in mutual funds
A. Financial assets held for trading	2	-	-	-
B. Financial assets available for sale	-	-	-	-
C. Financial assets designated at fair value	-	-	-	-
D. Investments in associates	-	X	57	X
Total	2	-	57	-

SECTION 4

NET PROFIT (LOSS) ON TRADING ACTIVITIES - ITEM 80

4.1 Net profit (loss) on trading activities: analysis

	Profits	Trading profits	Losses	Trading losses	Net profits or losses
1. Financial assets held for trading	9	1,676	(90)	(229)	1,366
1.1 Debt securities	-	1,665	(90)	(163)	1,412
1.2 Equities	-	9	-	(62)	(53)
1.3 Units in mutual funds	9	2	-	(4)	7
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange rate differences	X	X	X	X	6,415
4. Derivatives:	34	433	(151)	(199)	(2,212)
4.1 Financial derivatives:	34	433	(151)	(199)	(2,212)
- Debt derivatives and interest rate derivatives	34	432	(151)	(199)	116
- Equity derivatives and index derivatives	-	1	-	-	1
- Currencies and gold	X	X	X	X	(2,329)
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	43	2,109	(241)	(428)	5,569

SECTION 5

NET PROFIT (LOSS) ON HEDGING DERIVATIVES - ITEM 90

5.1 Net profit (loss) on hedging derivatives: analysis

	2010	2009
A. Profit on:		
A.1 Fair value hedge derivatives	3,072	136,779
A.2 Hedged financial assets (fair value)	86,442	29,580
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Financial derivatives hedging financial flows	-	-
A.5 Assets and liabilities denominated in foreign currencies	-	-
Total profit on hedging derivatives (A)	89,514	166,359
B. Loss on:		
B.1 Fair value hedge derivatives	(84,443)	(27,934)
B.2 Hedged financial assets (fair value)	(3,206)	(137,301)
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Financial derivatives hedging financial flows	-	-
B.5 Assets and liabilities denominated in foreign currencies	-	-
Total loss on hedging derivatives (B)	(87,649)	(165,235)
C. Net profit (loss) on hedging derivatives (A-B)	1,865	1,124

SECTION 6

INCOME/LOSS FROM SALE AND REPURCHASE - ITEM 100

6.1 Income/loss from sale and repurchase: analysis

	2010			2009		
	Profit	Loss	Net profit/loss	Profit	Loss	Net profit/loss
Financial assets						
1. Due from banks	180	(1,930)	(1,750)	2,383	(3,329)	(946)
2. Loans to customers	1,296	(1,828)	(532)	367	-	367
3. Financial assets available for sale	18,693	(3,692)	15,001	559	(3,104)	(2,545)
3.1 Debt securities	13,691	(3,691)	10,000	368	(3,104)	(2,736)
3.2 Equity	-	(1)	(1)	-	-	-
3.3 Units in mutual funds	5,002	-	5,002	191	-	191
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	20,169	(7,450)	12,719	3,309	(6,433)	(3,124)
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt on issue	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-

SECTION 7

NET PROFIT (LOSS) ON FINANCIAL ASSETS/LIABILITIES DESIGNATED AT FAIR VALUE - ITEM 110

7.1 Net profit (loss) on financial assets/liabilities designated at fair value: analysis

	Profit	Profit on disposal	Loss	Loss on disposal	Net profit or loss
1. Financial assets	12,233	285	(1)	(57)	12,460
1.1 Debt securities (*)	12,233	285	(1)	(57)	12,460
1.2 Equities	-	-	-	-	-
1.3 Units in mutual funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
2. Financial liabilities	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Financial assets and liabilities denominated in foreign currencies: exchange rate differences	X	X	X	X	-
4. Credit and financial derivatives	-	-	-	-	-
Total	12,233	285	(1)	(57)	12,460

(*) The profit principally regarded the insurance policies taken out for Personal Financial Advisers as part of the Network Loyalty Schemes.

SECTION 8
NET IMPAIRMENT ON FINANCIAL ASSETS - ITEM 130

8.1 Net impairment on loans: analysis

	Adjustments			Write-backs				2010 Total	2009 Total
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		Interest	Other write-backs	Interest	Other write-backs		
A. Due from banks	-	-	(135)	-	-	-	-	(135)	(8)
- Loans	-	-	(135)	-	-	-	-	(135)	24
- Debt securities	-	-	-	-	-	-	-	-	(32)
B. Loans to customers	-	(1,450)	(1,585)	158	1,151	-	98	(1,628)	(119)
- Loans	-	(1,450)	(1,565)	158	1,151	-	-	(1,706)	333
- Debt securities	-	-	(20)	-	-	-	98	78	(452)
C. Total	-	(1,450)	(1,720)	158	1,151	-	98	(1,763)	(127)

8.4 Net impairment on other financial transactions: analysis

	Adjustments			Write-backs				2010 Total	2009 Total
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		Interest	Other write-backs	Interest	Other write-backs		
A. Guarantees issued	-	-	-	-	353	-	-	353	(15)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to grant finance	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	-
E. Total	-	-	-	-	353	-	-	353	(15)

SECTION 11

ADMINISTRATIVE EXPENSES - ITEM 180

11.1 Personnel expenses: analysis

	2010	2009
1) Employees	124,253	118,848
a) Wages and salaries	87,893	85,545
b) Social security contributions	21,738	21,387
c) Termination indemnities	-	-
d) Pension costs	2,694	2,726
e) Provision for employee termination indemnities	874	1,049
f) Provision for retirement benefits and similar obligations:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) Payments to external supplementary pension funds:	5,121	5,134
- defined contribution	5,121	5,134
- defined benefit	-	-
h) Costs arising from payment agreement based on own equity instruments	-	-
i) Other employee benefits	5,933	3,007
2) Other staff	548	396
3) Directors and auditors	1,887	1,819
4) Retired staff	-	-
Total	126,688	121,063

11.2 Average number of employees by category

	2010
Employees:	1,423
a) Executives	59
b) Managers	744
c) Other employees	620
Other staff	6

11.4 Other employee benefits

This item principally comprised seniority and other bonuses.

11.5 Other administrative expenses: analysis

	2010	2009
IT costs	14,148	11,497
- Software maintenance and upgrades	7,569	6,214
- Maintenance and rental of electronic equipment	1,248	942
- Data transmission	1,107	1,178
- Rental of office equipment	2,442	1,872
- Telephone	2,021	1,522
- Recovery of IT costs	(239)	(231)
Property management costs	38,196	37,639
- Property rent	31,056	30,155
- Maintenance of rented property	820	663
- Maintenance of own property	354	88
- Security	774	1,117
- Cleaning	997	1,438
- Power	2,170	2,387
- Miscellaneous building costs	2,466	2,230
- Recovery of property management costs	(441)	(439)
General expenses	28,627	26,814
- Postage and telegraphic expenses	4,229	3,887
- Office supplies	1,754	1,851
- Transport and counting of valuables	530	507
- Couriers and transport	2,106	2,233
- Search and information services	4,626	4,708
- Other expenses	15,477	13,715
- Recovery of general expenses	(95)	(87)
Professional and insurance costs	15,817	13,808
- Professional fees	10,163	8,099
- Legal advice and court fees	4,966	4,990
- Bank and customer insurance premiums	727	757
- Recovery of professional and insurance costs	(39)	(38)
Promotional and advertising expenses	4,260	5,279
- Advertising and entertainment	4,599	5,956
- Recovery of promotional and advertising expenses	(339)	(677)
Indirect personnel expenses	5,746	5,990
- Indirect personnel expenses	5,792	6,039
- Recovery of indirect personnel expenses	(46)	(49)
Services by third parties	73,090	82,675
- Expenses for services by third parties	16,533	15,001
- Expenses for outsourcing within the Group	56,933	67,683
- Recovery of services by third parties	(376)	(9)
Total other administrative costs net of indirect taxes	179,884	183,702
Indirect taxes		
- Stamp duty	20,810	21,085
- Substitute tax (Italian Presidential Decree. 601/73)	168	180
- Local council property tax	203	200
- Other indirect taxes	1,552	1,856
- Recovery of indirect taxes	(46)	(44)
Total Indirect taxes	22,687	23,277
Total other administrative expenses	202,571	206,979

SECTION 12
NET PROVISIONS FOR RISKS AND CHARGES - ITEM 190

12.1 Net provisions for risks and charges: analysis

	2010	2009
Litigation and claims from receivers	14,660	16,561
Contractual indemnities due to Personal Financial Advisers	11,564	5,730
Costs relating to the Personal Financial Adviser Networks' Loyalty Schemes (*)	37,667	41,117
Other (**)	17,989	18,461
Total	81,880	81,869

(*) Included €11,007 thousand gains on the insurance policies taken out under the Personal Financial Adviser Networks' Loyalty Schemes. At 31.12.2009 this item included gains totalling €21,532 thousand.

(**) Includes a provision of €17,950 thousand set aside to settle an income tax dispute regarding subsidiary Fideuram Investimenti for the 2005 and 2006 financial years. The subsidiary settled the dispute regarding the 2005 financial year in November and the dispute regarding registration tax for the 2006 financial year in December. The dispute regarding the 2006 financial year was settled in January 2011.

SECTION 13
DEPRECIATION OF PROPERTY AND EQUIPMENT - ITEM 200

13.1 Depreciation of property and equipment: analysis

	Depreciation	Net adjustments for impairment losses	Write-backs	Net adjustments
A. Property and equipment				
A.1 Owned	3,039	-	-	3,039
- Functional property and equipment	3,039	-	-	3,039
- Investment property and equipment	-	-	-	-
A.2 Purchased under finance lease arrangements	-	-	-	-
- Functional property and equipment	-	-	-	-
- Investment property and equipment	-	-	-	-
Total	3,039	-	-	3,039

SECTION 14

AMORTIZATION OF INTANGIBLE ASSETS - ITEM 210

14.1 Amortization of intangible assets: analysis

	Amortization	Net adjustments for impairment losses	Write-backs	Net adjustments
A. Intangible assets				
A.1 Owned	13,240	-	-	13,240
- Generated internally	-	-	-	-
- Other	13,240	-	-	13,240
A.2 Purchased under finance lease arrangements	-	-	-	-
Total	13,240	-	-	13,240

SECTION 15

OTHER INCOME (EXPENSE) - ITEM 220

15.1 Other expense: analysis

	2010	2009
Personal Financial Advisers - related expenses	3,359	4,328
Settlement of litigation	2,697	477
Brokerage expenses	759	1,066
Other expenses	2,042	596
Total	8,857	6,467

15.2 Other income: analysis

	2010	2009
Recovery of expenses	20,036	19,407
Brokerage income	107	597
Other income (*)	8,176	2,735
Total	28,319	22,739

(*) The item "Other income" includes €7m income from the settlement of a legal dispute between Sanpaolo Invest SIM and Banca Sara.

SECTION 16

PROFIT (LOSS) ON INVESTMENTS IN ASSOCIATES - ITEM 240

16.1 Profit (loss) on investments in associates: analysis

	2010	2009
1) Jointly-controlled entities		
A. Income	-	-
1. Revaluations	-	-
2. Profit from sales	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Expenses	-	-
1. Write-downs	-	-
2. Impairment	-	-
3. Losses from sales	-	-
4. Other	-	-
Net profit (loss)	-	-
2) Entities subject to significant influence		
A. Income	2,536	-
1. Revaluations	2,536	-
2. Profit on sales	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Expenses	(182)	-
1. Write-downs	(182)	-
2. Impairment	-	-
3. Losses from sales	-	-
4. Other	-	-
Net profit (loss) (*)	2,354	-
Total	2,354	-

(*) Regards the stake in Fideuram Vita S.p.A. carried at equity.

SECTION 19

GAIN/LOSS FROM DISPOSAL OF INVESTMENTS - ITEM 270

19.1 Gain/loss from disposal of investments: analysis

	2010 Totale	2009 Totale
A. Buildings	-	-
- Gains from sales	-	-
- Losses from sales	-	-
B. Other assets	1,470	-
- Gains from sales	-	-
- Losses from sales	1,470	-
Net income/loss (*)	1,470	-

(*) Regards the loss resulting from the winding up of subsidiary Fideuram Bank Monaco.

SECTION 20
INCOME TAXES - ITEM 290

20.1 Income taxes: analysis

	2010	2009
1. Current taxes (-)	(66,050)	(51,394)
2. Changes to current taxes for prior years (+/-)	332	(19,599)
3. Reduction in current taxes for the year (+)	-	4,197
4. Change in deferred tax assets (+/-)	(162)	21,317
5. Change in deferred tax liabilities (+/-)	(5,167)	(358)
6. Income taxes for the year (-)	(71,047)	(45,837)

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

	2010
Taxable income	282,631
Standard tax rate applicable	32.38%
Theoretical tax burden	91,516
Tax impact with respect to:	
Different tax rates applying to foreign subsidiaries	(42,137)
Non-deductible costs	14,885
IRAP regional business tax and minor effects	6,783
Actual tax burden	71,047

SECTION 22

MINORITY INTEREST - ITEM 330

22.1 Breakdown of item 330 "Minority interest (profit)"

	2010	2009
Minority interest (profit)	-	76

22.2 Breakdown of item 330 "Minority interest (loss)"

	2010	2009
Minority interest (loss)	26	-

SECTION 24

EARNINGS PER SHARE

24.1 Average number of diluted capital ordinary shares

	2010		2009	
	Ordinary shares	Savings shares	Ordinary shares	Savings shares
Weighted average shares (number)	980,290,564	-	980,290,564	-
Income attributable to different share classes (€k)	211,610	-	178,354	-
Basic earnings per share (€)	0.216	-	0.182	-
Diluted earnings per share (€)	0.216	-	0.182	-

PART D

TOTAL COMPREHENSIVE INCOME

Components of total comprehensive income

	Gross amount	Income tax	Net amount
10. Net profit (loss) for the year			211,584
Other comprehensive income			
20. Financial assets available for sale	(149,060)	45,398	(103,662)
a) Changes in fair value	(140,668)	41,668	(99,000)
b) Reclassifications to income statement	(106,247)	4,321	(101,926)
- Adjustments for impairment losses	-	-	-
- Income (losses) on disposal	(106,247)	4,321	(101,926)
c) Other changes	97,855	(591)	97,264
30. Property and equipment	-	-	-
40. Intangible assets	-	-	-
50. Hedging of foreign investments	-	-	-
a) Changes in fair value	-	-	-
b) Reclassifications to income statement	-	-	-
c) Other changes	-	-	-
60. Hedging of financial flows	-	-	-
a) Changes in fair value	-	-	-
b) Reclassifications to income statement	-	-	-
c) Other changes	-	-	-
70. Exchange rate differences	3,416	-	3,416
a) Changes in value	-	-	-
b) Reclassifications to income statement	-	-	-
c) Other changes	3,416	-	3,416
80. Non-current assets held for sale	-	-	-
a) Changes in fair value	-	-	-
b) Reclassifications to income statement	-	-	-
c) Other changes	-	-	-
90. Actuarial profit (losses) on defined benefit plans	-	-	-
100. Revaluation reserves related to investments carried at equity	(4,074)	1,323	(2,751)
a) Changes in fair value	(3,720)	1,208	(2,512)
b) Reclassifications to income statement	(1,821)	591	(1,230)
- Adjustments for impairment losses	-	-	-
- Income (losses) on disposal	(1,821)	591	(1,230)
c) Other changes	1,467	(476)	991
110. Total other comprehensive income	(149,718)	46,721	(102,997)
120. Total comprehensive income			108,587
130. Total comprehensive income attributable to minority interest			(26)
140. Total comprehensive income attributable to parent company			108,613

PART E

INFORMATION ON RISK AND RELATED HEDGING POLICIES

1.1 CREDIT RISK

Qualitative information

General information

The Banca Fideuram Group's lending activities support its core business of providing investment services to private customers.

Analysis of the item "Due from banks" shows that it predominantly comprised short-term interbank loans, mainly to leading banks in the euro area. Loans to customers are largely granted in the technical form of agreeing a current account overdraft facility and are linked directly to the Group's private banking business.

These loans are as a rule supported by collateral pledges of products distributed by the Banca Fideuram Group (mutual funds, discretionary accounts and insurance products), or of equities or bonds listed on major regulated markets. The Group loan portfolio therefore has a low overall exposure to credit risk.

As part of the Group's project to develop its lending business in line with the process of extending and improving the services it offers to customers, we launched new products such as Credit Line - an unsecured current account overdraft facility granted to private banking customers who have suitable levels of financial wealth invested with the Group - and the Lombard One and Corporate Lombard credit facilities supported by pledges or irrevocable mandates to sell financial instruments. The growth trend for the volume of loans granted to customers was thus maintained in 2010 along with the Group's highly-effective risk management, testified to by the low level of impaired loans.

Credit risk management policies

Organisational aspects

The Group's overall lending business and management of loan portfolio risk profiles in particular are governed by internal Lending Policy regulations that follow the guidelines issued by parent company Intesa Sanpaolo.

These internal regulations govern the decision-making powers of those authorised by the Board of Directors to grant loans, specifying loan limits, type of risk and applicant category.

The offering and granting of level one loans is carried out in accordance with said scheme of delegated authority at the Banca Fideuram branches located across 7 different areas, whereas the offering and granting of higher-level loans is managed in the Group's central offices.

The internal regulations also specify the organisational units responsible for managing credit risk, and for managing problem loans and impaired loans. Credit risk management is carried out by a central unit that is separate from those in charge of granting and managing loans.

Management, measurement and control systems

The Group's credit strategies are directed towards the efficient selection of individual loans. The granting of loans to customers is always subject to an appropriate analysis of the applicant's creditworthiness, focusing special attention both on their assets and income, irrespective of any collateral securing the loan.

The quality of the loan portfolio is supported by special operating procedures from the enquiry stage onwards, with constant monitoring by a system that provides prompt notification of any impairment in the collateral securing the loans granted, while dedicated application procedures monitor any signs of impaired loan positions.

This monitoring is carried out during every stage in the loan management process (enquiry, granting and monitoring) and consists of a critical analysis of all the relevant indicators and the periodic review of every position. Further checks are carried out by our central departments on both the nature and quality of the overall exposures. In addition, specific checks are carried out to limit the concentration of exposure within the Intesa Sanpaolo Group. Risk monitoring and measurement tools and techniques developed within the Intesa Sanpaolo Group are also used to this end.

Credit risk mitigation techniques

In order to mitigate the credit risk of loans to customers, the Group as a rule obtains collateral, bank guarantees or irrevocable mandates to sell financial instruments. Loans secured by collateral accounted for 82.6% of all loans to customers at 31/12/2010.

The types of collateral obtained are generally products distributed by the Banca Fideuram Group (funds, discretionary accounts and insurance policies) or financial instruments listed on regulated markets. Bonds are only accepted as collateral if the issuer or loan has an appropriate rating (by a leading rating agency).

The value of the financial instruments obtained as collateral is discounted differentially in relation to the type of product and technical form of risk mitigation concerned as a precautionary measure when calculating the credit limit to be granted, with a view to protecting the Group against any fluctuations in market value.

The concentration of collateral in issuers is very low, excepting for funds and other products distributed by the Banca Fideuram Group. There were no obligations at the time this report was prepared capable of undermining the legal validity of the guarantees, which is moreover subject to periodic verification.

The risk of the loan issuer spread widening for government issuers was hedged specifically where Greece was concerned in December 2010, with a financial guarantee contract for a nominal €28m and term of seven years to cover failure to pay, restructuring and repudiation/moratorium, which are typical credit events in cases where the reference entity is a sovereign state.

The Group used bilateral netting agreements, which offset creditor and debtor positions in the event of the default of one counterparty, to mitigate counterparty risk regarding OTC derivatives (unregulated) and repurchase agreements. ISDA and ISMA/PSA agreements were used to this end, which also enable one to reduce the regulatory capital allocation while operating in accordance with supervisory regulations.

The Group also entered into collateral agreements, generally with daily margining, to hedge its OTC and SFT derivatives transactions (Credit Support Annexes and Global Market Repurchase Agreements respectively).

Impaired financial assets

The potential impairment of financial assets undergoes detailed ongoing monitoring, examining positions due/overdue and carefully analysing all the other indicators available.

Loans assessed as high risk, confirmed over time, are identified and allocated to other categories appropriate to their risk profile.

These loans are classified as non-performing loans when the borrower is insolvent or in a substantially equivalent situation, as doubtful loans when the borrower is in a situation of temporary difficulty that they are likely to overcome in an appropriate period of time, and as restructured loans when a deterioration in the financial conditions of the debtor leads the Group to agree to a change in the original contractual conditions. Lastly, loans that are overdue and/or past due which have exceeded the objective overdue payment conditions provided for by the Bank of Italy are also considered problem loans.

The different types of problem loans, their management and the procedures for transferring performing loans to impaired assets are all governed by the Group's internal regulations, which also specify the company bodies empowered to authorise transfers between different classes of loans. Non-performing loans net of write-downs accounted for a very small percentage of total loans (0.1% of loans to customers).

Each individual loan classified as an impaired loan undergoes loss forecasts based on a detailed analysis of all the relevant valuation factors (debtor assets, employment income and estimated recovery date etc.). The valuations are examined at regular intervals and revised if any new and significant events have occurred.

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

Loans to customers: loan quality

(€m)

	31.12.2010		31.12.2009		Change Net exposure
	Net exposure	%	Net exposure	%	
Non-performing loans	1.4	-	2.7	0.1	(1.3)
Doubtful loans and restructured loans	1.8	0.1	3.1	0.2	(1.3)
Loans receivable/overdue	0.2	-	0.8	-	(0.6)
Impaired assets	3.4	0.1	6.6	0.3	(3.2)
Performing loans	1,838.5	65.9	1,084.8	53.9	753.7
Securities	946.8	34.0	923.4	45.8	23.4
Loans to customers	2,788.7	100.0	2,014.8	100.0	773.9

Quantitative information

A. Credit quality

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

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

	Banking Group					Other companies		Total
	Non-performing loans	Doubtful loans	Restructured loans	Overdue loans	Other assets	Impaired	Other	
1. Financial assets held for trading	-	1	-	-	48,028	-	-	48,029
2. Financial assets available for sale	-	-	-	-	2,465,147	-	-	2,465,147
3. Financial assets held to maturity	-	-	-	-	608,196	-	-	608,196
4. Due from banks	-	-	-	-	2,098,325	-	-	2,098,325
5. Loans to customers	1,409	1,765	-	222	2,785,350	-	-	2,788,746
6. Financial assets designated at fair value	-	-	-	-	207,886	-	-	207,886
7. Financial assets held for sale	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	2,459	-	-	2,459
Total at 31.12.2010	1,409	1,766	-	222	8,215,391	-	-	8,218,788
Total at 31.12.2009	2,774	3,071	-	791	9,304,739	-	-	9,311,375

A.1.2 Analysis of exposures by portfolio and credit quality (gross and net values)

	Impaired assets			Performing assets			Total (net exposure)
	Gross exposure	Specific adjustments	Net Exposure	Gross exposure	Portfolio adjustments	Net Exposure	
A. Banking Group							
1. Financial assets held for trading	16	(15)	1	X	X	48,028	48,029
2. Financial assets available for sale	-	-	-	2,465,147	-	2,465,147	2,465,147
3. Financial assets held to maturity	-	-	-	608,196	-	608,196	608,196
4. Due from banks	-	-	-	2,098,547	(222)	2,098,325	2,098,325
5. Loans to customers	10,080	(6,684)	3,396	2,788,990	(3,640)	2,785,350	2,788,746
6. Financial assets designated at fair value	-	-	-	X	X	207,886	207,886
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	2,459	2,459
Total A	10,096	(6,699)	3,397	7,960,880	(3,862)	8,215,391	8,218,788
B. Other companies included in the consolidation							
1. Financial assets held for trading	-	-	-	X	X	-	-
2. Financial assets available for sale	-	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-	-
4. Due from banks	-	-	-	-	-	-	-
5. Loans to customers	-	-	-	-	-	-	-
6. Financial assets designated at fair value	-	-	-	X	X	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	-	-
Total B	-	-	-	-	-	-	-
Total at 31.12.2010	10,096	(6,699)	3,397	7,960,880	(3,862)	8,215,391	8,218,788
Total at 31.12.2009	18,657	(12,021)	6,636	9,032,027	(2,823)	9,304,739	9,311,375

Performing loans include:

- Loans not yet overdue totalling €635,000, regarding debts being renegotiated under collective agreements.
- Loan repayment installments overdue with a repayment plan or bullet repayment of the entire amount due totalling €1,070,000 (comprising €998,000 less than three months overdue and €72,000 between three and six months overdue).
- Residual debts with payment plans totalling €187,000 less than three months overdue.

A.1.3 Banking Group - Cash and off-balance-sheet exposures to banks: gross and net values

	Gross exposure	Specific adjustments	Portfolio adjustments	Net Exposure
A. Cash exposures				
a) Non-performing loans	-	-	X	-
b) Doubtful loans	-	-	X	-
c) Restructured loans	-	-	X	-
d) Overdue loans	-	-	X	-
e) Other assets	3,237,339	X	(222)	3,237,117
Total A	3,237,339	-	(222)	3,237,117
B. Off-balance-sheet exposures				
a) Impaired	-	-	X	-
b) Other	442,446	X	-	442,446
Total B	442,446	-	-	442,446
Total A+B	3,679,785	-	(222)	3,679,563

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

	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure
A. Cash exposure				
a) Non-performing loans	7,340	(5,931)	X	1,409
b) Doubtful loans	2,495	(730)	X	1,765
c) Restructured loans	-	-	X	-
d) Overdue loans	260	(38)	X	222
e) Other assets	4,946,866	X	(3,640)	4,943,226
Total A	4,956,961	(6,699)	(3,640)	4,946,622
B. Off-balance-sheet exposures				
a) Impaired	2,849	(529)	X	2,320
b) Other	156,344	X	-	156,344
Total B	159,193	(529)	-	158,664
Total (A+B)	5,116,154	(7,228)	(3,640)	5,105,286

A.1.7 Banking Group - Cash exposure to customers: changes in gross impaired exposures

	Non-performing loans	Doubtful loans	Restructured loans	Overdue loans
A. Gross exposure at beginning of period	14,343	3,443	-	871
- Including: loans disposed of but not written off	-	-	-	-
B. Increases	160	1,396	-	258
B.1 Transfers from performing loans	80	677	-	255
B.2 Transfers from other categories of impaired exposures	-	605	-	1
B.3 Other increases	80	114	-	2
C. Decreases	7,163	2,344	-	869
C.1 Transfers to performing loans	-	2,202	-	264
C.2 Write-offs	1,628	15	-	-
C.3 Collections	360	-	-	-
C.4 Disposals	-	-	-	-
C.5 Transfers to other categories of impaired exposures	-	1	-	605
C.6 Other decreases	5,175	126	-	-
D. Gross exposure at end of period	7,340	2,495	-	260
- Including: loans disposed of but not written off	-	-	-	-

A.1.8 Banking Group - Cash exposure to customers: changes in total adjustments

	Non-performing loans	Doubtful loans	Restructured loans	Overdue loans
A. Total adjustments at beginning of period	11,569	372	-	80
- Including: loans disposed of but not written off	-	-	-	-
B. Increases	484	1,239	-	27
B.1 Adjustments	178	1,239	-	27
B.2 Transfers from other categories of impaired exposures	-	-	-	-
B.3 Other increases	306	-	-	-
C. Decreases	6,122	881	-	69
C.1 Write-backs from period-end valuations	575	665	-	69
C.2 Write-backs on collections	-	-	-	-
C.3 Write-offs	1,628	15	-	-
C.4 Transfers to other categories of impaired exposures	-	-	-	-
C.5 Other decreases	3,919	201	-	-
D. Total adjustments at end of period	5,931	730	-	38
- Including: loans disposed of but not written off	-	-	-	-

A.2 Classification of exposures by external rating

A.2.1 Banking Group - Analysis of cash and off-balance-sheet exposures by external rating (book values)

	External rating class						No rating	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Cash exposures	2,796,686	2,262,697	590,488	40,324	-	3,504	2,490,040	8,183,739
B. Derivatives	17,506	8,179	44	-	-	1	9,319	35,049
B.1 Financial derivatives	17,506	8,179	44	-	-	1	9,319	35,049
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	1,141	-	-	-	-	2,319	86,000	89,460
D. Commitments to grant finance	400,668	-	-	-	-	-	75,933	476,601
Total	3,216,001	2,270,876	590,532	40,324	-	5,824	2,661,292	8,784,849

Rating agency (ECAI)	Credit rating						
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	
Standard & Poor's	from AAA to AA-	from A+ to A-	from BBB+ to BBB-	from BB+ to BB-	from B+ to B-	CCC+ and below	
Moody's	from Aaa to Aa3	from A1 to A3	from Baa1 to Baa3	from Ba1 to Ba3	from B1 to B3	Caa1 and below	
Fitch	from AAA to AA-	from A+ to A-	from BBB+ to BBB-	from BB+ to BB-	from B+ to B-	CCC+ and below	

A.3 Distribution of guaranteed exposures by type of guarantee

A.3.1 Banking Group - Exposure of guaranteed loans to banks

	Value of net exposure	Secured guarantees		
		Buildings	Securities	Other collateral
1. Guaranteed cash exposures:	6,695	-	-	6,695
1.1 Fully guaranteed	6,695	-	-	6,695
- including impaired	-	-	-	-
1.2 Partially guaranteed	-	-	-	-
- including impaired	-	-	-	-
2. Guaranteed off-balance-sheet exposures:	-	-	-	-
2.1 Fully guaranteed	-	-	-	-
- including impaired	-	-	-	-
2.2 Partially guaranteed	-	-	-	-
- including impaired	-	-	-	-

A.3.2 Banking Group - Exposure of guaranteed loans to customers

	Value of net exposure	Secured guarantees		
		Buildings	Securities	Other collateral
1. Guaranteed cash exposures:	1,779,912	88,582	1,294,114	125,365
1.1 Fully guaranteed	1,258,913	88,582	1,079,765	89,032
- Including impaired	568	385	32	-
1.2 Partially guaranteed	520,999	-	214,349	36,333
- Including impaired	853	-	440	-
2. Guaranteed off-balance-sheet exposures:	61,880	196	56,573	4,365
2.1 Fully guaranteed	57,266	196	52,689	4,301
- Including impaired	1,041	-	994	47
2.2 Partially guaranteed	4,614	-	3,884	64
- Including impaired	-	-	-	-

Personal guarantees									Total
Credit Linked Notes	Credit derivatives				Endorsement credit				
	Governments and Central Banks	Other public entities	Banks	Other parties	Governments and Central Banks	Other public entities	Banks	Other parties	
-	-	-	-	-	-	-	-	-	6,695
-	-	-	-	-	-	-	-	-	6,695
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-

Personal guarantees									Total
Credit Linked Notes	Credit derivatives				Endorsement credit				
	Governments and Central Banks	Other public entities	Banks	Other parties	Governments and Central Banks	Other public entities	Banks	Other parties	
-	-	-	-	-	-	-	128,000	1,853	1,637,914
-	-	-	-	-	-	-	-	1,534	1,258,913
-	-	-	-	-	-	-	-	151	568
-	-	-	-	-	-	-	128,000	319	379,001
-	-	-	-	-	-	-	-	180	620
-	-	-	-	-	-	-	-	80	61,214
-	-	-	-	-	-	-	-	80	57,266
-	-	-	-	-	-	-	-	-	1,041
-	-	-	-	-	-	-	-	-	3,948
-	-	-	-	-	-	-	-	-	-

B. Distribution and concentration of loans

B.1 Banking Group - Analysis of cash and off-balance-sheet exposures to customers by sector (book values)

	Governments			Other public entities			Financial institutions		
	Net Exposure	Specific adjustments	Portfolio adjustments	Net Exposure	Specific adjustments	Portfolio adjustments	Net Exposure	Specific adjustments	Portfolio adjustments
A. Cash exposures									
A.1 Non-performing loans	-	-	X	-	-	X	259	(1,521)	X
A.2 Doubtful loans	-	-	X	-	-	X	1	-	X
A.3 Restructured loans	-	-	X	-	-	X	-	-	X
A.4 Overdue loans	-	-	X	-	-	X	-	-	X
A.5 Other exposures	1,741,791	X	(64)	772	X	-	1,009,137	X	(1,255)
Total A	1,741,791	-	(64)	772	-	-	1,009,397	(1,521)	(1,255)
B. Off-balance-sheet exposures									
B.1 Non-performing loans	-	-	X	-	-	X	-	-	X
B.2 Doubtful loans	-	-	X	-	-	X	-	-	X
B.3 Other impaired assets	-	-	X	-	-	X	-	-	X
B.4 Other exposures	75,086	X	-	-	X	-	9,667	X	-
Total B	75,086	-	-	-	-	-	9,667	-	-
Total 31.12.2010	1,816,877	-	(64)	772	-	-	1,019,064	(1,521)	(1,255)
Total 31.12.2009	1,631,567	-	(57)	143	-	-	720,276	(1,532)	(1,244)

Insurance companies			Non-financial companies			Other parties		
Net Exposure	Specific adjustments	Portfolio adjustments	Net Exposure	Specific adjustments	Portfolio adjustments	Net Exposure	Specific adjustments	Portfolio adjustments
-	-	X	363	(2,325)	X	787	(2,085)	X
-	-	X	10	(19)	X	1,754	(711)	X
-	-	X	-	-	X	-	-	X
-	-	X	4	-	X	218	(38)	X
327,086	X	-	505,691	X	(523)	1,358,749	X	(1,798)
327,086	-	-	506,068	(2,344)	(523)	1,361,508	(2,834)	(1,798)
-	-	X	-	-	X	-	-	X
-	-	X	1,711	(529)	X	609	-	X
-	-	X	-	-	X	-	-	X
262	X	-	36,327	X	-	35,002	X	-
262	-	-	38,038	(529)	-	35,611	-	-
327,348	-	-	544,106	(2,873)	(523)	1,397,119	(2,834)	(1,798)
329,079	-	-	481,872	(2,930)	(312)	1,144,206	(8,151)	(1,150)

B.2 Banking Group - Analysis of cash and off-balance-sheet exposures to customers by region (book values)

	Italy		Other European countries	
	Net Exposure	Total adjustments	Net Exposure	Total adjustments
A. Cash exposures				
A.1 Non-performing loans	1,150	(4,410)	259	(1,521)
A.2 Doubtful loans	1,763	(730)	1	-
A.3 Restructured loans	-	-	-	-
A.4 Overdue loans	222	(38)	-	-
A.5 Other exposures	3,343,432	(2,462)	1,511,123	(1,177)
Total A	3,346,567	(7,640)	1,511,383	(2,698)
B. Off-balance-sheet exposures				
B.1 Non-performing loans	-	-	-	-
B.2 Doubtful loans	2,320	(529)	-	-
B.3 Other assets deteriorate	-	-	-	-
B.4 Other exposures	107,751	-	48,464	-
Total B	110,071	(529)	48,464	-
Total 31.12.2010	3,456,638	(8,169)	1,559,847	(2,698)
Total 31.12.2009	3,024,902	(11,611)	1,180,402	(3,765)

B.3 Banking Group - Analysis of cash and off-balance-sheet exposures to banks by region (book values)

	Italy		Other European countries	
	Net Exposure	Total adjustments	Net Exposure	Total adjustments
A. Cash exposures				
A.1 Non-performing loans	-	-	-	-
A.2 Doubtful loans	-	-	-	-
A.3 Restructured loans	-	-	-	-
A.4 Overdue loans	-	-	-	-
A.5 Other exposures	1,834,779	(6)	798,118	(36)
Total A	1,834,779	(6)	798,118	(36)
B. Off-balance-sheet exposures				
B.1 Non-performing loans	-	-	-	-
B.2 Doubtful loans	-	-	-	-
B.3 Other assets deteriorate	-	-	-	-
B.4 Other exposures	424,073	-	15,623	-
Total B	424,073	-	15,623	-
Total 31.12.2010	2,258,852	(6)	813,741	(36)
Total 31.12.2009	2,525,398	(4)	2,072,660	(18)

America		Asia		Rest of the world	
Net Exposure	Total adjustments	Net Exposure	Total adjustments	Net Exposure	Total adjustments
-	-	-	-	-	-
1	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
78,223	(1)	10,442	-	6	-
78,224	(1)	10,442	-	6	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
70	-	-	-	59	-
70	-	-	-	59	-
78,294	(1)	10,442	-	65	-
91,579	-	1	-	10,259	-

America		Asia		Rest of the world	
Net Exposure	Total adjustments	Net Exposure	Total adjustments	Net Exposure	Total adjustments
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
601,862	(17)	2,101	(159)	257	(4)
601,862	(17)	2,101	(159)	257	(4)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,252	-	5	-	493	-
2,252	-	5	-	493	-
604,114	(17)	2,106	(159)	750	(4)
414,624	(10)	91,358	(28)	726	-

C. Securitisation and sale of asset transactions

C.1 Securitisation transactions

Quantitative information

C.1.1 Banking Group - Exposures from securitisation transactions broken down by type of underlying asset

	Cash exposures					
	Senior		Mezzanine		Junior	
	Gross exposure	Net Exposure	Gross exposure	Net Exposure	Gross exposure	Net Exposure
A. Own underlying assets:	-	-	-	-	-	-
a) Impaired	-	-	-	-	-	-
b) Other	-	-	-	-	-	-
B. Third-party underlying assets:	197,135	196,909	-	-	-	-
a) Impaired	-	-	-	-	-	-
b) Other	197,135	196,909	-	-	-	-

C.1.3 Banking Group - Exposures from principal securitisation transactions of “third parties” broken down by type of asset securitised and type of exposure

	Cash exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjustments/ write-backs	Book value	Adjustments/ write-backs	Book value	Adjustments/ write-backs
A.1 BBVA Consumo	12,643	(44)	-	-	-	-
- consumer loans	-	-	-	-	-	-
A.2 Cedulas	49,239	-	-	-	-	-
- residential mortgage	-	-	-	-	-	-
A.3 TDA 24	5,269	(18)	-	-	-	-
- residential mortgage	-	-	-	-	-	-
A.4 Santander Hipotecario2	26,731	(93)	-	-	-	-
- residential mortgage	-	-	-	-	-	-
A.5 Patrimonio Uno	4,061	(14)	-	-	-	-
- non-residential mortgage	-	-	-	-	-	-
A.6 Capital Mortgage	16,614	(57)	-	-	-	-
- residential mortgage	-	-	-	-	-	-
A.7 AYT Cajas	68,636	-	-	-	-	-
- residential mortgage	-	-	-	-	-	-
A.8 Entry funding	7,021	-	-	-	-	-
- loans to small and medium enterprises	-	-	-	-	-	-
A.9 Unicredit OT-15	6,695	-	-	-	-	-
- loans to small and medium enterprises	-	-	-	-	-	-

Guarantees issued						Lines of credit					
Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
Gross exposure	Net Exposure	Gross exposure	Net Exposure	Gross exposure	Net Exposure	Gross exposure	Net Exposure	Gross exposure	Net Exposure	Gross exposure	Net Exposure
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-

Guarantees issued						Lines of credit					
Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
Net exposures	Adjustments/write-backs	Net exposures	Adjustments/write-backs	Net exposures	Adjustments/write-backs	Net exposures	Adjustments/write-backs	Net exposures	Adjustments/write-backs	Net exposures	Adjustments/write-backs
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
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-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-

C.1.4 Banking Group - Exposures from securitisations broken down by portfolio and exposures

	Financial assets held for trading	Financial assets designated at fair value	Financial assets available for sale	Financial assets held to maturity	Loans	31.12.2010 Total	31.12.2009 Total
1. Cash exposures	-	-	6,695	117,875	72,339	196,909	270,871
- Senior	-	-	6,695	117,875	72,339	196,909	270,871
- Mezzanine	-	-	-	-	-	-	-
- Junior	-	-	-	-	-	-	-
2. Off-balance-sheet exposures	-	-	-	-	-	-	-
- Senior	-	-	-	-	-	-	-
- Mezzanine	-	-	-	-	-	-	-
- Junior	-	-	-	-	-	-	-

C.2 Disposal Transactions

C.2.1 Banking Group - Assets disposed of but not written off

	Financial assets held for trading			Financial assets designated at fair value			Financial assets available for sale		
	A	B	C	A	B	C	A	B	C
A. Cash assets	-	-	-	-	-	-	923,914	-	-
1. Debt securities	-	-	-	-	-	-	923,914	-	-
2. Equities	-	-	-	-	-	-	-	-	-
3. Units in mutual funds	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	X	X	X	X	X	X
Total 31.12.2010	-	-	-	-	-	-	923,914	-	-
Including impaired	-	-	-	-	-	-	-	-	-
Total 31.12.2009	-	-	-	-	-	-	711,532	-	-
Including impaired	-	-	-	-	-	-	-	-	-

Legend

- A = Financial assets disposed of recognised in full (book value)
- B = Financial assets disposed of and partially recognised (book value)
- C = Financial assets disposed of and partially recognised (full value)

Financial assets held to maturity			Due from banks			Loans to customers			Total	
A	B	C	A	B	C	A	B	C	31.12.2010	31.12.2009
-	-	-	111,607	-	-	129,746	-	-	1,165,267	982,215
-	-	-	111,607	-	-	129,746	-	-	1,165,267	982,215
X	X	X	X	X	X	X	X	X	-	-
X	X	X	X	X	X	X	X	X	-	-
-	-	-	-	-	-	-	-	-	-	-
X	X	X	X	X	X	X	X	X	-	-
-	-	-	111,607	-	-	129,746	-	-	1,165,267	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	266,233	-	-	4,450	-	-	-	982,215
-	-	-	-	-	-	-	-	-	-	-

C.2.2 Banking Group - Financial liabilities regarding financial assets disposed of but not written off

	Financial assets held for trading	Financial assets designated at fair value	Financial assets available for sale	Financial assets held to maturity	Due from banks	Loans to customers	Total
1. Due to customers	-	-	266,399	-	111,588	82,706	460,693
a) regarding assets recognised in full	-	-	266,399	-	111,588	82,706	460,693
b) regarding assets partially recognised	-	-	-	-	-	-	-
2. Due to banks	-	-	-	-	-	-	-
a) regarding assets recognised in full	-	-	-	-	-	-	-
b) regarding assets partially recognised	-	-	-	-	-	-	-
3. Due on issue	-	-	-	-	-	-	-
a) regarding assets recognised in full	-	-	-	-	-	-	-
b) regarding assets partially recognised	-	-	-	-	-	-	-
Total 31.12.2010	-	-	266,399	-	111,588	82,706	460,693
Total 31.12.2009	-	-	36,540	-	273,445	3,480	313,465

1.2 MARKET RISK

Qualitative information

Banca Fideuram has formulated the risk and capital consumption policies of the bank and its subsidiaries in accordance with the guidelines issued by parent company Intesa Sanpaolo, acts as treasury manager for the Banca Fideuram Group and plays a central role in managing market risk.

The business segments and companies in the Banca Fideuram Group that generate market risk operate independently, within clearly-defined and closely-governed limits which are set out in an Investment Policy that is approved and regularly reviewed by the Board of Directors.

The Investment Policy provides for the establishment of an Investment Committee which meets quarterly as a rule to analyse the performance of the Banca Fideuram Group's investments, proposing strategic guidelines to the Managing Director.

The Managing Director reports quarterly to the Board of Directors on the investment choices made and on the performance of the Group's portfolios and risk control. The Finance Manager informs the Managing Director and C.F.O. about the investment choices made and the profitability of the portfolios at least quarterly, and likewise keeps the Investment Committee periodically informed. The Risk Management Director periodically informs the Managing Director, C.F.O., Investment Committee and Finance Director on the use of the limits specified in the Investment Policy.

The Investment Policy specifies limits for containing the financial risk of the portfolio with a view to maintaining financial solidity.

The Investment Policy splits investments in securities into a liquidity portfolio, an investment portfolio and a service portfolio. The former has a cautious minimum size and financial characteristics which limit risk to ensure immediate liquidity.

The size of the Investment Portfolio depends on the structure of the Group's inflows, investments and shareholders' equity.

The service portfolio is largely tailored to support the requirements of the Group's retail customer transactions and includes a securities component resulting from secondary market transactions with customers, certain Group bond issues, and foreign exchange and exchange rate derivative transactions, which are likewise engaged in to meet the needs of our customers and of the managed asset companies in the Group.

The composition of the securities holdings is governed by limits with respect to asset allocation, rating, currency area, geographical area, sector concentration and counterparty. Market risk and alert threshold limits are likewise specified.

A dedicated Risk Management Unit, independent of the operating unit concerned, is responsible for monitoring that the limits specified are respected and for measuring market risk.

1.2.1 Interest rate risk and price risk - Regulatory trading book

The trading book is tailored to support the needs of the Group's customers and managed asset companies, is marginal in size and has a very low risk level in terms of Value at Risk.

It includes:

- A securities component resulting from secondary market transactions
- Certain Group bond issues
- Foreign exchange and exchange rate derivative transactions.

The trading book risk measured in terms of 1-day Value at Risk with a confidence level of 99% was extremely low at year end.

1.2.2 Interest rate risk and price risk - Bank portfolio

The bank portfolio comprises long-term investment securities and interest rate hedging derivatives. The Group's investment portfolio totalled €5.5bn at 31 December 2010 and comprised securities classified as financial assets available for sale, financial assets held to maturity and debt securities classified as due from banks and loans to customers.

Bank portfolio

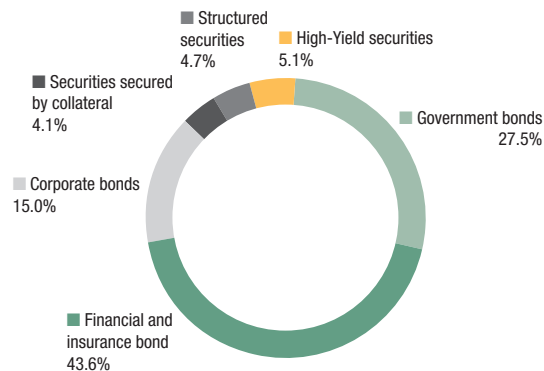
(€m)

	31.12.2010	31.12.2009	change	
			amount	%
Financial assets available for sale	2,789.4	2,858.3	(68.9)	-2.4
Financial assets held to maturity	608.2	605.5	2.7	0.4
Debt securities classified as due from banks	1,179.5	1,055.5	124.0	11.7
Debt securities classified as loans to customers	946.8	923.4	23.4	2.5
Hedging derivatives	2.5	0.2	2.3	n.s.
Total	5,526.4	5,442.9	83.5	1.5

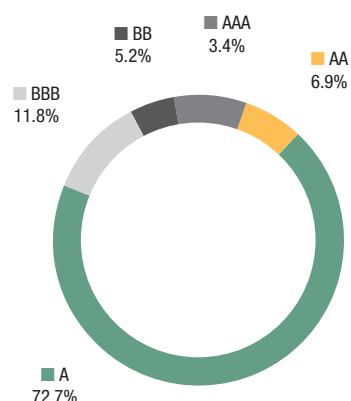
n.s.: not significant

At 31 December 2010, most of the Group portfolio was held by Banca Fideuram and Euro-Trésorerie, and had the following overall composition with respect to product type, rating and duration.

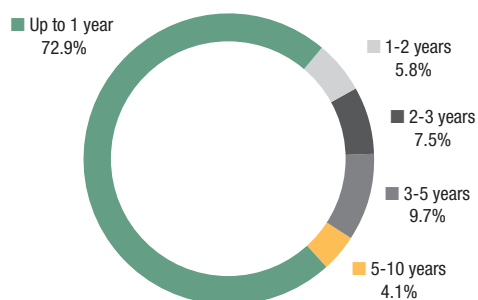
Analysis by product type



Analysis by rating



Analysis by duration



The market risk of this portfolio mainly regards the management of investments in securities. The Group's exposure to interest rate risk is, moreover, also influenced by other typical banking balance sheet items (customer deposits and loans). The financial risk of the bank portfolio is measured using the following methods:

- Value at Risk (VaR)
- Sensitivity analysis.

The Value at Risk is the maximum potential amount that the portfolio could lose over the next working day with a confidence interval of 99%, and is calculated in relation to the volatility of the individual risk factors and the historical correlations observed between them. VaR is a risk measurement applied to securities holdings which takes interest rates, credit spreads and volatility into account. The Value at Risk calculated for a one-day time horizon was €13.2m at the end of December 2010¹ (€15.6m at 31 December 2009), with the main component being credit spread risk. Average VaR for a one-day and for a twenty-day time horizon is shown for all four quarters of 2010 in the tables below:

(€m)

	Q1 2010	Q2 2010	Q3 2010	Q4 2010
1-day VaR (diversified)	13.2	14.2	13.1	13.1
- Interest rate VaR	4.3	3.2	2.6	2.7
- Credit spread VaR	10.1	11.9	11.2	11.1
- Volatility VaR	0.6	0.7	0.7	0.8

(€m)

	Q1 2010	Q2 2010	Q3 2010	Q4 2010
20-day VaR (diversified)	59.0	63.7	50.8	58.5
- Interest rate VaR	19.1	14.3	11.7	11.8
- Credit spread VaR	45.3	53.4	42.1	49.6
- Volatility VaR	2.9	3.3	3.1	3.6

The Group used derivatives (mainly interest rate swaps) to hedge interest rate risk following a strategy that involved buying swaps linked to the individual fixed-coupon bonds in the portfolio. This strategy made the Group's long-term securities holdings less sensitive to interest rate risk. We continued to pursue a strategy at 31 December, albeit reduced in the latter part of the year, of partially not hedging over a short-to-medium-term time horizon, increasing part of the portfolio's exposure to interest rate fluctuations.

The risk of the loan issuer spread widening for government issuers was hedged specifically where Greece was concerned, while the Group's other investment choices were focused on issuers of high credit standing.

Where risk concentration is concerned, the securities holdings are highly-diversified as a result of the stringent limits specified by the Investment Policy, which limits the maximum exposure to any single corporate Group to 5% of the total holdings with the sole exception of our parent company Intesa Sanpaolo.

The Banca Fideuram Group's total exposure to interest rate risk is monitored using Asset Liability Management (ALM) techniques to determine the shift sensitivity of market value and net interest income. The shift sensitivity, which measures the change in fair value of the bank portfolio resulting from an upward parallel movement of 25 basis points in the interest rate curve, is calculated taking into account the risk generated by customer demand deposits and other assets and liabilities of the bank portfolio sensitive to shifts in the interest rate curve. The shift sensitivity for an upward parallel movement of 25 basis points in the interest rate curve was -€5.4m at the end of December 2010.²

The Group has developed a pricing methodology for the valuation of financial instruments which rigorously implements the provisions of the IAS/IFRS international accounting standards.

The Group consistently calculates the fair value of financial instruments directly from their market value. Wherever possible, the official prices

1. The Value at Risk calculated for a twenty-day time horizon was €59m (€70m at 31 December 2009).

2. The shift sensitivity for an upward parallel movement of 100 basis points in the interest rate curve was -€21.8m.

on active markets are adopted as this market value, otherwise the value is obtained using pricing models based on the values of comparable securities and on market parameters. In situations where the market is not operating normally, which is to say when there is an insufficient number of continuous transactions and the bid/ask spread and volatility are not sufficiently narrow, it is however necessary to abandon the principle of obtaining the fair value directly from market prices and to apply models that mostly use market parameters to calculate an appropriate fair value for the financial instruments. The following are considered in assessing whether a market is operating normally:

- Constant availability of price contributions.
- Constant reliability of price contributions.
- Size of the bid-ask spread.

In the absence of an active market, the fair value is determined using valuation techniques which ultimately aim to establish the price that the financial instrument would have had on the measurement date in an arm's-length exchange motivated by normal business considerations. These techniques include:

- Reference to market values that can be indirectly linked to the financial instrument being valued and can be obtained from products with similar risk characteristics (comparable approach).
- Valuations performed using - even only partially - inputs that are not obtained from observable market parameters, using estimates and assumptions formulated by the valuer (mark-to-model).

Which of these methodologies is chosen is not arbitrary, since they have to be applied in hierarchical order and specified in the financial statements by level. Absolute priority is given to the quoted active market prices of the assets and liabilities being measured (Level 1 - effective market quotes) or of similar assets and liabilities (Level 2 - comparable approach) and the lowest priority to unobservable inputs, which are accordingly more discretionary (Level 3 - Mark-to-Model Approach).

The priority of market prices is put into practice through a process based on market-maker prices. The valuation price is calculated as the average of the prices available, selected using objectively-identified criteria. The number of contributions, the bid/ask spread and the reliability of the contributors are monitored regularly, enabling the Group to keep market prices as the appropriate prime parameter for the determination of fair value.

All the Group's available-for-sale securities were valued at market bid prices (mark to market) to ensure the maximum transparency of the values in the financial statements. This ensures the overall holdings meet the ready liquidity criteria for items in the financial statements.

A mark to model approach is used for the valuation of derivatives, fed by market data providers and based on commonly-accepted valuation processes. The derivatives in the bank portfolio consisted principally of Interest Rate Swaps.

The Group used fair value hedge derivatives to reduce its exposure to adverse changes in fair value caused by interest rate fluctuations.

The Risk Management Unit is responsible for assessing hedge effectiveness, carrying out prior assessments of the conditions that make hedge accounting applicable and formally documenting each hedging relationship. These assessments use prospective tests when the hedges are taken out, followed by retrospective tests at monthly intervals.

The securitised products in the portfolio were mostly issues with high ratings and almost all met central bank eligibility criteria. These securitised products accounted for 19.4% of the value of held-to-maturity assets, 3.4% of the securities in the loan portfolio and 0.2% of securities available for sale. The geographical distribution of these instruments was focused in the euro area and prioritised mortgage-backed securities. No particular pricing tensions emerged regarding the instruments in the portfolio during the period.

Name	Type	Rating	Nominal value (€)	Assets securitised	Eligible	IAS class	Book value (€k)
SANTANDER HIPOTECARIO 2	MBS	AA	27,247,835	Spanish residential mortgages	YES	L&R	26,731
TDA 24	MBS	AAA	6,026,276	Spanish residential mortgages	NO	L&R	5,269
CAPITAL MORTGAGE	MBS	AAA	18,844,038	Italian residential mortgages	YES	L&R	16,614
PATRIMONIO UNO	CMBS	AAA	4,697,588	Italian non-residential mortgages	YES	L&R	4,061
BBVA CONSUMO	CLO	AAA	12,720,645	Spanish consumer loans	YES	L&R	12,643
ENTRY FUNDING	CLO	BBB-	7,192,895	German business loans	NO	L&R	7,021
AYT CAJAS	COVERED	AAA	70,000,000	Spanish residential mortgages	YES	HTM	68,636
CEDULAS	COVERED	AAA	50,000,000	Spanish residential mortgages	YES	HTM	49,239
UNICREDIT OT-15	COVERED	AAA	7,000,000	Italian residential mortgages	YES	AFS	6,695

Legend:

MBS = Mortgage-Backed Security

CMBS = Commercial Mortgage-Backed Security

CLO = Collateralized Loan Obligation

COVERED = Covered bond

L&R = Loans and receivables

HTM = Financial assets held to maturity

AFS = Financial assets available for sale

1.2.3 Exchange rate risk

“Exchange rate risk” is defined as the possibility of fluctuations in market exchange rates generating significant positive or negative changes in the value of the Group’s net assets. The principle sources of exchange rate risk are:

- Loans to and deposits by corporate and/or retail customers in foreign currencies
- Purchases of securities and/or shares or other financial instruments in foreign currencies
- Conversion of foreign subsidiaries’ assets, liabilities and profit into the functional currency
- Buying and selling of foreign currencies

- Collection and/or payment of interest, commission, dividends or administrative expenses in foreign currencies.

Spot and forward transactions in foreign exchange markets were mainly entered into with the aim of optimising proprietary risk arising in relation to the buying and selling of foreign currencies to and from customers. A minority of these transactions were entered into by subsidiary Fideuram Bank Luxembourg, which executes hedging transactions for institutional customers (Group Funds). Exchange rate risk is mitigated by the practice of funding in the same currency as the assets, while the residual exposures are included in the trading book. The financial instruments concerned were mainly spot and forward exchange rate transactions, forex swaps and currency options.

1.2.3 EXCHANGE RATE RISK

Quantitative information

1. Distribution by currency of denomination of assets and liabilities and derivatives

	Currency					
	US dollar	Sterling	Yen	Australian dollar	Swiss franc	Other currencies
A. Financial assets	13,507	672	2,844	335	5,559	5,168
A.1 Debt securities	-	-	-	-	-	-
A.2 Equities	-	-	-	-	-	-
A.3 Due from banks	10,000	671	1,460	335	4,587	2,817
A.4 Loans to customers	3,507	1	1,384	-	972	2,351
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	371	279	28	18	823	169
C. Financial liabilities	293,039	77,514	14,187	5,415	11,077	24,558
C.1 Due to banks	184	86	40	168	141	837
C.2 Due to customers	292,855	77,428	14,147	5,247	10,936	23,721
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	6	-	-	-	1,192	-
E. Financial derivatives	3,422,870	920,014	196,851	20,749	184,356	488,203
- Options	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Other derivatives	3,422,870	920,014	196,851	20,749	184,356	488,203
+ Long positions	1,851,808	498,746	103,698	12,375	98,081	253,369
+ Short positions	1,571,062	421,268	93,153	8,374	86,275	234,834
Total assets	1,865,686	499,697	106,570	12,728	104,463	258,706
Total liabilities	1,864,107	498,782	107,340	13,789	98,544	259,392
Balance (+/-)	1,579	915	(770)	(1,061)	5,919	(686)

1.2.4 DERIVATIVES

A. Financial derivatives

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

	31.12.2010 Total		31.12.2009 Total	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
1. Debt securities and interest rate derivatives	802,523	-	252,382	-
a) Options	-	-	-	-
b) Swap	300,000	-	-	-
c) Forward	502,523	-	252,382	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity derivatives and index derivatives	-	232	12	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	232	12	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	4,007,166	-	3,449,873	-
a) Options	-	-	23,353	-
b) Swap	-	-	-	-
c) Forward	4,007,166	-	3,426,520	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlyings	-	-	-	-
Total	4,809,689	232	3,702,267	-
Average value	1,550,033	116	2,448,543	-

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

A.2.1 Hedging

	31.12.2010 Total		31.12.2009 Total	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
1. Debt securities and interest rate derivatives	3,041,611	-	2,730,311	-
a) Options	-	-	-	-
b) Swap	3,041,611	-	2,730,311	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity derivatives and index derivatives	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlyings	-	-	-	-
Total	3,041,611	-	2,730,311	-
Average value	2,904,328	-	2,478,729	-

A.2.2 Other derivatives

	31.12.2010 Total		31.12.2009 Total	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
1. Debt securities and interest rate derivatives	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity derivatives and index derivatives	545,385	-	-	-
a) Options (*)	545,385	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlyings	-	-	-	-
Total	545,385	-	-	-
Average value	272,693	-	-	-

(*) Concerns the options regarding the holding in Fideuram Vita S.p.A. described in section 10.5.

A.3 Financial derivatives: gross positive fair value - analysis by product

	Positive fair value			
	31.12.2010		31.12.2009	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
A. Regulatory trading book	32,590	-	36,264	-
a) Options	-	-	20	-
b) Interest rate swap	33	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	32,557	-	36,244	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Hedging bank portfolio	2,459	-	236	-
a) Options	-	-	-	-
b) Interest rate swap	2,459	-	236	-
c) Cross currency swap	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Bank portfolio other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	35,049	-	36,500	-

A.4 Financial derivatives: gross negative fair value - analysis by product

	Negative fair value			
	31.12.2010		31.12.2009	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
A. Regulatory trading book	42,652	-	39,498	-
a) Options	-	-	126	-
b) Interest rate swap	81	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	42,501	-	39,372	-
f) Futures	-	-	-	-
g) Other	70	-	-	-
B. Hedging bank portfolio	358,667	-	276,024	-
a) Options	-	-	-	-
b) Interest rate swap	358,667	-	276,024	-
c) Cross currency swap	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Bank portfolio other derivatives	-	-	-	-
a) Options	-	-	-	-
b) Interest rate swap	-	-	-	-
c) Cross currency swap	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	401,319	-	315,522	-

A.5 OTC financial derivatives: regulatory trading book - notional values, gross positive and negative fair value by counterparty - Contracts other than compensation agreements

	Governments and Central Banks	Other public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other parties
1. Debt securities and interest rate derivatives							
- notional values	-	-	703,220	49,051	-	50,182	70
- positive fair value	-	-	33	-	-	-	-
- negative fair value	-	-	81	-	-	-	70
- future exposure	-	-	-	-	-	-	-
2. Equity derivatives and index derivatives							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold							
- notional values	-	-	194,631	1,981,671	150,298	-	4,329
- positive fair value	-	-	2,051	9,039	262	-	19
- negative fair value	-	-	785	29,131	1,692	-	100
- future exposure	-	-	1,946	1,982	1,503	-	43
4. Other values							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.6 OTC financial derivatives: regulatory trading book - notional values, gross positive and negative fair value by counterparty - Compensation agreements

	Governments and Central Banks	Other public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other parties
1. Debt securities and interest rate derivatives							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
2. Equity derivatives and index derivatives							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3. Currencies and gold							
- notional values	-	-	1,676,237	-	-	-	-
- positive fair value	-	-	21,186	-	-	-	-
- negative fair value	-	-	10,793	-	-	-	-
4. Other values							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.7 OTC financial derivatives: bank portfolio - notional values, gross positive and negative fair value by counterparty - Contracts other than compensation agreements

	Governments and Central Banks	Other public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other parties
1. Debt securities and interest rate derivatives							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
2. Equity derivatives and index derivatives							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	545,385	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3. Currencies and gold							
- notional values	-	-	14,513	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
4. Other values							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.8 OTC financial derivatives: bank portfolio - notional values, gross positive and negative fair value by counterparty - Compensation agreements

	Governments and Central Banks	Other public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other parties
1. Debt securities and interest rate derivatives							
- notional values	-	-	3,041,611	-	-	-	-
- positive fair value	-	-	2,459	-	-	-	-
- negative fair value	-	-	358,667	-	-	-	-
2. Equity derivatives and index derivatives							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3. Currencies and gold							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
4. Other values							
- notional values	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.9 Residual life of Over-The-Counter financial derivatives: notional values

	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A Regulatory trading book	4,809,689	-	-	4,809,689
A.1 Debt derivatives and interest rate derivatives	802,523	-	-	802,523
A.2 Equity derivatives and index derivatives	-	-	-	-
A.3 Currency derivatives and gold derivatives	4,007,166	-	-	4,007,166
A.4 Financial derivatives on other instruments	-	-	-	-
B. Bank portfolio	30,000	85,000	3,471,996	3,586,996
B.1 Debt derivatives and interest rate derivatives	30,000	85,000	2,926,611	3,041,611
B.2 Equity derivatives and index derivatives	-	-	545,385	545,385
B.3 Currency derivatives and gold derivatives	-	-	-	-
B.4 Financial derivatives on other instruments	-	-	-	-
Total 31.12.2010	4,839,689	85,000	3,471,996	8,396,685
Total 31.12.2009	3,702,267	39,000	2,691,311	6,432,578

C. Financial and credit derivatives

C.1 OTC financial and credit derivatives: net fair values and future exposure by counterparty

	Governments and Central Banks	Other public entities	Banks	Financial institutions	Insurance companies	Non-financial companies	Other parties
1) Bilateral agreements: financial derivatives							
- Positive fair value	-	-	23,645	-	-	-	-
- Negative fair value	-	-	369,460	-	-	-	-
- Future exposure	-	-	84,732	-	-	-	-
- Net counterparty risk	-	-	61,087	-	-	-	-
2) Bilateral agreements: credit derivatives							
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-
- Future exposure	-	-	-	-	-	-	-
- Net counterparty risk	-	-	-	-	-	-	-
3) Cross-product agreements							
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-
- Future exposure	-	-	-	-	-	-	-
- Net counterparty risk	-	-	-	-	-	-	-

1.3 LIQUIDITY RISK

Qualitative information

The Banca Fideuram Group benefits from strong structural liquidity, resulting from customer lending that is traditionally low in relation to client assets, the management of which has been developed and consolidated both through operational reorganisation, with the centralisation of the liquidity of our subsidiaries in Banca Fideuram, and through the implementation of operating strategies governed by our Group risk management regulations.

Analysis of the consolidated balance sheet shows the central position of customer deposits in liabilities, which totalled approximately €7.2bn at the end of December 2010 and principally comprised deposits that were highly stable over time. Conversely, the more volatile money market, which is more exposed to crisis of confidence situations, plays a more limited role in funding the Group's assets (through interbank loans). Liquidity from liabilities is in its turn for the most part invested in a bond portfolio, selected paying considerable attention to liquidity risk so that a substantial proportion consists of eligible and readily-negotiable securities. The Investment Policy makes explicit provision for a liquidity portfolio with the aim of always having securities that offer immediate liquidity form part of the securities holdings. The minimum liquidity portfolio level of €700m was calculated cautiously, taking the volatility of customer deposits into account.

In accordance with parent company Intesa Sanpaolo's guidelines, the Group has, moreover, adopted liquidity monitoring based on the quantification of inflows and outflows, using appropriate cautious estimates for those balance sheet items which behave differently from contractual items.

Following the implementation of the Intesa Sanpaolo Group's liquidity risk governance guidelines, the Banca Fideuram Group has centred its attention and monitoring both on indicators which quantify short-term risk and on structural liquidity indicators, aiming to monitor and manage mismatch risk regarding the medium-to-long term maturities of assets and liabilities.

The short-term liquidity policy amongst other things requires the liquidity balance, calculated as the difference between inflows (or readily-available funds) and outflows, to be positive for short-term maturities (less than 18 months) at all times. The liquidity balance sheet is formed taking into

account the maturities of certain flows, appropriate valuations of readily-liquid assets and the quantification of uncertain flows based on cautious estimates of the related behavioural coefficients. The inflows and outflows for a time horizon of less than one month produced a positive liquidity balance of €0.7bn, while the 18-month cumulative balance was €1.1bn at the end of December 2010.

Structural liquidity is analysed using an indicator based on the regulatory requirement concerning the financial statement item regarding the conversion of maturities (Bank of Italy Regulation 2), applied appropriately in accordance with stringent concepts regarding the liquidity of securities with the aim of preventing medium-long term loan transactions from giving rise to imbalances requiring short-term financing. The value of this indicator was approximately €0.2bn at the end of December 2010.

Quantitative information

1. Distribution of financial assets and liabilities by remaining contractual term

(Euro)

	Demand deposits	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 month and 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	1,647,443	473,666	250,097	103,114	373,233	50,623	212,278	2,124,021	3,178,802	70,258
A.1 Government securities	9,848	-	-	-	14,953	1,605	3,203	108,845	1,598,906	-
A.2 Other debt securities	21,632	-	-	-	55,222	43,505	200,122	1,846,454	1,519,062	-
A.3 Units in mutual funds	324,192	-	-	-	-	-	-	-	-	-
A.4 Loans	1,291,771	473,666	250,097	103,114	303,058	5,513	8,953	168,722	60,834	70,258
- Banks	114,216	364,609	250,097	100,014	-	-	-	-	-	70,016
- Customers	1,177,555	109,057	-	3,100	303,058	5,513	8,953	168,722	60,834	242
Cash liabilities	6,295,724	525,276	109,993	30,196	145,835	9,524	459	-	-	-
B.1 Deposits and current accounts	6,295,455	245,658	101,603	1,821	7,015	4,413	459	-	-	-
- Banks	105,678	200,000	100,000	-	-	-	-	-	-	-
- Customers	6,189,777	45,658	1,603	1,821	7,015	4,413	459	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	269	279,618	8,390	28,375	138,820	5,111	-	-	-	-
Off-balance-sheet transactions	100,115	2,675,406	119,265	1,466,348	520,063	187,889	4,213	536,105	396,973	209
C.1 Financial derivatives with exchange of capital	-	2,574,305	119,265	1,466,008	519,395	186,889	-	484,582	17,136	-
- Long positions	-	1,407,747	72	744,212	271,367	57,379	-	64,291	8,568	-
- Short positions	-	1,166,558	119,193	721,796	248,028	129,510	-	420,291	8,568	-
C.2 Financial derivatives without exchange of capital	115	-	-	340	668	982	4,200	50,209	379,814	-
- Long positions	34	-	-	340	668	982	4,200	50,209	379,814	-
- Short positions	81	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	100,000	100,000	-	-	-	-	-	-	-	-
- Long positions	100,000	-	-	-	-	-	-	-	-	-
- Short positions	-	100,000	-	-	-	-	-	-	-	-
C.4 Commitments to grant finance	-	1,101	-	-	-	-	-	-	-	-
- Long positions	-	550	-	-	-	-	-	-	-	-
- Short positions	-	551	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	18	13	1,314	23	209

(US dollar)

	Demand deposits	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 month and 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	4,901	7,484	-	-	-	449	-	674	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units in mutual funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	4,901	7,484	-	-	-	449	-	674	-	-
- Banks	2,514	7,484	-	-	-	-	-	-	-	-
- Customers	2,387	-	-	-	-	449	-	674	-	-
Cash liabilities	278,782	16,596	-	-	125	18	-	-	-	-
B.1 Deposits and current accounts	278,782	16,596	-	-	125	18	-	-	-	-
- Banks	184	2,545	-	-	-	-	-	-	-	-
- Customers	278,598	14,051	-	-	125	18	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions	-	1,567,281	118,330	866,819	367,654	129,013	-	-	-	-
C.1 Financial derivatives with exchange of capital	-	1,567,281	118,330	866,819	367,654	129,013	-	-	-	-
- Long positions	-	934,029	118,255	472,098	197,665	127,825	-	-	-	-
- Short positions	-	633,252	75	394,721	169,989	1,188	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to grant finance	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-

(Sterling)

	Demand deposits	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 month and 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	673	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units in mutual funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	673	-	-	-	-	-	-	-	-	-
- Banks	672	-	-	-	-	-	-	-	-	-
- Customers	1	-	-	-	-	-	-	-	-	-
Cash liabilities	76,667	841	-	-	-	-	-	-	-	-
B.1 Deposits and current accounts	76,667	841	-	-	-	-	-	-	-	-
- Banks	86	-	-	-	-	-	-	-	-	-
- Customers	76,581	841	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions	-	488,968	-	379,828	51,117	58	-	-	-	-
C.1 Financial derivatives with exchange of capital	-	488,968	-	379,828	51,117	58	-	-	-	-
- Long positions	-	278,405	-	185,410	34,830	58	-	-	-	-
- Short positions	-	210,563	-	194,418	16,287	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to grant finance	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-

(Yen)

	Demand deposits	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 month and 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	1,461	-	-	-	48	690	647	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units in mutual funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	1,461	-	-	-	48	690	647	-	-	-
- Banks	1,460	-	-	-	-	-	-	-	-	-
- Customers	1	-	-	-	48	690	647	-	-	-
Cash liabilities	14,187	-	-	-	-	-	-	-	-	-
B.1 Deposits and current accounts	14,187	-	-	-	-	-	-	-	-	-
- Banks	40	-	-	-	-	-	-	-	-	-
- Customers	14,147	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions	-	140,082	-	29,784	25,604	-	-	-	-	-
C.1 Financial derivatives with exchange of capital	-	140,082	-	29,784	25,604	-	-	-	-	-
- Long positions	-	70,174	-	20,034	13,490	-	-	-	-	-
- Short positions	-	69,908	-	9,750	12,114	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to grant finance	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-

(AU dollar)

	Demand deposits	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 month and 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	9	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units in mutual funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	9	-	-	-	-	-	-	-	-	-
- Banks	9	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
Cash liabilities	5,394	-	-	-	-	-	15	-	-	-
B.1 Deposits and current accounts	5,394	-	-	-	-	-	15	-	-	-
- Banks	168	-	-	-	-	-	-	-	-	-
- Customers	5,226	-	-	-	-	-	15	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions	-	9,109	-	608	780	-	-	-	-	-
C.1 Financial derivatives with exchange of capital	-	9,109	-	608	780	-	-	-	-	-
- Long positions	-	9,109	-	572	580	-	-	-	-	-
- Short positions	-	-	-	36	200	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to grant finance	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-

(Swiss franc)

	Demand deposits	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 month and 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	2,276	-	-	4,198	-	933	51	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units in mutual funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	2,276	-	-	4,198	-	933	51	-	-	-
- Banks	378	-	-	4,198	-	-	11	-	-	-
- Customers	1,898	-	-	-	-	933	40	-	-	-
Cash liabilities	10,850	-	-	-	214	-	-	-	-	-
B.1 Deposits and current accounts	10,850	-	-	-	214	-	-	-	-	-
- Banks	141	-	-	-	-	-	-	-	-	-
- Customers	10,709	-	-	-	214	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions	-	29,398	-	97,408	53,375	298	-	-	-	-
C.1 Financial derivatives with exchange of capital	-	29,398	-	97,408	53,375	-	-	-	-	-
- Long positions	-	13,977	-	33,928	50,176	-	-	-	-	-
- Short positions	-	15,421	-	63,480	3,199	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to grant finance	-	-	-	-	-	298	-	-	-	-
- Long positions	-	-	-	-	-	298	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-

(Other currencies)

	Demand deposits	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 month and 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
Cash assets	3,480	282	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units in mutual funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	3,480	282	-	-	-	-	-	-	-	-
- Banks	3,025	282	-	-	-	-	-	-	-	-
- Customers	455	-	-	-	-	-	-	-	-	-
Cash liabilities	24,205	348	-	-	-	-	-	-	-	-
B.1 Deposits and current accounts	24,205	348	-	-	-	-	-	-	-	-
- Banks	837	-	-	-	-	-	-	-	-	-
- Customers	23,368	348	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions	-	272,546	-	168,174	28,398	-	-	-	-	-
C.1 Financial derivatives with exchange of capital	-	272,546	-	168,174	28,398	-	-	-	-	-
- Long positions	-	145,780	-	92,563	17,139	-	-	-	-	-
- Short positions	-	126,766	-	75,611	11,259	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans receivable	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to grant finance	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-

1.4. OPERATIONAL RISK

Qualitative information

Operational risk is defined as the risk of loss arising from inadequate or dysfunctional internal processes, human resources or systems, or from external events. Operational risk includes legal risk, which is to say the risk of loss arising from failure to comply with laws or regulations, from contractual or extra-contractual responsibilities or other disputes, but does not include strategic risk or reputational risk.

Parent company Intesa Sanpaolo has drawn up an operational risk management framework, specifying the regulations and organisational processes for measuring, managing and monitoring operational risk. This sees the Intesa Sanpaolo Group adopting the Advanced Model (internal model) for calculating its capital requirement with respect to operational risk over an initial scope of consolidation which includes banks and companies in its Area Banks Division in particular. A number of the remaining companies, which currently adopt the Standardised Method, will gradually migrate to Advanced Models following a roll-out plan prepared by Intesa Sanpaolo.

The Intesa Sanpaolo Group has a centralised operational risk management unit in its Risk Management Department. This unit is responsible for designing, implementing and supervising the methodological and organisational framework and for measuring risk profiles, verifying the effectiveness of risk mitigation measures and reporting to company senior management.

In accordance with current legislation and regulations, the companies in the Banca Fideuram Group are involved in and have been assigned responsibility for identifying, measuring, managing and mitigating risk, each having clearly-identified internal units responsible for their related Operational Risk Management processes.

Banca Fideuram has developed its own system of governance for the operational risk management process, within which the Board of Directors is responsible for strategic supervision, ensuring the smooth operation, efficiency and effectiveness of the operational risk management system over time and deciding matters regarding compliance with the criteria for calculating the capital requirement. The Internal Audit Committee is responsible for monitoring the suitability of the operational risk management and control system and ascertaining whether it complies with the related regulatory requirements. The Managing Director is responsible for ensuring the suitability and effectiveness over time of the risk management and control systems and the procedures used for determining the capital requirement. The Internal Audit Department is responsible for periodically auditing the operational risk management system and self-assessment process, as well as the related information provided to the Company Bodies. The Operational Risk Committee is a consultative body which analyses the reports on the Group's operational risk profile and if necessary proposes any action required to prevent or mitigate operational risk. The Decentralised Operational Risk Management Unit in the Risk Management Department is responsible for organising and maintaining the body of activities provided for by the operational risk management system (collection and structured recording of information on the events which generate operational losses, scenario analyses and the evaluation of risks associated with the bank's operating context).

The other companies in the Banca Fideuram Group have developed appropriate Operational Risk Management governance systems in accordance with the parent company's guidelines.

The Integrated Self-Diagnosis Process, which has been carried out yearly since 2008, supports the following:

- The identification, measurement, monitoring and mitigation of operational risk.
- The creation of substantial synergies with other control and compliance units in the Group that manage compliance with certain specific laws, regulations and related matters (Italian Legislative Decree 231/05 and Law 262/05) or carry out effectiveness tests on the controls on company processes.

Overall, the Self-Diagnosis process showed good operational risk management and contributed to extending the dissemination of a corporate culture focused on continuous operational risk management.

The internal model for calculating capital absorption takes all the main sources of quantitative and qualitative information into account (self-diagnosis).

The quantitative part is based on analysis of the historical data regarding internal events (monitored, verified and managed by a dedicated IT system) and external events (monitored by the Operational Riskdata eXchange Association).

The qualitative part (scenario analyses) is on the other hand focused on the prospective valuation of the risk profile of each unit, and is based on the structured and organised collection of subjective estimates which are provided by Management with the aim of measuring the potential financial impact of particularly severe operational risk events.

The capital at risk is therefore considered to be the minimum amount at Group level which would be required to meet the maximum potential loss that could be incurred. The capital at risk is estimated using a Loss Distribution Approach (a statistical model for calculating the Value at Risk of operational losses), which is applied both to the quantitative data and the results of the scenario analysis over a one-year time horizon, with a confidence interval of 99.9%. This method also involves applying a correction factor obtained from qualitative risk analyses of the operating context in order to take the effectiveness of the internal controls in the various different organisational units into account.

Operational risk monitoring is carried out using an integrated reporting system that provides management with the information required to manage and/or mitigate the risks assumed.

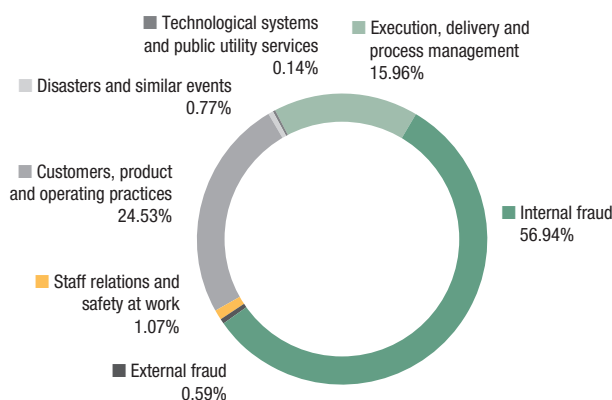
Parent company Intesa Sanpaolo has launched a structured training programme for staff actively involved in the operational risk management and mitigation process to provide continuous support for the operational risk management process.

Quantitative information

The Banca Fideuram Group uses the Standardised Method (or TSA - Traditional Standardised Approach) for calculating its capital requirement.

The operational losses recorded in the year are analysed by type of event below.

Analysis of operational losses by type of event



The Banca Fideuram Group continued its work on improving the processes and controls in place to mitigate risk and contain loss, and participated fully in every initiative launched by Intesa Sanpaolo.

Legal risk

The Group is involved in civil and tax law suits and criminal proceedings as part of its normal business operations.

The Group monitors pending cases constantly in consultation with external legal advisers, examining them in the light of the relevant contractual documents, the conduct concerned, internal investigations and any critical areas highlighted by the aforesaid legal advisers during cases. The Group has set aside provisions for legal disputes to amongst other things cover the liabilities that could be incurred, according to internal and external legal advice, as a result of pending legal and other disputes. At 31 December 2010, these provisions totalled €86m.

The total amount of the provisions and the sum of the annual provisions set aside are calculated on the basis of external and internal legal advisers' estimations of the proceedings having negative outcomes. As a consequence of said process, certain pending proceedings in which the Group is involved and regarding which a negative outcome is considered either remote or not quantifiable are not included in the provisions for legal disputes.

The number and value of pending proceedings were not sufficient to have any eventual significant impact on the business, assets or financial situation of the Group at 31 December 2010.

The management opinion is that the provisions set aside are sufficient and appropriate to cover the disbursements which could be incurred with respect to pending disputes in the following categories in particular:

1) Cases regarding alleged unlawful and/or improper conduct by former personal financial advisers

The majority of legal proceedings against the Group regard requests for compensation for damages in response to alleged unlawful conduct by former Banca Fideuram or Sanpaolo Invest personal financial advisers. The Group's involvement where damaging events of this kind are concerned is linked to the fact that it is considered jointly and severally liable with its personal financial advisers pursuant to article 31, subparagraph 3 of the Italian Finance Consolidation Act (TUF), which states "The licensed entity conferring the appointment is jointly and severally responsible for any damages to third parties caused by the financial adviser, even when responsibility for said damages has been ascertained in a court of criminal law".

This type of complaint is in most cases due to acts of appropriation, forged signatures on contractual forms and the issue of false reports to customers. In July 2010, Banca Fideuram renewed a personal financial adviser misconduct insurance policy with Lloyd's of London, through the broker AON S.p.A., which covers claims consequent upon unlawful acts committed by Banca Fideuram and Sanpaolo Invest personal financial advisers for amounts in excess of €3m. The annual per-claim limit provided for in the policy is €15m (to cover all complaints, including out-of-court settlements, regarding the unlawful/improper conduct of a single personal financial adviser). At 31 December 2010, none of the unlawful acts which had emerged during the period of cover had reached said €3m excess.

2) Cases regarding securities in default and losses on investments in financial products

Legal disputes initiated by customers requesting the cancellation of and/or compensation for damages arising from the purchase of securities in default and cases in which the customer alleges noncompliance with the regulations governing the provision of investment services and activities, consequently requesting the cancellation of transactions, refunding of the principal invested and/or compensation for damages. In June 2010, parent company Intesa Sanpaolo concluded its examination of the reimbursement demands presented by those Group customers who bought Parmalat bonds prior to 24 December 2003, when they were suspended from quotation. The conciliation procedure for Banca Fideuram Group customers, which began in September 2009, was concluded with a €2.7m settlement proposal. The provisions set aside for this case in prior years under the provisions for risks and charges are sufficient to cover this settlement.

3) Disputes initiated by former personal financial advisers regarding alleged breaches of their agency contract

There are a small number of legal disputes of this kind initiated by former Banca Fideuram and Sanpaolo Invest personal financial advisers, resulting from the bank's and stockbroker's normal operations, which involve complaints regarding alleged breach of contract. They are mainly requests for the payment of various different termination indemnities, commission and compensation for damages.

4) Disputes regarding banking and other operations

These cases are mainly requests for compensation regarding banking operations (e.g. capitalisation of interest, claims from receivers and the disposal of pledged assets) and/or miscellaneous complaints which do not fall within any other category.

5) Disputes regarding supervisory investigations

This category concerns two pending judgements, one at the Court of Cassation and one at the Rome Court of Appeal, remitted from the Court of Cassation. These see Sanpaolo Invest opposing the Ministry of the Economy

and Finance and the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB), which launched two penalty proceedings following supervisory investigations, one regarding the years 1992-1997, and the other regarding 2005. In particular, Sanpaolo Invest and the managers involved contest the imposition of financial penalties totalling €213,000 in the first case and €296,500 in the second, and the inefficiencies and/or omissions in its management processes alleged by the Supervisory Authority. The CONSOB's investigations into the years 1992-1997 led to the formulation of a number of objections regarding the alleged inadequacy of the procedures in place with personal financial advisers for the provision of services and, likewise, the alleged inadequacy of the controls on said procedures, failure to notify the Board of Auditors of the personal financial advisers' irregularities and failure to provide for a register of the audits performed. The Rome Court of Appeal found in favour of the defence presented by Sanpaolo Invest and the managers concerned, annulling the penalties. The Court of Cassation overturned the Rome Court of Appeal's judgment following an appeal by the CONSOB and Italian Ministry of the Economy and Finance, remitting the case to the Rome Court of Appeal. At a hearing on 20 May 2010, State Attorneys represented the Ministry of the Economy and Finance. The proceedings are still pending.

The CONSOB's 2005 investigation was launched in relation to an audit on the efficiency of the management processes and internal audit system. The penalty proceedings for alleged violations of regulatory provisions, principally regarding internal auditing, led to the imposition of administrative monetary penalties totalling €296,500. Sanpaolo Invest presented submissions and filed statements in the course of the proceedings, highlighting that its procedures complied with the applicable regulations. The appeal against these penalties at the Rome Court of Appeal was rejected. The company and managers therefore filed an appeal, which is still pending, at the Court of Cassation.

6) Tax dispute

Banca Fideuram received a report from the Latium Regional Tax Police (Polizia Tributaria) concerning the 2003 and 2004 tax years, questioning the tax period adopted by the bank for the tax deduction of the Personal Financial Adviser Network Loyalty Schemes, together with a number of other lesser matters. Following this report, the bank was served a notice of assessment by the competent office of the Italian Inland Revenue regarding Corporate Income Tax (IRPEG) and Regional Business Tax (IRAP) for the year 2003, against which the bank promptly appealed. The bank filed an appeal in second instance following the adverse judgement of the Provincial Tax Commission, the hearing for which was held on 11 May 2010 and again found against the bank. The bank has therefore filed an appeal with the Court of Cassation. As a further consequence of the visit by the Tax Police and regarding the same financial statement items as for 2003, the bank subsequently received notices of assessment regarding IRES corporate income tax and IRAP regional business tax for the 2004 tax year, against which the bank filed an appeal with the Tax Commission within the required time.

The Latium Regional Office of the Italian Inland Revenue conducted a specific investigation regarding the bonus scheme with the highest value, focused on the 2005, 2006 and 2007 tax years. The reports concluding the investigation questioned the tax deduction of the expense over a long-term time horizon in a similar manner as for the prior periods.

The bank decided to avail itself of the opportunity of avoiding a tax dispute regarding a simple matter of accruals accounting and settled the disputes, agreeing to the Latium Regional Office of the Inland Revenue's objections and benefiting from a reduction in the applicable penalties.

The bank thus set aside amounts at year-end 2009 under the provisions for risks and charges equal to the total penalties and applicable interest required to settle the disputes for all the years in question, from 2003 to 2008, adopting the most appropriate procedures for each year concerned.

During 2010 the Group formalised its compliance with the report regarding the 2005 and 2006 tax years, paying the related taxes and penalties, while settlement of the dispute regarding the 2007 tax year, with payment of the related taxes and penalties, was completed in early 2011. The bank also submitted a partial legal settlement proposal regarding the dispute concerning 2004.

Lastly, and likewise as a consequence of the report regarding the 2003 and 2004 tax years, the bank was also served a notice of assessment for a smaller amount regarding VAT. The bank's appeal against this notice of assessment was granted by the Rome Provincial Tax Commission on 21 May 2010.

During 2007, following a report prepared by the Latium Regional Tax Police (Polizia Tributaria), the Italian Inland Revenue served Sanpaolo Invest SIM a notice of assessment regarding Corporate Income Tax (IRPEG) and Regional Business Tax (IRAP) for the 2000 tax year. The Rome Provincial Tax Commission largely found in favour of the bank's appeal, with the exception of one minor amount. On 9 March 2010, the Inland Revenue filed an appeal in second instance. The provisions set aside in prior years are sufficient to meet the costs that would result were the partially adverse judgement in first instance to be confirmed, while it is considered that there is no reason to anticipate a negative outcome for the bank where the larger item which is the subject of the appeal is concerned.

On 21 July 2010, subsidiary Fideuram Investimenti SGR received a report from the Rome Regional Tax Police (Polizia Tributaria) following a tax inspection regarding the 2005 to 2007 tax years, concluding that taxable income in respect of direct taxation amounted to €55.8m above the total stated and that an additional €20.8m in tax was consequently due. The tax inspectors in particular considered that the remuneration the company had charged other Banca Fideuram Group companies for financial advisory services in 2005 and 2006 was not adequate, and that the sale of a company division in 2006 had not been reported, with the consequent emergence of a gain. The report in addition concluded that this gain required payment of 3% registration tax in the amount of €0.4m.

In consideration of the possibility of avoiding a demanding and complex dispute defending estimative items in the tax court, the company investigated using alternative provisions to a dispute in order to limit the tax burden and at the same time settle the matter in a relatively short period of time. During 2010, the subsidiary therefore settled the dispute regarding direct taxes for 2005 and for registration tax, paying €8.5m. In January 2011, the subsidiary also formalised its compliance with the report regarding direct taxes for 2006, for which it had moreover set aside a related provision for risks totalling the €9.5m sum anticipated as being required to settle the disputes in full.

PART F

INFORMATION ON CONSOLIDATED SHAREHOLDERS' EQUITY

SECTION 1

CONSOLIDATED SHAREHOLDERS' EQUITY

A. Qualitative information

The Banca Fideuram Group's capital management is principally directed towards ensuring that the capital and capital ratios of the parent company and its banking and financial subsidiaries are consistent with their risk profiles and capital requirements.

The banking and financial companies in the Banca Fideuram Group are required to comply with the Basel Committee capital requirements under the rules laid down by the Bank of Italy.

These rules provide for a notion of regulatory capital that is distinct from the shareholders' equity recorded in the accounts, and which is calculated as the algebraic sum of positive and negative items that are included on the basis of capital quality.

The Group companies monitor their respect for the regulatory capital ratios during the year and on a quarterly basis, taking appropriate

direction and control actions with regard to the capital items when necessary. Whenever a company transaction is to be conducted, the capital adequacy is assessed together with any related interventions that may be required regarding the shareholders' equity and/or capital items that impact on the minimum capital requirements.

The share capital and share premium reserve were the same as the amounts for the corresponding items in the shareholders' equity of Banca Fideuram and of third parties. The item Other reserves comprises Banca Fideuram's remaining reserves and any changes in the shareholders' equity of the companies included in the consolidation and of third parties. At 31 December 2010, Banca Fideuram's share capital totalled €186,255,207 divided into 980,290,564 ordinary shares with a par value €0.19.

The Group did not hold any treasury shares at 31 December 2010.

B. Quantitative information

B.1 Consolidated shareholders' equity: analysis by type of company

	Banking group	Insurance companies	Other companies	Consolidation eliminations and adjustments	Total	Third parties
Capital	186,398	-	-	-	186,398	143
Share premium reserve	9,138	-	-	-	9,138	-
Reserves	595,026	-	-	-	595,026	(9)
Capital instruments	-	-	-	-	-	-
Treasury shares (-)	-	-	-	-	-	-
Valuation reserves	(252,877)	-	-	-	(252,877)	(1)
- Financial assets available for sale	(273,572)	-	-	-	(273,572)	(1)
- Property and equipment	-	-	-	-	-	-
- Intangible assets	-	-	-	-	-	-
- Hedging of foreign investments	-	-	-	-	-	-
- Hedging of financial flows	-	-	-	-	-	-
- Exchange rate differences	4,504	-	-	-	4,504	-
- Non-current assets held for sale	-	-	-	-	-	-
- Actuarial Profit (Loss) on defined-benefit pension plans	-	-	-	-	-	-
- Revaluation reserves related to investments carried at equity	(2,751)	-	-	-	(2,751)	-
- Special revaluation laws	18,942	-	-	-	18,942	-
Profit (Loss) for the year (+/-) of group and third parties	211,584	-	-	-	211,584	(26)
Shareholders equity	749,269	-	-	-	749,269	107

B.2 Valuation reserves for financial assets available for sale: analysis

	Banking group		Insurance companies		Other companies		Consolidation eliminations and adjustments		Total 31.12.2010	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	33,560	(306,465)	-	-	-	-	-	-	33,560	(306,465)
2. Equities	573	(219)	-	-	-	-	-	-	573	(219)
3. Units in mutual funds	746	(4,518)	-	-	-	-	-	-	746	(4,518)
4. Loans	-	-	-	-	-	-	-	-	-	-
Total 31.12.2010	34,879	(311,202)	-	-	-	-	-	-	34,879	(311,202)
Total 31.12.2009	49,868	(219,779)	-	-	-	-	-	-	49,868	(219,779)

B.3 Valuation reserves for financial assets available for sale: changes in the year

	Debt securities	Equities	Units in mutual funds	Loans
1. Opening balance	(172,037)	27	2,099	-
2. Increases	23,817	1,631	306	-
2.1 Increases in fair value	18,754	1,429	162	-
2.2 Reclassifications from negative reserves to the income statement	1,379	-	-	-
- following impairment	-	-	-	-
- following disposal	1,379	-	-	-
2.3 Other increases	3,684	202	144	-
3. Decreases	(124,685)	(1,304)	(6,177)	-
3.1 Reductions in fair value	(116,183)	(847)	(4,827)	-
3.2 Adjustments for impairment losses	-	-	-	-
3.3 Reclassifications from positive reserves to the income statement: following disposal	(8,382)	(1)	(1,350)	-
3.4 Other decreases	(120)	(456)	-	-
4. Other decreases	(272,905)	354	(3,772)	-

PART H

TRANSACTIONS WITH RELATED PARTIES

1. Information on remuneration of senior managers with strategic responsibilities

Form of remuneration

(All figures in thousands of euros)

	31.12.2010
Short-term benefits (*)	8,672
Post-employment benefits (**)	189
Other long-term benefits	-
Employment termination indemnity	-
Payment in shares	-
Other remuneration (***)	303
Total remuneration paid to senior managers with strategic responsibilities	9,164

(*) Includes the fixed and variable remuneration of Directors since they are considered comparable to the payroll costs and social security contributions borne by the Group for employees.

(**) Includes the company contribution to the pension funds and employment termination indemnities calculated in accordance with the law and company regulations.

(***) Regards remuneration paid to members of the Board of Auditors.

TRANSACTIONS WITH RELATED PARTIES

Banca Fideuram is wholly owned and controlled directly by Intesa Sanpaolo S.p.A.

On 25 February 2010, the Banca Fideuram Board of Directors decided to return the banking licence of subsidiary Fideuram Bank (Monaco) S.A.M., subsequent to its customer base being sold to third parties or transferred to Fideuram Bank (Luxembourg) S.A., and to then sell or wind up the subsidiary. The Banca Fideuram Board of Directors authorised the winding-up of the subsidiary on 22 July 2010. An Extraordinary Shareholders' Meeting of Fideuram Bank (Monaco) on 16 September 2010 voted to wind up the company and this was completed in December 2010.

On 22 March 2010, the Banca Fideuram Board of Directors authorised the purchase of a 19.99% holding in the share capital of Fideuram Vita S.p.A for a total of €100m. This price was determined taking into account a professional fair value estimate of the company prepared by KPMG Advisory S.p.A. The purchase of the holding was completed on 29 July 2010 and on the same date:

- Banca Fideuram and Fideuram Vita signed an insurance product distribution agreement with a term of 5 years, which may be extended for a further 5 years. This agreement supersedes the agreement in effect with EurizonVita, which was transferred to Fideuram Vita upon the transfer of the related company division (approved by the Board of Directors on 22 July 2010). The Board of Directors of subsidiary Sanpaolo Invest SIM S.p.A. approved joining the aforementioned distribution agreement on 27 July 2010.
- Banca Fideuram and Intesa Sanpaolo (which holds the remaining 80.01% of the share capital of Fideuram Vita) signed:
 - A shareholders' agreement regarding Fideuram Vita with a term of 5 years, which may be extended for a further 5 years unless cancelled by the parties.
 - An agreement regarding options to buy and sell their respective holdings in Fideuram Vita.

The Banca Fideuram Board of Directors' meeting of 10 May 2010 approved a number of amendments to the service contract in place between Banca Fideuram and Intesa Sanpaolo Group Services S.c.p.A. (ISGS) for the provision of operating services, aligning the services and related remuneration with its new operating conditions and requirements. The main changes regarded the integration of certain service agreements, the updating of the descriptions of and operating procedures for certain Information System services, and the updating of the Key Performance Indicators (KPI) used for monitoring the quality of the services received. In consideration of the types of services provided by the consortium and the need to ensure continuity of service over time, the contract with ISGS will have a term of three years and, in the hypothetical event of automatic termination of the contract as a consequence of Banca Fideuram leaving the Intesa Sanpaolo Group, provision of the services may be extended by up to a maximum of 18 months at the bank's request. The remuneration payable was determined separately for each service, in accordance with criteria of objectiveness, uniformity and transparency, on the basis of an estimate of driver volumes at standard rates, while allowing for the possibility of revision by mutual agreement of the parties in relation to the actual volume of operations performed in the reference period. The total remuneration paid in 2010 was €50m (€57.2m paid in 2009). The service contracts in place between certain Banca Fideuram subsidiaries (Fideuram Investimenti, Sanpaolo Invest, Fideuram Fiduciaria and Fideuram Asset Management Ireland) and ISGS were likewise amended in 2010. The total remuneration due to ISGS from the other Group companies was €4.8m in 2010 (€7.8m in 2009). The following were also renewed in the same period:

- The contract between Banca Fideuram and Intesa Sanpaolo for the provision of support services for the Group's central departments, which was amended to include a number of new services (the provision of which will contribute to developing cost synergies) and to exclude services which were not provided in 2009 and which it is envisaged will not be required in future. The remuneration paid totalled €464,000 in 2010 (€478,000 in 2009).

- The service contract between Banca Fideuram and subsidiary Sanpaolo Invest SIM, which was amended at the suggestion of the latter to align the services offered by the bank with the new operating context and requirements of Sanpaolo Invest SIM, the remuneration for which totalled €1.9m in 2010 (€1.8m in 2009).

The remuneration payable for these agreements was likewise determined separately for each service, in accordance with criteria of objectiveness, uniformity and transparency, and in line with the provisions regarding service contracts within the Group.

On 17 May 2010, parent company Intesa Sanpaolo sold its 100% stake in Intesa Sanpaolo Servizi Transazionali S.p.A. (ISST) – to which, inter alia, Banca Fideuram’s depositary bank business had been transferred - to State Street Corporation. As part of the transaction, ISST transferred to Intesa Sanpaolo the agreement it had entered into with Banca Fideuram on 14 December 2009 to pay monetary compensation for any differences between actual commission and the commission projections used to calculate the value of the company division transferred at that time.

On 16 December 2010, the Banca Fideuram Board of Directors adopted the Intesa Sanpaolo Regulations governing the management of transactions with related parties, approved by Intesa Sanpaolo pursuant to article 2391 bis of the Italian Civil Code, as put into effect by Regulation No. 17221 of the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB) of 12 March 2010. These Regulations supersede the previous regulations approved on a voluntary self-regulatory basis in anticipation of the Code of the Italian Stock Exchange (Borsa Italiana), integrating the rules on market and financial statement information set out in article 150 of the Italian Finance Consolidation Act (TUF), the Regulations for Companies Issuing Financial Statements issued by the CONSOB and the International Accounting Standards.

The Regulations came into effect on 1 December 2010 regarding the provisions on the publication of the information document on the most significant transactions considered on an individual basis. All the other provisions came into effect on 1 January 2011.

The Regulations apply to the entire Intesa Sanpaolo Group, specifying the following with respect to relations with related parties in the Intesa Sanpaolo Group:

- The criteria for identifying related parties.
- The rules for identifying transactions with related parties.
- Exemptions from the regulations.
- The preliminary, proposal and decision-making procedures for transactions with related parties.
- The information requirements regarding the subsequent notification of said transactions to the parent company’s Board of Directors.
- The teams needed to provide information to the market on the transactions specified, including in line with the regular financial information provided.

The Regulations aim to reform the system of governance for potential conflicts of interest in relations with related parties through (i) enhancing the role of the independent directors, (ii) strengthening the safeguards offered minority shareholders and (iii) increasing the Group’s system of transparency for the market.

The Italian companies in the Banca Fideuram Group and Intesa Sanpaolo have again availed themselves of the “consolidato fiscale nazionale” tax consolidation regime introduced by Italian Legislative Decree No. 344/2003, in this case for the 2010-2012 three-year

period. This tax consolidation regime, which is governed by special regulations, provides for the aggregation of the taxable income of all the Group companies involved, and a single payment of IRES corporate income tax by the parent company in its role as “consolidating company”. On 24 June 2010, the Banca Fideuram Board of Directors also authorised exercising the option to apply the tax consolidation regime within the Banca Fideuram Group to prepare for the possibility that it might not be eligible for inclusion in the above-mentioned regime following its stock market listing.

In accordance with the law and the internal procedures issued by the bank and its parent company Intesa Sanpaolo, all other transactions with related parties during the period were conducted under arms-length conditions as for unrelated parties of corresponding nature and risk, or - in the absence of any reference - under mutually-beneficial conditions, verified taking all related circumstances and the distinctive characteristics of the transaction and Group interests into account. The bank did not in any case engage in any atypical or unusual transactions and/or transactions under non-standard financial and contractual conditions for the types of related parties concerned.

Banca Fideuram’s other relations with its subsidiaries, as well as its relations with Intesa Sanpaolo and the latter’s subsidiaries, form part of the bank’s ordinary operations. Banca Fideuram uses the brokerage services of Banca IMI for buying and selling securities. The Group networks promoted, under arm’s-length conditions, bonds issued by Intesa Sanpaolo and Banca IMI, achieving total sales of approximately €1.6bn in 2010 (€1.7bn in 2009). There were no insider transactions in the year with individuals performing director-level, management or auditing functions at Banca Fideuram, parent company Intesa Sanpaolo or any other companies in the Group.

All amounts receivable and payable, and all income and expenses at 31 December 2010 between the companies in the Intesa Sanpaolo Group are summarised in the tables below:

Balance Sheet 31.12.2010

(€m)	Transactions with Intesa Sanpaolo Group	
	amount	%
Total financial assets	1,935.9	22.7
Total other assets	74.6	11.9
Total financial liabilities	1,235.0	15.5
Total other liabilities	26.6	6.1
Guarantees and commitments	1.1	0.7

Income Statement 2010

(€m)	Transactions with Intesa Sanpaolo Group	
	amount	%
Interest income	39.2	19.1
Interest expense	(24.1)	28.2
Commission income	279.7	27.3
Commission expense	(8.0)	1.7
Operating income on financial activities	(26.6)	n.s.
Administrative expenses	(60.0)	18.2

n.s.: not significant

Relationships with companies in the Intesa Sanpaolo Group

(€ thousand)

	Assets	Liabilities	Guarantees and commitments	Income	Expenses
Parent company					
Intesa Sanpaolo S.p.A.	1,323,580	331,743	785	57,506	6,811
Companies controlled by the parent company					
Banca dell'Adriatico S.p.A.	109	-	-	197	-
Banca di Credito Sardo S.p.A.	12	-	-	25	-
Banca IMI S.p.A.	30,562	171,470	-	26,726	67,570
Banco di Napoli S.p.A.	486	70	-	746	2
Banco di Trento e Bolzano S.p.A.	7	-	-	11	-
Banca Infrastrutture Innovazione e Sviluppo S.p.A.	-	-	357	-	-
Cassa di Risparmio del Friuli Venezia Giulia S.p.A.	75	-	-	130	-
Cassa di Risparmio del Veneto S.p.A.	47	-	-	104	-
Cassa di Risparmio in Bologna S.p.A.	154	-	-	273	-
Cassa di Risparmio di Firenze S.p.A.	20,302	4	-	22	22
Cassa di Risparmio di Forlì e della Romagna S.p.A.	125	-	-	206	-
Cassa di Risparmio di Rieti S.p.A.	3	-	-	3	-
Cassa di Risparmio di Spoleto S.p.A.	-	-	-	30	-
Cassa di Risparmio di Venezia S.p.A.	14	-	-	24	-
CIB Bank Ltd.	88	-	-	-	-
Consorzio Studi e Ricerche Fiscali	536	-	-	-	2
Epsilon Associati SGR S.p.A.	23	-	-	65	-
Eurizon Investimenti A.I. SGR S.p.A.	573	-	-	2,602	-
Eurizon Capital S.A.	208	-	-	900	-
Eurizon Capital SGR S.p.A.	1,331	27	-	5,649	477
EurizonLife Ltd.	1,875	623	-	7,624	652
Eurizon Tutela S.p.A.	23	601	-	752	1
Eurizon Vita S.p.A.	405	8,292	-	47,006	2,680
Fideuram Vita S.p.A.	240,331	571,288	-	105,463	6,372
Fondi di Fideuram Gestions	31,982	164,289	-	82,079	1,735
Intesa Sanpaolo Bank Ireland Plc	-	-	-	13	155
Intesa Sanpaolo Group Services S.c.p.A.	16	13,077	-	208	54,028
Intesa Sanpaolo Private Banking S.p.A.	-	12	-	-	20
Intesa Sec. 3 S.r.l.	-	-	-	363	-
Leasint S.p.A.	42	-	-	50	-
Neos Finance S.p.A.	69	-	-	313	-
Setefi - Servizi Telematici Finanziari per il Terziario S.p.A.	-	128	-	-	1,670
Société Européenne de Banque S.A.	357,604	-	-	5,173	1,930

PART L

SEGMENT REPORTING

(€m)

	Managed Financial Assets	Life Insurance Assets	Banking Services and other	31.12.2010 Total	31.12.2009 Total
Net interest income	-	-	119.7	119.7	157.6
Net gains or losses on financial assets and liabilities	-	-	21.6	21.6	15.3
Commission income	662.4	263.9	99.0	1,025.3	844.0
- Front end	31.0	13.8	75.2	120.0	115.6
- Recurring	631.4	250.1	23.8	905.3	728.4
- Other	-	-	-	-	-
Commission expense	(285.2)	(128.3)	(73.0)	(486.5)	(402.5)
- Front end	(17.0)	(8.8)	(28.2)	(54.0)	(50.1)
- Recurring	(204.4)	(104.2)	(17.7)	(326.3)	(259.7)
- Other	(63.8)	(15.3)	(27.1)	(106.2)	(92.7)
Net commission income	377.2	135.6	26.0	538.8	441.5
- Front end	14.0	5.0	47.0	66.0	65.5
- Recurring	427.0	145.9	6.1	579.0	468.7
- Other	(63.8)	(15.3)	(27.1)	(106.2)	(92.7)
Operating income before net impairment	377.2	135.6	167.3	680.1	614.4
Operating expenses	(178.8)	(32.6)	(112.3)	(323.7)	(326.2)
Other	(37.0)	(13.3)	(3.1)	(53.4)	(48.3)
Profit before tax	161.4	89.7	51.9	303.0	239.9
Average Client Assets	36,792	13,524	19,107	69,423	63,183
Client Assets as at 31.12.2010	39,721	13,779	18,091	71,591	67,801
Key ratios					
Cost / Income ratio	47.4%	24.1%	66.7%	47.5%	53.5%
Gross total profit / Average Client Assets	0.4%	0.7%	0.3%	0.4%	0.4%
Net commission income / Average Client Assets	1.0%	1.0%	0.1%	0.8%	0.7%

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS



Excellence

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. The undersigned Matteo Colafrancesco - as Banca Fideuram Managing Director and General Manager - and Paolo Bacciga - as Banca Fideuram Senior Manager Responsible for the Preparation of the Company Accounts - hereby certify, also taking into consideration the provisions of article 154 bis, subparagraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, that said financial statements are:

- suitable for the characteristics of the company and
- that the bank has fully applied the administrative and accounting procedures for preparing the consolidated financial statements during 2010.

2. The evaluation of the suitability and effective application of the administrative and accounting procedures for preparing the consolidated financial statements at 31 December 2009 was carried out using methodologies developed in line with the COSO framework and, for the IT part, COBIT, which are widely internationally accepted as reference frameworks for internal control systems¹.

3. In addition, the undersigned also certify as follows:

3.1 The consolidated financial statements at 31 December 2010:

- have been prepared in accordance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002,
- correspond with the accounting books and records,
- have been prepared in accordance with Italian Legislative Decree No. 38/2005 and, where applicable, Italian Legislative Decree No. 87/1992, as well as the provisions implementing them issued by the Bank of Italy for financial statements and by the Italian National Commission for Listed Companies and the Stock Exchange (CONSOB) for listed issuers,
- are suitable for providing a faithful and proper representation of the financial position of the issuer and of the companies included in the consolidation.

3.2 The Directors' Report contains a reliable analysis of the performance, operating results and financial situations of the issuer and of the companies included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

10 March 2011

Matteo Colafrancesco

Managing Director and
General Manager



Paolo Bacciga

Senior Manager Responsible for the
Preparation of the Company Accounts



1. The COSO Framework was developed by the Committee of Sponsoring Organizations of the Treadway Commission, a US body dedicated to improving the quality of company information by providing guidance on ethical standards and an effective system of corporate governance and organisation. The COBIT Framework - Control OBJECTives for IT and related technology - is a set of guidance materials developed by the IT Governance Institute, a US body that aims to develop and improve corporate standards in the IT sector.

INDEPENDENT AUDITORS' REPORT



Independent auditors' report**pursuant to art. 14 and art. 16 of Legislative Decree n. 39 dated January 27, 2010
(Translation from the original Italian text)**To the Shareholder
of Banca Fideuram S.p.A.

1. We have audited the consolidated financial statements of Banca Fideuram S.p.A. and its subsidiaries, (the "Banca Fideuram Group") as of and for the year ended December 31, 2010, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Banca Fideuram S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was performed in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

For our opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated March 15, 2010.

3. In our opinion, the consolidated financial statements of the Banca Fideuram Group at December 31, 2010 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Banca Fideuram Group for the year then ended.
4. The management of Banca Fideuram S.p.A. is responsible for the preparation of the directors' report in accordance with the applicable laws. Our responsibility is to express an opinion on the consistency of the directors' report with the financial statements as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In our opinion the directors' report is consistent with the consolidated financial statements of the Banca Fideuram Group as of December 31, 2010.

Rome, March 15, 2011

Reconta Ernst & Young S.p.A.
signed by: Alberto M. Pisani, Partner

SCHEDULES



Innovation

RECONCILIATIONS

Reconciliation of reclassified consolidated balance sheet and consolidated balance sheet

(€m)

Reclassified balance sheet - Assets	Consolidated balance sheet - Assets	31.12.2010	31.12.2009
Cash and cash equivalents		46.9	77.2
	<i>Item 10 Cash and cash equivalents</i>	46.9	77.2
Financial assets (other than loans and financial assets held to maturity)		3,045.4	3,133.7
	<i>Item 20 Financial assets held for trading</i>	48.1	56.7
	<i>Item 30 Financial assets designated at fair value</i>	207.9	218.7
	<i>Item 40 Financial assets held to maturity</i>	2,789.4	2,858.3
Financial assets held to maturity		608.2	605.5
	<i>Item 50 Financial assets held to maturity</i>	608.2	605.5
Due from banks		2,098.3	3,698.9
	<i>Item 60 Due from banks</i>	2,098.3	3,698.9
Loans to customers		2,788.7	2,014.8
	<i>Item 70 Loans to customers</i>	2,788.7	2,014.8
Hedging derivatives		2.5	0.2
	<i>Item 80 Hedging derivatives</i>	2.5	0.2
Investments in associates		77.0	0.2
	<i>Item 100 Investments in associates</i>	77.0	0.2
Property and equipment		33.4	31.5
	<i>Item 120 Property and equipment</i>	33.4	31.5
Intangible assets		21.2	23.2
	<i>Item 130 Intangible assets</i>	21.2	27.1
	<i>- Item 130 (partial) Leasehold improvements</i>	-	(3.9)
Tax assets		207.7	161.3
	<i>Item 140 Tax assets</i>	207.7	161.3
Other assets		626.6	576.8
	<i>Item 160 Other assets</i>	626.6	572.9
	<i>- Item 130 (partial) Leasehold improvements</i>	-	3.9
Total assets	Total assets	9,555.9	10,323.3

Reclassified balance sheet - Liabilities	Consolidated balance sheet - Liabilities	31.12.2010	31.12.2009
Due to banks		409.7	607.8
	<i>Item 10 Due to banks</i>	409.7	607.8
Due to customers		7,151.9	7,736.6
	<i>Item 20 Due to customers</i>	7,151.9	7,736.6
Debt on issue		-	-
	<i>Item 30 Debt on issue</i>	-	-
Financial liabilities held for trading		42.6	39.5
	<i>Item 40 Financial liabilities held for trading</i>	42.6	39.5
Hedging derivatives		358.7	276.0
	<i>Item 60 Hedging derivatives</i>	358.7	276.0
Tax liabilities		49.1	66.3
	<i>Item 80 Tax liabilities</i>	49.1	66.3
Other liabilities		455.7	522.1
	<i>Item 100 Other liabilities</i>	433.7	498.5
	<i>Item 110 Provision for employment termination indemnities</i>	22.0	23.6
Provisions for risks and charges		338.9	310.5
	<i>Item 120 Provisions for risks and charges</i>	338.9	310.5
Minority interest		0.1	0.2
	<i>Item 210 Minority interest</i>	0.1	0.2
Equity holders from Parent Company		749.2	764.3
	<i>Items 140, 160, 170, 180, 190, 200, 220 Equity holders from Parent Company</i>	749.2	764.3
Total liabilities and shareholders' equity	Total liabilities and shareholders' equity	9,555.9	10,323.3

Reconciliation of reclassified consolidated income statement and consolidated income statement

(€m)

Reclassified consolidated income statement	Consolidated income statement	2010	2009
Net interest income		119.7	157.6
	<i>Item 30 Net interest income</i>	119.7	157.6
Net profit (loss) on financial assets and liabilities		21.6	15.3
	<i>Item 80 Net profit (loss) on trading activities</i>	5.6	14.8
	<i>Item 90 Net profit (loss) on hedging derivatives</i>	1.9	1.1
	<i>Item 100 a) Net profit (loss) on sale/repurchase of loans</i>	(2.3)	(0.5)
	<i>Item 100 b) Net profit (loss) on sale/repurchase of financial assets available for sale</i>	15.0	(2.5)
	<i>Item 110 Net profit (loss) on financial assets and liabilities designated at fair value</i>	12.4	23.9
	<i>- Item 190 (partial) Return on insurance policies for Network Loyalty Schemes</i>	(11.0)	(21.5)
Net commission income		538.8	441.5
	<i>Item 60 Net commission income</i>	538.8	441.5
Operating income before net impairment		680.1	614.4
Net impairment		(1.4)	(0.1)
	<i>Item 130 a) Net impairment on loans</i>	(1.8)	(0.1)
	<i>Item 130 d) Net impairment on other financial transactions</i>	0.4	-
Operating income		678.7	614.3
Personnel expenses		(126.6)	(125.9)
	<i>Item 180 a) Personnel expenses</i>	(126.7)	(125.9)
	<i>- Item 180 A) (partial) Banca Fideuram IPO costs</i>	0.1	-
Other administrative expenses		(180.8)	(184.2)
	<i>Item 180 b) Other administrative expenses</i>	(202.6)	(207.0)
	<i>- Item 180 b) (partial) Banca Fideuram IPO costs</i>	2.3	3.1
	<i>- Item 180 b) (partial) Cost of integrating Banca CR Firenze Network</i>	-	-
	<i>- Item 220 (partial) Recovery of indirect taxes</i>	19.5	19.7
Depreciation and amortization		(16.3)	(16.1)
	<i>Item 200 Depreciation of property and equipment</i>	(3.0)	(2.5)
	<i>Item 210 Amortization of intangible assets</i>	(13.3)	(15.3)
	<i>- Item 210 (partial) Depreciation and amortization/write-backs of leasehold improvements</i>	-	1.7
Operating expenses		(323.7)	(326.2)
Net provisions for risks and charges		(52.9)	(43.1)
	<i>Item 190 Net provisions for risks and charges</i>	(81.9)	(81.9)
	<i>- Item 190 (partial) Return on insurance policies for Network Loyalty Schemes</i>	11.0	21.5
	<i>- Item 190 (partial) Provisions for extraordinary expenses</i>	18.0	17.3
Profit (loss) on investments in associates		0.9	-
	<i>Item 240 Profit (loss) on investments in associates</i>	2.4	-
	<i>Item 270 Gain (loss) from disposal of investments</i>	(1.5)	-
Other income (expense)		-	(5.1)
	<i>Item 220 Other income (expense)</i>	19.5	16.3
	<i>- Item 220 (partial) Recovery of indirect taxes</i>	(19.5)	(19.7)
	<i>- Item 210 (partial) Depreciation and amortization/write-backs of leasehold improvements</i>	-	(1.7)
Profit before tax		303.0	239.9
Income taxes		(71.7)	(57.7)
	<i>Item 290 Income taxes</i>	(71.0)	(45.8)
	<i>- Item 290 (partial) Tax impact on Banca Fideuram IPO costs</i>	(0.7)	-
	<i>- Item 290 (partial) Tax impact on utilisation of/allocations to redundancy provisions</i>	-	1.3
	<i>- Item 290 (partial) Tax impact on cost of integrating Banca CR Firenze Network</i>	-	(1.0)
	<i>- Item 290 (partial) Utilisation of provision for excess taxes</i>	-	(12.2)
Minority interest		-	(0.1)
	<i>Item 330 Minority interest</i>	-	(0.1)
Net profit before non-recurring items		231.3	182.1
Non-recurring income (expenses) net of tax		(19.7)	(3.7)
	<i>- Item 180 a) (partial) Banca Fideuram IPO costs</i>	(0.1)	-
	<i>- Item 180 b) (partial) Banca Fideuram IPO costs</i>	(2.3)	-
	<i>- Item 180 b) (partial) Cost of integrating Banca CR Firenze Network</i>	-	(3.1)
	<i>- Item 290 (partial) Tax impact on Banca Fideuram IPO costs</i>	0.7	-
	<i>- Item 290 (partial) Tax impact on cost of integrating Banca CR Firenze Network</i>	-	1.0
	<i>- Item 290 (partial) Tax impact on utilisation of/allocations to redundancy provisions</i>	-	(1.3)
	<i>- Item 190 (partial) Provision for tax disputes</i>	-	(17.3)
	<i>- Item 190 (partial) Provisions for extraordinary expenses</i>	(18.0)	-
	<i>- Item 190 (partial) Utilisation of/allocations to redundancy provisions</i>	-	4.8
	<i>- Item 190 (partial) Utilisation of provision for excess taxes</i>	-	12.2
Net profit	Item 340 Parent company interest in net profit (loss) for the period	211.6	178.4

GLOSSARY



Readiness

Adviser

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

Affluent customers

Customers with financial assets of between €100,000 and €500,000.

Amortized cost

Differs from cost in providing for the cumulative amortization of the difference between the value at initial recognition of an asset or liability and its nominal value using the effective interest rate method.

Asset allocation

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

Asset Backed Securities (ABS)

Debt securities, generally issued by companies known as Special Purpose Vehicles (SPV), which are secured by pools of different assets (mortgage loans, consumer loans or credit card transactions receivables, etc.) which can solely be used to satisfy the rights incorporated in the financial instruments. The repayment of the principal and payment of interest depends on the performance of the securitised assets and any additional guarantees supporting the transaction. ABSs are issued as separate tranches (senior, mezzanine, junior) with different priorities regarding the repayment of the principal and payment of interest.

Asset gathering

The activity of gathering assets.

Asset Liability Management (ALM)

Body of techniques that enable the integrated management of financial statement assets and liabilities, typically used for measuring interest rate risk.

Asset management

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

Associazione Bancaria Italiana (ABI - Italian Banking Association)

The association that represents, defends and promotes the interests of the Italian banking and financial system.

Associazione fra le Società per Azioni (Assonime - Association of Italian Joint Stock Companies)

The association representing Italian joint stock companies of all kinds (industrial, financial, insurance and service companies). Its mission is to contribute to building a regulatory system that is favourable to economic activity, to interpret, adapt and apply legislation for effective operation of the market and, lastly, to assist member companies in their application of the law.

Associazione Italiana Revisori Contabili (Assirevi - Italian Association of Auditors)

A private association that promotes and conducts scientific analysis supporting the adoption of auditing standards, and the study of the

development of related legislation and regulation. It is also engaged in resolving professional, legal and tax problems of common interest to its members.

Associazione Nazionale fra le Imprese Assicuratrici (ANIA - Italian National Association of Insurance Companies)

The body representing insurance companies that operate in Italy. Represents its members and the Italian insurance market in dealings with the main political and administrative institutions and undertakes its own and joint research into resolving technical, economic, administrative, tax and legal problems concerning the insurance industry.

Auditing

The body of activities for monitoring company processes and accounting, carried out both by internal departments (internal audits) and by independent auditors (external audits).

Automated Teller Machine (ATM)

Automatic machine that allows customers to make cash withdrawals, pay in cash or cheques, obtain account information, pay utilities and top up mobile phones etc. The terminal is activated by the customer inserting a magnetic card and entering their personal identification number.

Backtesting

Historical testing to assess the reliability of asset portfolio risk source measurements.

Bancassurance

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

Bank of Italy

A public-law institution that acts in the general interest in the monetary and financial sector, maintaining price stability, the stability and effective operation of the financial system and undertaking other duties assigned by Italian law.

Banking book

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

Banking direct inflows

Deposits by and bonds issued by banks.

Basel II Accord

The common name for the New Capital Accord which came into effect on 1 January 2007.

The Accord is based on three "pillars":

- Pillar 1: while the objective of a minimum capital requirement of 8% of risk-weighted assets remains unchanged, a new system of rules was developed for measuring typical banking and financial sector risks (credit risk, counterparty risk, market risk and operational risk) that provides for alternative calculation approaches with different levels of complexity and offers the option, following prior authorisation by the Regulator, of internally-developed approaches.

- Pillar 2: requires banks to adopt processes and tools that equip them with an Internal Capital Adequacy Assessment Process (ICAAP) that is appropriate for every type of risk, including forms other than those covered by the minimum capital requirement (first pillar), for

the purposes of assessing current and prospective risk in a manner that takes strategies and developments in the reference scenario into account. The Supervisory Authorities are tasked with examining the ICAAP process, formulating an overall judgement and specifying appropriate corrective measures where necessary.

- Pillar 3: introduces obligations regarding the publication of information on capital adequacy, risk exposure and the general characteristics of the systems in place for identifying, measuring and managing risk.

Basis point (BP)

Unit of measurement for interest rate spread or changes in interest rates, equal to one hundredth of a percentage point. Example: If rates rise from 9.65% to 9.80%, they have risen by 15 basis points.

Benchmark

Financial parameter or indicator or financial instrument with characteristics that brokers consider sufficiently representative to be adopted as a reference for understanding whether a financial instrument with similar characteristics has performed better or worse than the benchmark over a given period.

Best practice

Generally speaking identifies a way of doing something that may be considered representative of the best level of knowledge and its implementation within a given technical or professional area.

Bid-ask spread

The difference between the prices quoted for an immediate sale and an immediate purchase of a given financial instrument or group of financial instruments.

Bond

Security issued by a legal person who contracts a loan for a given amount and date, undertaking to pay the purchaser a return and to repay the amount upon maturity.

Borsa Italiana S.p.A.

The private company managing the organisation and operation of Italy's financial markets (see website www.borsaitaliana.it).

Branches

The bank's area branches.

Budget

The planned future costs and income of a company.

Cash Generating Unit (CGU)

A cash generating unit is the smallest identifiable group of assets generating cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets.

Categories of financial instruments provided for by IAS 39

Held for trading: assets acquired for the purpose of selling in the short term, or which belong to portfolios of instruments managed solely to generate profit in the short term, and assets that an entity in any case decides to measure at fair value with fair value changes in profit or loss. Assets held to maturity: non-derivative assets with fixed or determinable payments and fixed maturities that an entity intends and is able to hold until maturity.

Loans and receivables: non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Available-for-sale assets: assets designated on initial recognition as available for sale, or any other instruments that do not fall in any of the other categories.

Client Assets (CA)

These assets comprise:

- Managed assets, which include mutual funds and pension funds, discretionary accounts and life insurance technical reserves.

- Non-managed assets, which include securities deposited (net of units in Group funds), accident insurance technical reserves and current account overdrafts.

Commissione Nazionale per le Società e la Borsa (CONSOB - Italian National Commission for Listed Companies and the Stock Exchange)

The Italian National Commission for Listed Companies and the Stock Exchange, an independent administrative body which acts to protect investors' interests and to ensure the effective operation, transparency and growth of the Italian securities market.

Community Directives

European Union legal acts directed at member states, which are obliged to achieve the objectives specified in the directives and in their turn issue implementation legislation for application within each individual state.

Core Business

Principal business towards which company strategies and policies are directed.

Core Tier 1 Capital

Calculated by subtracting innovative capital instruments from Tier 1 Capital.

Core Tier 1 Capital Ratio

Ratio of the bank's Core Tier 1 Capital to its risk-weighted assets.

Corporate

Customer segment made up of medium and large enterprises (mid-corporate and large corporate).

Corporate governance

The body of rules and regulations that govern the life of a company, in particular with respect to the transparency of its documents and company minutes, and to the completeness of the information it provides the market.

Cost/Income Ratio:

The ratio between administrative expenses and depreciation and amortization, on the one hand, to operating income before net impairment on the other (including other income, net, and net profit on investments in associates). One of the key ratios showing the efficient running of a bank: the lower it is, the higher the efficiency.

Counterparty risk

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

Country risk

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

Covered Bond

Covered Bank Bonds that may, in addition to being secured by the issuing bank, also be secured by a pool of mortgages or other high-quality loans held for this purpose by a Special Purpose Vehicle.

Credit risk

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

Default

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

Derivative

Generic term for a type of financial instrument, the price/return of which is based on the price/return of other assets known as underlying assets, which can be financial instruments, indices, interest rates, currencies or raw materials.

Doubtful loan

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

Duration

Applied to bonds, the average time it takes an investor to get their money (principal and interest). An indicator of the interest rate risk to which a bond or a bond portfolio is subject. In its most frequent configuration it is calculated as the weighted average of the due dates for payment of principal and interest on a bond.

Earnings per Share (EPS)

Ratio of net profit to the average number of outstanding shares at period end, net of treasury shares.

E-banking

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

ECB reference interest rates

Interest rates set by the Governing Council that reflect European Central Bank monetary policy. Currently include the minimum bid rate on the main refinancing transactions, the interest rate on the marginal lending facility and the interest rate on the deposit facility of the central bank.

Economic Value Added (EVA)

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

E-learning

The distance training of personnel using computer aids.

Embedded Value

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

Endorsement credit

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

Euribor

Reference interbank rate used in European Union countries. Calculated as the weighted average of the interest rates at which the major banks operating in the European Union grant loans. Calculated daily and used as a parameter for setting the variable interest rates on loans.

Euro area

The geographical area covered by the member states of the European Union that have adopted the euro.

Euro overnight index average (EONIA)

The effective overnight euro interest rate for the interbank market. Calculated as a weighted average of all overnight unsecured lending transactions in the interbank market, initiated within the euro area by a panel of contributing banks.

European Banking Federation (EBF)

Association of banks in Europe that provides a forum for the discussion and agreement of proposals and initiatives regarding banking and the banking industry.

European Central Bank (ECB)

European community institution responsible for managing monetary policy in the euro area with the objective of maintaining price stability. The main governing bodies of the ECB are the Governing Council, Executive Board and General Council.

European Commission

Executive body of the European Union responsible for the implementation of European Laws (Directives, Regulations and Decisions), and the financial statements and programmes of the European Parliament and Council. Has power of legislative initiative and negotiates international agreements, mainly regarding commerce and cooperation. The President and members of the European Commission are appointed by the member states following the prior approval of the European Parliament.

European Financial Reporting Advisory Group (EFRAG)

A committee set up to assist the European Commission with prior technical advice regarding the endorsement of new International Financial Reporting Standards (IFRS).

European Union (EU)

Currently made up of 27 members, the European Union is governed by five institutions: the European Parliament, the European Council, the European Commission, the Court of Justice and the Court of Auditors.

European Union regulations

Regulations that are directly applicable and compulsory in all member states of the European Union without any national transposition legislation being required.

Exchange rate risk

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

Exchange-traded funds (ETF)

Mutual funds (see glossary entry) which track a given stock market index. The certificates representing units can be traded on regulated markets.

Fair value

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

Fair value hedge

A hedge of the exposure to changes in fair value of a recognised asset or liability that is attributable to a particular risk.

Fairness/Legal opinion

Opinion provided upon request by experts recognised for their professionalism and competence regarding the congruence of economic conditions and/or the legitimacy and/or technical aspects of a given transaction.

Federal funds rate

Short-term interest rate on the United States federal funds market, in which banks excess reserves with the Federal Reserve are traded. Although a market rate, the Federal Reserve announces a short-term rate objective for its open market transactions, and the effective rate is generally close to this target rate.

Federal Reserve

The Federal Reserve (Bank) or just Fed is the Central Bank of the United States.

Financial Crisis Advisory Group (FCAG)

Body supporting the International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB), tasked with advising the Boards about the standard-setting implications of the global financial crisis and potential changes to the global regulatory environment.

Financial instruments quoted in an active market

A financial instrument is considered to be quoted in an active market when the price quotations representing effective, standard market transactions that have occurred over a normal reference period are readily and regularly available through stock exchanges, dealers, brokers, sector companies, pricing services or authorised bodies.

Financial Stability Board (FSB)

Body established to address vulnerabilities and to develop and implement strong regulatory, supervisory and other policies in the interest of financial stability.

Forwards

Forward contracts on interest rates, exchange rates or stock market indices, generally traded in Over The Counter markets, in which the

conditions are stipulated when the contract is agreed but performance occurs at a predetermined future date, through the receipt or payment of differentials calculated with reference to parameters that differ depending on the subject of the contract.

Funding

Obtaining, in various forms, the funds needing to finance company operations or specific financial transactions.

Futures

Standardised forward contracts with which the parties commit to exchanging assets or merchandise at a predetermined price on a future date. These contracts are as a rule traded on regulated markets, where their performance is guaranteed. In practice, futures on assets often do not involve the physical exchange of the underlying asset.

Goodwill

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

Gross Domestic Product (GDP)

The total value of the end goods and services produced by a country in a given period of time using its own home market input. When calculated at current prices, it is known as nominal GDP, and when calculated at constant prices (base-year prices), it is known as real GDP.

Gross inflows

Total subscriptions gross of disinvestments.

Hedge accounting

Rules regarding the accounting of hedging transactions.

Hedge fund

Mutual funds that use hedging instruments to obtain a better risk/return ratio. They are not limited in terms of objective or investment instrument and can even finance positions through high levels of borrowing.

Holding Company

A financial company that has controlling interests in several companies.

IAS/IFRS

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

Impaired loans

Loans that show evidence of a possible decline in value as a result of events occurring after their initial recognition. Include loans that have been given the status of non-performing loans, doubtful loans, restructured loans and overdue loans in accordance with the Bank of Italy rules in line with the IAS/IFRS.

Impairment

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

Impairment test

An impairment test is an estimate of the recoverable value (which is the higher of the fair value less cost to sell and the value in use) of an asset or group of assets. IAS 36 requires the following to undergo an impairment test on an annual basis:

- Intangible assets with an indefinite useful life
- Goodwill acquired in a business combination
- Any asset, if there is an indication that it may have suffered a permanent decline in value.

Index linked policy

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

Indirect inflows

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

Inflation

General growth in prices affecting all products.

Information system

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

Insurance consultants

Trainee Personal Financial Advisers.

Interbank deposit market (e-MID)

Electronic market for trading in interbank deposits operated by the company e-MID S.p.A

Interest rate risk

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

Interest Rate Swap (IRS)

A contract in which the counterparties agree to exchange cash flows, paying a fixed/floating or floating/floating rate on a given notional principal amount.

International Accounting Standards Board (IASB)

The international body that issues the IFRS international accounting standards.

International Banking Federation (IBFed)

Body representing the major national banking associations, founded with the purpose of promoting effective action and agreed responses to questions of mutual interest.

International Financial Reporting Interpretations Committee (IFRIC)

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

International Organization of Securities Commissions (IOSCO)

Organisation made up of representatives of supervisory authorities overseeing the securities markets. Promotes regulatory standards with a view to improving efficient operation of the markets. The organisation also aims to strengthen cooperation between its member authorities.

Investment grade

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

Issue discount

The difference between the par value and issue price of a security.

Istituto per la Vigilanza sulle Assicurazioni Private e di Interesse Collettivo (ISVAP - Italian Supervisory Body for Private Insurance)

Independent authority that works to ensure the stability of the market and insurance companies, as well as the transparency of insurance products, in the interest of insurees and users in general.

Junior

In a securitisation transaction, the most subordinated tranche of securities issued and the first to absorb any losses that may be encountered in the process of recovering the underlying assets.

Liquidity

The potential of an investment to be converted into cash quickly and without hitch.

Liquidity risk

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

Mark to Market

A process for valuing a portfolio of securities or other financial instruments on the basis of market prices.

Market Capitalisation

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

Market making

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

Market risk

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

Mezzanine

In a securitisation transaction, the intermediate subordinated tranche between the junior tranche and senior tranche.

Mutual funds

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

Net Asset Value (NAV)

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

Net inflows

Total subscriptions minus disinvestments.

Non-performing loan

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

Official reserves

The official reserves held by central banks consist of universally-accepted means of payment, mainly dollars and gold, on which they can draw to finance the import of essential goods in the event of a crisis or to intervene on the foreign exchange market to support their currency.

Operational risk

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

Option

The entitlement but not the obligation, acquired through the payment of a premium, to buy (call option) or sell (put option) a financial instrument at a predetermined price (strike price) by or on a given future date.

Organismo Italiano di Contabilità (OIC - Italian accounting standards body)

Standard setter regarding accounting matters in Italy. Issues accounting standards for financial statements regarding matters not provided for by the IAS/IFRS, provides support regarding the application of the IAS/IFRS in Italy and assists Italian lawmakers in the issue of accounting regulations.

Outsourcing

Use of an external company to provide goods or services.

Over The Counter (OTC)

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

Overdue loan

Loans to parties with loans that are overdue or past due at period end according to Bank of Italy rules.

Par value

The face value of a security that an issuer undertakes to repay, used for calculating coupon values.

Patti chiari

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

Pension funds

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

Performing loan

Loans to parties that did not present any specific insolvency risks at period end.

Personal Financial Advisers

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

Price risk

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

Pricing

Generally speaking, the procedures used to calculate the returns/yields and/or costs of the products and services offered by the bank.

Private banking

Financial services for the global management of private customers' financial requirements.

Private Banking customers

Customers with financial assets of over €500,000.

Public Purchase Offer (PPO)

Transaction by which a substantial number of shares in a listed company is purchased in order to acquire control of said company. The Italian National Commission for Listed Companies and the Stock Exchange (CONSOB) has set the maximum ownership limit for any controlling shareholder at 30%, above which it is obligatory to launch a PPO for the remaining shares on the market.

Rating

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

Rating Agency

Independent company that specialises in assigning credit ratings to the issuers of financial instruments. The rating is expressed as a combination of letters or digits, such as AAA, A+, BB or B-.

Recession

Commonly used to mean an extended decline in GDP. In economics, means negative GDP growth for at least two consecutive quarters.

Regulatory Capital

The capital of banks valid for the purposes of compliance with the supervisory regulations, made up of the total of "Tier 1 Capital" and "Tier 2 Capital", minus - following specific detailed procedures - investments in associates and other interests in banks and/or financial institutions.

Restructured loan

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

Retail

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

Return

The total profit on an investment expressed as a percentage of the capital invested.

Return On Equity (ROE)

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

Risk factors

The factors that give rise to the risk of a financial instrument or portfolio (e.g. exchange rates, interest rates etc.).

Risk Management

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

Risk-weighted assets

Cash and off-balance-sheet assets (derivatives and guarantees) classified and weighted in relation to risk ratios in accordance with the banking regulations issued by the supervisory authorities for calculating solvency ratios.

Securitisation

Transactions in which pools of assets are transferred to a "Special Purpose Vehicle" company and the latter issues securities with different degrees of subordination regarding potential losses on the underlying assets.

Segment reporting

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

Senior

In a securitisation transaction, the most privileged tranche in terms of priority of payment of principal and interest.

Sensitivity

The sensitivity with which given assets or liabilities react to fluctuations in interest rates or other key parameters.

Settlement risk

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

Social Report

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

Solvency ratio

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

Special Purpose Vehicle (SPV)

Special Purpose Vehicles are companies that are set up by one or more entities to fulfil a specific objective.

Speculative grade

Issuers with a low rating.

Spin off

This is when part of the assets of a company are separated from it to form a new legal entity.

Spread

This term generally indicates the difference between two interest rates, or between the bid and ask prices of securities, or the mark-up that an issuer of securities adds to the reference rate.

Stakeholder

Parties who for various reasons interact with the activities of a company, being involved in its results, influencing its performance, and evaluating its economic, social and environmental impact.

Statutory reserve

The minimum amount that a bank is required to hold by way of reserves under the Eurosystem. Compliance with this requirement is assessed on the basis of the average daily reserve holdings over a maintenance period.

Stock exchange price

The value of a security in official trading.

Stock options

Option contracts which grant the entitlement to purchase shares in a company within a predetermined time and at a predetermined price. They are used as a form of supplementary remuneration in bonus and loyalty schemes.

Stress test

A simulation procedure used to measure the impact of extreme market scenarios on the bank's total risk exposure.

Strike price

The exercise price of an option.

Structured security

A security comprising a "fixed" component which is similar to a normal bond and a "derivative" component which is similar to an option, linked to the performance of an external factor.

Subprime

A subprime mortgage is, by definition, a mortgage granted to a party who would not have been able to obtain a more favourable rate on the credit market. Subprime debtors typically have low credit ratings and credit histories of defaults, attachments, bankruptcy and late payment. Because subprime debtors are considered to be at a high risk of insolvency, subprime mortgages typically have less favourable conditions than other types of lending. These conditions include higher interest rates, fees and premiums.

Technical form

The type of contract used for a given inflow or investment relationship.

The Basel Committee on Banking Supervision

A Committee established within the Bank for International Settlements in 1974 by the central-bank governors of the G10 countries. Its principal objective is to strengthen the effectiveness of international supervision. This objective is pursued through the exchange of information and the development of prudential rules and rules of conduct for banks and supervisory authorities. The ECB attends its meetings as an observer.

Tier 1 capital

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

Tier 2 capital

Comprises the revaluation reserves, subordinated liabilities and other positive items, minus net losses on securities and other negative items.

Trading book

The portion of a bank's securities or financial instruments in general that is held for trading purposes.

Underlying instrument

Financial instrument that determines the value of a derivative instrument or structured security.

Unemployment rate

The percentage of workers, or rather of the workforce, which is not able to find a job.

Unit-linked policies

Life insurance policies where the benefits are linked to the value of investment funds. A policy may provide a capital guarantee or guaranteed minimum return.

Value in use

The present value of the future cash flows expected to be derived from an asset or cash-generating unit.

VaR

Criterion for measuring market risk that follows a probabilistic approach, quantifying the risk in relation to the maximum loss that may be expected with a certain probability, on the basis of historical price fluctuations, with respect to a single position or an entire portfolio of securities for a specific time horizon.

Volatility

Statistical indicator for measuring the price fluctuation of a financial instrument with respect to its average price in a given period. The greater the volatility of a financial instrument, the riskier it is.

Write-down

The writing down or depreciation of assets items in financial statements.

Write-back

Restoring (writing back) the value of assets items that were written down in prior financial years.

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