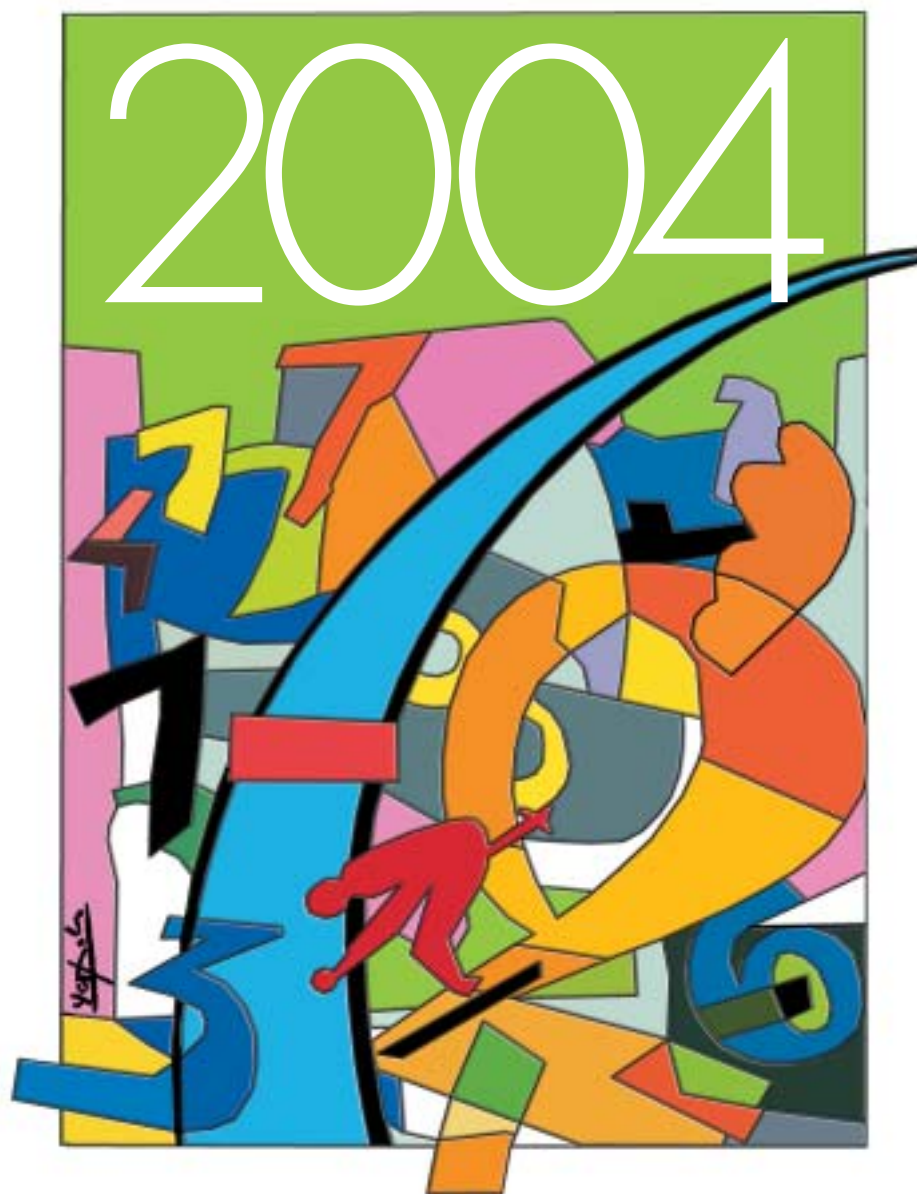


S A N P A O L O I M I



QUARTERLY REPORT 30 SEPTEMBER 2004

SANPAOLO IMI GROUP

Quarterly Report 30 September 2004

SANPAOLO IMI S.p.A.

COMPANY REGISTERED IN THE REGISTER OF BANKS
PARENT BANK OF THE SANPAOLO IMI BANKING GROUP
REGISTERED IN THE REGISTER OF BANKING GROUPS
REGISTERED OFFICE: PIAZZA SAN CARLO 156, TURIN, ITALY
SECONDARY OFFICES:
- VIALE DELL'ARTE 25, ROME, ITALY
- VIA FARINI 22, BOLOGNA, ITALY
SHARE CAPITAL EURO 5,144,064,800 FULLY PAID
FISCAL CODE, VAT NUMBER AND REGISTRATION NUMBER
TURIN REGISTER OF COMPANIES: 06210280019
ABI CODE 1025-6
MEMBER OF THE INTERBANK DEPOSIT GUARANTEE FUND

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Key figures

	First nine months 2004	First nine months 2003 pro forma (1) (2)	Change first nine months 2004 / First nine months 2003 pro forma (%)	2003 (2)
CONSOLIDATED STATEMENT OF INCOME (€/mil)				
Net interest income	2,702	2,795	-3.3	3,716
Net commissions and other net dealing revenues	2,396	2,181	+9.9	3,036
Administrative costs	-3,373	-3,396	-0.7	-4,610
Operating income	2,169	2,036	+6.5	2,704
Provisions and net adjustments to loans and financial fixed assets	-543	-385	+41.0	-859
Income before extraordinary items	1,518	1,536	-1.2	1,687
Net income of the Group	957	786	+21.8	972
CONSOLIDATED BALANCE SHEET (€/mil)				
Total assets	211,596	197,859	+6.9	202,580
Loans to customers (excluding NPLs and loans to SGA)	120,207	119,729	+0.4	122,415
Securities	35,315	26,506	+33.2	25,292
Equity investments	4,603	4,424	+4.0	4,572
Subordinated liabilities	6,705	6,484	+3.4	6,414
Shareholders' equity of the Group	11,245	10,760	+4.5	10,995
CUSTOMER FINANCIAL ASSETS (€/mil)				
Customer financial assets	374,330	363,209	+3.1	368,042
- Direct deposits	133,865	129,098	+3.7	131,721
- Indirect deposits	240,465	234,111	+2.7	236,321
- Asset management	144,508	142,027	+1.7	143,711
- Asset administration	95,957	92,084	+4.2	92,610
PROFITABILITY RATIOS (%)				
Annualized RoE (3)	11.5	9.8		9.0
Cost / Income ratio (4)	59.6	61.2		62.0
Net commissions / Administrative costs	71.0	64.2		65.9
CREDIT RISK RATIOS (%)				
Net non-performing loans / Net loans to customers	1.0	1.0		0.9
Net problem loans and loans in restructuring / Net loans to customers	1.1	1.2		1.1
SOLVENCY RATIOS (%) (5)				
Tier 1 ratio	7.8	7.3		7.4
Total risk ratio	11.5	10.6		10.5
SHARES (6)				
Number of shares (millions)	1,837	1,837	-	1,837
Quoted price per share (€)				
- average	9.744	7.551	+29.0	8.158
- low	8.799	5.796	+51.8	5.796
- high	11.072	9.225	+20.0	11.346
Earnings / Average number of shares in circulation (€)	0.52	0.43	+20.9	0.53
Dividend per share (€)				0.39
Dividend per share / Average annual price (%)				4.78
Book value per share (€) (7)	6.13	5.87	+4.4	6.00
OPERATING STRUCTURE				
Employees	43,052	44,675	-3.6	43,465
Domestic branches	3,196	3,158	+1.2	3,168
Foreign branches and representative offices	127	116	+9.5	122
Financial planners	4,410	4,779	-7.7	4,675

(1) The pro forma figures have been prepared, according to the criteria detailed in the Explanatory Notes, assuming the exclusion from the line by line consolidation of Banque Sanpaolo as of 1 January 2003.

(2) To guarantee easy comparison of the figures presented for the first nine months of 2003 and for the year 2003, tax credits on dividends from shareholdings previously booked under "Profits from companies carried at equity and dividends from shareholdings", have been reclassified among "Income taxes for the period".

(3) Net annualized income / Average net shareholders' equity (calculated as the average of the values at period end).

(4) Administrative costs (excluding indirect duties and taxes) and amortization (excluding adjustments to goodwill and merger and consolidation differences) / Net interest and other banking income (including other net income).

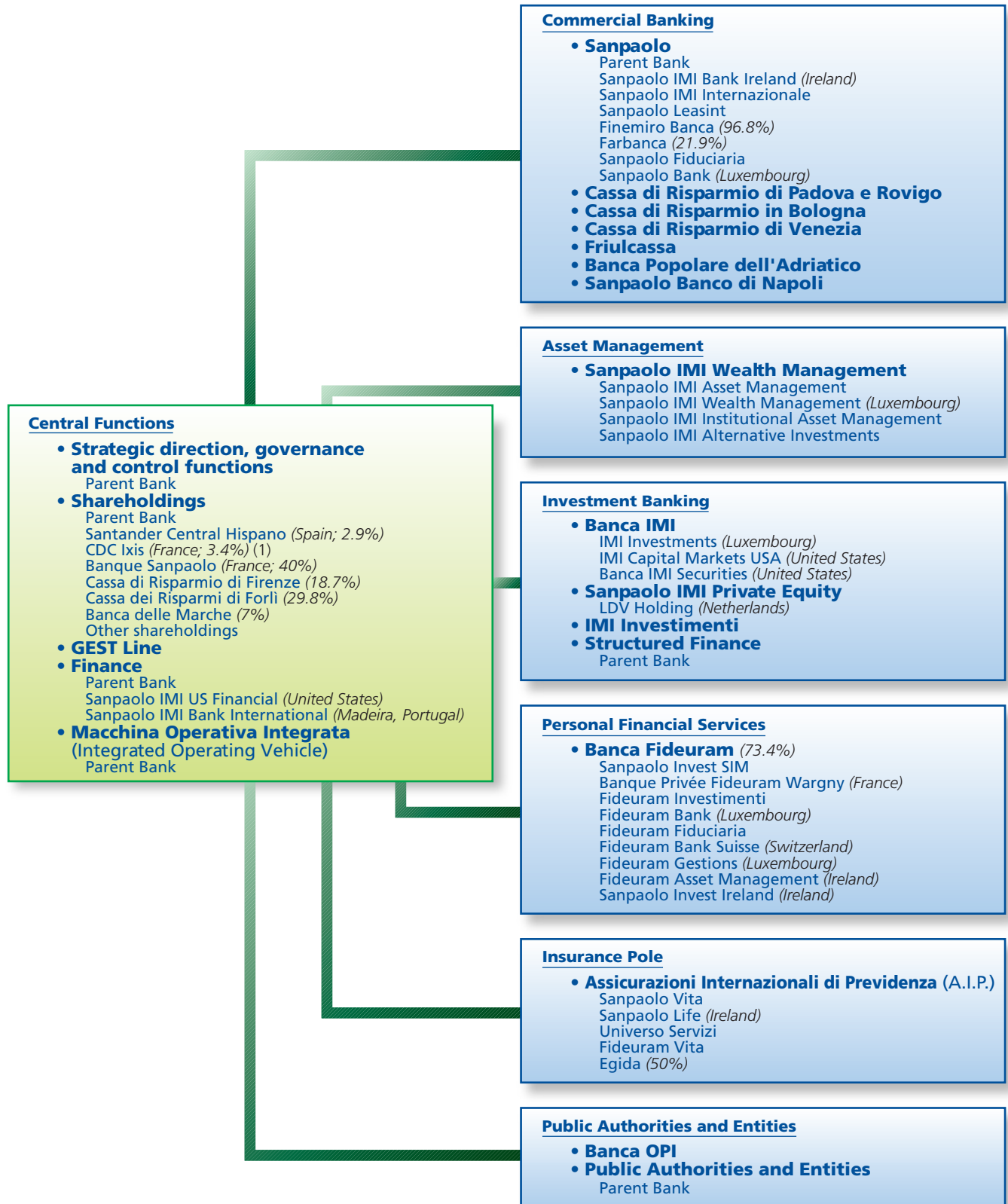
(5) Figures related to 30/9/2004 are estimated; the solvency ratios as of 30/9/2003 are not pro forma.

(6) Figures for the first nine months of 2003 are not pro forma.

(7) Net shareholders' equity / Number of shares in circulation.

The pro forma figures for the first nine months of 2003 as well as the figures for the first nine months of 2004 are unaudited.

Group structure



(1) On 11 October 2004 SANPAOLO IMI and Caisse Nationale des Caisses d'Epargne (CNCE) signed a protocol agreement which envisages the exchange of the Group's 3.4% shareholding in CDC Ixis with shareholdings in the two operating sub-holdings of the French group, Ixis Asset Management Group (12%) and Ixis Corporate & Investment Bank (2.45%).

Reclassified consolidated financial statements

RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

RECLASSIFIED CONSOLIDATED BALANCE SHEET

Reclassified consolidated statement of income

	First nine months 2004 (€/mil)	First nine months 2003 pro forma (1) (2) (€/mil)	Change first nine months 2004 / First nine months 2003 pro forma (%)	2003 (2) (€/mil)
NET INTEREST INCOME	2,702	2,795	-3.3	3,716
Net commissions and other net dealing revenues	2,396	2,181	+9.9	3,036
Profits and losses from financial transactions and dividends on shares	257	339	-24.2	447
Profits from companies carried at equity and dividends from shareholdings	275	209	+31.6	270
NET INTEREST AND OTHER BANKING INCOME	5,630	5,524	+1.9	7,469
Administrative costs	-3,373	-3,396	-0.7	-4,610
- <i>personnel</i>	-2,074	-2,106	-1.5	-2,841
- <i>other administrative costs</i>	-1,101	-1,090	+1.0	-1,512
- <i>indirect duties and taxes</i>	-198	-200	-1.0	-257
Other operating income, net	231	244	-5.3	329
Adjustments to tangible and intangible fixed assets	-319	-336	-5.1	-484
OPERATING INCOME	2,169	2,036	+6.5	2,704
Adjustments to goodwill and merger and consolidation differences	-108	-115	-6.1	-158
Provisions and net adjustments to loans and financial fixed assets	-543	-385	+41.0	-859
- <i>provisions for risks and charges</i>	-109	-107	+1.9	-195
- <i>net adjustments to loans and provisions for guarantees and commitments</i>	-370	-292	+26.7	-724
- <i>net adjustments to financial fixed assets</i>	-64	14	n.s.	60
INCOME BEFORE EXTRAORDINARY ITEMS	1,518	1,536	-1.2	1,687
Net extraordinary income/expense	72	-211	n.s.	-32
INCOME BEFORE TAXES	1,590	1,325	+20.0	1,655
Income taxes for the period	-583	-511	+14.1	-644
Change in reserve for general banking risks	-	6	n.s.	9
Income attributable to minority interests	-50	-34	+47.1	-48
NET INCOME	957	786	+21.8	972

(1) The pro forma figures for the first nine months of 2003 were prepared to enable consistent comparison with the figures for the first nine months of 2004. The above-mentioned pro forma schedules reflect the exclusion of Banque Sanpaolo from the line by line consolidation area as of 1/11/2003.

(2) To guarantee easy comparison of the figures presented for the first nine months of and for the year 2003, tax credits on dividends from shareholdings previously booked under "Profits from companies carried at equity and dividends from shareholdings", have been reclassified among "Income taxes for the period".

The pro forma statement of income for the first nine months of 2003 as well as the statement of income for the first nine months of 2004 are unaudited.

Quarterly analysis of the reclassified consolidated statement of income

	2004				2003 (1)			Quarterly average
	Third quarter (€/mil)	Second quarter (€/mil)	First quarter (€/mil)	Fourth quarter (€/mil)	Third quarter pro forma (€/mil)	Second quarter pro forma (€/mil)	First quarter pro forma (€/mil)	
NET INTEREST INCOME	891	907	904	921	939	932	924	929
Net commissions and other net dealing revenues	794	817	785	855	786	713	682	759
Profits and losses from financial transactions and dividends on shares	62	114	81	108	76	178	85	112
Profits from companies carried at equity and dividends from shareholdings	84	102	89	61	63	90	56	68
NET INTEREST AND OTHER BANKING INCOME	1,831	1,940	1,859	1,945	1,864	1,913	1,747	1,868
Administrative costs	-1,115	-1,143	-1,115	-1,214	-1,128	-1,152	-1,116	-1,153
- <i>personnel</i>	-686	-695	-693	-735	-696	-713	-697	-710
- <i>other administrative costs</i>	-363	-380	-358	-422	-365	-372	-353	-378
- <i>indirect duties and taxes</i>	-66	-68	-64	-57	-67	-67	-66	-64
Other operating income, net	72	83	76	85	82	81	81	82
Adjustments to tangible and intangible fixed assets	-112	-107	-100	-148	-113	-116	-107	-121
OPERATING INCOME	676	773	720	668	705	726	605	676
Adjustments to goodwill and merger and consolidation differences	-36	-37	-35	-43	-35	-46	-34	-40
Provisions and net adjustments to loans and financial fixed assets	-178	-215	-150	-474	-71	-180	-134	-215
- <i>provisions for risks and charges</i>	-31	-51	-27	-88	-44	-36	-27	-49
- <i>net adjustments to loans and provisions for guarantees and commitments</i>	-103	-137	-130	-432	-122	-102	-68	-181
- <i>net adjustments to financial fixed assets</i>	-44	-27	7	46	95	-42	-39	15
INCOME BEFORE EXTRAORDINARY ITEMS	462	521	535	151	599	500	437	421
Net extraordinary income/expense	-	13	59	179	-38	-215	42	-8
INCOME BEFORE TAXES	462	534	594	330	561	285	479	413
Income taxes for the period	-181	-212	-190	-133	-209	-113	-189	-161
Change in reserve for general banking risks	-	-	-	3	6	-	-	2
Income attributable to minority interests	-15	-17	-18	-14	-13	-12	-9	-12
NET INCOME	266	305	386	186	345	160	281	242

(1) The pro forma figures of the first three quarters of 2003 were prepared to enable consistent comparison. The pro forma schedules reflect the line by line consolidation of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì commencing from 1/1/2003, as well as the exclusion of Banque Sanpaolo from the line by line consolidation area and of Finconsumo Banca from the proportional consolidation as of the same date. For the second and third quarters of 2003 only, tax credits on dividends from shareholdings previously booked under "Profits from companies carried at equity and dividends from shareholdings", have been reclassified among "Income taxes for the period".

The pro forma quarterly statements of income and the statements of income for the first and third quarters of 2004 are unaudited.

Reclassified consolidated balance sheet

	30/9/2004 (€/mil)	30/9/2003 pro forma (1) (€/mil)	Change 30/9/04-30/9/03 pro forma (%)	31/12/2003 (€/mil)
ASSETS				
Cash and deposits with central banks and post offices	984	963	+2.2	1,474
Loans	143,153	139,679	+2.5	146,877
- due from banks	20,906	17,607	+18.7	22,278
- loans to customers	122,247	122,072	+0.1	124,599
Dealing securities	32,348	23,642	+36.8	22,357
Fixed assets	9,787	9,690	+1.0	9,822
- investment securities	2,967	2,864	+3.6	2,935
- equity investments	4,603	4,424	+4.0	4,572
- intangible fixed assets	290	334	-13.2	343
- tangible fixed assets	1,927	2,068	-6.8	1,972
Differences arising on consolidation and on application of the equity method	860	992	-13.3	959
Other assets	24,464	22,893	+6.9	21,091
Total assets	211,596	197,859	+6.9	202,580
LIABILITIES				
Payables	167,034	155,736	+7.3	160,255
- due to banks	33,169	26,638	+24.5	28,534
- due to customers and securities issued	133,865	129,098	+3.7	131,721
Provisions	4,192	4,026	+4.1	4,019
- for taxation	1,031	725	+42.2	732
- for termination indemnities	924	985	-6.2	946
- for risks and charges	1,935	2,007	-3.6	2,037
- for pensions and similar	302	309	-2.3	304
Other liabilities	22,089	20,555	+7.5	20,626
Subordinated liabilities	6,705	6,484	+3.4	6,414
Minority interests	331	298	+11.1	271
Shareholders' equity	11,245	10,760	+4.5	10,995
Total liabilities	211,596	197,859	+6.9	202,580

(1) The pro forma figures as of 30/9/2003 were prepared to enable consistent comparison with the figures as of 30/9/2004. The above-mentioned pro forma schedules reflect the exclusion of Banque Sanpaolo from the line by line consolidation area as of 1/1/2003.

The pro forma balance sheet figures as of 30/9/2003 and the balance sheet figures as of 30/9/2004 are unaudited.

Quarterly analysis of the reclassified consolidated balance sheet

	2004				2003		
	30/9 (€/mil)	30/6 (€/mil)	31/3 (€/mil)	31/12 (€/mil)	30/9 pro forma (1) (€/mil)	30/6 pro forma (1) (€/mil)	31/3 pro forma (1) (€/mil)
ASSETS							
Cash and deposits with central banks and post offices	984	1,037	914	1,474	963	974	967
Loans	143,153	146,924	144,342	146,877	139,679	146,381	148,267
- due from banks	20,906	22,147	21,527	22,278	17,607	20,050	22,741
- loans to customers	122,247	124,777	122,815	124,599	122,072	126,331	125,526
Dealing securities	32,348	31,772	28,557	22,357	23,642	24,580	20,489
Fixed assets	9,787	9,682	9,755	9,822	9,690	9,586	9,866
- investment securities	2,967	2,917	2,913	2,935	2,864	2,895	2,950
- equity investments	4,603	4,559	4,586	4,572	4,424	4,253	4,453
- intangible fixed assets	290	305	327	343	334	339	370
- tangible fixed assets	1,927	1,901	1,929	1,972	2,068	2,099	2,093
Differences arising on consolidation and on application of the equity method	860	896	933	959	992	1,027	1,055
Other assets	24,464	22,614	22,496	21,091	22,893	26,460	22,131
Total assets	211,596	212,925	206,997	202,580	197,859	209,008	202,775
LIABILITIES							
Payables	167,034	168,149	164,476	160,255	155,736	160,518	162,154
- due to banks	33,169	32,570	29,613	28,534	26,638	28,087	27,896
- due to customers and securities issued	133,865	135,579	134,863	131,721	129,098	132,431	134,258
Provisions	4,192	4,001	4,304	4,019	4,026	3,680	3,908
- for taxation	1,031	795	1,000	732	725	436	838
- for termination indemnities	924	929	946	946	985	971	971
- for risks and charges	1,935	1,973	2,055	2,037	2,007	1,925	1,751
- for pensions and similar	302	304	303	304	309	348	348
Other liabilities	22,089	22,683	19,878	20,626	20,555	27,311	19,010
Subordinated liabilities	6,705	6,801	6,666	6,414	6,484	6,784	6,533
Minority interests	331	318	290	271	298	292	354
Shareholders' equity	11,245	10,973	11,383	10,995	10,760	10,423	10,816
Total liabilities	211,596	212,925	206,997	202,580	197,859	209,008	202,775

(1) The pro forma figures for the first three quarters of 2003 were prepared to enable consistent comparison with the figures as of 30/9/2004. The pro forma schedules reflect the line by line consolidation of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì as of 1/1/2003, as well as the exclusion of Banque Sanpaolo from the line by line consolidation area and of Finconsumo Banca from the proportional consolidation area as of the same date.

The pro forma balance sheet figures and the balance sheet figures as of 31/3/2004 and 30/9/2004 are unaudited.

Report on Group Operations

ACTION POINTS AND INITIATIVES IN THE QUARTER

CONSOLIDATED RESULTS

CAPITAL AND RESERVES

FINANCIAL RISK MANAGEMENT AND CONTROL

SUPPLEMENTARY INFORMATION

Performance of share prices

Shareholders

Ratings

GROUP BUSINESS AREAS

Action points and initiatives in the quarter

In the third quarter action continued to rationalize the SANPAOLO IMI Group and strengthen its distribution capacity in line with the business model defined in the 2003-2005 Plan. The model combines efficiency, achieved thanks to the single nature of the strategic and commercial management and to common support structures, with the strengthening of relationships with customers, generated by the strong territorial roots of the various historical brands that are now part of the Group. The Plan aims to extend gradually the distribution model adopted by the Sanpaolo network to all the Group's banking networks. This model is divided into a certain number of territorial areas, which uniformly and completely supervise the respective territory and coordinate branches specialized by market segment.

The initiatives to rationalize and develop the Group

Plan to develop and rationalize the distribution networks

The integration of the banks operating in the areas of Triveneto (comprising the regions Veneto, Friuli Venezia Giulia and Trentino Alto Adige) and Emilia and Banca Popolare dell'Adriatico continued, both with the adoption of the Sanpaolo network organization and commercial model and the migration of the IT systems to those of the Parent Bank. In this respect, following the migrations of the branches of Cassa di Risparmio di Venezia, Cassa di Risparmio in Bologna and Friulcassa, during the first half of the year, that of Cassa di Risparmio di Padova e Rovigo took place in mid July. The IT integration was completed in the first half of October, with the migration of the branches of Banca Popolare dell'Adriatico.

The reorganization process also envisages that branches within a reference territory of a specific historical brand should belong to the bank holding such brand, with the aim of taking advantage of the potential generated locally by its roots. In this respect, the Board of Directors on 27 July 2004 approved a rationalization program which envisages, on the one hand, the transfer to the four North East bank networks of the 113 Sanpaolo network operating points located within the Triveneto and Emilia areas and, on the other, the transfer to the Sanpaolo network

of the 30 operating points pertaining to Cassa di Risparmio di Padova e Rovigo and Cassa di Risparmio in Bologna located outside of their respective territories. This program was started in November and will be completed by January 2005.

Insurance Pole

In the third quarter of the year, work continued on the project to reorganize the Group's insurance activities, the guidelines of which were approved by the Board of Directors on 13 February 2004. The plan provides for the creation of a single insurance pole into which all the different companies operating in the life and property and casualty sector will be brought together, with the aim of:

- rationalizing the presence in the market, achieving a critical volume capable of encouraging increased efficiency through cost synergies and scale economies;
- increasing the focus on the insurance business, creating new diversifying skills and encouraging product innovation in sectors such as welfare and personal insurance;
- exploiting the complementary nature of insurance and financial needs.

The process to concentrate the insurance subsidiaries into a single company – Assicurazioni Internazionali di Previdenza S.p.A. (A.I.P.), previously called Noricum Vita, of which the Group has held total control since December 2003 – is articulated in the following main steps:

- spin off in favor of SANPAOLO IMI of the stake held by Banca Fideuram in Fideuram Vita;
- spin off in favor of A.I.P. of the total stake held by Sanpaolo IMI Wealth Management in Sanpaolo Vita;
- merger by incorporation of Sanpaolo Vita and Fideuram Vita into A.I.P..

After the start of the process on 30 June 2004, with the approval of the spin off to SANPAOLO IMI of the stake held by Banca Fideuram in Fideuram Vita, during the quarter activities were entered into with the aim of making the new insurance pole fully operational. These initiatives were aimed at the rationalization of the processes pertaining to the various companies subject to integration and the achievement of cost synergies and operating efficiency. Furthermore, the development lines in terms of product range and potential were established together with the distribution networks, consistently with the aims of the insurance pole project. This project also intends to create the conditions for further possibilities of growth, also by way of subsequent aggregations.

Other rationalization initiatives

The SANPAOLO IMI Board of Directors on 27 July 2004 authorized the sale of Sanpaolo Bank (Austria) to the Austrian insurance company Grazer Wechselseitiger. The transaction, completed on 25 October 2004, aimed to optimize the Group's presence on the Austrian market, considering the coexistence of a foreign branch of the Parent Bank.

On 1 September 2004 the merger by incorporation of IMI Bank (Luxembourg) into Sanpaolo Bank (Luxembourg) was completed. The integration of the two companies and the rationalization of the structures, with consequent obtainment of cost synergies, was deemed necessary, considered the convergence of the supply systems.

Consistent with the Group business model, characterized by the specialization of the professional skills of the commercial units and product companies, in conjunction with the establishment of the insurance pole, a project for the reorganization of asset management activities was defined, approved by the Board of Directors on 13 September 2004. The project, which should be completed this year, envisages the total spin off to the Parent Bank and Sanpaolo IMI Asset Management SGR of the Sanpaolo IMI Wealth Management holding. The area's core equity investments will be placed with Sanpaolo IMI Asset Management SGR, while the asset management pole will continue to report directly to the Parent Bank. This reorganization will also allow the rationalization of the investment model and the streamlining of the staff organization structures, with consequent cost synergies.

Commercial development initiatives in Italy

Confirming the strategic importance of the small- and medium-sized company segment (SME), at the beginning of July SANPAOLO IMI set up an initiative to favor the development of activities in the segment, activating a plafond of 250 million euro destined to medium-term loans for applied research projects. In addition to financial support the Group offers a technological and industrial advisory service, made possible by the know how gained over the years through the management of research and development benefits on behalf of Public Administration.

In the context of the Torino 2006 Olympic Winter Games, SANPAOLO IMI has undertaken numerous commercial initiatives aimed at taking advantage of the important oppor-

tunity to develop and consolidate the Group position on the market. The combination of these initiatives intends to strengthen the customer relationship, with improved customer retention and cross selling, and to increase the customer base thanks to high quality and value services. Furthermore, by making available to Torino 2006 its network of approximately 3,200 branches, SANPAOLO IMI will make a considerable contribution to making the forthcoming Olympic Winter Games a national event.

Agreements with international partners and development initiatives in foreign markets

On 14 September 2004 SANPAOLO IMI signed a commercial agreement with Banque Internationale Arabe de Tunisie (BIAT), a major Tunisian private bank, with a network of about 100 branches, in which the Group, through Sanpaolo IMI Internazionale, has a 5.6% shareholding. The agreement is among the initiatives to support the internationalization of Italian companies and promote import-export flows between Italy and its commercial partners, offering a complete range of products and services to retail and corporate customers operating in Tunisia and Italy.

On 11 October 2004, SANPAOLO IMI and Caisse Nationale des Caisses d'Épargne (CNCE) signed a protocol agreement which envisages the exchange of the Group's 3.4% shareholding in CDC Ixis with shareholdings in the two operating sub-holdings of the French group, Ixis Asset Management Group (12%) and Ixis Corporate & Investment Bank (2.45%), deemed strategic to the development of collaboration opportunities. The agreement is the result of the complex reorganization underway in the French group's investment models, which also envisages, by the end of the year, incorporation into CNCE of CDC Ixis and the reorganization of the French group's market activities into three poles: asset management, investment banking and custody. The reorganization will make CNCE an important universal banking group, with a similar structure and position to SANPAOLO IMI, creating more partnership evolution prospects.

Corporate bond risk and the protection of savers

The heavy repercussions of the recent corporate bond defaults, which have affected savers' portfolios at domestic and international level, have led the Group to take several precautions to protect its customers. Having main-

tained an attitude focused on maximum correctness in the performance of investment services, SANPAOLO IMI has adopted an approach aimed at examining those areas in which customers complain of specific shortcomings in the relationship with the reference branch. The aim is to verify the adequacy and formal and substantive consistency of the investment to the risk profile attributable to the customer and, consequently, where conditions avail, to resolve amicably any controversy. Claims from SANPAOLO IMI customers who were Cirio and Parmalat bondholders continued to be analyzed in the third quarter of 2004, identifying in most cases the formal and substantive regularity of the work performed by the Bank. In the cases in which the investment transaction was judged to be inadequate, action was taken to reimburse customers.

In relation to the Parmalat default, on 18 September the statements with the names of customers adhering to the “Committee to defend SANPAOLO IMI Group Parmalat bondholders” were deposited and the petitions for registration among the liabilities of Parmalat Finanziaria S.p.A. and Parmalat S.p.A. were presented. Observations deemed necessary in the interests of those adhering were also deposited within the terms of the law. Towards the end of the year, the Committee will supervise the fulfillment of all the obligations related to the Procedure to identify and legitimize the votes, the measures for which are now in the issuing phase. In this context, those adhering will be entitled to benefit from the consultancy of the economist Prof. Marco Onado. In the case of approval of the Agreement, the Fondazione, made up of the extraordinary commissioner to allow implementation of the Agreement in the interests of creditors, will distribute the shares and warrants according to the methods to be defined. Lastly, the technical possibility that the individual customers may appear as

plaintiffs in the criminal proceedings pending, with the support of the Committee, has been positively assessed.

In relation to the phenomenon of so-called “banking anacostism”, the recent sentence of the United Sections of the Supreme Court (no. 21095 of 4/11/2004), despite having confirmed the non-existence of a regulatory model affirming the legitimacy of quarterly capitalization, did not look at – their being extraneous to the judgment subject to its examination – other significant profiles in support of the position of the banks which are acknowledged by numerous competent judges. In this context the Group does not deem necessary to change the line followed up to now, based on the case-by-case assessment of the individual complaints, whether formulated in or out of court, for which suitable provisions will be made in the financial statements according to the usual criteria.

With reference to the need for clear, comprehensible and transparent customer advisory activities, SANPAOLO IMI took part in the “PattiChiari” (Clear Deals) initiative promoted by ABI (the Italian Bankers’ Association), which is articulated in eight initiatives aimed at providing customers with simple and concrete instruments to facilitate the understanding and the comparison of products on offer. In order to guarantee the Bank’s adherence to the project principles, the issue of a quality mark is envisaged on the basis of certification by an independent body certifying the observance of the rules and procedures related to each initiative. Sanpaolo, Sanpaolo Banco di Napoli, Cassa di Risparmio di Venezia and Cassa di Risparmio in Bologna were certified in July. The quality mark was formally issued by the “Committee managing the PattiChiari mark” at the end of October. The other bank networks of the Group will also apply for certification by the end of the first quarter of 2005.

Consolidated results

The economic scenario for the third quarter was characterized by fears that the trend in the real cycle in major countries would slow down, due largely to the considerable tension caused by oil prices. Despite the rise in oil prices, the inflation expectations were contained. Consequently, the money market futures rates came down, indicating a reduction of expectations regarding the future degree of restriction of the monetary policy in both the United States and Europe. Long-term interest rates on government securities also fell. Stock markets in the euro-zone and Japan registered performances slightly higher compared with the beginning of the year, while the S&P500 index in the United States returned substantially to the levels of the end of 2003.

Summary of results

In this context, in the first nine months of 2004 the SANPAOLO IMI Group showed a positive evolution of the principal income margins compared with the same period of the previous year.

Operating income rose by 6.5% in relation both to the increase in net interest and other banking income – as a result of the positive trend in commissions and profits from insurance companies carried at equity, which more than compensated for the drop in net interest income owing to

a decline in market rates – and to the containment of operating costs. Consequently, the cost to income ratio was 59.6%, compared with 61.2% of the same period last year.

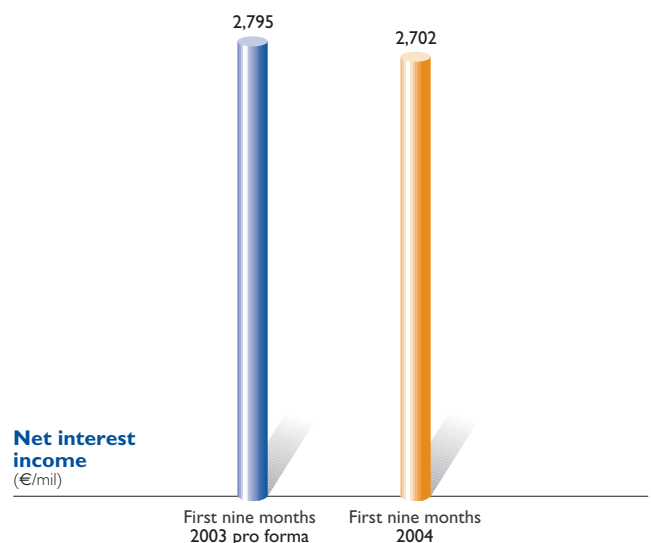
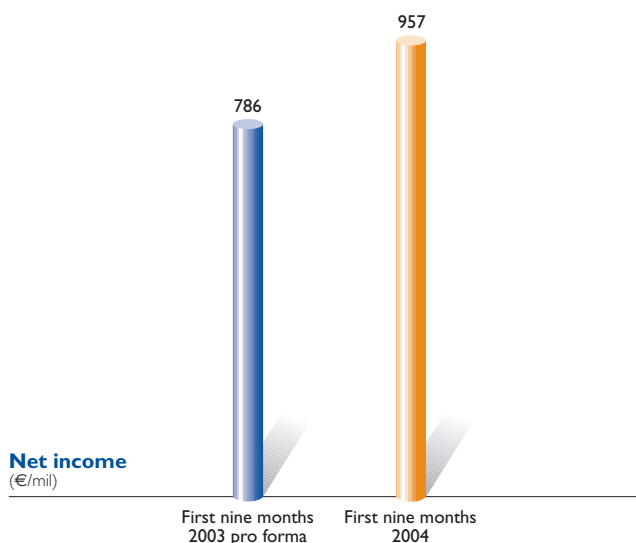
Net income, 957 million euro, can be compared with the 786 million euro for the first nine months of 2003. Annualized RoE was 11.5% compared with 9.8% of the same period last year.

It should be noted that, to enable consistent comparison, the figures for the first nine months of 2003 have been reconstructed to take account of the changes in the consolidation setting during the period.

Net interest income

Net interest income, equal to 2,702 million euro, fell by 3.3% compared with the same period in 2003. This trend is attributable to the deterioration of the total spread between interest-earning assets and interest-bearing liabilities and the lower profitability of the fund imbalance.

The decline in spread can be ascribed to the dynamics in market rates: in the first nine months of the year average three-month Euribor fell to 2.09% from the 2.40% of the same period of 2003, showing a drop of 31 basis points. The Group's average total spread was 2.24%, 11 basis points lower than that registered in the first nine months of 2003. The reduction in spread can be ascribed to a drop in rates for interest-earning assets which is stronger than

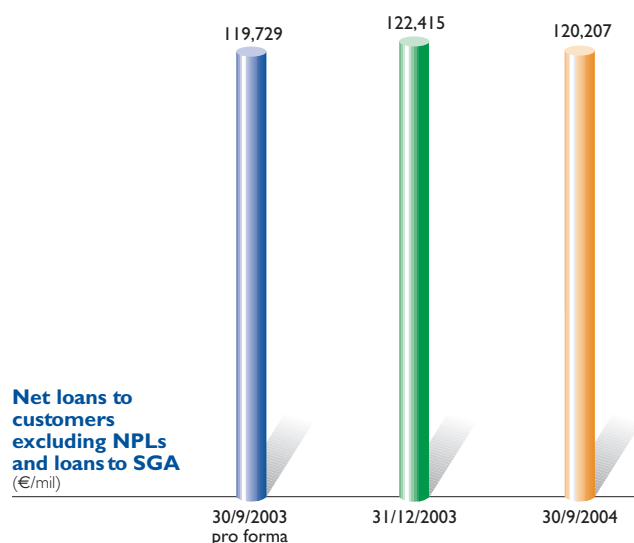


the decline in the cost of interest-bearing liabilities, considering the difficulty in further reducing the rates applied to sight deposits, which represent more than half of customer deposits.

The Group's net interest income has benefited to a certain extent from the contribution of asset and liability trading volumes, which presented in general contained growth rates. The average amount of the Group's interest-earning assets rose by 1% compared with the first nine months of 2003. This trend was determined by the increase in loans to customers (+1.8%), loans to banks (+15.8%) and securities (+9.1%). By comparison, repurchase agreements registered a decrease of 29.5%. On the liability side, average interest-bearing liabilities rose by 0.6%, favored by the increase in direct customer deposits (4.2%) and subordinated liabilities (+2.8%). Interbank deposits and repurchase agreements on the other hand fell by 10.8% and 13.3% respectively.

At the end of September 2004 the Group's net loans to customers, excluding non-performing loans and loans to SGA (the company into which the doubtful loans of the former Banco di Napoli were transferred), were 120.2 bil-

lion euro, almost stable (+0.4%) over the 12 months, showing a 1.8% decline since the end of 2003. The annual performance is the result of a 7.3% increase in medium- and long-term loans which offset the drop in short-term loans (-11.7%).



Analysis of average amounts and interest rates

	First nine months 2004		First nine months 2003 pro forma		Change first nine months 2004 / First nine months 2003 pro forma	
	Average amounts (€/mil)	Annualized average rate (%)	Average amounts (€/mil)	Annualized average rate (%)	Change in average amounts (%)	Difference in rates (points %)
Interest-earning assets	156,320	4.29	154,795	4.63	+1.0	-0.34
- loans to customers (excluding repurchase agreements)	118,050	4.88	115,939	5.28	+1.8	-0.40
- securities	16,073	3.08	14,728	3.21	+9.1	-0.13
- other interest-earning assets	22,197	2.02	24,128	2.37	-8.0	-0.35
Non interest-earning assets (1)	52,205		48,717		+7.2	
Total assets	208,525		203,512		+2.5	
Interest-bearing liabilities	151,645	2.05	150,757	2.28	+0.6	-0.23
- direct customer deposits (excluding repurchase agreements)	115,243	1.82	110,605	2.08	+4.2	-0.26
- due to customers	70,011	0.97	66,917	1.19	+4.6	-0.22
- securities issued	45,232	3.13	43,688	3.45	+3.5	-0.32
- other interest-bearing liabilities	36,402	2.77	40,152	2.84	-9.3	-0.07
Non interest-bearing liabilities (1)	45,760		42,024		+8.9	
Shareholders' equity	11,120		10,731		+3.6	
Total liabilities and shareholders' equity	208,525		203,512		+2.5	

(1) This figure includes Banca IMI group's average volumes, in line with the reclassification of the related interest income and expense, reported in the "Profits and losses from financial transactions and dividends on shares" caption, being closely connected, from an operating point of view, with the result of the stock broking activities.

In medium- and long-term loans, good progress in financings directed to the retail sector continued: mortgage disbursements to households by the Group networks in the first nine months of the year were about 3 billion euro, up 11.7% compared with the same period in 2003.

The trend in loans to customers was the result of a differentiated performance by the Business Sectors. In relation to Commercial Banking, Sanpaolo Banco di Napoli, Cassa di Risparmio di Padova e Rovigo and Cassa di Risparmio di Venezia showed positive annual changes of more than 3%; Sanpaolo (Parent Bank operating areas and product

companies) on the other hand registered a 1.5% drop determined by the reduction of operations on large groups and foreign counterparties, to cover the increase in retail customers and SMEs. As regards the evolution in terms of loans made by Banca OPI (Public Authorities and Entities) for public works and infrastructure, the stock at the end of September amounted to 18.4 billion euro, up slightly on the levels at the end of September 2003: as a matter of fact, medium- and long-term loans, typical to this sector, increased by 8.1% setting off the repayment of some short-term loans. The direct lending activity was flanked by the subscription of securities by customers, the amount of

Loans to customers

	30/9/2004		30/9/2003 pro forma		Change 30/9/04- 30/9/03 pro forma (%)	31/12/2003		Change 30/9/04- 31/12/03 (%)
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%	
Short-term loans	38,511	31.5	43,617	35.7	-11.7	42,815	34.4	-10.1
Medium- and long-term loans	81,696	66.8	76,112	62.4	+7.3	79,600	63.9	+2.6
Loans to customers excluding NPLs and loans to SGA	120,207	98.3	119,729	98.1	+0.4	122,415	98.3	-1.8
Non-performing loans	1,177	1.0	1,237	1.0	-4.9	1,171	0.9	+0.5
Loans to SGA	863	0.7	1,106	0.9	-22.0	1,013	0.8	-14.8
Loans to customers	122,247	100.0	122,072	100.0	+0.1	124,599	100.0	-1.9

Loans to customers by Business Sector

	30/9/2004 (€/mil)	30/9/2003 pro forma (€/mil)	Change 30/9/04- 30/9/03 pro forma (%)	31/12/2003 pro forma (€/mil)	Change 30/9/04- 31/12/03 pro forma (%)
Commercial Banking (1)	94,795	95,063	-0.3	98,425	-3.7
- Sanpaolo (Parent Bank operating areas and product companies)	61,046	61,988	-1.5	63,502	-3.9
- of which: Private and retail	22,130	20,726	+6.8	20,896	+5.9
- Sanpaolo Banco di Napoli	7,719	7,459	+3.5	8,344	-7.5
- Cassa di Risparmio di Padova e Rovigo	9,375	9,090	+3.1	9,483	-1.1
- Cassa di Risparmio in Bologna	8,395	8,384	+0.1	8,608	-2.5
- Cassa di Risparmio di Venezia	3,329	3,214	+3.6	3,466	-4.0
- Friulcassa	2,478	2,489	-0.4	2,580	-4.0
- Banca Popolare dell'Adriatico	2,482	2,450	+1.3	2,479	+0.1
Investment Banking	3,733	2,962	+26.0	2,783	+34.1
Personal Financial Services	802	687	+16.7	735	+9.1
Public Authorities and Entities	18,396	18,164	+1.3	18,693	-1.6
Central Functions (2)	2,481	2,853	-13.0	1,779	+39.5
Loans to customers excluding NPLs and loans to SGA	120,207	119,729	+0.4	122,415	-1.8

(1) Including the infrasector postings.

(2) These include loans of the Group Finance and Cassa dei Risparmi di Forlì.

which, at the end of the third quarter, 4.2 billion euro, doubled compared with the end of September 2003.

Direct customer deposits grew by 3.7% over the 12 months (+4.2% average change in the aggregate excluding repurchase agreements) and by 1.6% since the beginning of the year. At the end of September 2004 the amount reached 133.9 billion euro, benefiting from the increase, on an annual basis, of current accounts and deposits (+6.3%), bonds (+7%) and commercial paper (+34.1%) which more than offset the reduction of certifi-

cates of deposit (-45.8%). Bond issues related to the development of medium- and long-term loans and interest in banking securities shown by institutional investors operating in the Euromarket and by savers in the domestic market continued in the third quarter.

An analysis of the Group's Business Sectors shows that, thanks to the positive influence of almost all the banking networks, especially Sanpaolo (Parent Bank operating areas and product companies) with a growth rate on an annual basis of more than 8%, the annual increase in the

Direct customer deposits

	30/9/2004		30/9/2003 pro forma		Change 30/9/04- 30/9/03 pro forma (%)	31/12/2003		Change 30/9/04- 31/12/03 (%)
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%	
Current accounts and deposits	71,093	53.1	66,864	51.8	+6.3	68,373	51.9	+4.0
Certificates of deposit	3,859	2.9	7,114	5.5	-45.8	7,149	5.4	-46.0
Bonds	41,090	30.7	38,401	29.8	+7.0	39,979	30.4	+2.8
Commercial paper	3,687	2.8	2,750	2.1	+34.1	3,766	2.9	-2.1
Repurchase agreements and securities lending	11,002	8.2	11,015	8.5	-0.1	10,073	7.6	+9.2
Other deposits	3,134	2.3	2,954	2.3	+6.1	2,381	1.8	+31.6
Direct customer deposits	133,865	100.0	129,098	100.0	+3.7	131,721	100.0	+1.6

Direct customer deposits by Business Sector

	30/9/2004 (€/mil)	30/9/2003 pro forma (€/mil)	Change 30/9/04- 30/9/03 pro forma (%)	31/12/2003 pro forma (€/mil)	Change 30/9/04- 31/12/03 pro forma (%)
Commercial Banking (1)	88,800	83,978	+5.7	86,018	+3.2
- Sanpaolo (Parent Bank operating areas and product companies)	45,198	41,678	+8.4	43,218	+4.6
- of which: Private and retail	28,732	26,298	+9.3	28,471	+0.9
- Sanpaolo Banco di Napoli	16,169	15,387	+5.1	15,525	+4.1
- Cassa di Risparmio di Padova e Rovigo	10,743	10,197	+5.4	10,280	+4.5
- Cassa di Risparmio in Bologna	6,371	6,965	-8.5	6,875	-7.3
- Cassa di Risparmio di Venezia	4,556	4,358	+4.5	4,427	+2.9
- Friulcassa	3,033	2,838	+6.9	2,977	+1.9
- Banca Popolare dell'Adriatico	2,608	2,572	+1.4	2,571	+1.4
Investment Banking	9,129	10,150	-10.1	9,178	-0.5
Personal Financial Services	3,743	3,951	-5.3	3,581	+4.5
Public Authorities and Entities	5,439	5,579	-2.5	5,557	-2.1
Central Functions (2)	26,754	25,440	+5.2	27,387	-2.3
Direct customer deposits	133,865	129,098	+3.7	131,721	+1.6

(1) Including the infrasector postings.

(2) These include deposits of the Group Finance and Cassa dei Risparmi di Forlì.

Commercial Banking's deposits, which represent around 66% of the total aggregate, was around 5.7%. Central Functions showed an increase of 5.2%, mainly attributable to the trend in bonds issued by treasury, the body responsible for the relative issues.

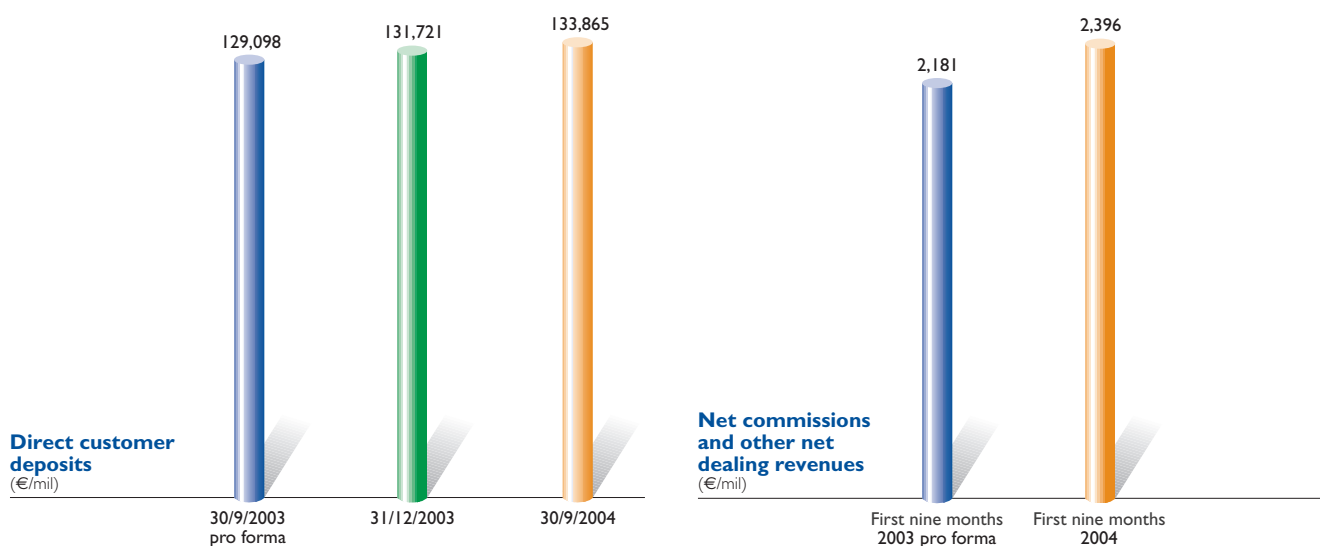
At the end of September the Group's domestic market shares were 10.3%, both in loans and in direct customer deposits.

Net commissions and other net dealing revenues

Group net commissions in the first nine months of 2004, amounted to 2,396 million euro, a growth of 9.9% compared with the same period last year. The trend of this aggregate benefited from the recovery of the financial

markets which started last year: between the end of September 2003 and the end of September 2004, the Comit index registered a positive performance of 13.7%. The flow of commissions in the third quarter of the year, equal to 794 million euro, was higher than the flow of the first quarter but lower than that of the second, which benefited from particularly high revenues in the tax collection sector.

The positive trend in commission revenues was supported by the management, dealing and advisory services with an increase of 9.9% compared with the first nine months of 2003. In this sector commissions from asset management, which represent just over half of the total, increased by 15.2%. This result has been influenced not only by the positive performance of the financial markets, but also by the change in the mix of asset management towards prod-



Net commissions and other net dealing revenues

	First nine months 2004 (€/mil)	First nine months 2003 pro forma (€/mil)	Change first nine months 2004 / First nine months 2003 pro forma (%)	2003 (€/mil)
Management, dealing and advisory services	1,413	1,286	+9.9	1,776
- asset management	1,225	1,063	+15.2	1,479
- brokerage and custody of securities and currencies	188	223	-15.7	297
Loans and guarantees	253	188	+34.6	281
Collection and payment services	181	181	-	239
Deposits and current accounts	388	355	+9.3	488
Other services and net dealing revenues	161	171	-5.8	252
Net commissions and other net dealing revenues	2,396	2,181	+9.9	3,036

ucts with higher added value, such as equity funds and life policies.

Indirect deposits showed an increase of 2.7% over the 12 months and 1.8% since the end of December 2003, reaching 240.5 billion euro, thanks to the positive trend in both asset administration and, to a lesser extent, asset management.

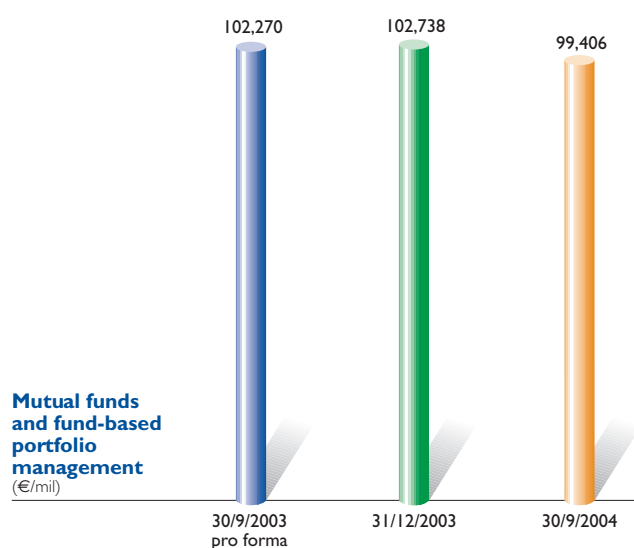
In the first nine months of 2004 the Group's distribution networks showed a negative net flow of asset management of 1.7 billion euro, attributable to disinvestments out of mutual funds (-4.7 billion euro, including fund-based portfolio management) and from portfolio management (-1.5 billion) against a positive premium flows of the insurance sector (+4.5 billion). The negative flow of the first nine months was influenced by the elimination of the Adriavita portfolio management from Cassa di Risparmio di Venezia, following the sale of the shareholding in the Generali group insurance company and the redemption of the Eptafund funds placed by non-Group networks.

Asset management at the end of September 2004 reached 144.5 billion euro, an increase of 0.8 billion compared with the end of 2003. With regard to the different areas, it should be noted that:

- mutual funds and fund-based portfolio management have shown a drop of 3.2% since the beginning of the year, attributable to the negative net flow, only partly

offset by the recovery of the stock markets. Over the 12 months the share of equity funds climbed from 21.4% to 24.9%, while the influence of all the other fund categories fell. At the end of the third quarter, the SAN-PAOLO IMI Group held the top position in the domestic market, with a market share of 20.5%;

- life technical reserves confirmed the significant growth already shown in the previous months: the change was 23.1% over the 12 months and 16.4% from the beginning of the year. The net flow realized by the distribu-



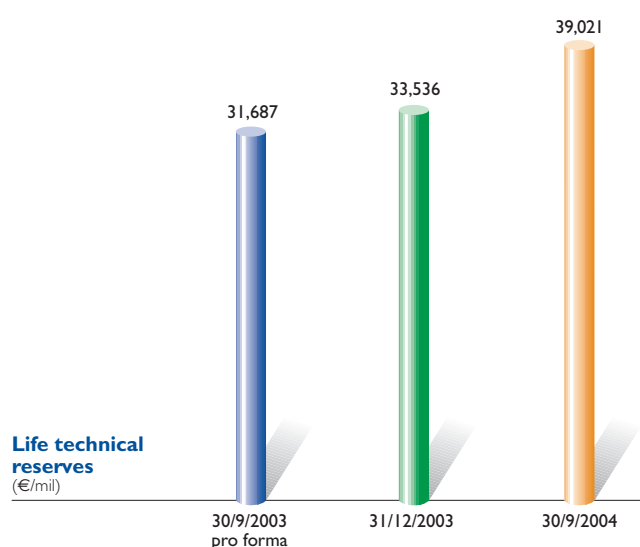
Customer financial assets

	30/9/2004		30/9/2003 pro forma		Change 30/9/04-30/9/03 pro forma (%)	31/12/2003		Change 30/9/04-31/12/03 (%)
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%	
Asset management	144,508	38.6	142,027	39.1	+1.7	143,711	39.0	+0.6
Asset administration	95,957	25.6	92,084	25.4	+4.2	92,610	25.2	+3.6
Direct deposits	133,865	35.8	129,098	35.5	+3.7	131,721	35.8	+1.6
Customer financial assets	374,330	100.0	363,209	100.0	+3.1	368,042	100.0	+1.7

Asset management

	30/9/2004		30/9/2003 pro forma		Change 30/9/04-30/9/03 pro forma (%)	31/12/2003		Change 30/9/04-31/12/03 (%)
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%	
Mutual funds and fund-based portfolio management	99,406	68.8	102,270	72.0	-2.8	102,738	71.5	-3.2
Portfolio management	6,081	4.2	8,070	5.7	-24.6	7,437	5.2	-18.2
Life technical reserves	39,021	27.0	31,687	22.3	+23.1	33,536	23.3	+16.4
Asset management	144,508	100.0	142,027	100.0	+1.7	143,711	100.0	+0.6

tion networks in the first nine months brought technical reserves to 39 billion at the end of September 2004. The period observed showed renewed interest of customers in traditional policies, a sector which has recently enriched its range of products. These policies represent more than half of the premium flows in life insurance; the remainder mainly comprise index linked and unit linked policies, which show a greater financial content, however the percentage weight has fallen compared with the first nine months of 2003.



Profits from financial transactions, profits from companies carried at equity and dividends

Profits from financial transactions and dividends on shares reached 257 million euro, a drop of 24.2% compared with the 339 million of the same period in 2003. The reduction reflects the slowing down of activities in securities and derivatives issued by Banca IMI. These profits were also influenced by the market valuation of certain equity investments and the writedown of own shares held by Group companies to serve the sales network incentive plans. The flow of the third quarter, influenced by the typical seasonal nature of the summer months, was 62 million euro, a clear drop compared with the previous quarters.

Profits from companies carried at equity and dividends from shareholdings, 275 million euro, increased by 31.6% compared with the first nine months of 2003. In particular:

- profits from companies carried at equity came to 212 million euro compared with 147 million euro for the same period in 2003. This rise is attributable to the strong development of the profits of insurance subsidiaries, which are significantly expanding;
- dividends paid to the Group by minority shareholdings not included in the consolidation area remained stable (63 million euro, compared with 62 million euro for the first nine months of 2003).

Change in assets under management

	First nine months 2004 (€/mil)	First nine months 2003 pro forma (€/mil)	2003 (€/mil)
Net inflow for the period	-1,656	7,187	7,748
- Mutual funds and fund-based portfolio management	-4,682	3,254	2,659
- Portfolio management	-1,526	-567	-1,251
- Life policies	4,552	4,500	6,340
Performance effect	2,453	1,909	3,032
Change in assets under management	797	9,096	10,780

Mutual funds by type

	30/9/2004 (%)	30/9/2003 pro forma (%)	31/12/2003 (%)
Equity	24.9	21.4	23.6
Balanced	7.4	7.7	7.4
Bond	42.1	42.7	41.4
Liquidity	25.6	28.2	27.6
Total Group mutual funds	100.0	100.0	100.0

Operating costs

Administrative costs in the first nine months of 2004 amounted to a total of 3,373 million euro, down slightly (-0.7%) compared with the same period of the previous year. The containment of personnel costs and indirect duties and taxes more than compensated for the moderate increase of other administrative costs.

The 1.5% reduction in personnel costs is the result of actions to optimize staff. These actions caused a reduction in Group employees (-3.8% in average terms), which led to a decrease in costs to enable extensive compensation for the ordinary dynamics of payroll, which includes the estimate of charges for the under way renewal of the national collective labor contract.

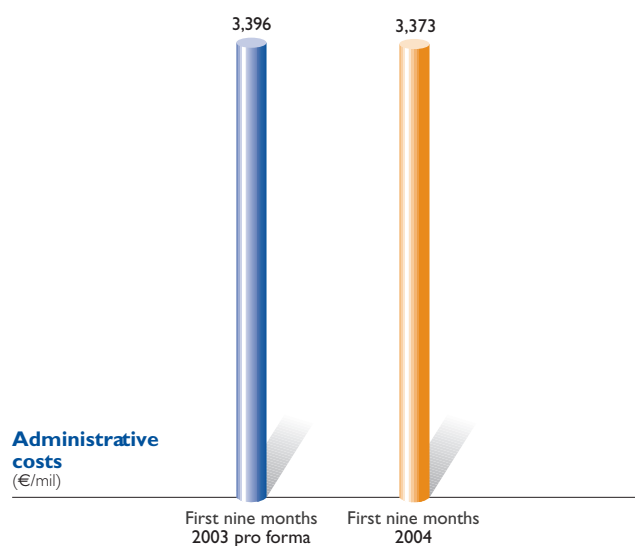
Other administrative costs reached 1,101 million euro, compared with the 1,090 million of the same period in 2003, showing a growth of 1%, below the rate of inflation (+2.1%). The different types of costs included reductions in general expenses and IT costs thanks to the benefits linked with the integration of the IT systems of the commercial banks. Professional and insurance fees decreased while indirect personnel costs increased as a result of the growing cost of employee transfers in relation to reorganization initiatives and the integration of the distribution networks; promotion, advertising and marketing expenses increased owing to the campaign launched for the Athens 2004 XXVIII Olympic Games. Property costs showed an increase for the adaptation of existing rental contracts and the payment of new charges on certain real estate assets sold to third parties at the end of 2003 in the context of the plan to rationalize the Group's real estate assets.

Adjustments to tangible and intangible fixed assets came to 319 million euro, continuing the downtrend already registered last year.

The cost to income ratio of the first nine months was 59.6%, showing a reduction of 1.6 percentage points compared with the same period in 2003, attributable to the favorable trend of revenues and, to a lesser extent, to cost containment.

Provisions and adjustments

Adjustments to goodwill and merger and consolidation differences were 108 million euro, 68 million of which attributable to the amortization of the goodwill of the former Banco di Napoli.



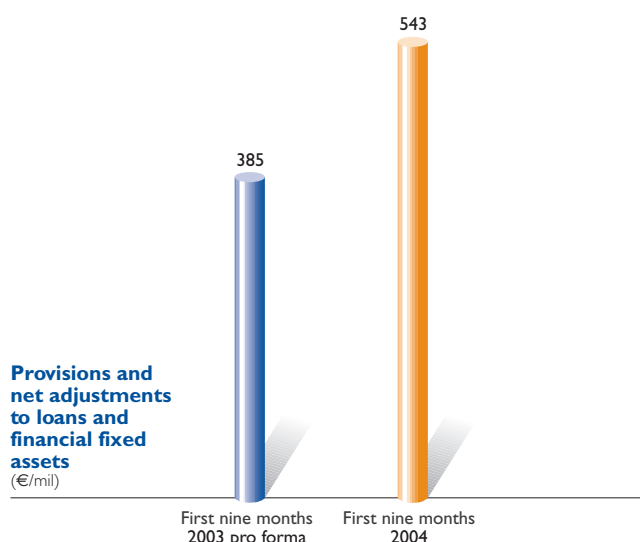
Other administrative costs

	First nine months 2004 (€mil)	First nine months 2003 pro forma (€mil)	Change first nine months 2004 / First nine months 2003 pro forma (%)	2003 (€mil)
IT costs	309	313	-1.3	430
Property costs	216	209	+3.3	287
General expenses	183	191	-4.2	258
Professional and insurance fees	187	193	-3.1	264
Promotion, advertising and marketing expenses	64	55	+16.4	93
Indirect personnel costs	75	64	+17.2	94
Utilities	67	65	+3.1	86
Other administrative costs	1,101	1,090	+1.0	1,512

Provisions and net adjustments to loans and financial fixed assets were 543 million euro, compared with the 385 million registered in the same period of 2003. The 41% increase of the aggregate is attributable to more adjustments to loans booked in the first nine months of 2004 and adjustments to financial fixed assets, compared with the writebacks booked in the same period of last year.

The net flow includes:

- 109 million euro provisions for risks and charges, largely stable on the levels of the first nine months of 2003;
- 370 million euro of provisions and adjustments for credit risks (292 million in the same period of 2003), result-



ing mainly from the adjustment of the estimated realizable value of specific analytical accounts, transferred from performing to doubtful loans. The performing loan portfolio was also strengthened with provisions for 65 million, 14 million of which for the increase in cover of the option related to the FIAT convertible facility;

- 64 million euro of net adjustments to financial fixed assets, compared to 14 million in writebacks for the first nine months of last year. The revaluation of the shareholding in Santander Central Hispano (SCH), the book value of which was aligned to the average of market prices over the last six months, was reduced to 56 million at the end of September compared with the 92 million registered in the half year accounts. The valuation of the stake in FIAT, on the basis of the average market price of September, determined an adjustment of 3 million euro. Lastly, the prudential adjustments already made in the Half Year Report 2004 in relation to CDC Ixis (50 million) and Hutchison 3G Italia (61 million) were confirmed.

At the end of September 2004 Group net doubtful loans were 2,631 million euro, falling 2.8% from the end of September 2003 but up 2.3% since the beginning of the year.

More specifically, in loans to customers:

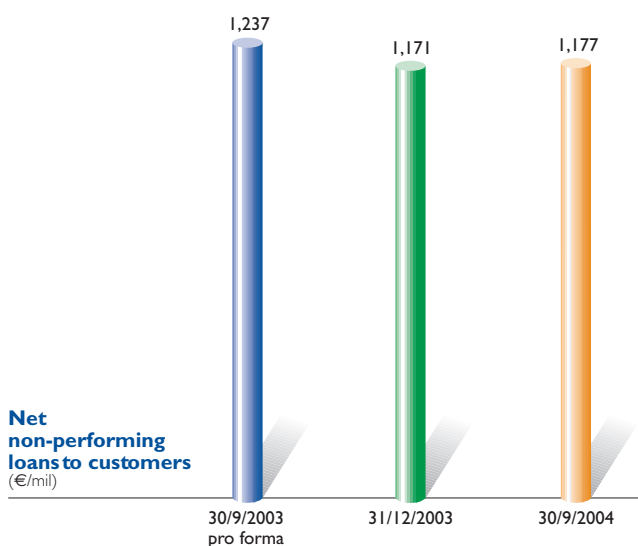
- net non-performing loans, equal to 1,177 million euro, were down 4.9% over the 12 months and substantially in line with the end of December 2003; the net non-performing loans/net loans to customers ratio reached 1%;

Qualitative analysis of loan portfolio

	30/9/2004		30/9/2003 pro forma		Change 30/9/04-30/9/03 pro forma (%)	31/12/2003		Change 30/9/04-31/12/03 (%)
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%	
Non-performing loans	1,177	1.0	1,237	1.0	-4.9	1,171	0.9	+0.5
Problem, restructured and in course of restructuring loans	1,362	1.1	1,407	1.2	-3.2	1,348	1.1	+1.0
Loans to countries at risk	31	0.0	23	0.0	+34.8	22	0.0	+40.9
Doubtful loans - customers	2,570	2.1	2,667	2.2	-3.6	2,541	2.0	+1.1
Performing loans	119,677	97.9	119,405	97.8	+0.2	122,058	98.0	-2.0
Total loans to customers	122,247	100.0	122,072	100.0	+0.1	124,599	100.0	-1.9
Non-performing and problem loans - banks	-		-		-	-		-
Loans to countries at risk - banks	61		39		+56.4	30		+103.3
Total doubtful loans - customers and banks	2,631		2,706		-2.8	2,571		+2.3

- problem, restructured and in course of restructuring loans were 1,362 million euro, 3.2% lower than September 2003 and 1% higher since the beginning of the year;
- non-guaranteed loans to customers in countries subject to country risk rose to 31 million euro, compared with 22 million at the end of 2003.

Since the beginning of the year the coverage level has increased by about one percentage point on both non-performing and problem and in course of restructuring loans. The first increased to 74.3% from 73.2% at the end of December 2003. For the latter, coverage has passed to 34.9% from 33.9% at the beginning of the year. The reserve on performing loans, up to 1,163 million euro



(including coverage of the convertible facility for 167 million) from 1,102 million as of 31 December 2003, represents the coverage level against the physiological risk on performing loans of 1% compared with 0.9% of the beginning of the year.

Extraordinary income and taxes

The Group's net extraordinary income in the first nine months of 2004 was 72 million euro, compared with 211 million euro net extraordinary charges sustained in the same period last year.

The most relevant component of this aggregate is represented by 58 million euro net gains on disposal of equity investments, 55 million of which attributable to the capital gain realized on the sale of the remaining 30% of Finconsumo Banca to SCH in January 2004. The figure for the first nine months of 2003 was conditioned by 363 million expenses for voluntary staff leaving incentives.

Income taxes for the period, totaling 583 million euro, include taxes for IRES (Corporate Income Tax) and IRAP (Regional Income Tax) and deferred tax liabilities. The tax rate of the SANPAOLO IMI Group was 36.7%, lower than the 38.6% registered in the first nine months of 2003, mainly as a result of the resolutions introduced by the new system of income and charges related to equity investments effective as of 2004, and also because of the decrease of one percentage point in the company income tax rate. The non-deductibility of adjustments to loans in terms of IRAP, introduced by the corrective public finance measures applied in 2004, had an opposite effect.

Capital and reserves

Net shareholders' equity

Group shareholders' equity, 11,245 million euro as of 30 September 2004, showed in the first nine months of 2004 the following movements:

<i>Movements in Group shareholders' equity</i>		<i>(€/mil)</i>
Shareholders' equity as of 1 January 2004		10,995
Decreases		-715
- Dividends		-715
Increases		965
- Net income for the period		957
- Exchange and other adjustments		8
Shareholders' equity as of 30 September 2004		11,245

Own shares

As of 30 September 2004, SANPAOLO IMI shares held by the Group totaled 5,768,401, equal to 0.31% of the share capital, and were booked in the financial statements at market value for a total of 52.8 million euro (9.150 euro unit value).

Transactions with SANPAOLO IMI shares in the first nine months of 2004 primarily involved:

- the Parent Bank, which during the third quarter exclusively purchased 795,000 shares (2.2 million euro nominal value), for an outlay of 7.1 million euro. Consequently, as of 30 September 2004, SANPAOLO IMI held 4,015,919 own shares in its portfolio (11.2 million euro nominal value) booked at a market value of 36.9 million euro;
- the subsidiary Banca IMI which, in relation to its institutional dealing activity, during the period purchased 4,584,258 shares (12.8 million euro nominal value) for a cost of 43.9 million euro, and sold 2,436,201 shares (6.8 million euro nominal value) for a total outlay of 23.5 million euro. As of 30 September 2004 the company held 1,752,482 SANPAOLO IMI shares in its portfolio (4.9 million euro nominal value) booked at a market value of 15.9 million euro.

Regulatory capital and solvency ratios

At the end of September 2004 the ratio of regulatory capital to total weighted assets against risks, deriving mainly from credit and market risks, showed a total solvency ratio estimated at 11.5%; the ratio of the Group's primary capital to total weighted assets was estimated at 7.8%

Financial risk management and control

Financial risks from lending activities

The market risk generated by the Group's lending activities (Asset and Liability Management) in the first nine months of 2004 was slightly higher than the average level observed last year. The potential loss on the fair value of lending activities, measured using the Shift Sensitivity Analysis, assuming a 100 basis point adverse movement in the interest rate curve, had an average value of 155 million euro in the nine months, compared to an average value of 131 million euro in the previous year.

The Value at Risk (VaR) of the banking book, calculated as the maximum "unexpected" potential loss of the market value of the portfolio which could occur in the ten following working days with a statistical confidence interval of 99%, came to an average value of 45 million euro in the first nine months of the year, reaching 35 million euro at the end of September.

Non-Group listed equity investments

Equity investments held in listed companies not consolidated line by line or at net equity showed a market

value of 1,345 million euro (142 million of which held by IMI Investimenti). The market value of equity investments showed, at closing prices for the end of September, a potential capital loss of 54 million euro on book value (after economic adjustments of value during the year).

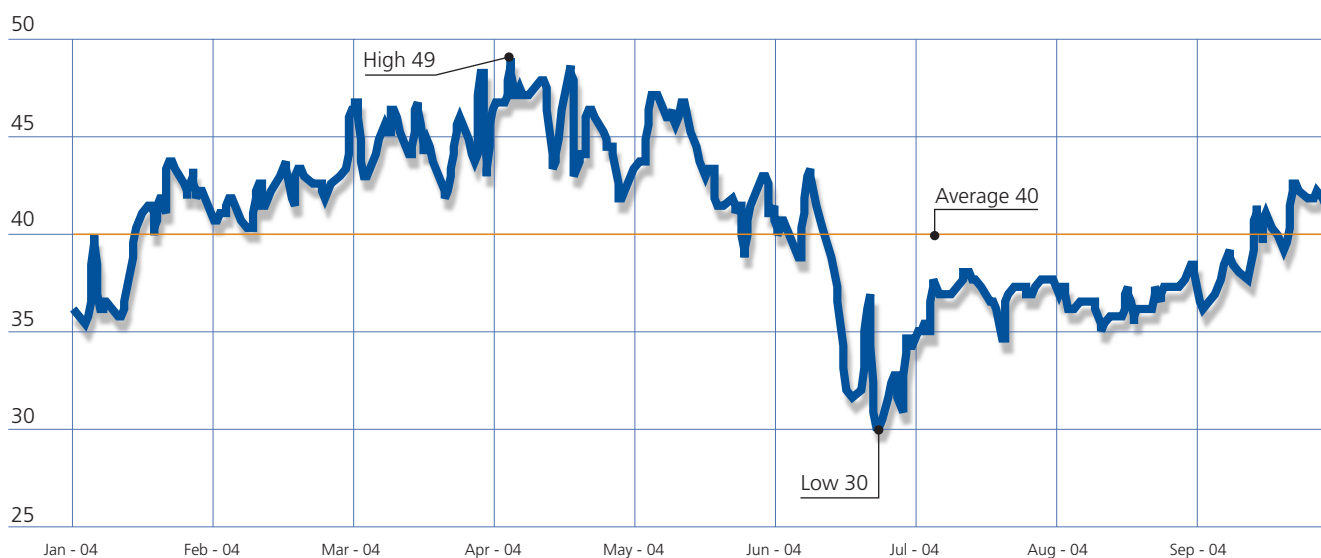
The Value at Risk related to minority investments in listed companies reached 102 million euro at the end of September, a slight decrease with respect to the 118 million euro reported at the end of June.

Trading activities

Most of these risks arise from dealing activities, mainly in fixed income and equity securities, exchanges and derivatives.

The Value at Risk of trading activities – concentrated in Banca IMI and its subsidiaries – has fluctuated, in the course of the third quarter, between a minimum of 2.4 million euro and a maximum of 9.2 million euro, reaching 5.5 million euro at the end of September. The average value from the beginning of the year totaled 7.5 million euro, compared to 11.9 million euro in the first nine months of 2003.

In addition to the VaR, the Worst Case Scenario technique is used to monitor the impact of potential losses



Trading activity maximum potential daily loss (€/mil)

that might arise under extreme market conditions. The evolution of the Maximum potential daily loss has showed an average value of 40 million euro during the first nine months, reporting a maximum of 49 million in the beginning of April and a minimum of 30 million at the end of June.

Backtesting showed the prudent nature of the internal measurement techniques used. In the first nine months of 2004, actual daily losses were never greater than the risk measures expressed in terms of maximum potential loss, while only in two cases the actual trading loss exceeded the ex-ante VaR on a daily basis.

Supplementary information

Performance of share prices

At the end of September 2004, SANPAOLO IMI's share price was 9.09 euro, up 6.2% growth compared with 30 September 2003, against an 8.3% increase in the MIB

	30/9/2004	30/9/2003
Book value per share (€)	6.13	5.87
	2004E	2005E
Consensus earnings per share (EPS) (€)	0.69	0.82

Market comparison

	9/11/2004	30/9/2004	30/9/2003	Change 30/9/04 - 30/9/03 (%)
SANPAOLO IMI share price (€)	10.332	9.090	8.559	+6.2
Historical MIB bancario index	2,364	2,223	2,053	+8.3

bancario index. On the same date the SANPAOLO IMI share traded on a price/book value of 1.5 and a price/earnings, calculated on consensus earnings for 2004, of 13.2.

On 9 November 2004, the quoted price was 10.322 euro – fundamentally unchanged with respect to the start of the year.

SANPAOLO IMI share price

Year	High (€)	Low (€)	Average (€)
1995	5.118	4.025	4.577
1996	5.269	4.236	4.766
1997	8.800	4.564	6.275
1998	16.274	8.717	12.429
1999	16.071	10.970	13.192
2000	20.800	11.483	16.612
2001	18.893	8.764	14.375
2002	13.702	5.231	9.439
2003	11.346	5.796	8.158
2004 (up to 9/11/2004)	11.072	8.799	9.739



Performance of SANPAOLO IMI shares and MIB bancario (29/12/00=100)

Shareholders

As of 30 September 2004 the shareholder structure of SANPAOLO IMI, based on available information, was as follows:

Shareholders of SANPAOLO IMI

	% of capital	
	total	ordinary
Compagnia di San Paolo	14.48	7.50
Fondazione Cassa di Risparmio di Padova e Rovigo	10.80	4.38
Banco Santander Central Hispano	8.61	10.92
Fondazione Cassa di Risparmio in Bologna	7.69	3.12
Giovanni AGNELLI e C.	3.83	4.86
Deutsche Bank	2.95	3.75
Mediobanca	1.99	2.53
Fondazione Cariplo	1.75	2.21
Caisse des Dépôts et Consignations (CDC)	1.70	2.16
Società Reale Mutua di Assicurazioni	1.53	1.94
Ente Cassa di Risparmio di Firenze	1.53	1.94
Credit Lyonnais	1.50	1.91
Fondazione Cassa di Risparmio di Venezia	1.50	1.90
Other shareholders (1)	40.14	50.88
Total	100.00	100.00

(1) Includes own shares held by the Group.

Ratings

The following table shows the main ratings assigned to the debt of SANPAOLO IMI.

SANPAOLO IMI debt ratings

Fitch	
• Short-term debt	F1+
• Medium/long-term debt (senior)	AA-
Moody's Investors Service	
• Short-term debt	P-1
• Medium/long-term debt (senior)	Aa3
Standard & Poor's	
• Short-term debt	A-1
• Medium/long-term debt (senior)	A+

On 1 September 2004, the individual rating of SANPAOLO IMI was raised by Fitch Ratings from B/C to B, thus confirming the ratings for short- and long-term debt.

On 15 September, the Corporate Governance Score of 7 (on a scale from 1 to 10) attributed to SANPAOLO IMI was made public by Standard & Poor's at the end of an in-depth analysis of the corporate governance model and processes.

Group Business Areas

Organization by Business Areas

Following the redesign of the organizational structure, since 1 May 2004 the SANPAOLO IMI Group has adopted a new model for the Business Areas in the following Business Sectors:

- Commercial Banking
- Asset Management
- Investment Banking
- Personal Financial Services
- Insurance Pole
- Public Authorities and Entities
- Central Functions.

As described in the chapter “Action points and initiatives in the quarter”, the Insurance Pole will become operative in its new configuration before the end of the year.

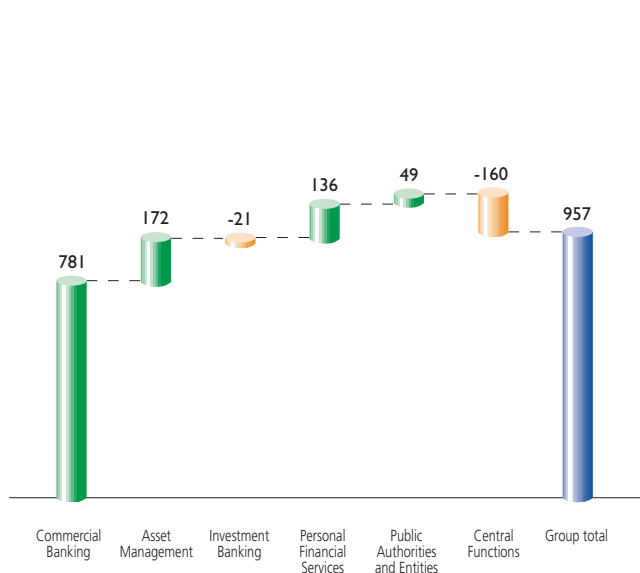
The following tables show the data of the statement of income, the operating structure, as well as the main profitability ratios for the new organizational model, except for the insurance companies which are still positioned in Sanpaolo IMI Wealth Management and in Banca Fideuram. There are two types of report: that referring to Business Sectors (“Reportable Segments”), with data expressing the contribution to the Group income, and that referring to Business Areas (“Business Segments”), where the data is

expressed, in the case of business performed by companies, before the posting of consolidation, reporting the contribution to Group income as additional information.

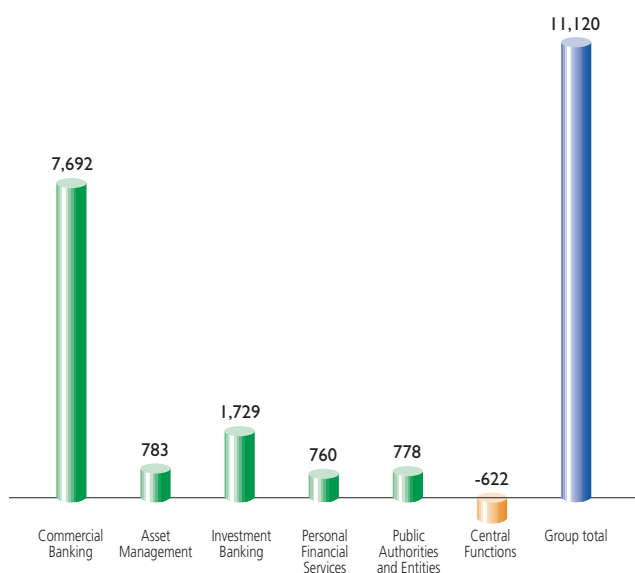
It should be emphasized that, where necessary, the figures used to evaluate the performance compared with the previous periods have been consistently reconstructed, assuming that the new organizational model was launched as of 1/1/2003.

Results of the Business Sectors

The **Commercial Banking** sector, which constitutes the Group’s core business, comprises: Sanpaolo, which is widespread in North Western Italy and has a significant presence in Central Italy and the Islands; Cassa di Risparmio di Padova e Rovigo, Cassa di Risparmio in Bologna, Cassa di Risparmio di Venezia and Friulcassa, all rooted in the North East; Banca Popolare dell’Adriatico, in the central Adriatic regions; Sanpaolo Banco di Napoli, in the mainland South. The networks, dedicated to the service of retail and private customers and companies, cover the entire Italian territory through about 3,200 banking branches and integrated multi-channel infrastructures. The sector also includes, within Sanpaolo: Large Groups, which is responsible for managing relations with the major groups of domestic importance; the International Activities and Foreign Networks, which include the Parent Bank’s foreign network limited to corporate lending, the Irish subsidiary Sanpaolo IMI Bank Ireland and Sanpaolo IMI



Net income first nine months 2004 by Business Sectors (€/mil)



Allocated capital first nine months 2004 by Business Sectors (€/mil)

Internazionale, established to develop and supervise the Group's activities in Central Eastern Europe; companies operating in private banking, consumer credit and leasing.

Commercial Banking manages most of the volumes handled by the Group, absorbing 69% of capital and generating around 78% of net interest and other banking income. The latter has shown an increase of 3.1% compared to the pro forma figures for the first nine months of 2003. These dynamics reflect the favorable trend in commission revenues, which more than offset the decline in net interest income.

The contained growth in operating costs (+1.2%), together with the aforementioned increase in revenues, led to a 6% increase in operating income. In this respect, it is worth noting that personnel costs have remained substantially stable, as a result of increases in the North East banks and product companies and decreases in the Parent Bank operating areas, Banca Popolare dell'Adriatico and Sanpaolo Banco di Napoli. In relation to Parent Bank operating areas, benefits from actions to optimize staff have largely been reabsorbed by higher contractual costs, including an estimate of charges for the renewal of the national collective labor contract, currently underway. The cost referring to personnel of the North East banks increased in relation to operating needs linked with integration. Commercial Banking personnel comprises 33,685 resources, corresponding to 78% of total Group employees. The cost to income ratio of the sector improved, falling to 57.8% from the 58.9% of the first nine months of 2003.

The net income of 781 million euro fell by 0.9% compared with the same period last year. This can be attributed to the lack of extraordinary income caused by the release of reserves in excess accrued in previous years and, to a lesser extent, by higher net adjustments to loans and provisions (+18.5%). The latter are attributable to movements to problem and non-performing loans to companies and to the increase in the cover of doubtful loans. Profitability reached 13.5%, from the 14.3% of the first nine months of 2003, partly owing to a 4.6% increase in capital allocated to the sector.

The **Asset Management** sector includes the Sanpaolo IMI Wealth Management companies, dedicated to providing asset management products to the Group networks and institutional investors.

In the first nine months of 2004 Asset Management increased the contribution to consolidated net income to 18% compared with 13% for the same period of 2003,

while the capital absorbed was 7% of the Group's total, remaining substantially unchanged. This sector, which places its products through the Group's banking networks widespread throughout the country, is characterized by high profitability levels, which rose to 29.3% from 19.4% in the first nine months of 2003.

The contribution to net income of the Group rose to 172 million euro, compared with the 102 million of the same period of 2003, thanks to the increase in profits from insurance companies carried at equity and in commission revenues, as well as the reduction in operating costs.

The **Investment Banking** sector operates through Banca IMI, the Group's investment bank which covers securities dealing both on own account and for customers, the raising of risk and debt capital for companies, as well as corporate finance consultancy. This sector also includes Sanpaolo IMI Private Equity, responsible for the Group's private equity activity, IMI Investimenti, which is dedicated to the management of major industrial shareholdings, and Structured Finance, which is dedicated to project financing and specialized structured lending.

Investment Banking made a negative contribution (-21 million euro) to consolidated net income for the first nine months of 2004, attributable to IMI Investimenti and, to a lesser extent, Sanpaolo IMI Private Equity. The decrease in total revenues of the sector was mainly to be ascribed to the drop in profits from financial transactions and commissions. The reasons for this reduction are attributable to the slowing down of activities in different market areas in which the companies in this sector traditionally operate, particularly M&A, origination and brokerage transactions, and to operations in derivatives, as well as to lower profits from financial transactions caused by the valuation at market price of some investments in the IMI Investimenti dealing portfolio. Absorption of capital rose to 15.5% from 13% in the same period of 2003.

Personal Financial Services manage the activities carried out by the networks of financial planners of the Banca Fideuram group to serve customers with a medium/high savings potential. The staff operating in this sector includes 4,406 financial planners and 1,819 employees. The contribution to the Group's net income was 136 million euro compared with 92 million in the first nine months of 2003.

This sector increased its contribution to consolidated net income to 14% from 12% in the same period of the previous year and absorbed 7% of the capital.

Transactions benefited from a better mix of net asset management flow, thanks to the increase in fund-based portfolio management, which are particularly profitable, and from the recovery of the financial markets. Operating income reached 245 million euro, as a result of the increase in commission revenues and profits from insurance companies carried at equity. This trend is reflected in the net income, up 47.8%, and in annualized RoE, which rose from 17.1% in the first nine months of 2003, to 23.9%.

During the third quarter work continued on the project to establish the **Insurance Pole**, with the aim of increasing the Group's focus on the insurance business and of strengthening the innovative capacity and range of products offered. It will hold all the Group's companies operating in the life and property and casualty insurance sectors. The latter, according to the figures as of the end of September 2004, manage technical reserves for about 37 billion euro. The Pole thus will be among the first three national insurance operators.

The **Public Authorities and Entities** sector is dedicated to developing relations with organizations and institutions and, through Banca OPI, provides advisory services and medium- and long-term financing to public bodies and infrastructure.

Despite the stability of the sector's typical revenue components, net interest and other banking income fell owing to the absence of unrepeatable profits from financial transactions which characterized last year. The sector's activities were also conditioned by policies to contain public expenditure and by the reduction in net interest income caused by harsher competition on the reference market. With largely

stable costs, operating income reached 97 million euro, compared with 105 million euro for the same period last year. The contribution to the Group's net income, 49 million euro, determined an annualized profitability of 8.4%.

Central Functions includes holding activities, finance, the management of shareholding investments (including the Group's shareholdings in Cassa di Risparmio di Firenze, in Cassa dei Risparmi di Forlì and in Banca delle Marche), the Macchina Operativa Integrata and GEST Line, which manages the Group's tax collection activities. The main component is represented by bodies that carry out strategic direction, governance, control and support of the other Group Business Sectors.

The income results reflect the transversal nature of these Functions, which sustain costs using a centralized system and on behalf of other Group companies, only partially allocating them to the operating units. This decision answers the need to safeguard cost control by central bodies, which have the facilities to govern costs and tangibly monitor the pursuit of "objective" efficiency levels declared in the internal integration processes.

The Central Functions registered a loss of 160 million euro in the first nine months of 2004, attributable to the share of costs not allocated to operating functions, to the amortization of goodwill consequent upon equity investments made at holding level, to provisions for legal disputes and other personnel charges, only partly offset by capital gains realized on the sale of equity investments. The loss in the first nine months of 2003, equal to 271 million euro, was conditioned by extraordinary charges concerning staff leaving incentives.

First nine months 2004

	Commercial Banking	Asset Management	Investment Banking	Personal Financial Services	Public Authorities and Entities	Central Functions	Group total
STATEMENT OF INCOME (€/mil)							
Net interest income	2,580	3	18	33	101	-33	2,702
Net commissions and other net dealing revenues	1,717	140	30	407	10	92	2,396
Profits and losses from financial transactions and dividends on shares	104	-	120	-2	5	30	257
Profits from companies carried at equity and dividends from shareholdings	8	113	7	55	1	91	275
Net interest and other banking income	4,409	256	175	493	117	180	5,630
Administrative costs	-2,761	-75	-107	-237	-21	-172	-3,373
- <i>personnel</i>	-1,543	-31	-56	-109	-10	-325	-2,074
- <i>other administrative costs</i>	-1,072	-43	-50	-112	-10	186	-1,101
- <i>indirect duties and taxes</i>	-146	-1	-1	-16	-1	-33	-198
Other operating income, net	206	10	2	17	1	-5	231
Adjustments to tangible and intangible fixed assets	-52	-6	-9	-28	-	-224	-319
Operating income	1,802	185	61	245	97	-221	2,169
Adjustments to goodwill and merger and consolidation differences	-	-	-8	-2	-	-98	-108
Provisions and net adjustments to loans and financial fixed assets	-390	-2	-65	-28	-23	-35	-543
- <i>provisions for risks and charges</i>	-56	-2	-1	-27	-	-23	-109
- <i>net adjustments to loans and provisions for guarantees and commitments</i>	-333	-	2	-1	-23	-15	-370
- <i>net adjustments to financial fixed assets</i>	-1	-	-66	-	-	3	-64
Income before extraordinary items	1,412	183	-12	215	74	-354	1,518
Net extraordinary income/expense	-8	-	7	3	6	64	72
Income before taxes	1,404	183	-5	218	80	-290	1,590
Income taxes for the period	-615	-11	-16	-33	-31	123	-583
Change in reserve for general banking risks	-	-	-	-	-	-	-
Income attributable to minority interests	-8	-	-	-49	-	7	-50
Net income	781	172	-21	136	49	-160	957
AVERAGE ALLOCATED CAPITAL (€/mil)	7,692	783	1,729	760	778	-622	11,120
RATIOS (%)							
Annualized profitability (RoE, RORAC)	13.5	29.3	n.s.	23.9	8.4	n.s.	11.5
Cost / Income ratio	57.8	30.1	65.0	48.8	16.9	n.s.	59.6
30/9/2004							
OPERATING STRUCTURE							
Employees	33,685	483	617	1,819	167	6,281	43,052
Financial planners	4	-	-	4,406	-	-	4,410
Domestic branches	3,031	-	-	89	-	76	3,196
Foreign branches and representative offices	122	-	1	4	-	-	127

First nine months 2003 pro forma

	Commercial Banking	Asset Management	Investment Banking	Personal Financial Services	Public Authorities and Entities	Central Functions	Group total
STATEMENT OF INCOME (€/mil)							
Net interest income	2,646	4	14	39	97	-5	2,795
Net commissions and other net dealing revenues	1,539	134	47	347	14	100	2,181
Profits and losses from financial transactions and dividends on shares	87	-	169	25	13	45	339
Profits from companies carried at equity and dividends from shareholdings	4	62	9	27	-	107	209
Net interest and other banking income	4,276	200	239	438	124	247	5,524
Administrative costs	-2,739	-85	-108	-242	-21	-201	-3,396
- <i>personnel</i>	-1,538	-37	-55	-110	-10	-356	-2,106
- <i>other administrative costs</i>	-1,056	-47	-52	-114	-9	188	-1,090
- <i>indirect duties and taxes</i>	-145	-1	-1	-18	-2	-33	-200
Other operating income, net	216	10	2	19	2	-5	244
Adjustments to tangible and intangible fixed assets	-53	-5	-11	-29	-	-238	-336
Operating income	1,700	120	122	186	105	-197	2,036
Adjustments to goodwill and merger and consolidation differences	-	-1	-7	-2	-	-105	-115
Provisions and net adjustments to loans and financial fixed assets	-340	-1	-100	-19	-6	81	-385
- <i>provisions for risks and charges</i>	-57	-1	-3	-20	-	-26	-107
- <i>net adjustments to loans and provisions for guarantees and commitments</i>	-281	-	-5	-	-6	-	-292
- <i>net adjustments to financial fixed assets</i>	-2	-	-92	1	-	107	14
Income before extraordinary items	1,360	118	15	165	99	-221	1,536
Net extraordinary income/expense	38	-	8	-5	2	-254	-211
Income before taxes	1,398	118	23	160	101	-475	1,325
Income taxes for the period	-606	-16	-14	-34	-35	194	-511
Change in reserve for general banking risks	6	-	-	-	-	-	6
Income attributable to minority interests	-10	-	-	-34	-	10	-34
Net income	788	102	9	92	66	-271	786
AVERAGE ALLOCATED CAPITAL (€/mil)	7,356	700	1,435	716	699	-175	10,731
RATIOS (%)							
Annualized profitability (RoE, RORAC)	14.3	19.4	0.8	17.1	12.6	n.s.	9.8
Cost / Income ratio	58.9	42.4	49.0	55.4	15.1	n.s.	61.2
30/9/2003 pro forma							
OPERATING STRUCTURE							
Employees	34,600	508	616	1,860	164	6,927	44,675
Financial planners	162	-	-	4,617	-	-	4,779
Domestic branches	2,995	-	-	89	-	74	3,158
Foreign branches and representative offices	111	-	1	4	-	-	116

2003 pro forma

	Commercial Banking	Asset Management	Investment Banking	Personal Financial Services	Public Authorities and Entities	Central Functions	Group total
STATEMENT OF INCOME (€/mil)							
Net interest income	3,509	5	20	51	129	2	3,716
Net commissions and other net dealing revenues	2,173	179	54	479	18	133	3,036
Profits and losses from financial transactions and dividends on shares	122	-	249	26	17	33	447
Profits from companies carried at equity and dividends from shareholdings	4	94	8	37	1	126	270
Net interest and other banking income	5,808	278	331	593	165	294	7,469
Administrative costs	-3,714	-108	-148	-321	-29	-290	-4,610
- <i>personnel</i>	-2,084	-43	-77	-148	-14	-475	-2,841
- <i>other administrative costs</i>	-1,443	-64	-70	-150	-11	226	-1,512
- <i>indirect duties and taxes</i>	-187	-1	-1	-23	-4	-41	-257
Other operating income, net	293	15	4	24	3	-10	329
Adjustments to tangible and intangible fixed assets	-73	-8	-14	-42	-	-347	-484
Operating income	2,314	177	173	254	139	-353	2,704
Adjustments to goodwill and merger and consolidation differences	-1	-7	-11	-2	-	-137	-158
Provisions and net adjustments to loans and financial fixed assets	-801	-7	-139	-33	-10	131	-859
- <i>provisions for risks and charges</i>	-111	-7	-2	-31	-	-44	-195
- <i>net adjustments to loans and provisions for guarantees and commitments</i>	-684	-	-7	-2	-9	-22	-724
- <i>net adjustments to financial fixed assets</i>	-6	-	-130	-	-1	197	60
Income before extraordinary items	1,512	163	23	219	129	-359	1,687
Net extraordinary income/expense	39	-	12	-6	8	-85	-32
Income before taxes	1,551	163	35	213	137	-444	1,655
Income taxes for the period	-698	-21	-21	-34	-45	175	-644
Change in reserve for general banking risks	7	-	-2	-	-	4	9
Income attributable to minority interests	-14	-	-	-47	-	13	-48
Net income	846	142	12	132	92	-252	972
AVERAGE ALLOCATED CAPITAL (€/mil)	7,387	719	1,437	737	710	-141	10,849
RATIOS (%)							
Profitability (RoE, RORAC)	11.5	19.7	0.8	17.9	13.0	n.s.	9.0
Cost / Income ratio	59.0	39.2	48.1	55.1	14.9	n.s.	62.0

31/12/2003 pro forma

OPERATING STRUCTURE							
Employees	33,771	508	615	1,871	167	6,533	43,465
Financial planners	132	-	-	4,543	-	-	4,675
Domestic branches	3,004	-	-	88	-	76	3,168
Foreign branches and representative offices	117	-	1	4	-	-	122

(1) The statement of income figures have been reclassified compared with that published in the 2003 Annual Report, including among "Income taxes for the period" tax credits on dividends from shareholdings previously booked under "Profits from companies carried at equity and dividends from shareholdings".

Change first nine months 2004 / First nine months 2003 pro forma (%)

	Commercial Banking	Asset Management	Investment Banking	Personal Financial Services	Public Authorities and Entities	Central Functions	Group total
STATEMENT OF INCOME							
Net interest income	-2.5	-25.0	+28.6	-15.4	+4.1	n.s.	-3.3
Net commissions and other net dealing revenues	+11.6	+4.5	-36.2	+17.3	-28.6	-8.0	+9.9
Profits and losses from financial transactions and dividends on shares	+19.5	-	-29.0	n.s.	-61.5	-33.3	-24.2
Profits from companies carried at equity and dividends from shareholdings	+100.0	+82.3	-22.2	+103.7	n.s.	-15.0	+31.6
Net interest and other banking income	+3.1	+28.0	-26.8	+12.6	-5.6	-27.1	+1.9
Administrative costs	+0.8	-11.8	-0.9	-2.1	-	-14.4	-0.7
- <i>personnel</i>	+0.3	-16.2	+1.8	-0.9	-	-8.7	-1.5
- <i>other administrative costs</i>	+1.5	-8.5	-3.8	-1.8	+11.1	-1.1	+1.0
- <i>indirect duties and taxes</i>	+0.7	-	-	-11.1	-50.0	-	-1.0
Other operating income, net	-4.6	-	-	-10.5	-50.0	-	-5.3
Adjustments to tangible and intangible fixed assets	-1.9	+20.0	-18.2	-3.4	-	-5.9	-5.1
Operating income	+6.0	+54.2	-50.0	+31.7	-7.6	+12.2	+6.5
Adjustments to goodwill and merger and consolidation differences	-	n.s.	+14.3	-	-	-6.7	-6.1
Provisions and net adjustments to loans and financial fixed assets	+14.7	+100.0	-35.0	+47.4	n.s.	n.s.	+41.0
- <i>provisions for risks and charges</i>	-1.8	+100.0	-66.7	+35.0	-	-11.5	+1.9
- <i>net adjustments to loans and provisions for guarantees and commitments</i>	+18.5	-	n.s.	n.s.	n.s.	n.s.	+26.7
- <i>net adjustments to financial fixed assets</i>	-50.0	-	-28.3	n.s.	-	-97.2	n.s.
Income before extraordinary items	+3.8	+55.1	n.s.	+30.3	-25.3	+60.2	-1.2
Net extraordinary income/expense	n.s.	-	-12.5	n.s.	+200.0	n.s.	n.s.
Income before taxes	+0.4	+55.1	n.s.	+36.3	-20.8	-38.9	+20.0
Income taxes for the period	+1.5	-31.3	+14.3	-2.9	-11.4	-36.6	+14.1
Change in reserve for general banking risks	n.s.	-	-	-	-	-	n.s.
Income attributable to minority interests	-20.0	-	-	+44.1	-	-30.0	+47.1
Net income	-0.9	+68.6	n.s.	+47.8	-25.8	n.s.	+21.8
AVERAGE ALLOCATED CAPITAL	+4.6	+11.9	+20.5	+6.1	+11.3	n.s.	+3.6
<i>Change 30/9/2004 - 30/9/2003 pro forma (%)</i>							
OPERATING STRUCTURE							
Employees	-2.6	-4.9	+0.2	-2.2	+1.8	-9.3	-3.6
Financial planners	-97.5	-	-	-4.6	-	-	-7.7
Domestic branches	+1.2	-	-	-	-	+2.7	+1.2
Foreign branches and representative offices	+9.9	-	-	-	-	-	+9.5

Results of the Business Areas

Commercial Banking

Commercial Banking is organized into two Directions:

- Private and Retail, with the aim of developing and implementing strategies for growth in income results of these segments, which are composed of households, private customers and small businesses;
- Companies, assigned to supervise:
 - the national business market through specialized branches;
 - large groups of national importance;
 - customers operating on international markets and correspondent banks, through the International Activities and Foreign Network.

The two Directions represent the reference point for defining, developing and coordinating the sales strategies for all the Group's networks.

Sanpaolo (Parent Bank operating areas and product companies)

Sanpaolo includes the Parent Bank's branch network represented by 1,709 operating points: 1,446 branches and 263 other specialized operating points. The branches dedicated to retail and private customers are 1,527 and those aimed at the business sector are 182. In the context of the project for the rationalization of the distribution network, 9 operating points pertaining to Cassa di Risparmio di Padova e Rovigo and 21 operating points of Cassa di Risparmio in Bologna will converge into the Sanpaolo setting in January 2005.

The activities carried out by Finemiro Banca, which is specialized in the consumer credit sector, Sanpaolo Bank (Luxembourg), which operates in international private banking, Sanpaolo Fiduciaria and Farbanca also lie within the Sanpaolo-Private and Retail.

Sanpaolo-Companies also includes the activities carried out by Sanpaolo Leasint in the leasing sector, by Sanpaolo IMI Bank Ireland, as well as those performed by Sanpaolo IMI Internazionale as far as the development of operations in Central Eastern European countries is concerned.

In operating terms, Sanpaolo customer financial assets have increased 7.5% over the 12 months and 5.4% since the beginning of the year. This trend is attributable to the

increase in all the aggregate components. Loans fell by 1.5% on an annual basis and by 3.9% since the end of 2003, owing to the recovery of loans to primary Italian and foreign borrowers; on the other hand, transactions with households and small- and medium-businesses have increased and, when compared to the same period last year, show a lively trend in medium- and short-term disbursements.

The operating income of Sanpaolo for the first nine months of 2004 was 1,076 million euro; a rise of 5.6% compared with the same period during the previous year, thanks to an increase in revenues (+3.3%) which more than offset the increase in operating costs, partly attributable to the operational strengthening of Finemiro Banca. The major net adjustments, deriving from the posting of higher specific writedowns on loans to companies, and the lack of extraordinary income from the release of reserves in excess accrued in previous years, are reflected in the net income, which reached 472 million euro, a drop of 0.8%. Profitability expressed in terms of annualized RORAC was 14.9% compared with 16% in the first nine months of 2003, partly owing to a 6.2% increase in the capital absorbed, attributable to the deterioration of the ratings of certain big domestic groups and to the movement of problem loans.

Private and Retail sector

The initiatives of the third quarter were aimed at strengthening the relationship with customers by improving the quality of service and personalizing the product range. The achievement of these aims is based on the distribution model specialized by customer segments spread across the distribution network in 2003. In the current organizational structure, the retail branches are divided into the various submarkets: personal, family and small business, addressed respectively to customers with significant financial funds, to households and to customers comprising traders, professionals, artisans, farmers and smaller companies. Within the retail branches, there are also modules specialized in serving private customers, which, together with the branches specifically dedicated to this type of customer, ensure a better coverage of the territory: altogether, the Bank has 73 private points, with more than 200 staff.

The competitive position held by the Private and Retail Market was strengthened further through the realization of important initiatives. In particular:

- activities aimed at supporting customers towards a more efficient financial planning continued; these are aimed at optimizing the risk/return profile in observance

of specific needs and the propensity of risk, through the tools recently made available to customer managers, which have been enhanced further by simulations and calculations of risk (VaR). These initiatives are in line with the requirements of the Investment Policy, presented in April 2003, which establishes the guidelines to be followed by branches to assist customers in relation to their investments;

- actions have been taken, in terms of private customers, to improve cross selling, especially in respect of customers of numerous banks, and to develop and expand the customer base by increasing the rate of retention and the acquisition of new customers. Progetto Giovani (a project aimed at younger customers), started at the end of June, was particularly significant in this context, aiming to strengthen the Bank's relationship with the

Sanpaolo (Parent Bank operating areas and product companies)

	First nine months 2004	First nine months 2003 pro forma	Change first nine months 2004 / First nine months 2003 pro forma (%)	2003 pro forma
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	2,611	2,528	+3.3	3,433
Operating costs	-1,535	-1,509	+1.7	-2,042
- administrative costs	-1,660	-1,637	+1.4	-2,213
- <i>personnel</i>	-900	-898	+0.2	-1,219
- <i>other administrative costs</i>	-682	-660	+3.3	-897
- <i>indirect duties and taxes</i>	-78	-79	-1.3	-97
- other operating income, net	144	146	-1.4	196
- amortization	-19	-18	+5.6	-25
Operating income	1,076	1,019	+5.6	1,391
Provisions and net adjustments to loans and financial fixed assets	-227	-205	+10.7	-558
Income before extraordinary items	849	814	+4.3	833
Net extraordinary income/expense	-7	35	n.s.	35
Income before taxes	842	849	-0.8	868
Income taxes for the period	-362	-363	-0.3	-386
Change in reserve for general banking risks and income attributable to minority interests	-8	-10	-20.0	-14
Contribution to net income of the Group	472	476	-0.8	468
AVERAGE ALLOCATED CAPITAL (€/mil)	4,218	3,970	+6.2	3,982
RATIOS (%)				
Annualized RORAC	14.9	16.0		11.8
Cost / Income ratio	58.1	58.9		59.0
	30/9/2004	30/9/2003 pro forma	Change 30/9/04-30/9/03 pro forma (%)	31/12/2003 pro forma
OPERATING DATA (€/mil)				
Customer financial assets	187,940	174,782	+7.5	178,242
- Direct deposits	45,198	41,678	+8.4	43,218
- Asset management	64,250	61,238	+4.9	61,976
- <i>Mutual funds and fund-based portfolio management</i>	43,984	44,402	-0.9	44,794
- <i>Portfolio management</i>	2,263	3,431	-34.0	2,773
- <i>Life technical reserves</i>	18,003	13,405	+34.3	14,409
- Asset administration	78,492	71,866	+9.2	73,048
Net asset management flows	712	1,849		1,961
Net loans to customers excluding NPLs	61,046	61,988	-1.5	63,502
OPERATING STRUCTURE				
Employees	19,641	20,284	-3.2	19,670
Domestic branches (1)	1,469	1,455	+1.0	1,461

(1) These include the branches of the Parent Bank, of Finemiro Banca and Farbanca.

younger customer segment by leveraging on the offer of dedicated bank products and a customer retention program designed around the needs of customers under the age of 30;

- the Small Business Project, which envisages the realization of specific initiatives aimed at increasing operations with small entrepreneurs with appropriate creditworthiness, is in the advanced stages. The main operations were aimed at distributing the new products dedicated to the segment and to the realization of the development plan, launched at the beginning of the year, with the aim of spreading POS terminals to small entrepreneurs, emphasizing the improvement to services during installation and after sales;
- private banking operations were strengthened even further, both in terms of financial products and from the point of view of advisory services on offer. The positive trend of investment products destined specifically to this type of customer, characterized by high added value for the customer, continued;
- the spread of the multi-channel infrastructure continued: at the end of September 2004, direct banking contracts rose to more than 448 thousand, an increase of around 13% since the beginning of the year. The customer's favorable response is confirmed by the increase in the average monthly number of users of such channels (+11.2% in the first nine months).

In order to render the initiatives fully efficient, constant attention has been paid to staff training, with the aim of increasing further the professionalism of the services offered to customers and of developing the sales capacity of the network staff; in terms of days more than 16,000 were spent on training in the quarter, taking the total from the beginning of the year to 46,000, an average of 4 days per head.

Companies sector

The main activities carried out by the Companies Market, Large Groups and International Activities and Foreign Networks are described below.

Companies Market

During the third quarter the activity of the Companies Market was aimed at the improvement of the income performance in the small- and medium-sized companies segment through the increase of commercial operations and the spread of specialized products. In particular:

- the development of foreign operations continued successfully, exploiting the positive growth of exports; flows in the first nine months have shown an increase of over 7% compared with the same period last year. To boost the commercial area further, a specific project was launched to diversify the commercial range offered in relation to the different foreign countries and to exploit specialized services to support internationalization;
- derivative hedging products were offered to customers with adequate financial know how. The number of customers using hedging products grew 10% compared with the first nine months of 2003;
- the corporate web channel continued to show considerable customer appreciation (Internet banking contracts have increased by more than 20% since the beginning of the year) allowing further improvement of the rate of automatic transactions;
- the program to develop products with high added value continued with the launch, in July, of a new product aimed at supporting investments in research and development by SME.

The training activity continued busily and aimed at improving commercial relationship skills and customer management; a total of 13,000 days were spent on training.

The IT integration of the Group banks operating in the Triveneto and Emilia regions has enabled the extension of the Sanpaolo distribution model as regards operation and management.

Lastly, the program for the revision of the credit process of the companies network aimed at acknowledging the contents of the New Basel Accord was perfected.

Large Groups

In a market scenario characterized by the high liquidity of companies, which has accentuated the banking disintermediation process, and by strong commercial competition, with a consequent tendency to reduce margins, transactions with large groups prioritized stable profitability and asset quality, as envisaged by the Group's strategic lines, which provide for the gradual reduction of exposures towards certain economic sectors.

The commercial activity of the third quarter was aimed at favoring increasingly intense cross selling with investment activities and at increasing commission revenues through more targeted structuring of operations.

International Activities and Foreign Networks

As a result of the new organizational model, the responsibility of all international activities and transactions with correspondent banks has been concentrated in International Activities and Foreign Networks.

The distribution structure is made up of 103 branches, including the foreign network of the Parent Bank, the Irish subsidiary Sanpaolo IMI Bank Ireland and the subsidiary banks operating in Central Eastern Europe. The Parent Bank foreign network covers directly 31 foreign countries through 12 branches, 18 representative offices and 2 operating desks. The representative office of Dubai and the Inter-Alpha consortium office in Teheran have recently been set up. The Central Eastern European banks, which have a total of 91 branches, are supervised through Sanpaolo IMI Internazionale, a company primarily set up to develop operations in this geographic area. Therefore, Sanpaolo IMI Internazionale heads the shareholdings held in the Hungarian Inter-Europa Bank (85.9%), managing 27 branches, and in Sanpaolo IMI Bank Romania (98.3%), with 24 branches. The company is also responsible for the operational control of Banka Koper, operating in Slovenia through a network of 40 branches, of which 62.9% is held by the Parent Bank.

The Area is evolving consistently with the global aims of the Group, aimed at encouraging the internationalization of Italian companies, to increase the presence of foreign multinationals on the Italian market, to maximize every cross selling opportunity for the Group's product factories and to develop operational agreements and commercial relations with banking institutions in the world.

The performance of the first nine months is in line with expectations, both in terms of profit results, which benefit from recovery of doubtful loans at better conditions than expected and in maintaining a high level of quality in the loan portfolio.

Other bank networks

The process to integrate the bank networks with the SANPAOLO IMI Group continued in the third quarter of 2004, with the migration, in July, of the Cassa di Risparmio di Padova e Rovigo IT systems towards the Group target. This process, which had involved the other North East bank networks in the first half of the year, was completed in October with the migration of Banca Popolare

dell'Adriatico. Simultaneously, the Sanpaolo Network distribution model was adopted, leading to the redefinition of the central office functions and an articulation of the commercial structure by markets. During the quarter 6 retail branches and 1 company branch were opened.

The integration will be completed by the end of January 2005 with the transfer of the branches within a reference territory of a specific historical brand to the bank holding such brand, with the aim of ensuring a unitary presence on the local market.

The accomplishment of the integration processes described above entailed a considerable commitment by the commercial network resources, which involved numerous days of training in respect of new Group procedures and products. This will make it possible to offer customers the complete range of Group products and services.

The launch of promotional initiatives, directed toward specific customer segments, the placement of products and services originating from the Group's product factories and the use of instruments conceived to allow more efficient financial planning of customers' needs, will enable to acquire new customers, to increase volumes and to develop the spread of more evolved financial products.

Cassa di Risparmio di Padova e Rovigo

The main bank network in North East Italy operates through a structure of 279 branches and 2,856 employees. In November 60 Sanpaolo operating points will converge into the bank as part of the project to rationalize the distribution network mentioned earlier.

Under the operational profile, at the end of September 2004 Cassa di Risparmio di Padova e Rovigo showed a growth of customer financial assets attributable mainly to the positive trend of direct deposits. There was a decline in asset management while asset administration increased over the 12 months, despite decreasing since the beginning of the year. Loans to customers have registered a 3.1% increase compared with the end of September last year, thanks to the positive trend of short-term loans. In the first nine months of 2004 the bank registered a slight increase in operating income, mainly due to the increase in net interest income, which more than offset the growth of operating costs attributable to the IT integration activities and the creation of specialized branches. Net income of 83 million euro however, fell as a result of greater provisions

and net adjustments to loans, attributable to the movements of non-performing and problem loans and to the increase in coverage of doubtful loans and performing loans. Profitability expressed in terms of annualized RoE, was 13.8% compared with 17% for the first half of 2003.

Cassa di Risparmio in Bologna

Cassa di Risparmio in Bologna operates through a network of 188 branches and a workforce of 1,881 employees. They will be joined by 33 Sanpaolo operating points in November.

Cassa di Risparmio di Padova e Rovigo

	First nine months 2004	First nine months 2003 pro forma	Change first nine months 2004 / First nine months 2003 pro forma (%)	2003 pro forma
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	401	396	+1.3	532
Operating costs	-199	-196	+1.5	-269
- administrative costs	-210	-208	+1.0	-285
- <i>personnel</i>	-126	-122	+3.3	-168
- <i>other administrative costs</i>	-71	-72	-1.4	-99
- <i>indirect duties and taxes</i>	-13	-14	-7.1	-18
- other operating income, net	21	21	-	30
- amortization	-10	-9	+11.1	-14
Operating income	202	200	+1.0	263
Provisions and net adjustments to loans and financial fixed assets	-52	-27	+92.6	-51
Income before extraordinary items	150	173	-13.3	212
Net extraordinary income/expense	-	-5	n.s.	-30
Income before taxes	150	168	-10.7	182
Income taxes for the period	-67	-72	-6.9	-83
Change in reserve for general banking risks and income attributable to minority interests	-	-	-	-
Net income	83	96	-13.5	99
Contribution to net income of the Group (1)	83	98	-15.3	119
AVERAGE ALLOCATED CAPITAL (€/mil)	800	767	+4.3	782
RATIOS (%)				
Annualized RoE	13.8	17.0		15.2
Cost / Income ratio	49.1	48.7		50.0
	30/9/2004	30/9/2003	Change 30/9/04-30/9/03 (%)	31/12/2003
OPERATING DATA (€/mil)				
Customer financial assets	18,631	17,999	+3.5	18,363
- Direct deposits	10,743	10,197	+5.4	10,280
- Asset management	3,960	3,994	-0.9	4,048
- <i>Mutual funds and fund-based portfolio management</i>	2,671	2,890	-7.6	2,875
- <i>Portfolio management</i>	897	843	+6.4	882
- <i>Life technical reserves</i>	392	261	+50.2	291
- Asset administration	3,928	3,808	+3.2	4,035
Net asset management flows	-92	357		344
Net loans to customers excluding NPLs	9,375	9,090	+3.1	9,483
OPERATING STRUCTURE				
Employees (2)	2,856	2,838	+0.6	2,809
Domestic branches	279	271	+3.0	273

(1) After the posting of consolidation attributable to the Area which in 2003 mainly referred to the harmonization of the criteria of the attribution of the expenses connected with staff leaving incentives.

(2) The number of employees as of 30/9/2003 and 31/12/2003 is pro forma.

The bank showed a decrease in customer financial assets over both the 12 months (-8.4%) and since the beginning of the year (-9.5%) attributable to the trend in direct and indirect deposits. This drop is influenced by the transfer of the institutional management of Noricum Vita, following the rationalization of the Group's organization. Excluding the effects of this transfer, indirect

deposits would have registered a slight growth on an annual basis. Loans to customers, largely stable over the 12 months have fallen since the beginning of the year owing to the decline in short-term loans, not compensated for sufficiently by the positive performance of medium- and long-term loans. The operating income for the first nine months of 2004 showed a decline of 7%

Cassa di Risparmio in Bologna

	First nine months 2004	First nine months 2003 pro forma	Change first nine months 2004 / First nine months 2003 pro forma (%)	2003 pro forma
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	268	269	-0.4	367
Operating costs	-149	-141	+5.7	-188
- administrative costs	-159	-151	+5.3	-200
- <i>personnel</i>	-88	-86	+2.3	-112
- <i>other administrative costs</i>	-60	-54	+11.1	-74
- <i>indirect duties and taxes</i>	-11	-11	-	-14
- other operating income, net	18	20	-10.0	27
- amortization	-8	-10	-20.0	-15
Operating income	119	128	-7.0	179
Provisions and net adjustments to loans and financial fixed assets	-37	-34	+8.8	-84
Income before extraordinary items	82	94	-12.8	95
Net extraordinary income/expense	-	2	n.s.	-17
Income before taxes	82	96	-14.6	78
Income taxes for the period	-36	-40	-10.0	-39
Change in reserve for general banking risks and income attributable to minority interests	-	6	n.s.	10
Net income	46	62	-25.8	49
Contribution to net income of the Group (1)	46	61	-24.6	59
AVERAGE ALLOCATED CAPITAL (€/mil)	627	608	+3.1	609
RATIOS (%)				
Annualized RoE	9.8	13.4		9.7
Cost / Income ratio	54.5	51.9		51.0
	30/9/2004	30/9/2003	Change 30/9/04-30/9/03 (%)	31/12/2003
OPERATING DATA (€/mil)				
Customer financial assets	14,623	15,959	-8.4	16,158
- Direct deposits	6,371	6,965	-8.5	6,875
- Asset management	4,502	4,814	-6.5	4,810
- <i>Mutual funds and fund-based portfolio management</i>	2,357	2,457	-4.1	2,452
- <i>Portfolio management</i>	1,256	1,490	-15.7	1,473
- <i>Life technical reserves</i>	889	867	+2.5	885
- Asset administration	3,750	4,180	-10.3	4,473
Net asset management flows	-372	453		393
Net loans to customers excluding NPLs	8,395	8,384	+0.1	8,608
OPERATING STRUCTURE				
Employees (2)	1,881	1,921	-2.1	1,940
Domestic branches	188	184	+2.2	184

(1) After the posting of consolidation attributable to the Area which in 2003 mainly referred to the harmonization of the criteria of the attribution of the expenses connected with staff leaving incentives.

(2) The number of employees as of 30/9/2003 and 31/12/2003 is pro forma.

compared with the same period last year, mainly owing to the increase in operating costs linked with the IT integration in April. Net income was 46 million euro, down 25.8% owing to greater provisions for risks and charges and the lack of extraordinary net income. Annualized RoE was 9.8% compared with 13.4% for the first nine months of 2003.

Cassa di Risparmio di Venezia

Cassa di Risparmio di Venezia has 134 branches and 1,307 employees. In January 2005 it will include 10 Sanpaolo operating points.

In operating terms, the bank showed a decrease in cus-

Cassa di Risparmio di Venezia

	First nine months 2004	First nine months 2003 pro forma	Change first nine months 2004 / First nine months 2003 pro forma (%)	2003 pro forma
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	177	174	+1.7	238
Operating costs	-108	-100	+8.0	-136
- administrative costs	-111	-104	+6.7	-142
- <i>personnel</i>	-67	-66	+1.5	-88
- <i>other administrative costs</i>	-36	-30	+20.0	-43
- <i>indirect duties and taxes</i>	-8	-8	-	-11
- other operating income, net	9	10	-10.0	14
- amortization	-6	-6	-	-8
Operating income	69	74	-6.8	102
Provisions and net adjustments to loans and financial fixed assets	-15	-7	+114.3	-10
Income before extraordinary items	54	67	-19.4	92
Net extraordinary income/expense	-1	-1	-	-11
Income before taxes	53	66	-19.7	81
Income taxes for the period	-25	-29	-13.8	-38
Change in reserve for general banking risks and income attributable to minority interests	-	-	-	-
Net income	28	37	-24.3	43
Contribution to net income of the Group (1)	28	38	-26.3	51
AVERAGE ALLOCATED CAPITAL (€/mil)	301	304	-1.0	307
RATIOS (%)				
Annualized RoE	12.4	16.7		16.6
Cost / Income ratio	58.6	55.4		55.2
	30/9/2004	30/9/2003	Change 30/9/04-30/9/03 (%)	31/12/2003
OPERATING DATA (€/mil)				
Customer financial assets	7,542	7,889	-4.4	8,004
- Direct deposits	4,556	4,358	+4.5	4,427
- Asset management	1,551	2,141	-27.6	2,122
- <i>Mutual funds and fund-based portfolio management</i>	1,201	1,365	-12.0	1,348
- <i>Portfolio management</i>	9	447	-98.0	424
- <i>Life technical reserves</i>	341	329	+3.6	350
- Asset administration	1,435	1,390	+3.2	1,455
Net asset management flows	-599	173		124
Net loans to customers excluding NPLs	3,329	3,214	+3.6	3,466
OPERATING STRUCTURE				
Employees (2)	1,307	1,323	-1.2	1,331
Domestic branches	134	130	+3.1	131

(1) After the posting of consolidation attributable to the Area which in 2003 mainly referred to the harmonization of the criteria of the attribution of the expenses connected with staff leaving incentives.

(2) The number of employees as of 30/9/2003 and 31/12/2003 is pro forma.

customer financial assets over both the 12 months (-4.4%) and since the beginning of the year (-5.8%), mainly attributable to the trend in asset management (-27.6% compared with the end of September 2003 and -26.9% since the beginning of the year). This drop is influenced by the transfer of the institutional management of Adriavita to third parties, following the rationalization of the Group's shareholdings. Excluding the effects of this transaction, asset management would have fallen 8.4% on an annual basis. Loans to customers increased over the 12 months, benefiting from the favorable trend in medium- and long-term financing. Operating income for the first nine months of 2004, down 6.8%, was penalized, despite a positive trend of revenues (+1.7%), by increased operating costs (+8%) linked with the IT integration in March. This, together with higher provisions for risks and charges, led to a 24.3% decrease in net income. Annualized RoE reached 12.4%, compared with 16.7% in the first nine months of 2003.

Friulcassa

Friulcassa's structure comprises 136 branches and 1,111 employees. In January 2005 10 Sanpaolo operating points will converge into it.

At the end of September 2004 customer financial assets were largely stable over the 12 months (+0.4%) but down 2.5% from the beginning of the year owing to the reduction of indirect deposits. Loans to customers were in line with the end of September 2003 but down 4% since the beginning of the year owing to the decline of short-term loans. Net interest and other banking income for the first nine months of 2004 was 122 million euro, largely stable compared with the same period of the previous year. Net income was penalized both by the increase in operating costs, owing to the IT integration in June and to greater analytical adjustments to loans attributable to movement of non-performing and problem loans. Annualized profitability fell to 6.8%.

Banca Popolare dell'Adriatico

Banca Popolare dell'Adriatico operates in the Central Adriatic regions, through a network of 137 branches and 1,107 employees.

In the third quarter of 2004 the bank's main initiatives were aimed at integrating the organization and operations within the SANPAOLO IMI Group and at the preparation

for migration of the IT system to the Group, which took place in October.

At the end of September 2004, customer financial assets reduced both over the 12 months and from the beginning of the year mainly as a result of a reduction in indirect deposits, negatively affected by the transfer of the insurance company Noricum Vita business, following the aforementioned restructuring of Group operations. Excluding the effects of this transfer, indirect deposits would have registered a drop of 1.8% on an annual basis. Excluding the effects of this transfer, indirect deposits would have registered a slight growth on an annual basis. On the other hand, there was a slight increase in loans to customers. Operating income in the first nine months of 2004 increased by 7.9%, thanks to a reduction in personnel costs, attributable to a decrease in the number of employees as a result of using the "Fund for staff in the banking industry". This, together with fewer provisions for losses on legal disputes and claims from bankruptcy liquidators, as well as the drop in net adjustments to loans, attributable to the monitoring of credit quality and more decisive action in terms of credit recovery, led to net income of 18 million euro. Profitability expressed in terms of annualized RoE, was 10% compared with 4.6% for the first nine months of 2003.

Sanpaolo Banco di Napoli

Sanpaolo Banco di Napoli is the SANPAOLO IMI Group bank appointed to control the regions of mainland Southern Italy. Set up in 2003, and concentrating all the Sanpaolo and Banco di Napoli branches operating in Basilicata, Calabria, Campania, and Apulia into a single company, this represents the most important credit organization in Southern Italy, with a distribution network of 753 operating points, of which 688 branches and 65 other operating points, serving over a million private and retail customers and around 20,000 companies.

In the third quarter of 2004 Sanpaolo Banco di Napoli continued its activity to increase the level of service to local customers. In this direction, work continued on the intense staff training program: about 10,000 days were spent on training in the quarter, taking the total from the beginning of the year to 30,000. Furthermore, the exchange of staff between branches with different historical brands continues, including Parent Bank operating points.

The osmosis between branches from the historical Sanpaolo and Banco di Napoli brands allowed the application of the

Group guidelines on the territory supervised, suitably adapted to specific local needs. In particular, the application of the distribution model articulated by macro customer segments and the adoption of the Parent Group product portfolio were aimed at satisfying the specific needs of local customers.

In the context of the Private & Retail Market, which is serviced by 718 dedicated operating points, initiatives include the following:

- the strengthening of the network devoted to private banking operations: the measures taken during the

Friulcassa

	First nine months 2004	First nine months 2003 pro forma	Change first nine months 2004 / First nine months 2003 pro forma (%)	2003 pro forma
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	122	123	-0.8	165
Operating costs	-82	-79	+3.8	-110
- administrative costs	-84	-81	+3.7	-112
- <i>personnel</i>	-50	-48	+4.2	-65
- <i>other administrative costs</i>	-29	-28	+3.6	-39
- <i>indirect duties and taxes</i>	-5	-5	-	-8
- other operating income, net	6	7	-14.3	9
- amortization	-4	-5	-20.0	-7
Operating income	40	44	-9.1	55
Provisions and net adjustments to loans and financial fixed assets	-15	-8	+87.5	-15
Income before extraordinary items	25	36	-30.6	40
Net extraordinary income/expense	-1	-1	-	-1
Income before taxes	24	35	-31.4	39
Income taxes for the period	-12	-15	-20.0	-18
Change in reserve for general banking risks and income attributable to minority interests	-	1	n.s.	1
Net income	12	21	-42.9	22
Contribution to net income of the Group (1)	12	25	-52.0	28
AVERAGE ALLOCATED CAPITAL (€/mil)	236	227	+4.0	231
RATIOS (%)				
Annualized RoE	6.8	14.7		12.1
Cost / Income ratio	64.8	62.3		63.8
	30/9/2004	30/9/2003 pro forma	Change 30/9/04-30/9/03 pro forma (%)	31/12/2003
OPERATING DATA (€/mil)				
Customer financial assets	6,064	6,038	+0.4	6,219
- Direct deposits	3,033	2,838	+6.9	2,977
- Asset management	1,417	1,513	-6.3	1,478
- <i>Mutual funds and fund-based portfolio management</i>	1,014	1,055	-3.9	1,029
- <i>Portfolio management</i>	201	292	-31.2	272
- <i>Life technical reserves</i>	202	166	+21.7	177
- Asset administration	1,614	1,687	-4.3	1,764
Net asset management flows	-99	145		87
Net loans to customers excluding NPLs	2,478	2,489	-0.4	2,580
OPERATING STRUCTURE				
Employees (2)	1,111	1,120	-0.8	1,112
Domestic branches	136	134	+1.5	134

(1) After the posting of consolidation attributable to the Area which in 2003 mainly referred to the harmonization of the criteria of the attribution of the expenses connected with staff leaving incentives.

(2) The number of employees as of 31/12/2003 is pro forma.

quarter will allow completion of the current development plan by the end of the year, taking the operating points specialized in the service of the customers in question from 11 at the end of September 2004 to about 15 units;

- the spread of multi-channel infrastructures: during the third quarter about 20,000 new contracts were entered into, bringing the total number of customers that subscribed to this service to 111,000; the average monthly number of customers that use the services also grew

Banca Popolare dell'Adriatico

	First nine months 2004	First nine months 2003 pro forma	Change first nine months 2004 / First nine months 2003 pro forma (%)	2003 pro forma
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	120	121	-0.8	165
Operating costs	-79	-83	-4.8	-113
- administrative costs	-84	-88	-4.5	-120
- <i>personnel</i>	-48	-51	-5.9	-70
- <i>other administrative costs</i>	-30	-31	-3.2	-42
- <i>indirect duties and taxes</i>	-6	-6	-	-8
- other operating income, net	8	9	-11.1	12
- amortization	-3	-4	-25.0	-5
Operating income	41	38	+7.9	52
Provisions and net adjustments to loans and financial fixed assets	-8	-20	-60.0	-16
Income before extraordinary items	33	18	+83.3	36
Net extraordinary income/expense	-	-12	n.s.	-24
Income before taxes	33	6	n.s.	12
Income taxes for the period	-15	-6	+150.0	-10
Change in reserve for general banking risks and income attributable to minority interests	-	-	-	-
Net income	18	-	n.s.	2
Contribution to net income of the Group (1)	18	9	+100.0	13
AVERAGE ALLOCATED CAPITAL (€/mil)	239	260	-8.1	248
RATIOS (%)				
Annualized RoE	10.0	4.6		5.2
Cost / Income ratio	63.3	66.2		66.1
	30/9/2004	30/9/2003	Change 30/9/04-30/9/03 (%)	31/12/2003
OPERATING DATA (€/mil)				
Customer financial assets	5,450	5,798	-6.0	5,821
- Direct deposits	2,608	2,572	+1.4	2,571
- Asset management	1,759	1,837	-4.2	1,870
- <i>Mutual funds and fund-based portfolio management</i>	1,315	1,308	+0.5	1,324
- <i>Portfolio management</i>	34	155	-78.1	153
- <i>Life technical reserves</i>	410	374	+9.6	393
- Asset administration	1,083	1,389	-22.0	1,380
Net asset management flows	-136	187		189
Net loans to customers excluding NPLs	2,482	2,450	+1.3	2,479
OPERATING STRUCTURE				
Employees (2)	1,107	1,186	-6.7	1,096
Domestic branches	137	133	+3.0	133

(1) After the posting of consolidation attributable to the Area which in 2003 mainly referred to the harmonization of the criteria of the attribution of the expenses connected with staff leaving incentives.

(2) The number of employees as of 30/9/2003 and 31/12/2003 is pro forma.

considerably, increasing by more than 50% since the end of 2003;

- the relaunching of activities for small business customers: the operational development continued through the growth in the number of resources dedi-

cated to this type of customer and the spread of specialist skills to provide advisory services and assistance to the local manufacturers and businesses.

The demand by private and retail customers for asset man-

Sanpaolo Banco di Napoli

	First nine months 2004	First nine months 2003 pro forma	Change first nine months 2004 / First nine months 2003 pro forma (%)	2003 pro forma
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	710	668	+6.3	911
Operating costs	-454	-468	-3.0	-636
- administrative costs	-479	-490	-2.2	-667
- personnel	-264	-267	-1.1	-361
- other administrative costs	-190	-200	-5.0	-275
- indirect duties and taxes	-25	-23	+8.7	-31
- other operating income, net	25	22	+13.6	31
- amortization	-	-	-	-
Operating income	256	200	+28.0	275
Adjustments to goodwill and merger and consolidation differences	-55	-55	-	-73
Provisions and net adjustments to loans and financial fixed assets	-37	-49	-24.5	-75
Income before extraordinary items	164	96	+70.8	127
Net extraordinary income/expense	1	-	n.s.	2
Income before taxes	165	96	+71.9	129
Income taxes for the period	-78	-50	+56.0	-67
Change in reserve for general banking risks and income attributable to minority interests	-	-	-	-
Net income	87	46	+89.1	62
Contribution to net income of the Group (1)	122	81	+50.6	108
AVERAGE ALLOCATED CAPITAL (€/mil)	1,271	1,220	+4.2	1,228
RATIOS (%)				
Annualized RoE	12.8	8.9		8.8
Cost / Income ratio	61.8	67.7		67.5
	30/9/2004	30/9/2003 pro forma	Change 30/9/04-30/9/03 pro forma (%)	31/12/2003 pro forma
OPERATING DATA (€/mil)				
Customer financial assets	38,392	37,358	+2.8	37,393
- Direct deposits	16,169	15,387	+5.1	15,525
- Asset management	15,634	15,101	+3.5	15,267
- Mutual funds and fund-based portfolio management	10,490	11,106	-5.5	10,908
- Portfolio management	760	757	+0.4	793
- Life technical reserves	4,384	3,238	+35.4	3,566
- Asset administration	6,589	6,870	-4.1	6,601
Net asset management flows	172	1,606		1,617
Net loans to customers excluding NPLs and loans to SGA	7,719	7,459	+3.5	8,344
OPERATING STRUCTURE				
Employees	5,782	5,928	-2.5	5,813
Domestic branches	688	688	-	688

(1) After the posting of consolidation represented by the reversal of amortization for goodwill.

agement products also continued, notably in relation to the bancassurance sector.

Activities toward the Companies Market, which are served by 35 dedicated operating points, were organized on numerous fronts, taking into consideration the marked prevalence of small-sized companies and micro-companies in the local market. With reference to the specific needs of the local entrepreneurial fabric, knowledge has been promoted with regard to the service dedicated to financing applied research, which is lacking in the South.

With the aim of increasing communication with local entrepreneurs, the advisory council for the Calabro Lucana area has been set up, working alongside the similar body already present in the Apulia region. The advisory council for the Campania region will also be set up soon. The local economy advisory councils aim to improve knowledge of the territory and supply and demand evolution trends with regard to knowledge of financial services for companies and households and are made up of prominent representatives of the economic, social and institutional fabric of the specific regions.

A new hiring program has also been set up and will allow the inclusion of 75 new resources by the end of the year.

Customer financial assets grew both on an annual basis (+2.8%) and from the end of 2003 (+2.7%), showing a recomposition from asset administration to asset management, largely in life insurance policies. Loans showed an annual growth of 3.5%, concentrated on medium- and long-term loans, which increased by 6.6% against a drop of 1% in the short-term. This was consistent with the need for recomposition of the indebtedness of companies in the South, currently unbalanced in the short term.

The income results of Sanpaolo Banco di Napoli for the first nine months of 2004 were higher than those recorded in the pro forma statement for the same period of 2003:

- operating income showed a growth of 28%, made possible by the 6.3% increase in revenues and the 3% reduction in operating costs;
- net income, which also benefited from minor adjustments to loans, almost doubled;
- annualized RoE, calculated on the contribution to consolidated net income, excluding the effect of amortization of goodwill, was 12.8%;
- the cost to income ratio was 61.8%, an improvement on the 67.7% for the first nine months of the previous year.

Asset Management

Sanpaolo IMI Wealth Management

Sanpaolo IMI Wealth Management provides asset management products and services both to the Group's internal distribution networks and to institutional investors. The Sanpaolo IMI Wealth Management holding company heads the Group companies operating in mutual funds, portfolio management and life insurance. The latter will converge into Assicurazioni Internazionali di Previdenza by the end of the year.

In the third quarter of 2004, the Area realized initiatives

aimed at rationalizing its corporate structure. In particular:

- on 1 September 2004 the merger by incorporation of Obiettivo SGR, a company operating on the pure hedge funds market into Sanpaolo IMI Alternative Investments SGR;
- following the merger by incorporation of IMI Bank (Luxembourg) into Sanpaolo Bank (Luxembourg), the share held in the latter by Sanpaolo IMI Wealth Management was reduced to 41.5%.

With reference to the commercial offers completed in the quarter:

- the completion of the marketing activity of the "Blue Profit Solidarietà" index linked, which envisages the

Sanpaolo IMI Wealth Management

	First nine months 2004	First nine months 2003 pro forma	Change first nine months 2004 / First nine months 2003 pro forma (%)	2003 pro forma
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	256	213	+20.2	289
Operating costs	-71	-85	-16.5	-106
- administrative costs	-75	-86	-12.8	-109
- <i>personnel</i>	-31	-38	-18.4	-43
- <i>other administrative costs</i>	-43	-47	-8.5	-65
- <i>indirect duties and taxes</i>	-1	-1	-	-1
- other operating income, net	10	10	-	15
- amortization	-6	-9	-33.3	-12
Operating income	185	128	+44.5	183
Adjustments to goodwill and merger and consolidation differences	-6	-6	-	-14
Provisions and net adjustments to loans and financial fixed assets	-1	-1	-	-7
Income before extraordinary items	178	121	+47.1	162
Net extraordinary income/expense	2	-11	n.s.	-11
Income before taxes	180	110	+63.6	151
Income taxes for the period	-14	-16	-12.5	-19
Change in reserve for general banking risks and income attributable to minority interests	-	-	-	-
Net income	166	94	+76.6	132
Contribution to net income of the Group (1)	172	102	+68.6	142
AVERAGE ALLOCATED CAPITAL (€/mil)	783	700	+11.9	719
RATIOS (%)				
Annualized RoE	29.3	19.4		19.7
Cost / Income ratio	30.1	42.2		39.5
	30/9/2004	30/9/2003 pro forma	Change 30/9/04-30/9/03 pro forma (%)	31/12/2003 pro forma
OPERATING DATA (€/mil)				
Assets under management	107,639	104,882	+2.6	105,409
OPERATING STRUCTURE				
Employees	483	508	-4.9	508

(1) After the posting of consolidation attributable to the Area, mainly represented by the reversal of amortization for goodwill on Group companies.

assignment of 800,000 euro for each humanitarian project selected with the support of the Parent Bank's Ethical Committee;

- the launch of the marketing of the new fund of hedge funds called Brera Equity Hedge, which expands the Brera HF Selection range, the portfolio of which exceed 21 million euro in September.

At the end of September 2004, the Area's volumes of assets under management were 107.6 billion euro, up 2.6% on an annual basis and 2.1% since the beginning of the year.

In the first nine months of 2004 Wealth Management registered net interest and other banking income of 256 million euro, up by 20.2% compared with the same period of the previous year; this trend was determined by the greater contribution of the insurance companies Sanpaolo Vita and Sanpaolo Life, booked as profits from companies carried at equity, and by the increase in net commissions. This, together with the reduction in operating costs (-16.5%), led to a 44.5% growth of the operating income. Net income reached 166 million euro, registering an increase of 76.6%. Profitability expressed in terms of annualized RoE, was 29.3% compared with 19.4% for the first nine months of 2003.

Investment Banking

Banca IMI

Banca IMI, the Group's investment bank, covers securities dealing both on own account and for customers, the raising of risk and debt capital for companies, as well as corporate finance consultancy.

In the third quarter of 2004 Banca IMI, with reference to corporate finance and capital markets:

- acted as coordinator and sole underwriter for the capital increase of Buzzi Unicem in July;
- made a private placement of 5.6% of the share capital of Lottomatica, one of the leading private placements made in Italy in 2004.

As regards corporate finance advisory and structured finance, the bank:

- completed the assistance to Edison in the disposal of the high-pressure gas transportation network to the Clessidra fund;

Banca IMI

	First nine months 2004	First nine months 2003 pro forma	Change first nine months 2004 / First nine months 2003 pro forma (%)	2003 pro forma
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	133	178	-25.3	245
Operating costs	-101	-105	-3.8	-143
- administrative costs	-94	-97	-3.1	-131
- <i>personnel</i>	-50	-51	-2.0	-71
- <i>other administrative costs</i>	-43	-45	-4.4	-59
- <i>indirect duties and taxes</i>	-1	-1	-	-1
- other operating income, net	1	2	-50.0	2
- amortization	-8	-10	-20.0	-14
Operating income	32	73	-56.2	102
Provisions and net adjustments to loans and financial fixed assets	-	-3	n.s.	-4
Income before extraordinary items	32	70	-54.3	98
Net extraordinary income/expense	19	-1	n.s.	-1
Income before taxes	51	69	-26.1	97
Income taxes for the period	-6	-23	-73.9	-32
Change in reserve for general banking risks and income attributable to minority interests	-	-	-	-2
Net income	45	46	-2.2	63
Contribution to net income of the Group (1)	33	46	-28.3	65
AVERAGE ALLOCATED CAPITAL (€/mil)	450	407	+10.6	416
RATIOS (%)				
Annualized RoE	9.8	15.1		15.6
Cost / Income ratio	75.4	58.9		58.3
OPERATING DATA (€/mil)				
Banca IMI SpA trading volumes				
- trading	449,618	547,877	-17.9	705,250
- sales	122,184	151,736	-19.5	211,620
- repurchase agreements	1,403,846	1,461,742	-4.0	1,922,541
- placements	4,337	8,169	-46.9	9,392
	30/9/2004	30/9/2003 pro forma	Change 30/9/04-30/9/03 pro forma (%)	31/12/2003 pro forma
OPERATING STRUCTURE				
Employees	559	565	-1.1	562
Branches	1	1	-	1

(1) After the posting of consolidation attributable to the Area.

- in the context of the privatization of public real estate assets, received an appointment from the Ministry of Economy and Finance for the structuring and placement of the FIP fund (Fondo Immobili Pubblici), which will be the biggest closed-end investment fund on the Italian market;
- regarding transactions underway, continued to assist Smat of Turin and Amga of Genoa for the purchase of shares in Acque Potabili and the Albanian government for the project for the privatization of the fixed telecommunication and energy sectors.

In the third quarter Banca IMI also received corporate broking appointments from Astaldi and Trevi.

In the first nine months of 2004, Banca IMI posted a net income of 45 million euro, down 2.2% on the same period of the previous year. This trend was conditioned by the reduction of revenues attributable to the drop in profits from financial transactions and commissions. It should be highlighted that the different treatment of taxation on dividends collected from shares including those from ordinary trading activity, has influenced the comparison with the principal economic volumes for the period, affecting the comparison of the figures. The new regulations in respect of this treatment, which are reflected both in net interest and other banking income, reducing the gross revenues, and in the amount booked, reducing their influence, did not have any significant effect on net income. The Group's contribution to net income was affected by the reversal of the extraordinary income related to the infra Group sale of shareholdings. Annualized profitability was 9.8%, falling from the 15.1% of the first nine months of 2003.

Sanpaolo IMI Private Equity

Sanpaolo IMI Private Equity is responsible for the private equity activity of the Group, with the strategic goal of strengthening and consolidating its presence in this sector, mainly through the promotion and management of closed-end investment funds dedicated to equity investment in small- and medium-sized companies.

The company, which performs sectorial sub-holding functions, heads two SGRs in Italy authorized to manage closed-end investment funds (Sanpaolo IMI Fondi Chiusi SGR and Sanpaolo IMI Investimenti per lo Sviluppo SGR), as well as an advisory company to support their activity, while the subsidiaries instrumental to the management of inter-

national law closed-end investment funds and the merchant banking activity are located abroad.

During the third quarter of 2004, Sanpaolo IMI Fondi Chiusi SGR continued the fund-raising activities of the two new multi-regional funds launched, Nord Ovest Impresa and Centro Impresa, dedicated to investments in small- and medium-sized companies in their respective areas of competence, each with a target of 100 million euro. Fondo Centro Impresa collected subscriptions for 75 million, exceeding the minimum limit for the first closing fixed by the Regulation, while Fondo Nord Ovest Impresa should achieve the minimum targets within the early months of next year.

With reference to Sanpaolo IMI Investimenti per lo Sviluppo SGR, to which the "Fondo di Promozione del Capitale di Rischio per il Mezzogiorno" ("Risk capital fund for Southern Italy") refers, the entry of the latter into the capital of Conserve Mediterraneo, the new-co set up for the purchase of Cirio/De Rica, with an investment of 10 million euro, for an 18.2% share of the capital of the new company, 51% of which is held by the industrial partner Conserve Italia, was approved in September 2004.

As regards the activity of foreign-law funds, work continued in the third quarter on a project to simplify the corporate structure, with the transfer to the Luxembourg subsidiary Sanpaolo IMI Equity Management of the activities of Sanpaolo IMI Capital Partners and the subsequent liquidation of the latter company. The pan European partnership project with CDC Ixis and Bayerische Landesbank is oriented towards new forms of cooperation, such as cross-investment in funds managed by the respective management companies.

Lastly, consistent with the strategic address of gradually disposing of directly held stakes, the sale of the shareholding in Merloni Termosanitari to IMI Investimenti, led by the Dutch subsidiary LDV Holding, and that of the mechanical hardware business Raco, of Friuli, to another financial operator, were completed.

With reference to the income results, Sanpaolo IMI Private Equity, together with its subsidiaries, has recorded a loss of 8 million euro for the first nine months of 2004, partially owing to net adjustments to equity investments, partly by way of the start-up costs for the new funds which will shortly be launched, the revenues of which will mature in the form of management commissions as of 2005.

IMI Investimenti

IMI Investimenti manages the Group's major industrial shareholdings.

In the third quarter of 2004, in the context of a program to reallocate shareholdings within the Group, 6.1% of Merloni Termosanitari (MTS) was purchased from LDV Holding for 22 million euro. The share of MTS now held by Banca Popolare dell'Adriatico (1.4%) will be taken over by the end of the year with a further outlay of 5 million euro.

Furthermore, the sale of the 5% shareholding in Serene was defined, signing a preliminary contract with Edison which envisages closing after the procedure provided for in the articles of association has been completed.

Lastly, attention is brought to the exit from the Fata Group partnership, of which the shareholding had already been fully written down as a result of the negative performance as of 31 December 2003, owing to the failure to participate in the reinstatement of capital zeroed following the losses accumulated.

At the same time, work continued with regard to the disposal of the FIAT shares in the dealing portfolio following the drawing up of a premium sales agreement negotiated last June.

The economic performance for the first nine months of the year is penalized by the writedowns registered by certain shares valued at market prices, by the reduced activity on the dealing portfolio and by adjustments to the shareholding in Hutchison 3G Italia.

With regard to the valuation of the shareholding in Hutchison 3G Italia, the adjustment booked in the first half of the year is confirmed, considering the value reported as of 30 June 2004, 38 million euro, in line with an adequate market valuation. To this end it should be noted that the current market situation shows a favorable attitude towards the services offered by the UMTS. The initiative, which is still in the start-up phase in an innovative and highly competitive sector, is beginning to show considerable commercial success (about 1.8 million "usim" activated in mid-October, with a forecast of 2.3 million registrations by the end of the year).

Personal Financial Services

Banca Fideuram

Banca Fideuram has a network of 4,406 financial planners and 89 branches in Italy and operates using its own spe-

cialized companies dedicated to the production of asset management services.

In the third quarter the bank continued work on the activities aimed at completion of the spin off of Fideuram Vita to SANPAOLO IMI, envisaged by the end of the year. This

Banca Fideuram

	First nine months 2004	First nine months 2003	Change first nine months 2004 / First nine months 2003 (%)	2003
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	495	437	+13.3	592
Operating costs	-249	-251	-0.8	-338
- administrative costs	-239	-241	-0.8	-321
- <i>personnel</i>	-108	-110	-1.8	-147
- <i>other administrative costs</i>	-115	-113	+1.8	-151
- <i>indirect duties and taxes</i>	-16	-18	-11.1	-23
- other operating income, net	18	20	-10.0	26
- amortization	-28	-30	-6.7	-43
Operating income	246	186	+32.3	254
Adjustments to goodwill and merger and consolidation differences	-2	-5	-60.0	-6
Provisions and net adjustments to loans and financial fixed assets	-30	-20	+50.0	-31
Income before extraordinary items	214	161	+32.9	217
Net extraordinary income/expense	3	-6	n.s.	-6
Income before taxes	217	155	+40.0	211
Income taxes for the period	-33	-35	-5.7	-36
Change in reserve for general banking risks and income attributable to minority interests	1	1	-	1
Net income	185	121	+52.9	176
Contribution to net income of the Group (1)	136	92	+47.8	132
AVERAGE ALLOCATED CAPITAL (€/mil)	760	716	+6.1	737
RATIOS (%)				
Annualized RoE	23.9	17.1		17.9
Cost / Income ratio	48.9	55.4		55.2
	30/9/2004	30/9/2003	Change 30/9/04-30/9/03 (%)	31/12/2003
OPERATING DATA (€/mil)				
Customer financial assets	59,742	59,018	+1.2	59,517
- Direct deposits	3,743	3,951	-5.3	3,581
- Asset management	45,260	43,373	+4.4	44,573
- <i>Mutual funds and fund-based portfolio management</i>	31,821	30,841	+3.2	31,736
- <i>Portfolio management</i>	612	583	+5.0	593
- <i>Life technical reserves</i>	12,827	11,949	+7.3	12,244
- Asset administration	10,739	11,694	-8.2	11,363
Net asset management flows	23	2,653		3,560
Assets under management (stock)	58,305	57,399	+1.6	58,129
Assets under management (net inflow)	-767	749		1,204
OPERATING STRUCTURE				
Employees	1,819	1,860	-2.2	1,871
Financial planners	4,406	4,617	-4.6	4,543
Domestic branches	89	89	-	88

(1) Related to the stake held by SANPAOLO IMI and after the posting of consolidation attributable to the Area.

transaction, approved on 30 June 2004, is part of the context of the project to reorganize the Group's insurance activities, as described in greater detail in the chapter "Action points and initiatives in the quarter".

At the end of the third quarter customer financial assets of Banca Fideuram were 59.7 billion euro, up 1.2% over the 12 months. The strategy to reconvert the assets under administration, aimed at increasing the weight of asset management continued. Asset management volumes were 45.3 billion euro, up 4.4% compared to the end of September 2003 and 1.5% since the beginning of the year. Net inflow for the period is still positive thanks to the contribution of fund-based portfolio management, particularly profitable, and the positive trend in life insurance

policies, mainly unit linked, which more than compensated for the outflow of mutual funds.

Net income for the first nine months of 2004 was 185 million euro, up 52.9% compared with the same period last year. This result was generated mainly by the growth of net interest and other banking income (+13.3%) and by the containment of operating costs (-0.8%). The favorable trend in revenues is attributable to the increase in recurrent net commissions, owing to the growth in the average volumes, to the improvement in the product mix and to the profit from insurance companies valued using the equity method. Annualized profitability was 23.9% compared with 17.1% for the first nine months of 2003.

Public Authorities and Entities

Banca OPI

Banca OPI provides financial services to the public sector, with particular reference to the financing of infrastructure investments and public works.

In the third quarter of 2004, the bank:

- issued new loans concerning mainly investments for land preservation (including restoration and safety of infrastructure damaged by flooding in Piedmont and Friuli Venezia Giulia) and works in relation to the Torino

2006 Olympic Winter Games. Also in the environmental context, continued operations related to reclamation work and irrigation systems;

- issued mortgages to local entities and companies managing freeways for the realization of road works;
- with regard to subscription to public issue bonds, was mainly involved in domestic issues for operations in the health and railway transport sectors;
- in project financing, obtained new appointments in the context of tenders for the assignment of new construction and management concessions. In particular:
 - in relation to the re-qualification of the Niguarda Cà Granda hospital, will act as financial advisor, with

Banca OPI

	First nine months 2004	First nine months 2003 pro forma	Change first nine months 2004 / First nine months 2003 pro forma (%)	2003 pro forma
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	117	124	-5.6	165
Operating costs	-19	-18	+5.6	-25
- administrative costs	-20	-20	-	-28
- <i>personnel</i>	-10	-10	-	-13
- <i>other administrative costs</i>	-9	-8	+12.5	-11
- <i>indirect duties and taxes</i>	-1	-2	-50.0	-4
- other operating income, net	1	2	-50.0	3
- amortization	-	-	-	-
Operating income	98	106	-7.5	140
Provisions and net adjustments to loans and financial fixed assets	-23	-6	n.s.	-10
Income before extraordinary items	75	100	-25.0	130
Net extraordinary income/expense	190	2	n.s.	9
Income before taxes	265	102	+159.8	139
Income taxes for the period	-101	-35	+188.6	-45
Net income	164	67	+144.8	94
Contribution to net income of the Group (1)	50	67	-25.4	93
AVERAGE ALLOCATED CAPITAL (€/mil)	778	699	+11.3	710
RATIOS (%)				
Annualized RoE	8.6	12.8		13.1
Cost / Income ratio	16.1	14.3		14.3
	30/9/2004	30/9/2003	Change 30/9/04-30/9/03 (%)	31/12/2003
OPERATING DATA (€/mil)				
Net loans to customers excluding NPLs	18,396	18,164	+1.3	18,693
Disbursements in the period	2,305	3,156		5,209
Investments in customer securities (stock)	4,209	1,953	+115.5	2,106
Subscriptions of securities issued by customers (flow)	2,098	1,468		1,651
OPERATING STRUCTURE				
Employees	155	156	-0.6	156

(1) After the posting of consolidation attributable to the Area which in the first nine months of 2004 mainly referred to the reversal of extraordinary income in respect of the utilization of risk reserves accrued in previous years for tax purposes.

Santander Central Hispano Investment, of the concert party represented by Obrascon Huarte Lain S.A., an important Spanish constructor and manager of hospitals;

- in the construction and management of Verduno hospital, will intervene as financial advisor of the group made up of Maire Engineering and Consorzio Gesto;
- in the selection of the private partner for the mixed company (with ANAS holding 35%) that will construct and manage the Asti-Cuneo Freeway, it has been nominated, together with Calyon, financial advisor of the grouping between Astaldi and Pianini.

Furthermore, in the water sector the bank:

- assisted AMAP in the tender for assignment of the integrated water service in the ATO of Palermo;
- took part in the selection for the structuring of the financing project in the ATO of Latina.

Lastly, with reference to foreign operations:

- the bank's participation in the project for the concession of the Zagabria-Macelj freeway in Croatia was completed;
- completed the consultancy activity for CIDIU of Collegno in relation to the business plan of the Punto Ambiente subsidiary for the construction of a solid urban waste treatment plant and acquired an appointment from ASM of Rovigo for the adaptation of the

articles and by-laws of the company to the regulations governing the gas sector.

At the end of September 2004, total exposure for customer loans and securities amounted to 22.6 billion euro, an increase of 12.4% over the 12 months. This increase is mainly attributable to the aggregate of securities, given the increasing preference that local authorities and regional customers assign to the issue of own shares to financial brokers by way of subscription.

Net income for the first nine months of 2004 reached 164 million euro, compared with 67 million euro for the same period of the previous year. It benefited from the booking of 190 million euro extraordinary income, of which 184 million is attributable to the "fiscal clean-up" made in compliance with new company regulations. On the contrary the increase in net adjustments is attributable, for a value of around 14 million euro, to the writing down of certain contracts included in the residual leasing portfolio. It should be noted that the Group's contribution to net income was affected by the elimination of the aforementioned extraordinary income, since the relative components had already been reversed in the Group's consolidated financial statement. These events squeezed annualized profitability to 8.6%.

Explanatory Notes

ACCOUNTING AND VALUATION PRINCIPLES

CHANGES IN THE CONSOLIDATION AREA

CONSOLIDATED PRO FORMA STATEMENTS FOR THE FIRST NINE MONTHS OF 2003

CRITERIA FOR CALCULATING THE PROFITABILITY OF BUSINESS SECTORS
AND BUSINESS AREAS

Accounting and valuation principles

The Quarterly Report of the SANPAOLO IMI Group as of 30 September 2004 has been prepared according to Consob Regulation no. 11971 of 14 May 1999 and successive modifications and integrations.

The balance sheet and the statement of income as of 30 September 2004 have been prepared using accounting and valuation principles consistent with the Half Year Report as of 30 June 2004, to which reference is made for further detail. Here, the following should be noted:

- the quarterly accounts have been prepared using the discrete approach, by which the reference period is considered to be an independent financial period. Accordingly, the quarterly statement of income reflects both the ordinary and extraordinary components pertaining to the period, in accordance with the accrual principle. In particular, income tax reflects the cost attributable to the period according to current and deferred taxation;
- the accounting situations used for consolidation are those prepared by subsidiary companies (consolidated line by line, proportionally or at net equity) with reference to 30 September 2004, as adjusted when necessary in line with Group accounting principles;
- valuations according to the net equity method of subsidiaries subject to a significant degree of influence have been made on the basis of information made available by them also using, for the statement of income for the period, prudent estimates;
- only significant balances and transactions with Group companies have been eliminated.

The quarterly balance sheet and statement of income have not been independently audited.

Changes in the consolidation area

The line by line and proportional consolidation area of the SANPAOLO IMI Group as of 30 September 2004 showed no significant changes with respect to 31 December of 2003, with the exception of:

- the proportional consolidation of All Funds Bank S.A., following the acquisition, in February 2004, of 50% of the company by Sanpaolo IMI Wealth Management;
- the exclusion of Sanpaolo Bank (Austria) A.G. from the line by line consolidation area; the sale of the former was completed in October 2004.

With respect to 30 September 2003, in addition to the above changes, note is made of the passage from the area of consolidation according to the line by line method, to that of consolidation according to the equity method of Banque Sanpaolo S.A. and its subsidiaries, following the disposal in December 2003 of 60% of its entire shareholding previously held by the Parent Bank.

Lastly, attention is brought to the exclusion of Finconsumo Banca S.p.A. from the area of consolidation according to the equity method, following the disposal of the residual 30% share during the first quarter of 2004.

Consolidated pro forma statements for the first nine months of 2003

In relation to the aforementioned changes in the area of consolidation according to the line by line and proportional method, in order to ensure comparability of the accounting results on a consistent basis, the consolidated accounts of the SANPAOLO IMI Group for the first nine months of 2003 are presented in a pro forma version that conventionally assumes the passage of Banque Sanpaolo S.A. and its subsidiaries from line by line consolidation to consolidation according to the equity method with effect from 1 January 2003.

In addition, it should also be noted that the reclassified consolidated statements of income for 2003 have been set out also in relation to tax credit on dividends from shareholdings, which have been reclassified from "Profits from companies carried at equity and dividends from shareholdings" under "Income taxes for the period". The reclassification (for a total of 13 million euro, 9 million referring to the second quarter and 4 million to the third quarter) became necessary to allow better comparison with this year's figures, in which the tax credits have been largely abolished following the exemption of dividends from taxation.

The aforementioned pro forma schedules are unaudited.

Criteria for calculating the profitability of Business Sectors and Business Areas

The statement of income of the Business Sectors is the result of the statements of income of its Business Areas. The latter have been prepared as follows:

- for those Areas whose business is carried out both by the Parent Bank and by subsidiaries, consolidation of the accounts of the Parent Bank attributable to the relevant Area has been effected with the income statement line items of the subsidiary companies. In particular, the attribution to individual Areas of Parent Bank line items is made on the basis of the following principles:
 - the net interest income has been calculated using appropriate internal transfer rates;
 - in addition to commissions in effect, notional commissions for services rendered by one Area to another have also been quantified;
 - the direct costs of each Area have been calculated and the costs of central structures other than those attributable to holding company functions have been allocated to the Areas. It should be noted that - for services provided to the operating business units by the central bodies - the allocation was made on the basis of services performed at standard prices, allocating to head office the difference between costs effectively sustained and costs allocated. This methodological choice is aimed at making the central structures responsible for the recovery of efficiency;
 - for those Areas whose business is carried out wholly by subsidiaries, the income statements of the companies are reported; their contribution to consolidated net income is also shown, net of minority interest and after the posting of consolidation attributable to the Area.
- for those Areas whose business is carried out both by the Parent Bank and by subsidiaries, consolidation of the average economic capital of the Parent Bank referring to the Area with that of the subsidiaries has been effected. The capital has been calculated according to VaR, distinguishing among the different types of risk: credit risk, market risks and operational risk; these risks are covered entirely with primary capital;
 - for those Areas whose business is carried out exclusively by subsidiaries, reference is made to the average accounting net shareholders' equity (including income for the period).

Finally, the profitability of each Area has been calculated. In particular:

- for those Areas whose business is carried out both by the Parent Bank and by subsidiaries, profitability has been expressed in terms of RORAC (Return On Risk Adjusted Capital), taking the Area's contribution to net income of the Group to the relative economic capital quantified according to VaR;
- for those Areas whose business is carried out exclusively by subsidiaries, profitability has been expressed in terms of RoE (Return on Equity), taking the Area's contribution to net income of the Group to the respective average accounting net shareholders' equity (including income for the period), consistently with the principles adopted for the Group.

As with the statement of income, the capital of the Business Sectors is the result of adding up the capitals of the respective Business Areas. The capital has been attributed to each Area according to the following criteria:

Turin, 12 November 2004

The Board of Directors

