SANPAOLO IMI S.p.A.
Shareholders' Meeting of the 27th and 28th April 2006

THE BOARD OF DIRECTORS' REPORT
EXTRAORDINARY MEETING – POINT 1 OF THE AGENDA

Unpaid increase in share capital, pursuant to Article 2442 of the Italian Civil Code, for a maximum of Euro 168,418,756.02, through allocation to capital of the valuation reserve pursuant to Article 7, paragraph 6, D. Lgs. 38/2005, with an increase in the nominal value of shares; subsequent modification of Article 6 of the Articles and By-Laws; related and consequent decisions.

Shareholders,

Your company has taken advantage of the opportunity conceded by Article 4, paragraph 2 of D.Lgs. 38/2005 to publish the financial statements for 2005 in conformity with IAS/IFRS international accounting principles.

In particular, with effect from the Interim financial statements for the first half of 2005, the accounting documentation and information have been prepared using international accounting principles and on the basis envisaged by Article 81 of Consob Regolamento 11971, as modified by Delibera 14990 of 15 April 2005.

In the Interim financial statements at 30 June 2005, the reconciliations of net shareholders' equity and income statement as envisaged by IFRS 1 and instructions issued by Consob, were published.

IFRS 1 envisage the restatement of all balance sheet items at the time of transition to IAS/IFRS, set of 1 January 2004, with the retroactive application of international accounting principles in force at the closing date of the first set of financial statements prepared in conformity with them.

IFRS 1 itself envisages certain facultative exemptions to the retroactive criterion of international accounting principles; among these, SANPAOLO IMI has taken advantage of the option of redetermining at fair value the book value of certain tangible assets, in property and works of art, as substituted for cost. In this respect, the fair value of these assets has been determined on the basis of appropriate external advice.

In applying the instructions issued by Banca d'Italia (Circolare 262 of 22 December 2005), the effects of the revaluations maid pursuant to this option, € 168,418,756.02 net of related deferred taxation, have been posted to the Valuation Reserves.

The increase in shareholders' funds due to the posting at fair value of the tangible assets as substituted for cost is regulated by Article 7, paragraph 6 of D.Lgs. 38/2005 which, inter alia, envisages their assignment to equity capital.

Taking account of the supervisory guidance issued by Banca d'Italia on "prudential filters", applicable at Group level from 31/12/05 and at individual level from 30/6/06, which states that the increase in shareholders' funds due to the posting at fair value of the tangible assets as substituted for cost must be considered as part of supplementary capital (Tier 2) and may be counted in Tier 1 capital only when it is allocated to an increase in equity capital, it is possible to proceed to an unpaid increase in equity capital against that Reserve.

The proposed unpaid increase to the equity capital would allow for the strengthening of the Group's regulatory capital, improving the prudential ratios for the growth of the business, as well as allowing the Bank to benefit from lower costs connected to the acquisition or issue of financial instruments included in Tier 1 capital.

In terms of method, the proposed unpaid increase in capital would happen through an increase in the nominal value of the shares. The amount of such an increase is not currently available in that the number of ordinary shares issued by Sanpaolo Imi could change, in March and April and in any case before the Shareholders' Meeting, following the exercise of writes to subscribe for ordinary SANPAOLO IMI shares assigned to employees of the Group. Thus the new nominal values of the shares would be based on the following ratio:

$$\frac{\text{EQUITY CAPITAL + VALUATION RESERVE (EURO 168,418,756.02)}}{\text{NUMBER OF SHARES}}$$

with due reference to the data available at the time of the Shareholders' Meeting for each variable.

The result of the division will be rounded by default to two decimal places. Any portion of the Reserve not used in the increase in capital will be retained in the appropriate liability line item.

It should also be noted that, in connection with the unpaid increase in equity capital it will be necessary to proceed to change the Articles and By-Laws.

Article 6, paragraph 1, should show the new equity capital and the unit nominal value of the shares. The same paragraph will indicate the exact number of Sanpaolo Imi ordinary shares, as determined by the exercise of rights described above.

Article 6, paragraph 6, should be recalculated, on the basis of the new nominal value of the shares, the increase in capital that may be effected following the Board decisions of 17 December 2002 and 14 November 2005 pursuant to Article 2443 of the Italian Civil Code as voted by the Shareholders' Meeting of 30 April 2002. at the same time, reference to the Board motion of 18 December 2001, concerning the shareholding plan falling due in March 2006, is deleted.

Shareholders,
If you agree with the above proposal, we ask you to approve:

1. unpaid increase in equity capital for a maximum amount of € 168,418,756.02, through allocation to capital, pursuant to Article 2442 of the Italian Civil Code and Article 7, paragraph 6, of D.Lgs. 38/2005, of the Valuation Reserve established pursuant to the latter, of an equal amount;
2. this increase to be effected through the increase in the nominal value of the shares, set in the ratio of (i) the sum of the equity capital and Valuation Reserve and (ii) the number of shares. Reference must be made for each variable to the data available at the time of the Shareholders' Meeting and the result will be rounded by default to two decimal places. Any portion of the Reserve not used in the increase in capital will be retained in the appropriate liability line item;
3. modify in consequence the motions for increases in equity capital taken by the Board of Directors on 17 December 2002 and 14 November 2005;
4. modify Article 6 of the Articles and By-Laws as follows:

Current text	*Proposed text*
ARTICLE 6 *6.1* The share capital is Euro 5,239,223,740.80 fully paid, divided into 1,586,967,318 registered ordinary shares and 284,184,018 registered preference shares with a nominal unit value of Euro 2.8. The share capital may be increased through the issue of shares with rights different from those included in the shares already issued. *6.2* The shares are issued in dematerialised form. *6.3* The preference shares are placed centrally in one or more deposits administered by the Company and the Company is the only authorised depositary. The sale of preference shares is to be communicated without delay to the Company by the selling shareholder and triggers the automatic one for one conversion of the preference shares into ordinary shares, except in the case where it is disposed to a company whose capital is wholly controlled. On July 1, 2012, the preference shares will be converted one for one into ordinary shares with the same characteristics as the ordinary shares in circulation at that moment. *6.4* In the case of paid issues of capital, when there is no exclusion or limit on option rights, the holders of preference shares have option rights on preference shares with the same characteristics or, if not or differently, in order, preference shares with different characteristics, savings shares or ordinary shares. *6.5* Pursuant to the mandate conferred by the Shareholders' Meeting on 30 April 2002, the Board of Directors has the power to increase the share capital by means of a paid up rights issue, in one or more issues, up to a	ARTICLE 6 *6.1* The share capital is Euro [0] fully paid, divided into [0] registered ordinary shares and 284,184,018 registered preference shares with a nominal unit value of Euro [0]. The share capital may be increased through the issue of shares with rights different from those included in the shares already issued. *6.2* The shares are issued in dematerialised form. *6.3* The preference shares are placed centrally in one or more deposits administered by the Company and the Company is the only authorised depositary. The sale of preference shares is to be communicated without delay to the Company by the selling shareholder and triggers the automatic one for one conversion of the preference shares into ordinary shares, except in the case where it is disposed to a company whose capital is wholly controlled. On July 1, 2012, the preference shares will be converted one for one into ordinary shares with the same characteristics as the ordinary shares in circulation at that moment. *6.4* In the case of paid issues of capital, when there is no exclusion or limit on option rights, the holders of preference shares have option rights on preference shares with the same characteristics or, if not or differently, in order, preference shares with different characteristics, savings shares or ordinary shares. *6.5* Pursuant to the mandate conferred by the Shareholders' Meeting on 30 April 2002, the Board of Directors has the power to increase the share capital by means of a paid up rights issue, in one or more issues, up to a

maximum amount of Euro 51,440,648.00 (fifty one million, four hundred and forty thousand and six hundred and forty eight Euro) nominal value, through the issue of ordinary shares reserved, according to Article 2441, par. 8, of the Civil Code and Article 134 of Legislative Decree 58 of February 24, 1998, to employees of the Company or also to employees of subsidiary companies according to Article 2359 of the Civil Code who participate in the share incentive schemes approved by the Board itself. This power may be exercised before April 27, 2007. *6.6* Following the deliberations of the Board of Directors on December 18, 2001, based on the mandate of the Shareholders' Meeting on 31 July 1998, and 17 December 2002 and 14 November 2005, on the basis of the mandate given by the Shareholders' Meeting on April 30, 2002, the capital share may be increased up to a maximum nominal amount of Euro 40,447,400.00 (forty million, four hundred forty seven thousand, four hundred).	maximum amount of Euro 51,440,648.00 (fifty one million, four hundred and forty thousand and six hundred and forty eight Euro) nominal value, through the issue of ordinary shares reserved, according to Article 2441, par. 8, of the Civil Code and Article 134 of Legislative Decree 58 of February 24, 1998, to employees of the Company or also to employees of subsidiary companies according to Article 2359 of the Civil Code who participate in the share incentive schemes approved by the Board itself. This power may be exercised before April 27, 2007. *6.6* Following the deliberations of the Board of Directors on 17 December 2002 and 14 November 2005, on the basis of the mandate given by the Shareholders' Meeting on April [00], 2006, the capital share may be increased up to a maximum nominal amount of Euro [000].

[0] The relative data will be calculated on the basis of the equity capital and number of ordinary shares on the date of the Shareholders' Meeting.
[00] Date of Extraordinary Shareholders' Meeting.
[000] To be recalculated on the basis of the new nominal value of the ordinary shares.

Mandate to the Chairman of the Board of Directors and the Managing Director to take all powers to effect the above motions, in line with that required by the Regulatory Authorities.

Turin, 23 March 2006

The Board of Directors