

Consolidated financial statements

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF INCOME

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(€/mil)

ASSETS	31/12/2004	31/12/2003
10. Cash and deposits with central banks and post offices	1,348	1,474
20. Treasury bills and similar bills eligible for refinancing with central banks	2,553	3,923
30. Due from banks	23,777	22,278
a) repayable on demand	3,560	7,291
b) other deposits	20,217	14,987
40. Loans to customers	121,907	124,599
<i>of which:</i>		
- <i>loans using public funds</i>	148	172
50. Bonds and other debt securities	23,716	18,588
a) public entities	13,222	10,366
b) banks	5,978	5,536
<i>of which:</i>		
- <i>own bonds</i>	2,635	2,783
c) financial institutions	3,789	2,116
<i>of which:</i>		
- <i>own bonds</i>	97	53
d) other issuers	727	570
60. Shares, quotas and other equities	3,021	2,747
70. Equity investments	3,421	3,442
a) carried at equity	597	645
b) other	2,824	2,797
80. Investments in Group companies	1,082	1,130
a) carried at equity	1,082	1,130
90. Goodwill arising on consolidation	712	883
100. Goodwill arising on application of the equity method	57	76
110. Intangible fixed assets	289	343
<i>of which:</i>		
- <i>start-up costs</i>	1	2
- <i>goodwill</i>	6	7
120. Tangible fixed assets	1,804	1,972
140. Own shares or quotas (nominal value € 14 million)	54	34
150. Other assets	23,597	17,986
160. Accrued income and prepaid expenses	3,819	3,105
a) accrued income	2,730	2,223
b) prepaid expenses	1,089	882
<i>of which:</i>		
- <i>discounts on bond issues</i>	245	277
Total assets	211,157	202,580

		(€/mil)	
LIABILITIES		31/12/2004	31/12/2003
10.	Due to banks	28,198	28,534
	a) repayable on demand	2,262	3,875
	b) time deposits or with notice period	25,936	24,659
20.	Due to customers	88,488	79,993
	a) repayable on demand	66,282	63,074
	b) time deposits or with notice period	22,206	16,919
30.	Securities issued	46,564	51,553
	a) bonds	39,628	39,979
	b) certificates of deposit	2,930	7,149
	c) other	4,006	4,425
40.	Public funds administered	150	175
50.	Other liabilities	22,162	18,445
60.	Accrued expenses and deferred income	2,647	2,181
	a) accrued expenses	2,252	1,708
	b) deferred income	395	473
70.	Provisions for employee termination indemnities	886	946
80.	Provisions for risks and charges	3,046	2,982
	a) pensions and similar commitments	198	304
	b) taxation	989	732
	c) other	1,859	1,946
90.	Reserve for probable loan losses	81	91
100.	Reserve for general banking risks	6	4
110.	Subordinated liabilities	6,955	6,414
130.	Negative goodwill arising on application of the equity method	430	213
140.	Minority interest	176	271
150.	Capital	5,218	5,144
160.	Additional paid-in capital	725	708
170.	Reserves	3,963	3,882
	a) legal reserve	1,044	1,029
	b) reserve for own shares or quotas	51	34
	d) other reserves	2,868	2,819
180.	Revaluation reserves	69	72
200.	Income for the period	1,393	972
Total liabilities and shareholders' equity		211,157	202,580
		(€/mil)	
GUARANTEES AND COMMITMENTS		31/12/2004	31/12/2003
10.	Guarantees given	17,299	19,912
	<i>of which:</i>		
	- acceptances	187	145
	- other guarantees	17,112	19,767
20.	Commitments	29,815	25,839

Consolidated statement of income

(€/mil)

	2004	2003
10. Interest income and similar revenues	7,195	7,443
<i>of which:</i>		
– loans to customers	5,799	6,215
– debt securities	926	727
20. Interest expense and similar charges	-3,508	-3,701
<i>of which:</i>		
– amounts due to customers	-937	-1,050
– securities issued	-1,649	-1,761
30. Dividends and other revenues	152	309
a) shares, quotas and other equities	79	223
b) equity investments	73	86
40. Commission income	3,998	3,722
50. Commission expense	-761	-685
60. Profits (losses) on financial transactions	235	198
70. Other operating income	399	396
80. Administrative costs	-4,565	-4,610
a) personnel	-2,803	-2,841
<i>of which:</i>		
– wages and salaries	-2,033	-2,046
– social security charges	-620	-633
– termination indemnities	-120	-132
– pensions and similar	-30	-30
b) other administrative costs	-1,762	-1,769
90. Adjustments to tangible and intangible fixed assets	-656	-642
100. Provisions for risks and charges	-231	-195
110. Other operating expense	-76	-68
120. Adjustments to loans and provisions for guarantees and commitments	-894	-1,126
130. Writebacks of adjustments to loans and provisions for guarantees and commitments	386	417
140. Provisions to the reserve for probable loan losses	-17	-15
150. Adjustments to financial fixed assets	-106	-158
160. Writebacks of adjustments to financial fixed assets	124	218
170. Income (losses) from investments carried at equity	278	197
180. Income from ordinary activities	1,953	1,700
190. Extraordinary income	323	548
200. Extraordinary expense	-175	-580
210. Extraordinary net income	148	-32
230. Change in reserve for general banking risks	-2	9
240. Income taxes	-658	-657
250. Income (loss) attributable to minority interests	-48	-48
260. Income for the period	1,393	972

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Introduction - Background information on the Financial Statements

Form and content of the consolidated financial statements

The consolidated Financial Statements for the 2004 financial year have been prepared pursuant to D.Lgs. 87 dated 27 January 1992, which implemented EEC Directive 86/635. They also take into account the requirements contained in the Bank of Italy instructions dated 30 July 1992 and subsequent amendments. For all matters not governed by special regulations, reference has been made to the Italian Civil Code and to national accounting policies.

The consolidated Financial Statements comprise the consolidated balance sheet, the consolidated statement of income and these explanatory notes. They are accompanied by the Board of Directors' Report on Operations.

These consolidated explanatory notes are presented with comparative figures taken from the financial statements as of 31 December 2003 and provide all the information required by law, including any supplementary information considered necessary to give a true and fair view of the Group's financial position. The tables provided for by law and the details required by the Bank of Italy are numbered in accordance with Bank of Italy instructions or based on the relevant Instructions.

The consolidated Financial Statements are compiled in millions of euro.

The following schedules are attached to the consolidated Financial Statements:

- Statement of changes in consolidated shareholders' equity;
- Statement of consolidated cash flows;
- Reconciliation between the profit and net equity of the Parent Bank and that of the Group;
- List of equity investments that exceed 10% in unlisted companies and limited liability companies (as per Art. 126 of Consob resolution no. 11971 of 14 May 1999).

Scope of consolidation

The scope of line by line consolidation reflects membership of the SANPAOLO IMI Banking Group as recorded in the appropriate register in compliance with Art. 64 of D. Lgs. 385 dated 1 September 1993, with the exception of certain minor subsidiaries whose balance sheets and results of operations are not significant to the consolidated financial statements, or which have been put into liquidation or listed for disposal. In addition to SANPAOLO IMI S.p.A. (the Parent Bank), the Banking Group comprises those directly and indirectly controlled subsidiaries which carry out banking, finance or other activities which complement those of the Parent Bank.

The scope of line by line consolidation excludes Società per la gestione di attività S.p.A. (Sga), the shares of which have been transferred to the Treasury Ministry as a pledge with voting right, as part of the special procedures described in "Part B Section 9 - Other liabilities" of these Notes. Furthermore, those companies carried at equity and for which disposal has been formally arranged are excluded.

Joint control equity investments have been consolidated using the proportional method.

Investments in subsidiaries whose activities differ from banking, financing or other activities which complement those of the Parent Bank and those that are excluded from the scope of consolidation for the aforementioned reasons, as well as shareholdings in companies subject to significant influence where the Group controls at least 20% of the voting rights in the ordinary meeting (i.e. associated companies), are carried at equity.

The line by line and proportional consolidation area of the SANPAOLO IMI Group as of 31 December 2004, showed no significant changes compared with 31 December 2003, apart from the proportional consolidation of Allfunds Bank S.A., following the purchase in February 2004 of 50% of the company by the SANPAOLO IMI Group. Attention is also 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 and of Sanpaolo Bank (Austria) A.G., following its disposal in October 2004.

Companies consolidated on a line by line or proportional basis and investments carried at equity are listed in Part B, Section 3 of these Notes.

Pro forma consolidated balance sheets and statements of income for the first three quarters of 2003

In order to ensure unity of comparison of the accounting results in relation to the main changes to the consolidation area, the consolidated accounts of the SANPAOLO IMI Group for the first three quarters of 2003 (referred to in the Report on Operations) are presented in a pro forma version.

In particular, the consolidated financial statements of the SANPAOLO IMI Group for the quarter as of 31 March 2003 have been reconstructed to reflect the line by line consolidation of Inter-Europa Bank, the proportional consolidation of Cassa dei Risparmi di Forlì and the non-consolidation of Banque Sanpaolo and Finconsumo Banca, recorded using the equity method. The consolidated pro forma schedules as of 30 June 2003 and 30 September 2003 have been reconstructed to reflect the exit of Banque Sanpaolo and its subsidiaries from the line by line consolidation.

Besides the above-mentioned changes linked with the changes in the consolidation area, only the consolidated statements of income for 2003 have been subject to reclassification in relation to tax credit on dividends from equity investment. These have been reclassified from "Profits from companies carried at equity and dividends from equity investments", to "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 the figures for the year 2004, in which the above-mentioned tax credits have been largely abolished following the exemption of dividends from taxation.

It should be noted that the aforementioned pro forma schedules are unaudited.

Consolidation principles

The main consolidation principles adopted in preparing the consolidated financial statements are as follows:

The book value of equity investments in consolidated companies, held by the Parent Bank or other Group companies, is offset against the corresponding portion of the Group's share of the company's shareholders' equity (adjusted where necessary to bring the company into line with Group accounting principles), including their assets and liabilities in accordance with the "full (line by line) consolidation method". The off setting of book value against shareholders' equity is carried out using values current when the investment was consolidated for the first time, or at the time the controlling interest was acquired. Where appropriate, any differences are allocated to the assets and liabilities of the consolidated companies concerned, or, for the quota attributable to the Group, on the basis of the application of the equity ratios to "goodwill or negative goodwill", depending on whether the value of the investment is higher or lower than the related portion of shareholders' equity.

More specifically, the shareholders' equity of Group companies used in calculating consolidation differences has been determined as follows:

- from investments held in portfolio as of 31 December 1994, this being the date of the Parent Bank's first consolidated financial statements, with reference to their financial position as of 31 December 1993;

- from investments purchased after 31 December 1994, with reference to their financial position as of the date of purchase or, where this is not available, to the financial position reported in the official financial statements prepared closest to that date;
- from investments formerly belonging to the IMI Group, with reference to their financial position as of 1 January 1998 (accounting date for the merger of San Paolo and IMI);
- from investments formerly belonging to the Cardine Group, with reference to their financial position as of 1 January 2002 (accounting date for the merger between SANPAOLO IMI and Cardine Banca).

Investments in companies carried at equity are recorded in the financial statements at the amount equal to the corresponding portion of their shareholders' equity. Any balance not assignable to the assets or liabilities of the companies concerned at the time this method is first implemented is booked under "positive/negative goodwill arising on application of the equity method". In the years after the first year of consolidation, the adjustment of the value of these investments is booked under "Negative goodwill arising on application of the equity method" and to "Profit and losses from investments carried at equity" respectively for the changes referring to reserves and those referring to the net income of the company in which the investment is held.

"Positive goodwill" arising on the application of line by line consolidation, proportional consolidation or the equity method is deducted from the total "negative goodwill" already existing or which arose during the same year and up to the total amount. Investments acquired to be re-sold as part of the merchant banking activity are not offset in this way. Goodwill which is not offset against negative goodwill is amortized over a period corresponding to the use of the investment (see Section 5 – "Other assets").

Receivables, payables, off-balance sheet transactions, and costs and revenues as well as any gains and losses relating to significant transactions between consolidated Group companies are eliminated. By way of exception, given the provisions of Art. 34, D. Lgs. 87/92, costs and revenues arising from trading in securities and currency within the Group are not eliminated if such transactions were carried out under normal market conditions.

Financial statements denominated in currencies not included in the euro-zone are converted into euro at year-end rates of exchange. Differences arising on the conversion of the shareholders' equity captions using these closing rates of exchange are allocated to consolidated reserves, unless they are offset by specific hedging transactions.

Financial statements used for consolidation

The financial statements used for the line by line consolidation process are those prepared as of 31 December 2004, as approved by the boards of the subsidiaries concerned. They have been adjusted, where necessary, for consistency with Group accounting policies. The financial statements of companies operating in the financial leasing sector used for consolidation purposes were prepared using the financial lease method, which is essentially consistent with Group accounting policies.

Investments with no controlling interests have been valued according to the net equity method, made on the basis of the latest definitive or draft financial statements available.

Audit of the consolidated financial statements

The consolidated financial statements and those of the Parent Bank, have been subjected to an audit by PricewaterhouseCoopers S.p.A., in accordance with the shareholders' resolution dated 29 April 2004, which appointed the firm as auditors for the 2004/2006 three-year period.

Part A - Accounting policies

SECTION 1 - DESCRIPTION OF ACCOUNTING POLICIES

The consolidated financial statements as of 31 December 2004 have been prepared using the same accounting policies adopted for the consolidated financial statements as of 31 December 2003.

1. Loans, guarantees and commitments

Loans

Loans, comprising principals not yet due and principals and interest due but not yet collected, are stated at their estimated realizable value, taking into account the solvency of borrowers in difficulty and any debt-servicing problems faced by individual industrial sectors or the countries in which borrowers are resident. The assessment performed also takes into consideration any guarantees received, market prices and downward market trends involving the consistent loan categories. Net carrying amount is determined following a detailed review of outstanding loans, taking into consideration the degree of risk associated with the various forms of lending and the risk of default inherent in performing loans. The net carrying amount of doubtful loans (non-performing, problem and restructured loans, loans being restructured) takes into consideration not only the likelihood of possible recovery, but also any total or partial failure to generate income and delayed repayments.

Loans valued on a case-by-case basis comprise:

- non-performing loans: loans to borrowers in a state of insolvency or similar;
- problem loans: loans to borrowers suffering temporary difficulties which are likely to be overcome in an acceptable period of time;
- restructured loans: loans for which a syndicate of banks (or a single bank) reschedules the repayment of principal or re-negotiates the applicable terms at lower-than-market rates;
- loans being restructured: loans for which the borrower has applied for consolidation to a variety of banks within the past 12 months.

On the other hand:

- loans exposed to “country risk”: loans not guaranteed to borrowers resident in countries with debt-servicing difficulties are normally adjusted on a general basis, from country to country, by applying writedown percentages that are not lower than those specified by the banking association. Exceptions are made for certain positions which are valued taking into account the level of risk covered by underlying guarantees. These loans do not include specific positions which, on the basis of an objective state of insolvency, are classified in the previous risk categories;
- performing loans: loans to borrowers who, at this time, do not present specific insolvency risks are valued on a general basis. Loans acquired from third parties for the purpose of investment, or rather with the intent of holding them in portfolio up to their expiry in order to maximize the return on the investment, are classified at purchase cost; any difference between the price paid for the investment and the nominal reimbursement or value is reflected in the statement of income to adjust the interest relating to the loans acquired, according to the residual duration of the loans and on the basis of the accruals principle. General adjustments to other performing loans are calculated by the individual subsidiaries on the basis of historical/statistical methods used to determine the impairment of loans judged to be effectively incurred, but the amount of which is not known at the moment of evaluation.

The historical/statistical method used by the Parent Bank and by the other bank networks of the Group, is organized as follows:

1. at the end of the period an estimate is made of the performing loans which, based on the movements over the last five years, are expected to become doubtful loans during the next year;
2. the potential losses likely to be incurred on the aggregate of point 1 are calculated assuming that the loss percentage on performing loans transferred to doubtful loans is in line with the average loss observed over the last five years;
3. in order to back-test the effectiveness and accuracy of the method, the results of the historical statistical method are compared with the ratings used to monitor and control credit risks on the basis of risk management methods.

The “estimates losses” resulting from the calculation and reasoned comparison of the risk management models are the reference parameter used to calculate the “general provision” destined to cover the default risk on performing loans. This calculation is aligned to what is assumed to be an adequate value, determined also considering specific qualitative factors pertaining to the portfolio and valuations of the expected economic performance.

Loans are classified as being non-performing, problem, restructured or exposed to country risk by reference to current relevant Bank of Italy regulations, integrated by internal instructions which establish more restrictive criteria and rules for the transfer of loans within the various risk categories.

The operating structures classify doubtful loans under the coordination of the central departments responsible for the supervision of credit control.

The net carrying amounts are formally approved by the regulating committees and other steering groups within the organization.

Default interest accrued during the year is eliminated from the statement of income since, for the sake of prudence, collection is considered wholly unlikely.

Writedowns, both specific and general, are made by an adjustment to reduce the value of the asset recorded in the balance sheet on the basis of the aforementioned criteria. The original values may be reinstated by means of writebacks, when the reasons for such writedowns cease to apply.

Discounting adjustments have been calculated to reflect the difference between:

- the net carrying amount;
- and the net present value of future financial flows (principal and interest), determined on the basis of expected cash receipts, the timing of such receipts and the applicable discounting rate.

The timing and extent of estimated cash receipts are determined on the detailed calculations provided by the departments responsible for loan evaluation. Where these are unavailable, estimates and general statistics deriving from internal historical data and studies of the relevant business sectors are used.

With regard to the discounting rate, as of 31 December 2004, the Parent Bank used the average reference rate of 4.5%, determined as the appropriate approximate average performance at the date of inception of the doubtful loan portfolio and calculated on the basis of the contractual rates actually applied by the Parent Bank on medium-/long-term loans (fixed and floating rate) and on short-term loans (floating rate). As it is necessary to simplify data processing and reduce its costs, it is deemed that this average rate is sufficiently close to the result which would have been obtained had current contractual rates been applied to transactions now classified as doubtful loans. Subsidiaries have used a similar approach for foreign companies, using reference rates appropriate to the markets concerned.

The posting of value adjustments due to actualization results in writebacks to discounted loans. The passage of time, and

the approach of the expected collection deadlines, implies an automatic reduction in the underlying financial charges previously deducted from the value of the loans.

Loans for which the Group has acquired buyer protection against the risk of non-performance as part of credit derivative contracts (“protection buyer”) continue to be booked in the financial statements among loans secured by personal guarantees.

Loans deriving from financing and deposit contracts

These are recorded at the amount disbursed. Loans backed by discounted notes, acquired within the scope of lending activities, are recorded in the financial statements at their nominal value, while the portion pertaining to future years is recorded among deferred income.

Repurchase agreements on securities and securities lending

Repurchase agreements on securities that require the holder to resell securities when the agreement matures are treated as lending transactions. The amounts disbursed in this way are therefore recorded as loans. Income from lending, comprising interest coupons on securities and the differential between the spot and forward prices for such securities, is recorded on an accruals basis as interest in the statement of income.

Transactions involving the loan of securities guaranteed by funds freely available to the lender, are treated in the same way as repurchase agreements on securities. Securities loaned, not guaranteed by sums of money, are recorded in the financial statements as a combination of two functionally-linked transactions, of assets or liabilities against deposits or loans. These transactions are essentially the same as repurchase agreements, therefore the securities loaned remain in the portfolio of the lender.

Finance leases

Lease transactions are stated using the lease accounting method, which discloses the economic substance of lease contracts and transactions. This approach, which recognizes the financial nature of lease transactions, treats the excess of total lease payments over the cost of the related asset as interest income. Such income is credited to the statement of income according to the residual outstanding principal and the pre-determined rate of return, also taking into consideration the end-of-lease purchase value of the asset. Accordingly, the balance of loans under finance leases reported in the financial statements essentially represents the outstanding principal on loans to customers and installments due but not yet collected.

Guarantees and commitments

Guarantees and commitments giving rise to credit risk are recorded at the total value of the exposure, and are valued applying the same criteria as those used for loans. Expected losses in relation to guarantees and commitments are covered by the related reserve. Commitments include exposures to underlying borrowers for credit derivatives for which the Group has taken over the credit risk (“protection seller”).

Credit derivatives

Hedging sales – Credit derivatives which involve hedging sales are recorded to caption 20. “Commitments” according to their notional value. If payment of a fixed amount is expected, the amount recorded is that of the final sum established by the contract.

Hedging purchases – Credit derivatives which involve hedging purchase are booked to the underlying asset among loans secured by personal guarantees.

Credit derivatives are classified as belonging to the dealing portfolio (“trading book”) when the bank is holding them for trading. Credit derivatives not included in the trading book are classified to the banking book.

Credit derivatives belonging to the trading book are valued individually, taking into consideration the credit and market risk inherent in the contracts.

Derivative contracts on loans belonging to the banking book are valued:

- at cost adjusted to take into account any permanent losses in value, in the case of contracts which involve hedging sales;
- in a manner consistent with the underlying asset object of the protection, for contracts which involve hedging purchases.

The premium paid or collected on contracts belonging to trading book is recorded among premiums for options (caption 150 under assets and caption 50 under liabilities of the balance sheet).

Contracts belonging to banking book are recorded as commission income or expense entries according to whether the amount is collected or paid (respectively captions 40 and 50 of the statement of income).

2. Securities and off-balance sheet transactions (other than foreign currency transactions)

2.1. Investment securities

Long-term steady investment securities held by the Group are valued at “the average daily cost”, adjusted to reflect accruals for the year of issue and dealing discounts (the difference between the purchase price and the related redemption price, net of issue discounts yet to mature).

Such securities are adjusted to reflect any lasting impairment in the solvency of the issuers and the ability of the related nations to repay debt. Investment securities may also be adjusted in consideration of the market trend in accordance with the first subsection of Art. 18 of D. Lgs. 87/92. The original value is reinstated if the reasons for any writedowns cease to apply.

2.2. Dealing securities

Securities held for dealing and treasury purposes are stated at their “average daily cost”, adjusted to reflect accrued issue discounts. They are valued as follows:

- securities quoted in organized markets: the official price quoted on the last trading day of the year;
- securities not quoted in organized markets: at the lower between cost and market value. The latter value is estimated by discounting future financial flows, applying the market rates, as at the time of valuation, for similar type of instruments and the creditworthiness of the issuer. Where possible, the estimates are compared with quoted securities with similar financial characteristics. The original value of dealing securities is reinstated when the reasons for any write-downs cease to apply. Unquoted securities which are economically linked to derivative contracts are valued at market price, consistent with the valuation of the contracts concerned.

Securities held for dealing purposes include securities issued by Group companies which were purchased on the market and held for negotiation purposes.

Any transfers between investment security and dealing security portfolios are made on the basis of the value resulting from the application - at the time of the transaction - of the valuation policies for the portfolio of origin. The related economic effects are reported in caption 60. "Profits and losses from financial transactions" if the portfolio of origin is a dealing portfolio, and in caption 150. "Adjustments to fixed financial assets" if the portfolio of origin is an investment portfolio. Securities transferred and still held at year-end are valued using the method applicable to the destination portfolio.

Commitments to buy or sell for security transactions to be settled

Commitments to buy are valued on the basis applicable to the destination portfolio. The value of commitments to sell, on the other hand, takes into consideration the contractual forward sale price.

3. Equity investments

Equity investments which are neither consolidated on a line by line basis nor valued at equity, are stated at cost, increased to reflect past revaluations at the time the company was transformed and the effect of mergers, determined on a LIFO basis with annual increments. Cost is written down to reflect any permanent losses in value, taking into account any reductions in the equity value of the companies concerned and in the trend in exchange rates for those investments held at historical rates. The original value of equity investments is reinstated if the reasons for any writedowns cease to apply.

Equity investments may also be written down in consideration of the market, in accordance with the first subsection of Art. 18 of D. Lgs. 87/92.

With reference to investments held in Isveimer and in Sga, any charges which the Parent Bank may be called on to bear to cover losses incurred by these companies will be covered through measures taken in accordance with Law 588/96, accomplished with the procedures provided by the Ministerial Decree of 27 September 1974, as revealed in Part B, Section 9 of these Notes.

Dividends from investments that are not subject to line by line consolidation or valued at equity are recorded when the tax credit becomes collectible, usually in the year in which dividends are declared and collected.

4. Foreign currency assets and liabilities (including off-balance sheet transactions)

Assets and liabilities denominated in foreign currency

Assets and liabilities denominated in foreign currencies, or adjusted to reflect foreign exchange movements, as well as financial fixed assets funded in foreign currencies or adjusted to reflect foreign exchange movements, are valued using the spot exchange rates applicable at year end. Equity investments denominated in foreign currencies subject to local exchange control restrictions (non-convertible currencies) stated in currencies other than those of use, and those not fully or partially covered with a deposit in the currency of denomination of the investment are stated, with regard to the part financed in currencies other than those of use, at the historical rates of exchange applying at the time of acquisition.

Foreign currency costs and revenues are stated at the exchange rates applying at the time of the transaction.

Unsettled spot and forward currency transactions

Unsettled spot and forward currency transactions carried out for *hedging purposes* are valued in the same way as the assets and liabilities being hedged, whether they are recorded on or off the balance sheet.

Transactions *not carried out for hedging purposes* are valued:

- at year-end spot exchange rates, in the case of spot transactions still to be settled;
- at period-end forward exchange rates for maturity dates corresponding with that of the transactions being valued, in the case of forward transactions.

The effect of these valuations is debited or credited to the statement of income.

5. Tangible fixed assets

Tangible fixed assets are stated at purchase cost, including related charges and the cost of improvements. In certain cases, purchase cost may have been restated in connection with incorporation, mergers or with the application of monetary revaluation laws.

Operating assets are depreciated on a straight-line basis over their residual useful lives. Tangible fixed assets are written down in cases where there is a permanent loss in value, regardless of how much depreciation has already been accumulated. The value of such assets is reinstated in future accounting periods if the reasons for any writedowns no longer apply.

Costs for ordinary maintenance and repairs which do not determine increased utility and/or useful life are expensed in the year they are incurred.

6. Intangible fixed assets

Intangible fixed assets are stated at purchase or production cost, including related charges, and amortized over the period they are expected to benefit, as described below:

- start-up costs and other deferred charges are amortized, generally on a straight-line basis, over five years;
- costs incurred for the purchase of software or for its development, using external resources, are generally amortized on a straight-line basis, over three years, taking into account the expected residual period of utilization.

7. Other assets

Own shares

Own shares are valued according to the purposes for which they are held. In particular, they are valued at cost, determined using the “average daily cost” method, if they are classed as long-term investments. For this purpose, own shares used to complete strategic deals which require their availability are considered long-term investments (e.g. share exchanges as part of the acquisition of equity investments, co-operation agreements and other corporate finance deals).

On the other hand, own shares are stated at year-end (closing date) market value if they are held for a dealing portfolio, since they are available for sale or destined for share incentive or stock option plans.

Stock option plans

Stock incentive plans approved by the Parent Bank, which do not entail the assignment of own shares, consist in the assignment of rights to underwrite increases in share capital against payment. Considering that neither Italian

regulations nor Italian accounting policies provide specific instructions to such effect, these plans are accounted for by carrying the capital increase and paid-in capital, on the exercised date.

8. Payables

Payables are stated at their nominal value. The difference between the nominal value of loans received, or securities placed, and the amount actually received, is recorded in the financial statements among deferrals and released to the statement of income on an accruals basis, in accordance with the repayment plan implicit in the funding transaction. Zero-coupon securities are stated at their issue price plus accrued interest. Consistent with the policies described above, repurchase agreements that require the holder to resell the securities acquired when the agreement matures are recorded among payables, as well as securities borrowing transactions.

Funding repurchase agreements on securities issued by Group companies are not reported on the above basis if they are arranged by the issuing company concerned. In this case, they are recorded as securities issued with a forward repurchase commitment.

9. Provisions for termination indemnities

The provisions for termination indemnities represent the liability matured for each employee, accrued in accordance with current legislation and payroll agreements.

10. Provisions for risks and charges

Provisions for risks and charges cover known or probable liabilities whose timing and extent cannot be determined at year-end or at the time the financial statements are prepared.

Pensions and similar commitments

The pension fund, qualifiable as an “internal” pension fund, is set up by some bank networks of the Group (Cassa di Risparmio di Venezia, Friulcassa, and Banca Popolare dell’Adriatico) to cover charges linked to supplementary pension funds payable to former employees entitled to such treatment. Following the agreement reached with the Trade Unions in 2004, the pension fund set up by the Cassa di Risparmio in Bologna as of 31 December 2003 was written off as an effect of the transfer of the management of the supplementary pension fund to external pension funds. The potential liability arising in this connection is assessed at year-end on the basis of independent actuarial appraisals, in order to determine the provisions to technical reserves needed to cover future pensions. A similar fund has been set up by Cassa dei Risparmi di Forlì (a proportionally consolidated company).

Provisions for taxation

The provisions for taxation cover deferred taxes, income taxes and the regional tax on business activities, including those charged on units operating abroad. The provisions also take into consideration current and potential disputes with the tax authorities.

Income taxes are estimated prudently on the basis of the tax charges for the period, determined in relation to current tax legislation.

Deferred taxation, determined according to the so called “balance sheet liability method”, reflects the tax effect of temporary differences between the book value of assets and liabilities and their value for tax purposes, which will lead to taxable and deductible amounts in future. To this end, taxable temporary differences are defined as those which will give rise to taxable income in future years (deferred capital gains, for example); while deductible temporary differences are defined as those which will give rise to deductible amounts in future years (such as provisions and costs that can be deducted for tax purposes over a period of years, e.g. general loan writedowns in excess of the fiscally deductible amount and accruals to provisions for risks and charges).

Deferred tax liabilities are calculated by applying to each consolidated company the effective expected tax rates established by current law on taxable temporary timing differences likely to generate a tax burden and to the deductible temporary timing differences if recoverability is reasonably certain.

The deferred taxation on equity reserves that will become taxable “however used” is charged against shareholders’ equity. Deferred taxation relating to revaluations arising on conversion to the euro, credited to a specific reserve that will become taxable pursuant to Art. 21 of D. Lgs. 213/98, is charged directly against this reserve.

No provision is made for the Parent Bank’s reserves subject to taxation only in the event of distribution. This is because such reserves are allocated to accounts that are not available for distribution and because the events which would give rise to such taxation are not expected to occur.

Deferred taxation on shareholders’ equity items of consolidated companies is not booked if it is unlikely that any liability will actually arise, bearing in mind the permanent nature of the investment.

Deferred tax assets and liabilities relating to the same kind of tax, applicable to the same entity and expiring in the same period, are offset against each other.

Deferred tax assets are booked to the assets side of the balance sheet under caption 150. “Other assets” offset against income tax. Liabilities for deferred taxes are booked to the liabilities side of the balance sheet under sub-caption 80.b “Taxation” and are also offset against income tax.

If the deferred tax (asset or liability) relates to transactions directly involving shareholders’ equity without affecting the statement of income, it is debited or credited to shareholders’ equity.

Other provisions

The “provision for guarantees and commitments” covers losses on guarantees given and, more generally, the contingencies associated with the Group’s guarantees and commitments, and the exposures to credit derivatives for which the Group has taken over the credit risk (protection seller).

The provision for other risks and charges covers estimated incurred losses arising from legal disputes, including repayments claimed by the receivers of bankrupt customers. It also covers probable charges in connection with guarantees given on the sale of equity investments, the Group’s commitment to support the Interbank Deposit Guarantee Fund, the renegotiation of subsidized home mortgage loans (Law no. 133/99 and that dictated by Budget Law 2001) and unsubsidized fixed rate mortgages (Law Decree no. 394 dated 29 December 2000, converted to Law no. 24 dated 28 February 2001); probable charges connected to customer complaints in respect of dealing activities in securities and other connected charges and contingent liabilities.

The “provisions for other personnel charges” mainly comprise:

- provisions made by the Parent Bank and by Sanpaolo Banco di Napoli S.p.A., on the basis of an independent actu-

arial report, in order to cover the technical deficit of the Supplementary Pension Fund, an independent fund which supplements the compulsory pension fund, as well as accruals for other welfare and social contributions;

- provisions made on a mathematical/actuarial basis to set up the technical reserve needed to cover long-service bonuses payable to employees;
- provisions made to cover discretionary employee bonuses, commitments for staff leaving incentives offered during the year and in prior years and other contingent liabilities.

11. Other aspects

Reserves for general banking risks

This reserve covers general business risks and, as such, forms part of shareholders' equity in compliance with international supervisory standards and Bank of Italy instructions.

Accruals and deferrals

Accruals and deferrals are recognized in accordance with the matching principle.

Derivatives on currency, securities, interest rates, stockmarket indexes and other assets

Derivative contracts are valued individually using the methods applicable to the portfolio concerned (hedging and non-hedging contracts). The valuation criteria of derivative contracts are also applied to embedded derivatives which represent the components of hybrid financial instruments and include both derivative and host contracts. Embedded derivative contracts are separated from host contracts and are valued on the basis of host contracts.

The values determined are recorded separately in the balance sheet without offsetting assets and liabilities. Agreements between the parties to offset reciprocal receivables and payables in the case of default by one of the counterparts ("master netting agreements") are not relevant for disclosure purposes, but are taken into consideration when assessing the counterparty's credit risk.

The values determined by the contract valuation process (hedging and non-hedging) are adjusted on a case-by-case or a general basis, where appropriate, in order to reflect any credit risk (counterparty and/or country risk) inherent in the contracts.

Hedging contracts

These are entered into with the aim of protecting the value of individual assets or liabilities, as well as any groups of on- or off-balance sheet assets or liabilities from the risk of market fluctuations. In the case of off-balance sheet items, the hedging objective is achieved via the use of *asset and liability management* techniques. A transaction is considered to be a hedge in the presence of the following documented conditions:

- a) intent to enter into a hedge;
- b) strict correlation between the terms and conditions of the assets or liabilities hedged and those inherent in the hedging contract.

If just one of the conditions above ceases to apply, then the contract is re-qualified as "non-hedging".

Hedging derivatives are valued on a basis consistent with the assets and liabilities being hedged. The related procedures for presentation in the financial statements are summarized below:

Balance Sheet: the period element of interest margins on contracts hedging the risk of fluctuations in the rates of interest on interest earning/bearing assets and liabilities is classified among “Accrued income” and/or “Accrued expenses”. The amount paid or collected up-front at the moment of stipulating derivative contracts under terms different to market, as well as the element of margins payable in future years on Forward Rate Agreements (FRA) hedging the interest arising from interest earning/bearing assets and liabilities are classified among “Prepaid expenses” and/or “Deferred income”. The market value (net of any accruals) of contracts hedging the risk of price fluctuations in dealing transactions, as well as the effect of valuing contracts hedging the exchange risk on lending and funding activities (principal portion) using year-end spot exchange rates, are classified among “Other assets” and/or “Other liabilities”. Contracts hedging investment securities or total loans and deposits are valued at cost.

Statement of Income: where derivative contracts are intended to hedge the risk of fluctuations in the rates of interest on interest earning/bearing assets and liabilities, the interest margins and the amount paid or collected up-front at the moment of stipulating derivative contracts under terms different to market, will form part of net interest income on an accruals basis. If the derivative contract hedges the risk of market price or exchange fluctuations (principal portion), then the revenues or costs generated (with the exception of the differentials earned) are treated as “Profits (losses) on financial transactions”. More specifically, interest margins and earnings on derivative contracts hedging dealing securities are treated as interest if they relate to multiple-flow contracts (e.g. IRS – Interest rate Swap) or to single-flow contracts where the duration of the underlying asset is less than one year (e.g. FRA); but as profits and losses from financial transactions, if they relate to single-flow contracts where the duration of the underlying asset is more than one year (e.g. futures and options).

Non-hedging contracts

These are valued as follows:

Contracts on securities, interest rates, stockmarket indexes and other assets: contracts quoted in organized markets are stated at their market value on the last day of the period. Contracts linked to reference indicators subject to official observation are stated on the basis of their financial value (replacement cost), determined with reference to the market quotations for those indicators on the last day of the period. Other contracts are valued with reference to other elements determined on an objective and consistent basis.

Foreign currency derivatives: these are stated using the forward exchange rates ruling at period-end for the maturity dates of the transactions subject to valuation.

The related procedures for presentation in the financial statements are summarized below:

Balance Sheet: the amounts determined from the valuation of non-hedging contracts are classified as “Other assets” or “Other liabilities”.

Statement of Income: the economic effects of non-hedging derivative contracts are classified as “Profits (losses) from financial transactions”. The structure of this caption, according to the sectors of the financial instruments being traded (securities, currency, other financial instruments) and to the nature of income/charges which they generate (valuations or not), is illustrated in a specific table in the Explanatory Notes.

Internal deals

The Parent Bank and the subsidiary Banca IMI have adopted an organizational structure based on specialized trading desks that have exclusive authorization to deal in specific derivatives. The arrangement is based mainly on the goals of

efficiency (lower transaction costs), improved management of market and counterparty risks, and the optimal allocation of specialized human resources. These desks manage portfolios consisting of various types of derivatives and, sometimes, securities and operate within defined limits of net risk.

The desks serve as counterparties to other desks that are not authorized to deal in the market (but which are autonomous from an accounting point of view), by means of internal deals in derivatives at market prices.

With regard to the accounting treatment of internal deals and their effect on income, it should be noted that:

- internal deals involving derivatives held in specialized desk portfolios are stated at market value when entered into for negotiation/dealing purposes;
- internal deals involving derivatives held in non-specialized desk portfolios are treated on a basis consistent with the assets or liabilities being hedged (for example, at market value if they hedge listed dealing securities and at cost if they hedge investment securities and/or deposits).

Settlement date

Security and currency transactions, deposits, interbank operations and the bills portfolio are recorded with reference to their settlement dates.

SECTION 2 - ADJUSTMENTS AND PROVISIONS RECORDED FOR FISCAL PURPOSES

Art. 7, subsection 1, b) and c) of D. Lgs. 6/2/2004 no. 37, has annulled Articles 15, subsection 3 and 39, subsection 2 of D. Lgs. 87/92, which allowed banks to “make value adjustments and accruals solely for fiscal purposes”.

Following this change in regulation, it is compulsory for the statement of income of the Parent Bank and its subsidiaries, as of 31 December 2004, to disclose the adjustments and provisions made solely for fiscal purposes in prior years. This release has been recorded to extraordinary income.

When preparing the consolidated financial statements, these adjustments and provisions were already subject to reversals in previous years, consequently increasing the net result of the Group. Therefore, the extraordinary income recorded by the Parent Bank and its subsidiaries, in accordance with the new regulation, has been eliminated from the consolidated statement of income to cover the reinstatement of the consolidated equity reserves (see Attachments “Reconciliation between the Parent Bank’s financial statements and the consolidated financial statements”).

Part B - Information on the balance sheet

SECTION 1 - LOANS

The Group's loan portfolio is analyzed below by type of counterparty:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Due from banks (caption 30)	23,777	22,278
Loans to customers (caption 40) (*)	121,907	124,599
Total	145,684	146,877

(*) The amount includes 841 million euro of loans to Società per la gestione di attività S.p.A. (Sga) (see Section 9 – "Other liabilities"), of which 814 million euro (1,013 million euro as of 31 December 2003) disbursed in accordance with the provisions of Law 588/96.

Due from banks (caption 30)

Amounts due from banks include:

Detail of caption 30 "due from banks" (Table 1.1 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Deposits with central banks	472	514
b) Bills eligible for refinancing with central banks	-	-
c) Finance leases	-	-
d) Repurchase agreements	12,383	10,050
e) Securities loaned	193	71

Deposits with central banks as of 31 December 2004 include the compulsory reserve of 374 million euro with the Bank of Italy and other foreign central banks (422 million euro as of 31 December 2003).

Loans to customers (caption 40)

Loans to customers, which are analyzed by technical form in the Report on Operations, include:

Detail of caption 40 "loans to customers" (Table 1.2 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Bills eligible for refinancing with central banks	1	1
b) Finance leases	3,657	4,593
c) Repurchase agreements	2,306	1,669
d) Securities loaned	502	25

The decrease in the caption "finance leases" refers to the disposal of receivables deriving from leasing contracts in respect of a securitization transaction carried out by Sanpaolo Leasing S.p.A. (see Part B – Section 11 "Concentration and distribution of assets and liabilities" of these Notes).

“Secured loans to customers” are detailed as follows:

Secured loans to customers (Table 1.3 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Mortgages	34,347	33,152
b) Pledged assets:		
1. cash deposits	347	626
2. securities (*)	4,778	4,017
3. other instruments	413	270
c) Guarantees given by:		
1. Governments (**)	4,382	5,500
2. other public entities	592	565
3. banks	623	969
4. other operators	18,902	17,106
Total	64,384	62,205

(*) Include repurchase and similar agreements guaranteed by underlying securities totaling 2,808 million euro (1,694 million euro as of 31 December 2003).

(**) Include 814 million euro of loans to Società per la gestione di attività S.p.A. (Sga).

Loans to customers guaranteed by banks and other operators include 83 million euro of positions for which the Parent Bank, by means of derivative contracts, purchased buyer protection against the risk of non-performance.

Loans to customers covered by guarantees included in the above table and those granted directly to Governments or other public entities represent 63.9 % of total loans to customers (61.0% as of 31 December 2003).

Degree of risk in loan portfolio

The principal and interest elements of loans are stated at their estimated realizable value by applying the policies described in detail in Part A, Section 1 of these Notes; the related writedowns are made by reducing the asset value of the loans concerned in the balance sheet.

The estimated realizable value of doubtful loans takes into account not only the likelihood of recovery, but also the total or partial lack of income generated and the delay in repayment. Total adjustments for discounting purposes as of 31 December 2004 amount to 212 million euro (221 million euro as of 31 December 2003).

Analysis of loans to customers

(Bank of Italy regulation 17.12.98)

	31/12/04 (€/mil)			31/12/03 (€/mil)		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
A. Doubtful loans	6,625	4,078	2,547	6,433	3,892	2,541
A.1 Non-performing loans	4,619	3,458	1,161	4,364	3,193	1,171
A.2 Problem loans	1,646	526	1,120	1,821	645	1,176
A.3 Loans in course of restructuring	131	39	92	24	3	21
A.4 Restructured loans	193	44	149	193	42	151
A.5 Unsecured loans exposed to country risk	36	11	25	31	9	22
B. Performing loans	120,453	1,093	119,360	123,069	1,011	122,058
Total loans to customers	127,078	5,171	121,907	129,502	4,903	124,599

Non-performing loans include unsecured loans to residents in nations exposed to risk, for a gross exposure of 1 million euro, written-down in full.

Coverage of loans (*)

Categories	31/12/04	31/12/03
Non-performing loans	74.9%	73.2%
Problem, restructured and in course of restructuring loans	30.9%	33.9%
Unsecured loans exposed to country risk	30.6%	29.0%
Performing loans (**)	1.0%	0.9%

(*) Index is defined as the ratio between accumulated adjustments on loans and the gross amount of such loans at year end.

(**) Total performing loans do not include loans to Sga (814 million euro), total adjustments include the reserve for probable loan losses (81 million euro).

The “general reserve” to cover the risk inherent in performing loans and the total of reserves for credit risks amount to 1,174 million euro (including 81 million euro for probable loan losses), of which 167 million euro destined to cover the negative valuation of embedded derivative in the “to be converted” loan of 400 million euro granted to the FIAT group. The coverage of performing loans net of this component is around 0.8%.

Analysis of loans to banks

(Bank of Italy regulation 17.12.98)

	31/12/04 (€/mil)			31/12/03 (€/mil)		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
A. Doubtful loans	29	10	19	46	16	30
A.1 Non-performing loans	2	2	-	6	6	-
A.2 Problem loans	1	1	-	1	1	-
A.3 Loans in course of restructuring	-	-	-	-	-	-
A.4 Restructured loans	-	-	-	-	-	-
A.5 Unsecured loans exposed to country risk	26	7	19	39	9	30
B. Performing loans	23,773	15	23,758	22,259	11	22,248
Total loans to banks	23,802	25	23,777	22,305	27	22,278

Non-performing and problem loans do not include any loans of a significant amount granted to residents of countries exposed to risk.

Non-performing loans (Table 1.4 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
Non-performing loans (net amount in the financial statements including default interest)	1,161	1,171

Movements in gross doubtful loans to customers

(Bank of Italy regulation 17.12.98)

Description / Categories	(€/mil)				
	Non-performing loans	Problem loans	Loans in course of restructuring	Restructured loans	Unsecured loans exposed to country risk
A. Gross exposure as of 1/1/04	4,364	1,821	24	193	31
A.1 of which: for default interest	789	93	1	1	-
B. Increases	1,098	1,676	324	254	8
B.1 inflows from performing loans	183	1,249	124	35	-
B.2 default interest	124	29	1	1	-
B.3 transfer from other categories of doubtful loans	622	153	175	156	-
B.4 other increases	169	245	24	62	8
C. Decreases	843	1,851	217	254	3
C.1 outflows to performing loans	12	148	-	39	-
C.2 write-offs	311	162	-	1	-
C.3 collections	414	711	25	96	2
C.4 disposals	16	10	-	-	-
C.5 transfer to other categories of doubtful loans	61	787	178	80	-
C.6 other decreases	29	33	14	38	1
D. Gross exposure as of 31/12/04	4,619	1,646	131	193	36
D.1 of which: for default interest	844	78	1	-	-

Other decreases include receivables deriving from the sale of loans completed by subsidiaries for a total sale price of 26 million euro, of which 16 million euro refer to non-performing loans and 10 million euro to problem loans. These receivables are carried in the financial statements for a total gross value of 112 million euro (of which 53 million euro for non-performing loans, 59 million euro for problem loans) and for a total net value of 48 million euro (of which 20 million euro for non-performing loans and 28 million euro for problem loans). Furthermore, these subsidiaries have disposed of performing loans totaling 28 million euro (carried in the financial statements for a net value equal to the total gross value). In addition to this is the previously mentioned disposal of receivables in respect of the securitization transaction carried out by Sanpaolo Leasint (see Part B – Section 11 “Concentration and distribution of assets and liabilities” of these Notes).

Movements in gross doubtful amounts due from banks

(Bank of Italy regulation 17.12.98)

(€/mil)

Description / Categories	Non-performing loans	Problem loans	Loans in course of restructuring	Restructured loans	Unsecured loans exposed to country risk
A. Gross exposure as of 1/1/04	6	1	-	-	39
A.1 of which: for default interest	-	-	-	-	1
B. Increases	1	-	-	-	1
B.1 inflows from performing loans	-	-	-	-	-
B.2 default interest	-	-	-	-	-
B.3 transfer from other categories of doubtful loans	-	-	-	-	-
B.4 other increases	1	-	-	-	1
C. Decreases	5	-	-	-	14
C.1 outflows to performing loans	-	-	-	-	-
C.2 write-offs	4	-	-	-	2
C.3 collections	1	-	-	-	12
C.4 disposals	-	-	-	-	-
C.5 transfer to other categories of doubtful loans	-	-	-	-	-
C.6 other decreases	-	-	-	-	-
D. Gross exposure as of 31/12/04	2	1	-	-	26
D.1 of which: for default interest	-	-	-	-	-

Movements in adjustments made to loans granted to customers

(Bank of Italy regulation 17.12.98) (€/mil)

Description / Categories	Non-performing loans	Problem loans	Loans in course of restructuring	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A. Total adjustments as of 1/1/04	3,193	645	3	42	9	1,011
<i>A.1 of which: for default interest</i>	789	93	1	1	-	19
B. Increases	795	377	71	49	6	212
B.1 adjustments	523	241	43	20	3	203
<i>B.1.1 of which: for default interest</i>	124	29	1	1	-	14
B.2 use of reserves for probable loan losses	20	3	-	-	-	-
B.3 transfer from other categories of doubtful loans	201	117	23	17	-	9
B.4 other increases	51	16	5	12	3	-
C. Decreases	530	496	35	47	4	130
C.1 writebacks from valuations	38	28	-	4	-	13
<i>C.1.1 of which: for default interest</i>	-	-	-	-	-	-
C.2 writebacks of collections	113	87	1	16	-	26
<i>C.2.1 of which: for default interest</i>	28	8	1	-	-	4
C.3 write-offs	311	162	-	1	-	14
C.4 transfer to other categories of doubtful loans	45	207	29	14	-	72
C.5 other decreases	23	12	5	12	4	5
D. Total adjustments as of 31/12/04	3,458	526	39	44	11	1,093
<i>D.1 of which: for default interest</i>	844	78	1	-	-	13

Total adjustments as of 31 December 2004 include 212 million euro relating to the adoption of a policy for discounting doubtful loans. More specifically, writedowns for discounting purposes total 160 million euro on non-performing loans, 41 million euro on problem loans and 11 million euro on restructured loans and loans in course of restructuring.

Movements in adjustments made to loans granted to banks

*(Bank of Italy regulation 17.12.98)**(€/mil)*

Description / Categories	Non-performing loans	Problem loans	Loans in course of restructuring	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A. Total adjustments as of 1/1/04	6	1	-	-	9	11
<i>A.1 of which: for default interest</i>	-	-	-	-	1	-
B. Increases	1	-	-	-	2	5
B.1 adjustments	-	-	-	-	-	1
<i>B.1.1 of which: for default interest</i>	-	-	-	-	-	-
B.2 use of reserves for probable loan losses	-	-	-	-	-	4
B.3 transfer from other categories of doubtful loans	-	-	-	-	-	-
B.4 other increases	1	-	-	-	2	-
C. Decreases	5	-	-	-	4	1
C.1 writebacks from valuations	-	-	-	-	1	-
<i>C.1.1 of which: for default interest</i>	-	-	-	-	-	-
C.2 writebacks of collections	-	-	-	-	-	-
<i>C.2.1 of which: for default interest</i>	-	-	-	-	-	-
C.3 write-offs	4	-	-	-	2	-
C.4 transfer from other categories of doubtful loans	-	-	-	-	-	-
C.5 other decreases	1	-	-	-	1	1
D. Total adjustments as of 31/12/04	2	1	-	-	7	15
<i>D.1 of which: for default interest</i>	-	-	-	-	-	-

Loans to customers and banks resident in nations exposed to country risk

Country	(€/mil)		
	Total	Gross exposure	
		of which: unsecured book value	weighted value
Brazil	51	30	29
Azerbaijan	37	12	12
Venezuela	13	8	8
Trinidad and Tobago	4	4	4
Argentina	51	3	3
Serbia and Montenegro	2	2	2
Costa Rica	1	1	-
Cayman Islands	18	-	-
Lebanon	11	-	-
Dominican Republic	9	-	-
Pakistan	6	-	-
Philippines	4	-	-
Other	4	2	2
Total gross exposure	211	62	60
Total adjustments	18	18	
Net exposure as of 31/12/04	193	44	

For the purposes of these Notes, the countries considered are those listed by the Italian Bankers' Association, for which, in the absence of specific guarantees, general adjustments have been made.

Adjustments to unsecured loans exposed to country risk have been made by applying the weighting criteria and the write-down percentages agreed industry-wide by the Italian Bankers' Association, as mentioned above. Such writedowns are made to cover all of the losses that might arise from those events that are typical to "country risk".

Secured loans amount to 149 million euro and are mainly insured by SACE or equivalent entities and by surety bonds from banking operators in the OECD area.

Other information relating to loans

Information regarding the distribution of loans, by category of borrower, business sector, geographical area, currency and liquidity, is provided in Part B, Section 11 of these Notes.

SECTION 2 - SECURITIES

Securities owned by the Group are analyzed as follows:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Treasury bills and similar bills eligible for refinancing with central banks (caption 20)	2,553	3,923
Bonds and other debt securities (caption 50)	23,716	18,588
Shares, quotas and other equities (caption 60)	3,021	2,747
Total	29,290	25,258

“Treasury bills and similar bills eligible for refinancing with central banks” represent securities which may be used for refinancing purposes on condition that they are not subject to restrictions deriving from other transactions.

Investment securities

Securities recorded in the consolidated financial statements include those which will be held long term by Group companies and declared as such in their financial statements. The investment securities portfolio is analyzed as follows:

Investment securities (Table 2.1 B.I.)

	31/12/04 (€/mil)		31/12/03 (€/mil)	
	Book value	Market value	Book value	Market value
1. Debt securities				
1.1 Government securities				
– quoted	2,088	2,155	2,153	2,216
– unquoted	46	58	-	-
1.2 Other securities				
– quoted	540	546	139	143
– unquoted	475	496	585	599
2. Equities				
– quoted	7	7	-	-
– unquoted	63	63	58	58
Total	3,219	3,325	2,935	3,016

The comparison between the market value and book value carried in the financial statements reveals net unrealized gains for the Parent Bank and some subsidiaries of 12 million euro on securities not covered by derivative contracts and of 94 million euro on hedged securities. The evaluation of related derivative contracts reveals potential losses for 82 million euro (including 35 million euro for operations entered into with Group companies operating on financial markets within their brokerage activity).

“Other securities”, quoted and unquoted (1,015 million euro), mainly include securities held by the Parent Bank for 362 million euro and by foreign subsidiaries for 513 million euro. The remainder refers mainly to investments made by Banca Fideuram S.p.A. and by Sanpaolo Invest SIM S.p.A. in insurance policies issued by Fideuram Vita destined for the financial planner network fidelization program (137 million euro).

In relation to classification by issuer, the aforementioned 1,015 million euro refer to investments in securities in foreign Governments and public entities amounting to 310 million euro, while the remaining 705 million euro mainly include, in addition to the aforementioned policies (137 million euro), securities issued by leading companies in the European Union and in other industrialized countries (498 million euro), as well as International Organizations (70 million euro).

“Equities” only comprise units in mutual funds mainly included in the investment portfolios of Sanpaolo IMI Private Equity group.

<i>Changes in investment securities during the year (Table 2.2 B.I.)</i>		<i>(€/mil)</i>
A. Opening balance		2,935
B. Increases		
B1. purchases		120
B2. writebacks		1
B3. transfers from dealing portfolio		383
B4. other changes		21
C. Decreases		
C1. sales		54
C2. redemptions		136
C3. adjustments		4
<i>of which:</i>		
<i>long-term writedowns</i>		4
C4. transfers to dealing portfolio		-
C5. other changes		47
D. Closing balance		3,219

“Transfers from dealing portfolio” at subcaption B3. refer to transfers by Sanpaolo Bank S.A. in the context of the re-definition of its portfolio following the merger with IMI Bank Lux S.A..

Subcaption B4. “Increases – other changes” includes 3 million euro exchange gains on securities denominated in foreign currencies and 3 million euro profits from dealings.

Subcaption C5. “Decreases – other changes” includes 3 million euro which refers to the effect of the non-consolidation of Sanpaolo Bank Austria (excluded from the consolidation area during the year) and 20 million euro exchange losses on securities denominated in foreign currency.

In addition, subcaptions B4. and C5. also include accrued issue and dealing discounts.

Sales were completed mainly by the Parent Bank and by Sanpaolo Bank S.A. in the context of the redefinition of the investment portfolio following the merger operations.

The “adjustments in value” at subcaption C3., amounting to 4 million euro, refer to losses in value of a long-term nature.

The resulting book values are substantially in line with the reimbursements after offsetting the positive (28 million euro) and negative differences by the same amount.

It should be noted that movements in the investment portfolio are carried out by Group companies on the basis of resolutions passed by the Board of Directors and within the limits set by them.

Dealing securities

Dealing securities, held for treasury and negotiation purposes, are analyzed as follows:

Dealing securities (Table 2.3 B.I.)

	31/12/04 (€/mil)		31/12/03 (€/mil)	
	Book value	Market value	Book value	Market value
1. Debt securities				
1.1 Government securities				
– quoted	7,870	7,870	9,600	9,600
– unquoted	24	24	40	40
1.2 Other securities				
– quoted	6,102	6,102	3,407	3,409
– unquoted	9,124	9,357	6,587	6,608
2. Equities				
– quoted	2,621	2,621	2,443	2,448
– unquoted	330	330	246	246
Total	26,071	26,304	22,323	22,351

The increase in dealing securities is mainly attributable to Banca IMI, in relation to its trading activities and to Banca OPI, following its subscription to public issue bonds (mainly local authorities and foreign counterparties from the government sector) and entities operating in the financing and realization of public works.

In the reclassified consolidated financial statements, the dealing securities portfolio also includes 54 million euro in SAN-PAOLO IMI S.p.A. shares in the portfolio of the Parent Bank and Banca Fideuram.

Changes in dealing securities during the year (Table 2.4 B.I.)

(€/mil)

A. Opening balance	22,323
B. Increases	
B1. purchases	343,143
– debt securities	327,129
– Government securities	211,735
– other securities	115,394
– equities	16,014
B2. writebacks and revaluations	264
B3. transfers from investment portfolio	-
B4. other changes	3,871
C. Decreases	
C1. sales and reimbursements	340,875
– debt securities	324,830
– Government securities	214,436
– other securities	110,394
– equities	16,045
C2. adjustments	58
C3. transfers to investment portfolio	383
C5. other changes	2,214
D. Closing balance	26,071

Other information relating to securities

The composition of the securities portfolio is analyzed by geographical area, currency and liquidity in Part B, Section 11 of these Notes.

SECTION 3 - EQUITY INVESTMENTS

Equity investments, reported in asset captions 70 and 80 of the balance sheet, are analyzed as follows:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Equity investments (caption 70)	3,421	3,442
Investments in Group companies (caption 80)	1,082	1,130
Total	4,503	4,572
– significant investments carried at equity (Table 3.1 B.I.)	1,679	1,775
– other equity investments carried at cost	2,824	2,797

Significant investments

Significant investments held by the Group, being those in subsidiary companies or in companies subject to significant influence, as defined in articles 4 and 19 of D.Lgs. 87/92, are indicated in the table below:

Significant investments (Table 3.1 B.I.)

Name	Registered offices	Type of relationship (*)	Shareholders' equity (€/mil) (**)	Income / Loss (€/mil) (**)	Ownership		Voting rights at shareholders' meeting %	Consolidated book values (€/mil)
					Held by	%		

A. Companies consolidated on a line by line and proportional basis

SANPAOLO IMI S.p.A. (Parent Bank)	Turin		12,126	1,036	-	-	-	-
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A1 Companies consolidated on a line by line basis

1 Alcedo S.r.l.	Padua	1	-	-	Sanpaolo IMI Private Equity	100.00	100.00	XXX
2 Banca Comerciala Sanpaolo IMI Bank Romania S.A.	Romania	1	15	3	Sanpaolo IMI Internazionale	98.36	98.36	XXX (A)
3 Banca Fideuram S.p.A.	Rome	1	734	163	Sanpaolo IMI	73.37	73.37	XXX (B)
4 Banca d'Intermediazione Mobiliare IMI S.p.A. (Banca IMI)	Milan	1	454	71	Sanpaolo IMI	100.00	100.00	XXX
5 Banca IMI Securities Corp.	United States	1	119	2	IMI Capital Market USA	100.00	100.00	XXX
6 Banca OPI S.p.A.	Rome	1	841	188	Sanpaolo IMI	100.00	100.00	XXX (C)
7 Banca Popolare dell'Adriatico S.p.A.	Teramo	1	250	20	Sanpaolo IMI	100.00	100.00	XXX
8 Banque Privée Fideuram Wargny S.A.	France	1	41	-17	Financiere Fideuram	99.89	99.89	XXX
9 Cassa di Risparmio di Padova e Rovigo S.p.A.	Padua	1	984	112	Sanpaolo IMI	100.00	100.00	XXX
10 Cassa di Risparmio di Venezia S.p.A.	Venice	1	297	30	Sanpaolo IMI	100.00	100.00	XXX
11 Cassa di Risparmio in Bologna S.p.A.	Bologna	1	775	45	Sanpaolo IMI	100.00	100.00	XXX
12 Europool Befektetesi Alapkezelő Rt.	Hungary	1	1	-	Inter-Europa Consulting	46.00	46.00	XXX
					Inter-Europa Bank	5.00	5.00	XXX
						51.00	51.00	
13 Farbanca S.p.A.	Bologna	5	27	1	Sanpaolo IMI	21.89	21.89	XXX
14 Fideuram Asset Management (Ireland) Ltd	Ireland	1	190	183	Banca Fideuram	100.00	100.00	XXX
15 Fideuram Bank S.A.	Luxembourg	1	40	11	Banca Fideuram	99.99	99.99	XXX
					A.I.P.	0.01	0.01	XXX
						100.00	100.00	
16 Fideuram Bank (Suisse) A.G.	Switzerland	1	34	2	Fideuram Bank	99.95	99.95	XXX

(cont.: companies consolidated on a line by line basis)

Name	Registered offices	Type of relationship (*)	Shareholders' equity (€/mil) (**)	Income / Loss (€/mil) (**)	Ownership		Voting rights at shareholders' meeting %	Consolidated book values (€/mil)
					Held by	%		
17 Fideuram Fiduciaria S.p.A.	Rome	1	3	-	Banca Fideuram	100.00	100.00	XXX
18 Fideuram Gestions S.A.	Luxembourg	1	16	1	Banca Fideuram	99.94	99.94	XXX
					A.I.P.	0.06	0.06	XXX
						100.00	100.00	
19 Fideuram Investimenti S.G.R. S.p.A.	Rome	1	37	9	Banca Fideuram	99.50	99.50	XXX
20 Fideuram Wargny Active Broker S.A.	France	1	12	-3	Banque Privée Fideuram Wargny	100.00	100.00	XXX
21 Fideuram Wargny Gestion S.A.	France	1	4	-	Banque Privée Fideuram Wargny	99.96	99.96	XXX
22 Fideuram Wargny Gestion S.A.M.	Principality of Monaco	1	5	-	Banque Privée Fideuram Wargny	99.96	99.96	XXX
23 FIN.OPI S.p.A.	Turin	1	245	8	Banca OPI	100.00	100.00	XXX
24 Financière Fideuram S.A.	France	1	35	-4	Banca Fideuram	95.00	95.00	XXX
25 Finemiro Banca S.p.A.	Bologna	1	127	12	Sanpaolo IMI	96.84	96.84	XXX
26 Finemiro Finance S.p.A. (former Finemiro Leasing S.p.A.)	Bologna	1	66	7	Finemiro Banca	100.00	100.00	XXX (C)
27 Friulcassa S.p.A.	Gorizia	1	236	18	Sanpaolo IMI	100.00	100.00	XXX
28 GEST Line S.p.A.	Naples	1	55	46	Sanpaolo IMI	100.00	100.00	XXX
29 IDEA S.A.	Luxembourg	1	-	-	Sanpaolo Bank	99.17	99.17	XXX (D)
					Sanpaolo IMI International	0.83	0.83	XXX
						100.00	100.00	
30 IE-New York Broker Rt	Hungary	1	6	1	Inter-Europa Consulting	90.00	90.00	XXX
					Inter-Europa Bank	10.00	10.00	XXX
						100.00	100.00	
31 IMI Capital Markets USA Corp.	United States	1	120	-	IMI Investments	100.00	100.00	XXX
32 IMI Finance Luxembourg S.A.	Luxembourg	1	7	-	IMI Investments	100.00	100.00	XXX
33 IMI Investimenti S.p.A.	Turin	1	943	-30	Sanpaolo IMI	100.00	100.00	XXX
34 IMI Investments S.A.	Luxembourg	1	269	8	Banca IMI	99.99	99.99	XXX
					Banca IMI Securities	0.01	0.01	XXX
						100.00	100.00	
35 IMI Real Estate S.A.	Luxembourg	1	4	-	Sanpaolo Bank	99.99	99.99	XXX (D)
					Sanpaolo IMI International	0.01	0.01	XXX
						100.00	100.00	
36 Inter-Europa Bank Rt	Hungary	1	58	8	Sanpaolo IMI Internazionale	85.87	85.87	XXX
37 Inter-Europa Beruhazo Kft	Hungary	1	12	-	Inter-Europa Bank	100.00	100.00	XXX
38 Inter-Europa Consulting Kft	Hungary	1	6	1	Inter-Europa Fejlesztési Szolgáltató	51.00	51.00	XXX
					Inter-Europa Szolgáltató	49.00	49.00	XXX
						100.00	100.00	
39 Inter-Europa Ertekesitesi Kft	Hungary	1	-	-	Inter-Europa Bank	100.00	100.00	XXX (E)
40 Inter-Europa Fejlesztési Kft	Hungary	1	10	1	Inter-Europa Bank	100.00	100.00	XXX
41 Inter-Europa Szolgáltató Kft	Hungary	1	8	1	Inter-Europa Bank	100.00	100.00	XXX
42 Inter-Invest Risk Management Vagyonkezelő Rt	Hungary	1	1	-	Inter-Europa Bank	48.00	48.00	XXX
					Inter-Europa Consulting	48.00	48.00	XXX
					Inter-Europa Szolgáltató	4.00	4.00	XXX
						100.00	100.00	

(cont.: companies consolidated on a line by line basis)

Name	Registered offices	Type of relationship (*)	Shareholders' equity (€/mil) (**)	Income / Loss (€/mil) (**)	Ownership		Voting rights at shareholders' meeting %	Consolidated book values (€/mil)
					Held by	%		
43 LDV Holding B.V.	Netherlands	1	102	-5	Sanpaolo IMI Private Equity	100.00	100.00	XXX
44 NHS Investments S.A.	Luxembourg	1	11	-44	IMI Investimenti LDV Holding	99.99 0.01	99.99 0.01	XXX XXX
						100.00	100.00	
45 Sanpaolo Banco di Napoli S.p.A.	Naples	1	1,305	108	Sanpaolo IMI	100.00	100.00	XXX
46 Sanpaolo Bank S.A.	Luxembourg	1	271	36	Sanpaolo IMI	100.00	100.00	XXX (F)(G)
47 Sanpaolo Bank (Suisse) S.A.	Switzerland	1	14	2	Sanpaolo Bank	99.98	99.98	XXX
48 Sanpaolo Fiduciaria S.p.A.	Milan	1	7	2	Sanpaolo IMI	100.00	100.00	XXX
49 Sanpaolo IMI Alternative Investments S.G.R. S.p.A.	Milan	1	6	-1	Sanpaolo IMI Asset Management	100.00	100.00	XXX (H)
50 Sanpaolo IMI Asset Management S.G.R. S.p.A.	Milan	1	186	87	Sanpaolo IMI	100.00	100.00	XXX (I)(J)
51 Sanpaolo IMI Bank (International) S.A.	Madeira	1	180	3	Sanpaolo IMI	100.00	100.00	XXX (K)
52 Sanpaolo IMI Bank Ireland Plc	Ireland	1	532	15	Sanpaolo IMI	100.00	100.00	XXX
53 Sanpaolo IMI Capital Company I L.L.c.	United States	1	51	-	Sanpaolo IMI	100.00	100.00	XXX
54 Sanpaolo IMI Fondi Chiusi S.G.R. S.p.A.	Bologna	1	1	-1	Sanpaolo IMI Private Equity	100.00	100.00	XXX
55 Sanpaolo IMI Institutional Asset Management S.G.R. S.p.A.	Milan	1	22	2	Sanpaolo IMI Asset Management	100.00	100.00	XXX (H)
56 Sanpaolo IMI International S.A.	Luxembourg	1	941	115	Sanpaolo IMI	100.00	100.00	XXX
57 Sanpaolo IMI Internazionale S.p.A.	Padua	1	95	1	Sanpaolo IMI	100.00	100.00	XXX
58 Sanpaolo IMI Investimenti per lo Sviluppo SGR S.p.A. (former NHS Mezzogiorno S.G.R. S.p.A.)	Naples	1	3	1	Sanpaolo IMI Private Equity	100.00	100.00	XXX
59 Sanpaolo IMI Private Equity S.p.A.	Bologna	1	233	-5	Sanpaolo IMI	100.00	100.00	XXX
60 Sanpaolo IMI US Financial Co.	United States	1	-	-	Sanpaolo IMI	100.00	100.00	XXX
61 Sanpaolo IMI WM Luxembourg S.A. (subsequently Sanpaolo IMI Asset Management Luxembourg S.A.)	Luxembourg	1	17	60	Sanpaolo IMI Asset Management	100.00	100.00	XXX (H)
62 Sanpaolo Invest Ireland Ltd	Ireland	1	9	9	Banca Fideuram	100.00	100.00	XXX
63 Sanpaolo Invest SIM S.p.A.	Rome	1	21	2	Banca Fideuram	100.00	100.00	XXX
64 Sanpaolo Leasint S.p.A.	Milan	1	111	18	Sanpaolo IMI	100.00	100.00	XXX (C)
65 SEP S.p.A.	Turin	1	3	1	Sanpaolo IMI	100.00	100.00	XXX
66 Sogesmar S.A.	France	1	-	-	Banque Privée Fideuram Wargny Fideuram Wargny Gestion	51.55 48.19	51.55 48.19	XXX XXX
						99.74	99.74	
67 SP Immobiliere S.A.	Luxembourg	1	-	-	Sanpaolo Bank Sanpaolo IMI WM Luxembourg	99.99 0.01	99.99 0.01	XXX XXX
						100.00	100.00	
68 Sygman Szolgaltato es Kereskedelmi Kft	Hungary	1	1	-	IE-New York Broker	100.00	100.00	XXX
69 Tobuk Ltd	Ireland	1	-	-	Sanpaolo IMI Bank Ireland	100.00	100.00	XXX

A2 Companies consolidated with the proportional method

1 All Funds Bank S.A.	Spain	7	32	5	Sanpaolo IMI	50.00	50.00	XXX (L)
2 Banka Koper d.d.	Slovenia	7	152	19	Sanpaolo IMI	63.51	32.99	XXX
3 Cassa dei Risparmi di Forlì S.p.A.	Forlì	7	229	20	Sanpaolo IMI	29.77	29.77	XXX

Name	Type of registered offices	Shareholders' equity (€ mil) (*)	Income / Loss (€ mil) (**)	Ownership Held by	%	Voting rights at shareholders' meeting %	Consolidated book values (€ mil)		
B. Investments carried at equity									
<i>B1 Investments carried at equity - subsidiaries (***)</i>									
1	3G Mobile Investments S.A.	Belgium	1	4	-18	IMI Investimenti	100.00	100.00	4
2	Assicurazioni Internazionali di Previdenza S.p.A. (former Noricum Vita S.p.A.)	Turin	1	1,063	152	Sanpaolo IMI	99.96	99.96	1,063 (M)
3	Cedar Street Securities Corp.	United States	1	-	-	Banca IMI Securities	100.00	100.00	-
4	Consorzio Studi e Ricerche Fiscali	Rome	1	-	-	Sanpaolo IMI	55.00	55.00	-
						Banca Fideuram	10.00	10.00	-
						Sanpaolo IMI	10.00	10.00	-(N)
						Asset Management			
						A.I.P.	5.00	5.00	-(O)
						Banca IMI	5.00	5.00	-
						Banca OPI	5.00	5.00	-
						Sanpaolo Leasint	5.00	5.00	-
						IMI Investimenti	2.50	2.50	-
						Sanpaolo IMI	2.50	2.50	-
						Private Equity			
							100.00	100.00	
5	Consumer Financial Services S.r.l.	Bologna	1	1	-	Finemiro Banca	100.00	100.00	1
6	Emil Europe '92 S.r.l.	Bologna	1	-	-4	Cassa di Risparmio Bologna	93.47	93.47	-
7	Fideuram Assicurazioni S.p.A.	Rome	1	12	1	A.I.P.	100.00	100.00	-(O)(P)
8	Immobiliare 21 S.r.l.	Milan	1	-	-	Sanpaolo IMI	100.00	100.00	-(Q)
9	Immobiliare Nettuno S.p.A.	Bologna	1	1	-	Cassa di Risparmio Bologna	100.00	100.00	1
10	S.V.I.T. S.p.A.	Padua	1	-	-	Cassa di Risparmio Padova e Rovigo	57.45	57.45	-
11	Sanpaolo IMI Equity Management S.A.	Luxembourg	1	-	-	Sanpaolo IMI Private Equity	99.99	99.99	-
						LDV Holding	0.01	0.01	-
							100.00	100.00	
12	Sanpaolo IMI Insurance Broker S.p.A.	Bologna	1	3	1	Sanpaolo IMI	100.00	100.00	3 (Q)
13	Sanpaolo IMI Management Ltd	United Kingdom	1	1	-	Sanpaolo IMI Private Equity	100.00	100.00	1
14	Sanpaolo Leasint G.M.B.H.	Austria	1	1	1	Sanpaolo Leasint	100.00	100.00	1
15	Sanpaolo Life Ltd	Ireland	1	177	94	A.I.P.	100.00	100.00	-(O)
16	Servizi S.r.l.	Bologna	1	1	-	Finemiro Banca	100.00	100.00	1
17	Studi e Ricerche per il Mezzogiorno	Naples	1	-	-	Sanpaolo IMI	16.67	16.67	-
						Banca OPI	16.67	16.67	-
						Sanpaolo IMI Investimenti	16.67	16.67	-
						Sanpaolo Banco di Napoli	16.66	16.66	-
							66.67	66.67	
18	Universo Servizi S.p.A.	Milan	1	20	2	A.I.P.	99.00	99.00	-(O)
						Sanpaolo IMI	1.00	1.00	-(N)
						Asset Management			
							100.00	100.00	
19	Venezia Tronchetto Real Estate S.p.A.	Mestre	1	1	-10	S.V.I.T.	99.62	99.62	-(O)
20	W.D.W. S.A.	France	1	-	-	Banque Privée Fideuram Wargny	99.88	99.88	-

(cont.: investments carried at equity - subsidiaries)

Name	Registered offices	Type of relationship (*)	Shareholders' equity (€/mil) (**)	Income / Loss (€/mil) (**)	Ownership		Voting rights at shareholders' meeting %	Consolidated book values (€/mil)
					Held by	%		
21 West Trade Center S.A.	Romania	1	-	-	Sanpaolo IMI Internazionale	100.00	100.00	- (A)
22 BN Finrete S.p.A. (in liq.)	Naples	1	1	-	Sanpaolo IMI	99.00	99.00	1 (R)
23 Cardine Finance Plc (in liq.)	Ireland	1	-	-	Sanpaolo IMI	99.97	99.97	-
					Cassa di Risparmio Padova e Rovigo	0.01	0.01	-
					Cassa di Risparmio Venezia	0.01	0.01	-
					Cassa di Risparmio Bologna	0.01	0.01	-
						100.00	100.00	
24 Cardine Suisse S.A. (in liq.)	Switzerland	1	1	-	Sanpaolo IMI	99.00	99.00	1 (R/S)
25 Cioccolato Feletti S.p.A. (in liq.)	Aosta	1	-	2	Sanpaolo IMI	95.00	95.00	- (Q)
26 Cotonificio Bresciano Ottolini S.r.l. (in liq.)	Brescia	1	-	-	Sanpaolo IMI	100.00	100.00	- (Q)
27 Imifin S.p.A. (in liq.)	Rome	1	-	-	Sanpaolo IMI	100.00	100.00	-
28 IMI Bank A.G. (in liq.)	Germany	1	-	-	Sanpaolo Bank	100.00	100.00	- (D)
29 ISC Euroservice G.M.B.H. (in liq.)	Germany	1	-	-	Sanpaolo IMI	80.00	80.00	-
30 S.A.G.E.T. S.p.A. (in liq.)	Teramo	1	-	-	GEST Line	99.98	99.98	- (T)
31 Sanpaolo IMI Capital Partners Ltd (in liq.)	Guernsey	1	-	-	Sanpaolo IMI Private Equity	99.00	99.00	-
					Sanpaolo IMI Management	1.00	1.00	- (O)
						100.00	100.00	
32 Sanpaolo U.S. Holding Co. (in liq.)	United States	1	3	-	Sanpaolo IMI	100.00	100.00	2 (R)
33 Se.Ri.T. S.p.A. (in liq.)	Teramo	1	-	-	GEST Line	100.00	100.00	- (T)
34 Sicilsud Leasing S.p.A. (in liq.)	Palermo	1	-1	-1	FIN.OPI	100.00	100.00	-
35 West Leasing S.A. (in liq.)	Romania	1	1	-	Sanpaolo Bank Romania	88.71	88.71	1 (R)
Other minor investments								2 (U)
Investments carried at equity - subsidiaries								1,082

B2 Investments carried at equity - other

36 Aeffe S.p.A.	Rimini	8	53	5	LDV Holding	20.00	20.00	11 (V)
37 Aeroporti Holding S.r.l.	Turin	8	21	-	Sanpaolo IMI Private Equity	30.00	30.00	6
38 Attività Finanziarie Merlo S.p.A.	Turin	8	16	1	Banca IMI	33.33	33.33	5
39 Banque Sanpaolo S.A.	France	8	447	33	Sanpaolo IMI	40.00	40.00	179
40 Carpine S.p.A.	Modena	8	34	-	Sanpaolo IMI Private Equity	27.09	27.09	9
41 Cassa di Risparmio di Firenze S.p.A.	Florence	8	1,152	79	Sanpaolo IMI	18.67	18.67	213 (W)
42 CBE Service S.p.r.l.	Belgium	8	-	-	Sanpaolo IMI	31.70	31.70	-
					Cariforli	5.00	5.00	-
						36.70	36.70	
43 Centradia Group Ltd	United Kingdom	7	12	-2	Sanpaolo IMI	29.03	29.03	3 (X)
44 Centradia Ltd	United Kingdom	7	5	1	Centradia Group	100.00	100.00	- (X)(Y)
45 Centradia Services Ltd	United Kingdom	7	4	-3	Centradia Group	100.00	100.00	- (X)(Y)
46 CR Firenze Gestion Internationale S.A.	Luxembourg	8	13	12	Sanpaolo IMI	20.00	20.00	3
47 Egida Compagnia di Assicurazioni S.p.A.	Turin	7	13	2	A.I.P.	50.00	50.00	- (O)
48 Esatri S.p.A.	Milan	8	61	38	GEST Line	31.50	31.50	19
49 Finor d.o.o.	Slovenia	7	-	-	Banka Koper	100.00	100.00	1 (Z)(AA)
50 I.TRE Iniziative Immobiliari Industriali S.p.A.	Rovigo	8	-	-	Cassa di Risparmio Padova e Rovigo	20.00	20.00	- (S)

(cont.: investments carried at equity - other)

Name	Registered offices	Type of relationship (*)	Shareholders' equity (€/mil) (**)	Income / Loss (€/mil) (**)	Ownership		Voting rights at shareholders' meeting %	Consolidated book values (€/mil)
					Held by	%		
51 IW Bank S.p.A.	Milan	8	22	7	Banca IMI	20.00	20.00	5
52 Lama Dekani d.d.	Slovenia	8	-	-	Banka Koper	78.41	78.41	1 (AA)
53 Liseuro S.p.A.	Udine	8	4	-	Sanpaolo IMI	35.11	35.11	1 (S)
54 Padova 2000 Iniziative Immobiliari S.p.A.	Padua	8	-	-	Cassa di Risparmio Padova e Rovigo	45.01	45.01	- (S)
55 Pivka Perutninarstvo d.d.	Slovenia	8	-	-	Banka Koper	26.36	26.36	1
56 Sagat S.p.A.	Turin	8	49	6	IMI Investimenti	12.40	12.40	6 (S)(BB)
57 Sanpaolo IMI Private Equity Scheme B.V.	Netherlands	8	31	-15	LDV Holding	23.50	29.38	9
					Sanpaolo IMI Equity Management	20.00	0.00	- (O)
						43.50	29.38	9
58 Sifin S.r.l.	Bologna	8	4	3	Sanpaolo IMI	30.00	30.00	1 (CC)
59 Sinloc - Sistemi Iniziative Locali S.p.A.	Turin	8	47	1	FIN.OPI	11.85	11.85	6
					Banca OPI	8.15	8.15	4
						20.00	20.00	10
60 Società Friulana Esazione Tributi S.p.A.	Udine	8	6	-	GEST Line	33.33	33.33	2 (DD)(EE)
61 Società Gestione per il Realizzo S.p.A.	Rome	8	19	-2	Sanpaolo IMI	28.31	28.31	1
					Banca Fideuram	0.64	0.64	-
						28.95	28.95	1
62 Splosna Plovba Portoroz d.o.o.	Slovenia	8	-	-	Banka Koper	21.00	21.00	-
63 Synesis Finanziaria S.p.A.	Turin	8	442	44	IMI Investimenti	25.00	25.00	110 (V)(FF)
64 Trivimm S.r.l.	Verona	8	1	-	Sanpaolo IMI	23.00	23.00	-
65 Aeroporto di Napoli S.p.A. (in liq.)	Naples	8	-	-	Sanpaolo IMI	20.00	20.00	-
66 Consorzio Agrario Prov.le di Rovigo (in liq.)	Rovigo	8	-8	-	Cassa di Risparmio Padova e Rovigo	35.45	35.45	- (EE)
67 Consorzio Bancario SIR S.p.A. (in liq.)	Rome	8	-499	-250	Sanpaolo IMI	32.84	32.84	- (S)(GG)
68 G.E.CAP. S.p.A. (in liq.)	Foggia	8	1	-2	GEST Line	37.25	37.25	- (HH)
69 Galileo Holding S.p.A. (in liq.)	Milan	8	-24	-	Sanpaolo IMI	31.52	31.52	- (II)
70 Integra S.r.l. (in liq.)	Belluno	8	-	-	Cassa di Risparmio Padova e Rovigo	29.64	29.64	-
71 Mega International S.p.A. (in arrangement before bankruptcy)	Ravenna	8	2	-	Finemiro Banca	48.00	48.00	-
72 Progema S.r.l. (in liq.)	Turin	8	-	-	Finemiro Banca	10.00	10.00	-
					SEP	10.00	10.00	-
						20.00	20.00	
Other equity investments								1 (U)
Total investments carried at equity - other								597
Total investments carried at equity								1,679

Notes to the table of significant investments:

- (*) *Type of relationship:*
 1 = control ex Art. 2359 Italian Civil Code, subsection 1, no. 1: majority of voting rights in the ordinary meeting.
 2 = control ex Art. 2359 Italian Civil Code, subsection 1, no. 2: dominating influence in the ordinary meeting.
 3 = control ex Art. 2359 Italian Civil Code, subsection 2, no. 1: agreements with other partners.
 4 = other forms of control.
 5 = single leadership ex Art. 26, subsection 1 of D. Lgs. 87/92.
 6 = single leadership ex Art. 26, subsection 2 of D. Lgs. 87/92.
 7 = joint control ex Art. 35, subsection 1 of D. Lgs. 87/92.
 8 = associated company ex Art. 36, subsection 1 of D. Lgs. 87/92: company over which "significant influence" is exercised, which is assumed to exist when at least 20% of the voting rights in the ordinary meeting are held.
- (**) *Shareholders' equity for consolidated companies corresponds to that used for the consolidation procedures. It also includes income for the year before distribution of dividends (net of any interim dividends).*
- (***) *The list does not include investments of Isveimer S.p.A. (in liquidation) and Società per la gestione di attività S.p.A. (Sga), given the particular characteristics of the respective interest held (see Part B - Section 9 "Other liabilities" of these Notes).*
- (A) *The company was transferred from the Parent Bank to Sanpaolo IMI Internazionale S.p.A. in February 2004.*
 (B) *Following the merger by incorporation of Invesp S.p.A., the Parent Bank acquired a further quota of 9.28%.*
 (C) *Lease transactions are shown in the financial statements according to the financial lease method.*
 (D) *The company is now controlled by Sanpaolo Bank S.A., following the merger of IMI Bank (Lux) S.A. in September 2004.*
 (E) *The company was set up in January 2004.*
 (F) *The Parent Bank acquired direct control of the company following the merger by incorporation of IMI Bank (Lux) S.A. and the spin off of Sanpaolo IMI WM S.p.A..*
 (G) *In September 2004 the company merged IMI Bank (Lux) S.A..*
 (H) *The company is now controlled by Sanpaolo IMI Asset Management S.g.r. S.p.A. following the spin off of Sanpaolo IMI WM S.p.A. in December 2004.*
 (I) *In April 2004 the company merged Eptafund S.g.r. p.a..*
 (J) *Following the spin off of Sanpaolo IMI WM S.p.A., the Parent Bank purchased direct control of the company.*
 (K) *In January 2004 the Parent Bank purchased direct control of the company.*
 (L) *The company is jointly controlled with Santander Central Hispano S.A..*
 (M) *In December 2004 the company merged Fideuram Vita S.p.A. and Sanpaolo Vita S.p.A.. The valuation has been made on the basis of the consolidated financial statements prepared by the company in which the investment is held.*
 (N) *The company is now controlled by Sanpaolo IMI Asset Management S.g.r. S.p.A. following the spin off of Sanpaolo IMI WM S.p.A. in December 2004.*
 (O) *The book value is included in the valuation in net equity of the holding company.*
 (P) *In March 2004 the company was sold to Fideuram Vita S.p.A. by Banca Fideuram S.p.A. (subsequently merged into A.I.P. S.p.A.).*
 (Q) *Following the merger by incorporation of Invesp S.p.A., the Parent Bank acquired direct control of the company.*
 (R) *The company's book value reflects the estimated realizable value according to the stage of completion of the liquidation process.*
 (S) *Shareholders' equity refers to the financial statements as of 31 December 2003.*
 (T) *In December 2004 the company was sold to GEST Line S.p.A. by Banca Popolare dell'Adriatico S.p.A..*
 (U) *Represents the sum of the book values of shareholdings under 500,000 euro.*
 (V) *The valuation has been made on the basis of the consolidated financial statements prepared by the company in which the investment is held.*
 (W) *The valuation has been made on the basis of the consolidated financial statements as of 30 September 2004 prepared by the company in which the investment is held.*
 (X) *In the 2003 financial statements the company was included in the consolidation area using the proportional method and recorded among "Investments carried at equity - other" for intangibility. The valuation has been made on the basis of the consolidated financial statements prepared by the company in which the investment is held.*
 (Y) *The investment, controlled by Centradia Group Ltd, is not included among "Investments carried at equity - subsidiaries" as the holding company is jointly controlled.*
 (Z) *The company was purchased in January 2004.*
 (AA) *The investment controlled by Banka Koper d.d. is not included among "Investments carried at equity - subsidiaries" as the holding company Banka Koper is included in consolidation using the proportional method.*
 (BB) *The company was included among "Investments carried at equity - other" in respect of the parasocial contracts which allow the SANPAOLO IMI Group to exercise significant interest. The valuation has been made on the basis of the consolidated financial statements prepared by the company in which the investment is held.*
 (CC) *The Parent Bank now holds an interest in the company, following the merger of Invesp S.p.A. in December 2004.*
 (DD) *In December 2004 the company was sold to GEST Line S.p.A. by Friulcassa S.p.A..*
 (EE) *Shareholders' equity refers to the financial statements as of 30 June 2004.*
 (FF) *The company holds 51% of Fidis Retail Italia.*
 (GG) *The investment refers to the IMI Sir dispute illustrated in Section 5 - "Other assets"*
 (HH) *The company was sold by the Parent Bank to GEST Line S.p.A. in December 2004.*
 (II) *In relation to the equity deficit of the company, acquired as part of the restructuring of that group, it is expected that the company's equity deficit should be offset on completion of the debt restructuring, which entails the shareholder banks waiving their receivables.*

Of the remaining investments held by the Group, the most significant are listed below by amount invested (book value equal to or higher than 2.5 million euro):

Other significant equity investments

Name	Registered offices	Ownership		Consolidated book values (€/mil)
		Held by	% (*)	
AEM Torino S.p.A.	Turin	FIN.OPI	4.93	34
Autostrada BS-VR-VI-PD S.p.A.	Verona	Sanpaolo IMI	5.80	6
Azimut S.p.A.	Viareggio	LDV Holding	9.09	34
		Sanpaolo IMI Private Equity	0.08	-
			9.17	34
Banca delle Marche S.p.A.	Ancona	Sanpaolo IMI	7.00	92
Banca d'Italia	Rome	Sanpaolo IMI	8.33	185
		Cassa di Risparmio Bologna	6.20	-
		Cassa di Risparmio Padova e Rovigo	1.20	-
		Cassa di Risparmio Venezia	0.88	-
		Friulcassa	0.63	-
		Cariforli	0.20	2
			17.44	187
Banco del Desarrollo S.A.	Chile	Sanpaolo IMI	15.72	23
Banque Espirito Santo et de la Venetie S.A.	France	Sanpaolo IMI	18.00	10 (A)
BIAT S.A.	Tunisia	Sanpaolo IMI Internazionale	5.61	8
Borsa Italiana S.p.A.	Milan	Banca IMI	7.94	21
		Sanpaolo IMI	5.37	52
		Sanpaolo Bank	0.43	- (B)
			13.74	73
Cassa di Risparmio di Ferrara S.p.A.	Ferrara	Sanpaolo IMI	1.15	6 (C)
Centrale dei Bilanci S.r.l.	Turin	Sanpaolo IMI	12.60	6
Centro Factoring S.p.A.	Florence	Sanpaolo IMI	10.81	3 (A)
		Cariforli	0.11	-
			10.92	3
Centro Leasing S.p.A.	Florence	Sanpaolo IMI	12.33	15 (A)
		Cariforli	0.05	-
			12.38	15
Cimos International d.d.	Slovenia	Banka Koper	13.55	7
Compagnia Assicuratrice Unipol S.p.A.	Bologna	Sanpaolo IMI	1.90	55 (A)
Convergenza S.c.a.	Luxembourg	Sanpaolo IMI Private Equity	6.67	11
Dyckerhoff A.G.	Germany	IMI Finance	12.12	45
Engineering Ingegneria Informatica S.p.A.	Rome	Sanpaolo IMI Private Equity	1.60	4
FHB Foldhiteles Jelzalogbank Rt	Hungary	Inter-Europa Bank	1.73	3 (D)
FIAT S.p.A.	Turin	IMI Investimenti	0.93	53
Fin.Ser. S.p.A.	Padua	Cassa di Risparmio Padova e Rovigo	15.00	3
Fincantieri - Cantieri Navali Italiani S.p.A.	Trieste	IMI Investimenti	1.97	7 (E)
Fondo Europeo per gli Investimenti	Luxembourg	Sanpaolo IMI Private Equity	0.50	3
Hera S.p.A.	Bologna	FIN.OPI	1.11	11
Hutchison 3G Italia S.p.A.	Milan	NHS Investments	5.58	27
		3G Mobile Investments	2.23	- (F)
			7.81	27
Infracom Italia S.p.A.	Verona	IMI Investimenti	7.35	25 (E)

(cont.: other significant equity investments)

Name	Registered offices	Ownership		Consolidated book values (€/mil)
		Held by	% (*)	
Istituto Enciclopedia Italiana S.p.A.	Rome	Sanpaolo IMI	8.00	3
Istituto per il Credito Sportivo	Rome	Sanpaolo IMI	10.81	19
Italenergia Bis S.p.A.	Turin	IMI Investimenti	12.48	431
IXIS Asset Management Group S.A.	France	Sanpaolo IMI	12.00	192 (G)
IXIS Corporate & Investment Bank S.A.	France	Sanpaolo IMI	2.45	86 (G)
Kredyt Bank S.A.	Poland	Sanpaolo IMI Internazionale	2.83	16
Merloni Termosanitari S.p.A.	Ancona	IMI Investimenti	7.42	27 (H)
Santander Central Hispano S.A.	Spain	Sanpaolo IMI	0.84	458
		Sanpaolo IMI International	1.35	769
			2.19	1,227
Simest S.p.A.	Rome	Sanpaolo IMI	4.01	6
Transdev S.A.	France	FIN.OPI	7.00	11
Altre minori				55
Total other significant equity investments				2,824

Notes to the table "other significant investments":

(*) The percentage refers to the total capital.

(A) The Parent Bank acquired the investment following the merger by incorporation of Invesp S.p.A..

(B) Sanpaolo Bank S.A. now holds an interest in the company following the merger of IMI Bank (Lux) S.A. in September 2004.

(C) The Parent Bank acquired the investment following the merger by incorporation of Prospettive 2001 S.p.A..

(D) The company was purchased in May 2004.

(E) The company was sold by the Parent Bank to IMI Investimenti S.p.A. in January 2004.

(F) The book value is included in the valuation in net equity of the holding company.

(G) The investment was acquired in December 2004 following the Parent Bank's repositioning of its investments in CDC Ixis.

(H) IMI Investimenti acquired 6.05% from LDV Holding in September 2004 and 1.37% from Banca Popolare dell'Adriatico in November 2004.

Composition of the investment portfolio

Analysis of caption 80 "investments in Group companies" (Table 3.5 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) in banks		
1. quoted	-	-
2. unquoted	-	-
b) in financial institutions		
1. quoted	-	-
2. unquoted	8	11
c) other		
1. quoted	-	-
2. unquoted	1,074	1,119
Total	1,082	1,130

Analysis of caption 70 "equity investments" (Table 3.4 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) in banks		
1. quoted	1,466	1,327
2. unquoted	610	869
b) in financial institutions		
1. quoted	-	-
2. unquoted	381	195
c) other		
1. quoted	204	200
2. unquoted	760	851
Total	3,421	3,442

The main characteristics of the commitments and options on significant investments are provided below:

- the Cassa dei Risparmi di Forlì S.p.A. share purchase agreement of 29 November 2000, between Fondazione CR Forlì (seller) and SANPAOLO IMI and Cassa di Risparmio di Firenze (purchasers), provides that the purchasers shall grant Fondazione an option to sell ordinary shares representing not more than 51.35% of the share capital of CR Forlì, to be exercised in a number of tranches, at a unit price of 8.11 euro per share for the first two tranches, and at a price determined according to the "fair market value" for the last tranches. The put option may be exercised by Fondazione at any time between 12 June 2002 and the 15th day before the expiry of the first period for notice of termination of the Consortium Agreement drawn up between the same parties (31 December 2008). On 12 May 2003 Fondazione CR Forlì exercised the first tranche of the put option on 8,335,370 shares (equal to 8.75% of the share capital), at a price of 68 million euro for the quota attributable to SANPAOLO IMI. After acquisition, the investment held by SANPAOLO IMI rose to 29.77%. The option on the portion of share capital still held by Fondazione (29.77%), involved the booking of 174 million euro to commitments for "put options issued";
- the agreement between the Parent Bank and the majority shareholders of Banka Koper D.D., aimed at purchasing a controlling investment in the company, provides that, in the event the Public Offer in March 2002 for the entire share capital of the company is successful, SANPAOLO IMI guarantees the leading shareholders a put option on their shares which were not contributed in the Public Offer. Such entitlement is also extended to each shareholder who contributed at least one share to the Public Offer. Each shareholder may exercise the put option during the 30 days after 31 March, 30 June, 30 September and 31 December of each year, commencing from the 30 days after 31 December 2002 and up to the

30th day after 30 June 2006. The price is equal to that of the Public Offer, plus interest calculated on the rate paid by Banka Koper 'one year and one day' deposits in Slovenian Tolar, for the period extending from the last effective day of the Public Offer, to the day on which the put option is exercised and is reduced by the dividends collected on such shares. This transaction involved booking 83 million euro to "commitments for put options issued", such amount being the equivalent of 33.79% of the share capital;

- in the context of the agreement concluded on 15 November 1999 between Ente Cassa di Risparmio di Firenze and SANPAOLO IMI for the acquisition of a 15% stake in Cassa di Risparmio di Firenze S.p.A., a right of pre-emption at "fair price" was granted to SANPAOLO IMI, in the event that Ente CR Firenze transfers CR Firenze shares. The agreement also provided that, in the event that SANPAOLO IMI does not exercise its pre-emption right, the shares involved, representing a total of around 10.8% of CR Firenze share capital, may be offered on sale to third parties at the same "fair price". In the event of an unsuccessful sale to third parties, Ente CR Firenze is entitled to offer the shares on sale to the Bank, who is obliged to purchase them at a price equal to the arithmetical average of the official stockmarket prices over the previous three months, increased by 50%, on the condition that the average daily volume of dealings in the shares is not less than 3 million euro (under this assumption, the amount as of 31 December 2004, is estimated at approximately 296 million euro). If, however, the average daily volume of dealings in the shares is less than 3 million euro, the price will be determined according to the best technical valuation of the sector. Considering the conditions under which the Parent Bank is obliged to purchase in the event of an unsuccessful sale to third parties at the price fixed by Ente CR Firenze and that the Bank has not yet expressed its willingness to exercise its pre-emption rights, no amount for commitments has been recorded to the financial statements;
- in the context of the agreement concluded on 16 July 2003 between SANPAOLO IMI and the Fondazioni shareholders of Banca delle Marche S.p.A., which led to the take over of 7% of the share capital in the latter bank, SANPAOLO IMI granted the Fondazioni a put option on 8% of the bank's capital, exercisable before 31 December 2006. The unit price for exercising the put option shall equal the greater amount of: (i) 1.8 euro plus the one-month Euribor rate (365 day basis) from the date of execution of the contract to the date on which the put option is exercised, less the dividends collected by Fondazioni in the same period and, (ii) 1.8 euro plus any increase in net equity of each Banca delle Marche S.p.A. share from 31 December 2002 to the date on which the put option is exercised, on the basis of the latest financial statements or the half year report, whichever is most recent. This transaction involved the booking of around 107 million euro to "commitments for put options issued".

In the context of the parasocial contracts valid up to 31 December 2006, which may be extended on agreement between the parties, SANPAOLO IMI has a pre-emptive right to purchase the remaining shares which Fondazioni may decide to sell, with the exception of limited assumptions, and the right to co-sell (at a price not lower than that paid) if the pre-emptive right is not exercised.

Detail of the above commitments is provided in the memorandum accounts (caption 20 Guarantees and Commitments), in the Explanatory Notes, in the table on forward transactions (Table 10.5 B.I. "Other transactions") and in the supplementary information requested by the Basel Committee on Banking Supervision and the International Organization of Securities Commissions (IOSCO).

Changes during the year in the equity investment portfolio

<i>Investments in Group companies (table 3.6.1 B.I.)</i>	<i>(€/mil)</i>
A. Opening balance	1,130
B. Increases	
B1. purchases	1
B2. writebacks	-
B3. revaluations	-
B4. other changes	214
C. Decreases	
C1. sales	226
C2. adjustments	18
<i>of which:</i>	
<i>- long-term writedowns</i>	-
C3. other changes	19
D. Closing balance	1,082
E. Total revaluations	69
F. Total adjustments	871

Subcaption B1. "Purchases" refers to the payment to share capital of 1 million euro to cover prior year losses incurred by Obiettivo Sgr S.p.A..

Subcaption B4. "Other changes" includes:

- increases in subsidiaries valued according to the net equity method (145 million euro), substantially reflecting the income from the net valuation of dividends distributed;
- the book value of Sanpaolo Bank (Austria) A.G. (14 million euro) valued for the first time at equity and no longer consolidated on a line by line basis;
- profits of 51 million euro and 3 million euro earned from the disposal of, respectively, CSP Investimenti S.r.l. and Sanpaolo Bank (Austria) A.G..

Subcaption C1. "Sales" reflects the disposal of shares held in Sanpaolo Bank (Austria) A.G. for 17 million euro and CSP Investimenti S.r.l. for 208 million euro.

Subcaption C2. "Adjustments" refers to the writedown of 18 million euro to the investment in 3G Mobile Investments S.A. by IMI Investimenti (see Section 5 of the statement of income – Adjustments to financial fixed assets).

Subcaption C3. "Other changes" includes decreases in subsidiaries valued according to the net equity method (4 million euro) as well as from the merger by incorporation of Obiettivo Sgr S.p.A. in Sanpaolo IMI Alternative Investments S.p.A. (3 million euro).

Other equity investments (Table 3.6.2 B.I.)

(€/mil)

A. Opening balance	3,442
B. Increases	
B1. purchases	31
B2. writebacks	123
B3. revaluations	-
B4. other changes	402
C. Decreases	
C1. sales	165
C2. adjustments	60
<i>of which:</i>	
- long-term writedowns	10
C3. other changes	352
D. Closing balance	3,421
E. Total revaluations	245
F. Total adjustments	1,046

Subcaption B1. "Purchases" includes:

- investments made by Banca OPI S.p.A. and by its subsidiary FIN.OPI S.p.A. in AEM Torino S.p.A. (17 million euro), in Rimini Fiera S.p.A. (2 million euro), in Hera S.p.A. (1 million euro) and in Henderson PFI Secondary Fund Ltd (1 million euro);
- the increases in capital subscribed by Ldv Holding Bv in Convergenza S.c.a. (3 million euro), by FIN.OPI S.p.A. in Transdev S.A. (1 million euro) and by Sanpaolo IMI Internazionale S.p.A. in Biat S.A. (1 million euro);
- payment of 2 million euro to the share capital of Synesis Finanziaria S.p.A. by IMI Investimenti S.p.A..

Subcaption B2. "Writebacks" refers mainly to writebacks made by the Parent Bank and by Sanpaolo IMI International S.A. in Santander Central Hispano S.A. for 122 million euro (see Section 5 of the statement of income – "Adjustments to financial fixed assets").

Subcaption B4. "Other changes" includes:

- profits for 75 million euro realized from the sale of investments, of which 67 million euro from the Parent Bank's disposal of shares held in Finconsumo Banca S.p.A. (55 million euro), in HDI Assicurazioni S.p.A. (5 million euro), in Mostra d'Oltremare (3 million euro), in CRIF S.p.A. (2 million euro), in Meliorbanca S.p.A. (2 million euro), 4 million euro from the disposal by IMI Investimenti of shares in Serene S.p.A. and 2 million euro from the disposal by Friulcassa S.p.A. and Cariparo S.p.A. of shares held in Acegas-APS S.p.A.;
- the book value of the 4 million euro shareholding in Centradia Group Ltd valued for the first time at net equity and no longer consolidated proportionally;
- the shareholdings in IXIS Asset Management Group S.A. for 192 million euro and in IXIS Corporate & Investment Bank S.A. for 86 million euro, received following the repositioning of the CDC Ixis investment;
- increases in non-subsiary companies valued according to the net equity method (44 million euro), substantially reflect the valuation adjustments net of dividends distributed.

Subcaption C1. "Sales" refers to:

- the disposal by the Parent Bank of the shareholding in Finconsumo Banca S.p.A. for 80 million euro, in HDI Assicurazioni S.p.A. for 47 million euro, in Mostra d'Oltremare for 3 million euro, in Unipol S.p.A. for 3 million euro, in Meliorbanca for 2 million euro and in Crif S.p.A. for 2 million euro;
- the disposal by IMI Investimenti S.p.A. of its shareholding in Serene S.p.A. for 5 million euro;
- the disposal by FIN.OPI S.p.A. of a portion of its shareholding in Sinloc S.p.A. for 10 million euro and of the shareholding in Immobiliare Colonna '92 S.r.l. for 2 million euro;
- the disposal by Friulcassa S.p.A. and Cariparo S.p.A. of shares held in Acegas-APS S.p.A. for 5 million euro.

Subcaption C2. “Adjustments” mainly reflects writedowns made by NHS Investments S.A. and IMI Investimenti S.p.A. in Hutchison 3G Italia S.p.A. for 43 million euro and by IMI Investimenti S.p.A. in FIAT S.p.A. for 5 million euro. Details of other adjustments are provided in Section 5 of the statement of income – “Adjustments to financial fixed assets”.

Subcaption C3. “Other changes” includes:

- the decrease equal to the value of the transferred shareholding in CDC Ixis for 277 million euro against the shareholdings in IXIS Asset Management Group S.A. and IXIS Corporate & Investment Bank S.A.;
- the 50 million euro loss from the transfer of the investment in CDC Ixis to the company vehicles IXIS Asset Management Group S.A. and Ixis Corporate & Investment Bank in which the Parent Bank repositioned the shareholding;
- the 16 million euro decrease in value of companies valued using the equity method;
- reimbursements of capital for 8 million euro made by some companies.

Amounts due to and from Group companies and investments (non-Group companies)

Amounts due to and from Group companies, as established in Art. 4 of D. Lgs. 87/92, as well as subsidiaries and affiliated companies (non-Group companies), are analyzed in the following tables:

Amounts due to and from Group companies (Table 3.2 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Assets		
1. due from banks	-	-
<i>of which:</i>		
– subordinated	-	-
2. due from financial institutions (*)	18	20
<i>of which:</i>		
– subordinated	-	-
3. due from other customers	250	116
<i>of which:</i>		
– subordinated	150	65
4. bonds and other debt securities	139	121
<i>of which:</i>		
– subordinated	2	2
Total assets	407	257
b) Liabilities		
1. due to banks	59	40
2. due to financial institutions	10	7
3. due to other customers	230	326
4. securities issued	1,036	1,049
5. subordinated liabilities	-	2
Total liabilities	1,335	1,424
c) Guarantees and commitments		
1. guarantees given	4	5
2. commitments	-	6
Total guarantees and commitments	4	11

(*) Excluding 841 million euro Parent Bank loans due from Sga given the particular characteristics of the respective interest held (see Part B - Section 9 “Other liabilities” of these Notes).

Amounts due to and from investments (non-Group companies) (Table 3.3 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Assets		
1. due from banks (*)	1,371	1,153
<i>of which:</i>		
– subordinated	10	10
2. due from financial institutions	1,659	2,548
<i>of which:</i>		
– subordinated	1	-
3. due from other customers	797	1,219
<i>of which:</i>		
– subordinated	-	-
4. bonds and other debt securities (**)	307	90
<i>of which:</i>		
– subordinated	9	12
Total assets	4,134	5,010
b) Liabilities		
1. due to banks (***)	1,150	1,939
2. due to financial institutions	367	313
3. due to other customers	213	296
4. securities issued	-	-
5. subordinated liabilities	-	-
Total liabilities	1,730	2,548
c) Guarantees and commitments		
1. guarantees given	788	1,085
2. commitments	434	435
Total guarantees and commitments	1,222	1,520

(*) Including the compulsory reserve deposited with the Bank of Italy.

(**) The subsidiary A.I.P. also holds bonds issued by Banque Sanpaolo and Carifirenze for 325 million euro.

(***) Including the repurchase agreements with the Bank of Italy.

To supplement the previous table, amounts due to and from affiliated companies (in which Group companies hold 20% or more, or 10% or more if quoted) are analyzed below:

Amounts due to and from affiliated companies

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Assets		
1. due from banks	817	589
<i>of which:</i>		
– subordinated	-	-
2. due from financial institutions	457	446
<i>of which:</i>		
– subordinated	-	-
3. due from other customers	49	230
<i>of which:</i>		
– subordinated	-	-
4. bonds and other debt securities (*)	18	12
<i>of which:</i>		
– subordinated	9	12
Total assets	1,341	1,277
b) Liabilities		
1. due to banks	80	70
2. due to financial institutions	12	19
3. due to other customers	5	71
4. securities issued	-	-
5. subordinated liabilities	-	-
Total liabilities	97	160
c) Guarantees and commitments		
1. guarantees given	182	286
2. commitments	10	26
Total guarantees and commitments	192	312

(*) The subsidiary A.I.P. also holds bonds issued by Banque Sanpaolo and Carifirenze for 325 million euro.

SECTION 4 - TANGIBLE AND INTANGIBLE FIXED ASSETS

Tangible and intangible fixed assets comprise the following:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Tangible fixed assets (caption 120)	1,804	1,972
Intangible fixed assets (caption 110)	289	343
Total	2,093	2,315

Tangible fixed assets (caption 120)

Tangible fixed assets comprise:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Property		
– operating	1,458	1,535
– non-operating	96	221
Furniture and installation		
– electronic equipment	144	116
– general and specific installations	37	45
– office furniture and equipment	67	53
– vehicles	2	2
Total	1,804	1,972

Changes in tangible fixed assets during the year (Table 4.1 B.I.)

(€/mil)

A. Opening balance	1,972
B. Increases	
B1. purchases	329
B2. writebacks	-
B3. revaluations	-
B4. other changes	47
C. Decreases	
C1. sales	162
C2. adjustments	
a) amortization	238
b) long-term writedowns	-
C3. other changes	144
D. Closing balance	1,804
E. Total revaluations	1,345
F. Total adjustments	3,052
a) amortization	3,045
b) long-term writedowns	7

Changes in tangible fixed assets during the year are detailed below:

	(€/mil)	
	Property	Furniture and installation
Opening balance	1,756	216
Increases		
– purchases	89	240
– revaluations	-	-
– other changes	43	4
– incremental costs	17	-
– gains on disposals	22	-
– other	4	4
Decreases		
– sales	161	1
– adjustments	82	156
– amortization	82	156
– long-term writedowns	-	-
– other changes	91	53
– losses on disposals	12	1
– leasing concession	73	52
– other	6	-
Closing balance	1,554	250

Sales refer mainly to the disposal of real estate which is not instrumental to the Group (real estate spin-off) carried out in the second half of the year.

Intangible fixed assets (caption 110)

Intangible fixed assets comprise:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Goodwill	6	7
Software in use	191	201
Software not yet in use	41	73
Other deferred charges	51	62
Total	289	343

The caption “software in use” refers to purchases of new packages for integrating the operating network procedures.

Amounts recorded to the caption “software not yet in use” relate to changes and interventions to develop programs mainly ordered from third parties and not yet completed.

Other “Deferred charges” include, among others:

- 36 million euro for leasehold real estate improvements;
- 1 million euro for start-up and expansion costs.

Changes in intangible fixed assets during the year (Table 4.2 B.I.)

(€/mil)

A. Opening balance	343
B. Increases	
B1. purchases	168
B2. writebacks	-
B3. revaluations	-
B4. other changes	116
C. Decreases	
C1. sales	1
C2. adjustments	
a) amortization	219
b) long-term writedowns	-
C3. other changes	118
D. Closing balance	289
E. Total revaluations	-
F. Total adjustments	875
a) amortization	875
b) long-term writedowns	-

Changes in intangible fixed assets during the year are detailed below:

	(€/mil)			
	Goodwill	Software in use	Software not yet in use	Other deferred charges
Opening balance	7	201	73	62
Increases				
– purchases	-	60	90	18
– writebacks	-	-	-	-
– revaluations	-	-	-	-
– transfer of software completed	-	108	-	-
– other changes	-	5	-	3
Decreases				
– sales	-	-	-	1
– adjustments:				
a) amortization	1	179	10	29
b) long-term writedowns	-	-	-	-
– transfer of software completed	-	-	108	-
– other changes	-	4	4	2
Closing balance	6	191	41	52

Software investments refer mainly to the integration of the former Cardine Bank networks into the SANPAOLO IMI system, to the development of compulsory projects (such as IAS, Basel II), to the implementation of procedures for the services provided to Group Companies, to extending the Windows platform to all terminals in the head office of the Parent Bank, to improving the central data processing system, to developing the functionality of Direct Banking and to developing new software applications for the network.

SECTION 5 - OTHER ASSETS

Asset captions 90, 100, 150 and 160, not commented upon previously in these Notes, comprise the following:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Goodwill arising on consolidation (caption 90)	712	883
Goodwill arising on application of the equity method (caption 100)	57	76
Other assets (caption 150)	23,597	17,986
Accrued income and prepaid expenses (caption 160)	3,819	3,105
Total	28,185	22,050

Goodwill arising on consolidation (caption 90)

This caption expresses the remaining goodwill arising from line by line and proportional consolidation after off-setting against negative goodwill on first time consolidation, amortization and writedowns (see Part B – Section 8).

Analysis of caption 90 "goodwill arising on consolidation"

	31/12/04 (€/mil)	31/12/03 (€/mil)
Banco di Napoli	546	636
Cassa dei Risparmi di Forlì	82	140
Banka Koper	49	57
Financière Fideuram	-	16
Gruppo Cardine	10	11
Banque Privée Fideuram Wargny	-	3
Sanpaolo IMI Private Equity	5	7
Allfunds Bank	8	-
Inter-Europa Bank	4	5
Eptaconsors	4	4
Banca Popolare dell'Adriatico	4	4
Total	712	883

The reduction in value of the consolidation differences of Cassa dei Risparmi di Forlì and of Banque Privée Fideuram Wargny and Financière Fideuram represent the share of amortization, as well as the adjustments made to goodwill at year-end for 56 million euro, in order to reflect the long-term nature of the writedown to these investments in the consolidated financial statements, as shown in the Parent Bank financial statements of SANPAOLO IMI S.p.A. and of Banca Fideuram (see Part C – Section 5).

Goodwill arising on application of the equity method (caption 100)

This caption expresses the remaining goodwill arising on application of the equity method after off-setting against negative goodwill on first time consolidation and amortization (see Part B – Section 8).

Analysis of caption 100 "goodwill arising on application of the equity method"

	31/12/04 (€/mil)	31/12/03 (€/mil)
Cassa di Risparmio di Firenze	39	47
Eptaventure	1	1
Sagat	7	10
Carpine	1	-
Noricum (now A.I.P.)	1	2
Aeffe	8	16
Total	57	76

Given the strategic nature of the investments, goodwill arising on companies consolidated line by line and proportionally (caption 90), as well as that from Cassa di Risparmio di Firenze, is amortized over 10 years. The goodwill in Sanpaolo IMI Private Equity, Aeffe, Carpine and Eptaventure, purchased under private equity, as well as the goodwill in Sagat and Noricum, is amortized over five years.

Other assets (caption 150)*Analysis of caption 150 "other assets" (Detail 5.1 B.I.)*

	31/12/04 (€/mil)	31/12/03 (€/mil)
Items relating to derivative contracts and currency transactions:	12,785	7,368
– valuation of derivatives on interest rates and stockmarket indices	9,886	4,586
– premiums paid on purchased options	1,465	1,296
– other items derivative contracts	897	1,032
– effect of currency hedges, forex swap and cross-currency swap	537	454
Unprocessed transactions (1)	2,497	2,522
Due from tax authorities:	2,763	2,407
– prepaid current year direct taxes	498	480
– tax credits relating to prior years	1,324	959
– taxes paid in advance on termination indemnities - Law 662/96	53	69
– taxes withheld during the year	89	344
– advance payments ex Decree Law 341 of 10 December 2003 (2)	569	290
– other loans	230	265
Deferred tax assets (3)	1,395	1,488
Tax collection accounts	1,253	1,210
Amounts in transit with branches and subsidiaries (1)	925	1,416
Reimbursement of the incentive pursuant to the Ciampi Law suspended	200	200
Loans to Carlyle Group (4)	155	-
Deposit with the Bank of Italy relating to the liquidation of Isveimer (5)	58	58
Deposit with the Bank of Italy relating to the coverage of Sga's losses (5)	7	-
Other (6)	1,559	1,317
Total	23,597	17,986

(1) The amounts were mostly settled at the beginning of the new financial year.

(2) The credit refers to the payment to the State of an amount equal to 1.5% of the sums declared in the F24 tax return for the year 2003 and performed at the closing of the year 2004.

(3) See Part B - Section 7 – "Provisions".

(4) This item refers to the amount owed by the Carlyle Group for the extension granted for the payment of 50% of the price for the trading, in 2004, of 100% of the shares in CSP Investimenti S.r.l., as well as some property. These amounts are accompanied by on demand bank guarantees.

(5) See Part B - Section 9 – "Other liabilities".

(6) 'Other' includes the estimated realizable value of 1.3 million euro for the loan arising from the Supreme Court in relation to the IMI Sir dispute. Detailed information on this dispute is provided later in this section.

IMI Sir dispute

Other assets include 1.3 million euro which refer to the estimated realizable value of the credit which was definitively enforced by the Civil Section of the Supreme Court through sentence no. 2469/03. This sentence has substantially confirmed decision no. 2887, passed by the Rome Court of Appeal on 11 September 2001, which sentenced Consorzio Bancario SIR S.p.A. (in liquidation) to reimburse to the Bank the sum of 506 million euro previously paid by IMI to the heirs of Mr. Nino Rovelli as compensation for damages, in accordance with the sentence passed by the Rome Court of Appeal on 26 November 1990. However, the sentence changed the ruling on the amount of interest payable by the Consorzio - on the grounds of procedures and not of merit - in respect of whether or not it should include the amount matured from the date on which the appeal was made (equal to around 72.5 million euro as of 31 December 2001). Furthermore, the Supreme Court referred to another section of the Rome Appeal Court the decision on whether or not the total amount owed to the Bank by Consorzio should be reduced by approximately 14.5 million euro, as compensation for the damages related to the transaction between the Consorzio and IMI in respect of the additional agreement of 19 July 1979: if the trial judge holds the claim amount unjustified, the sentence against the Consorzio to pay the sum of 506 million euro will be reduced accordingly. In this respect, proper proceedings have begun for the resumption of the sentence before the Rome Court of Appeal, where judgment is currently pending.

The same Supreme Court sentence passed final judgment on the right of Consorzio to be held harmless by Mrs Battistella Primarosa (heir to Mr. Nino Rovelli) and Eurovalori S.p.A.. The Supreme Court also endowed the Consorzio's right to recourse as subordinate to the previous payment of the amount owed to SANPAOLO IMI S.p.A. and assigned the sentence on this particular appeal to the trial judge. Trial commenced in February 2004 and is still being heard.

For the purposes of preparing the financial statements, the book value of the credit subject to the Supreme Court sentence has been calculated in accordance with national and international accounting standards for revenue recognition on the basis of its estimated realizable value, as confirmed by authoritative opinions.

With reference to the above, taking into account that the initiatives carried out so far have not achieved concrete results, the Bank has considered that the estimated realizable value of this loan should be within the bounds of the Consorzio's capital and its ability to pay; such amount, net of the effects attributable to the previously mentioned Supreme Court sentence, being substantially in line with that currently recorded.

Taking a consistent approach, since 2001, the investment held in the Consorzio has been written down to zero.

On 29 April 2003, Criminal Section IV of the Court of Milan finally sentenced Rovelli's heir and the other co-defendants to different terms of imprisonment in relation to their respective levels of responsibility for the crimes committed, establishing also the compensation for damages to be awarded to the plaintiffs, among which SANPAOLO IMI.

It should be noted that the Court quantified the amount of damages to be liquidated solely for moral injury at 516 million euro without, however, granting provisional enforceability of the sentence, which would have allowed the plaintiffs to take immediate action in order to recover the amount receivable.

Therefore, since the sentence is neither final nor binding (in that a plea for burden has been proposed by all the parties and that it is still pending before the relevant Court of Appeal), it is expected that under the circumstances no relevance can be given to the amount due from Consorzio Bancario SIR either autonomously or as an element of valuation.

Accrued income and prepaid expenses (caption 160)*Analysis of caption 160 "accrued income and prepaid expenses" (Detail 5.2 B.I.)*

	31/12/04 (€/mil)	31/12/03 (€/mil)
Accrued income		
– income from derivative contracts	1,635	1,163
– interest from loans to customers	511	536
– interest on securities	276	275
– bank interest	90	100
– other	218	149
Prepaid expenses		
– commission on placement of securities and mortgage loans	153	213
– up front and other charges on derivative contracts	355	31
– discounts on bond issues	245	277
– other expenses	336	361
Total	3,819	3,105

The increase in accrued income and prepaid expenses in respect of operations on derivative contracts is attributable to the significance of such operations during the year, an effect of the activities in financial management described in the Report on operations.

Other information*Distribution of subordinated assets (Table 5.4 B.I.)*

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Due from banks	10	10
b) Loans to customers	151	66
c) Bonds and other debt securities	254	165
Total	415	241

Subordinated loans to banks and to customers refer mainly to Group companies. Subordinated bonds and other debt securities refer mainly to issues by leading banking institutions and securities which represent securitization transactions (see Part B – Section 11 of these Notes).

SECTION 6 - PAYABLES

Detail of the total balance for the Group is provided below:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Due to banks (caption 10)	28,198	28,534
Due to customers (caption 20)	88,488	79,993
Securities issued (caption 30)	46,564	51,553
Public funds administered (caption 40)	150	175
Total	163,400	160,255

Due to banks (caption 10)

Deposits taken from banks are analyzed as follows:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Due to central banks		
– repurchase agreements and securities loaned	551	1,704
– other deposits from the Italian Exchange Office	193	355
– other deposits from central banks	2,334	1,918
Due to other banks		
– deposits	7,141	9,762
– repurchase agreements and securities loaned	7,960	5,998
– medium and long-term loans from international bodies	7,528	6,360
– current accounts	847	721
– other	1,644	1,716
Total	28,198	28,534

Detail of caption "due to banks" (Table 6.1 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Repurchase agreements	8,154	7,582
b) Securities loaned	357	120

Loans from international bodies include loans used by the Group to finance investment projects in industrial sectors and in public utility services.

Due to customers and securities issued (captions 20 and 30)

Funds obtained directly from customers, comprising deposits from customers and securities issued, are detailed below:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Due to customers		
– current accounts	58,933	53,968
– repurchase agreements and securities loaned	11,696	10,073
– deposits	14,247	14,405
– short-term payables relating to special management services carried out for the Government	37	230
– other (*)	3,575	1,317
Securities issued		
– bonds	39,628	39,979
– certificates of deposit	2,930	7,149
– banker's drafts	645	641
– other securities	3,361	3,784
Total	135,052	131,546

(*) Essentially comprises short positions on securities taken as part of stockbroking activities.

Detail of caption "due to customers" (Table 6.2 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Repurchase agreements	11,388	9,946
b) Securities loaned	308	127

There have been no issues of bonds convertible into shares of the Bank or other companies, or similar securities or bonus shares.

Public funds administered (caption 40)

Public funds administered are provided by the State and other public authorities. These funds are analyzed below:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Funds provided by the State	43	52
Funds provided by regional public authorities	107	123
Total	150	175
<i>of which: funds with risk borne by the Government under Law 19 of 6/2/87</i>	<i>9</i>	<i>10</i>

Other information relating to payables

Information regarding the distribution of deposits by geographical area, type of currency and degree of liquidity, is reported in Part B, Section 11 of these Notes.

SECTION 7 - PROVISIONS

The Group provisions are analyzed below:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Provisions for employee termination indemnities (caption 70)	886	946
Provisions for risks and charges (caption 80)		
– pensions and similar commitments (caption 80.a)	198	304
– provisions for taxation (caption 80.b)	989	732
– other provisions (caption 80.c)	1,859	1,946
Reserve for probable loan losses (caption 90)	81	91
Total	4,013	4,019

Provisions for employee termination indemnities (caption 70)

Changes in "reserve for termination indemnities" during the year (€/mil)

Opening balance	946
Increases	
– provisions	87
– employment contract acquisition	11
– other changes	-
Decreases	
– advances allowed under Law 297/82	11
– indemnities to employees leaving the Group	126
– termination of labor contracts	11
– other changes	10
Closing balance	886

Provisions for risks and charges (caption 80)

Pensions and similar commitments (caption 80.a)

Changes in "reserve for pensions and similar commitments" during the year (€/mil)

Opening balance	304
Increases	
– provisions	15
– other	11
Decreases	
– utilizations	20
– other	112
Closing balance	198

As of 31 December 2004 the provision is made up of 192 million euro (298 million euro as of 31 December 2003) from some Group bank networks (Banca Popolare dell'Adriatico, Cassa di Risparmio di Venezia and Friulcassa) and of 6 million euro from the Cassa dei Risparmi di Forlì (6 million euro as of 31 December 2003).

The fall in the provision refers mainly to the outsourcing during the year of the pre-existing provision by Cassa di Risparmio in Bologna for which 112 million euro has been recorded to other decreases.

Accruals to the reserve in question were made on the basis of independent actuary appraisals.

Provisions for taxation (caption 80.b)

<i>Changes in "reserve for taxation" during the year</i>			<i>(€/mil)</i>
	Current income taxes payable	Deferred tax liabilities	Total
Opening balance	630	102	732
Increases			
- provisions for current year direct taxes	522	62	584
- other changes	3	33	36
Decreases			
- utilizations	279	37	316
- other changes	27	20	47
Closing balance	849	140	989

The provisions for taxation are composed of 849 million euro to cover current income taxes and existing or potential fiscal disputes, including local taxes payable by foreign branches and subsidiaries, as well as 140 million euro to cover deferred taxes.

During the year, SANPAOLO IMI and many of its subsidiaries have adhered to an initiative in terms of "tax reform and benefits" in compliance with the 2004 Budget Law ("Legge Finanziaria"), by sustaining a total charge of 10 million euro, of which 7 million euro with the use of pre-existing reserves (for further details refer to Part C – Section 6 - Other statement of income captions).

Deferred tax assets and liabilities recorded in the consolidated financial statements refer to temporary differences between the accounting and fiscal value of assets and liabilities accrued in 2004 and in prior years, for which it is deemed likely that a tax liability will be incurred in the future (in the case of deferred tax liabilities) or which will most likely be recovered (in the case of deferred tax assets). Deferred taxation has been calculated by each Group company and also on consolidation in respect of the tax effect of specific consolidation entries. The tax effect relating to provisional differences of each Group subsidiary has been calculated applying different tax rates according to the respective country of residence.

Analysis of deferred tax liabilities

	31/12/04 (€/mil)	31/12/03 (€/mil)
Deferred tax liabilities charged to the statement of income:	129	88
- on profits from Group companies	6	7
- other	123	81
Deferred tax liabilities charged to shareholders' equity:	11	14
- on Parent Bank's reserves:	11	13
<i>Other reserves - Reserve ex Law 169/83</i>	4	4
<i>Other reserves - Reserve ex Decree 213/98</i>	7	9
- on other subsidiary reserves	-	1
Total	140	102

Deferred taxation recorded to the statement of income refers mainly to accruals made by Banca OPI in respect of the difference between the adjustment to value of loans recognized by tax laws compared to that recorded in the financial statements.

Changes in deferred tax liabilities charged to the statement of income

Changes in deferred tax liabilities (Bank of Italy regulation 03.08.99)

(€/mil)

1. Initial amount	121
2. Increases	
2.1 Deferred tax liabilities arising during the year	62
2.2 Other increases	-
3. Decreases	
3.1 Deferred tax liabilities deferred during the year	36
3.2 Other decreases	11
4. Final amount (*)	136

(*) Where applicable, this refers to the total deferred taxation before compensation with the assets for advance taxation.

Compensation between deferred tax liabilities and deferred tax assets

	31/12/04 (€/mil)	31/12/03 (€/mil)
Deferred tax liabilities before compensation	136	121
Compensation with deferred tax assets	7	33
Net deferred tax liabilities (*)	129	88

(*) This refers to the total of caption 80.b of the Balance Sheet "Taxation".

Changes in deferred tax liabilities charged to shareholders' equity

Changes in deferred tax liabilities (Bank of Italy regulation 03.08.99)

(€/mil)

1. Initial amount	14
2. Increases	
2.1 Deferred tax liabilities arising during the year	-
2.2 Other increases	-
3. Decreases	
3.1 Deferred tax liabilities deferred during the year	1
3.2 Other decreases	2
4. Final amount	11

Analysis of deferred tax assets

	31/12/04 (€/mil)	31/12/03 (€/mil)
Deferred tax assets credited in the statement of income for:	1,195	1,262
- net adjustments to loans	319	349
- provisions for future charges	590	616
- adjustments to securities and equity investments	103	121
- other	183	176
Deferred tax assets credited in shareholders' equity for:	200	226
- deferred tax assets generated by the merger with Banco di Napoli	200	226
Total	1,395	1,488

Changes in deferred tax assets credited in the statement of income

<i>Changes in deferred tax assets (Bank of Italy regulation 03.08.99)</i>		<i>(€/mil)</i>
1. Initial amount		1,295
2. Increases		
2.1 Deferred tax assets arising during the year		248
2.2 Other increases		-
3. Decreases		
3.1 Deferred tax assets reversing during the year		323
3.2 Other decreases		18
4. Final amount (*)		1,202

(*) Where applicable, this refers to the total deferred tax assets before compensation with the deferred tax liabilities.

Compensation between deferred tax assets and deferred tax liabilities

	31/12/04 (€/mil)	31/12/03 (€/mil)
Deferred tax assets before compensation	1,202	1,295
Compensation with deferred tax liabilities	7	33
Net deferred tax assets (*)	1,195	1,262

(*) This refers to the total of caption 150. of the Balance Sheet "Other assets".

Changes in deferred tax assets credited in net shareholders' equity

During 2002 tax benefits for 250 million euro were booked in respect of funds concerning the deferred tax asset generated by the merger of Banco di Napoli into SANPAOLO IMI, in relation to the quota of goodwill on Banco di Napoli, credited in 2000 to offset pre-existing negative goodwill at first consolidation. This amount decreased to 226 million euro in 2003 and was further reduced by 26 million euro in 2004, following the booking in the consolidated statements of income of the tax effects generated by the amortization of the merger differences following the aforementioned incorporation.

Report as per Consob Communication 1011405 dated 15 February 2001**Tax benefits under D.Lgs. 153 dated 17/5/99 (Ciampi Law)**

D.Lgs. 153 dated 17 May 1999 - known as "Ciampi Law" - introduced tax instruments in respect of restructuring operations on banks and also set a reduced tax rate for bank or banking group concentration transactions of 12.50% on profits destined to a special reserve to be composed of the maximum amount, to be broken down on a straight-line basis over five years, at 1.2% of the difference between the receivables and payables of all the banks that took part in the transaction and the aggregate of the major bank participating in the transaction.

The European Commission declared, through a statement dated 11 December 2001, that the tax benefits under "Ciampi Law" were incompatible with Community principles.

Together with the Italian Government which, in February 2002, filed an appeal against the European Court of Justice, ABI (Italian Bankers' Association) and the banks concerned, including SANPAOLO IMI, petitioned the High Court of Luxembourg to cancel the decision of the European Commission. The dispute is still pending even if, in view of the contemporary pending sentence on the appeal filed by the Government before the Court of Justice, the Court has decided to suspend judgment until the appeal by the Italian Government is settled.

Following the aforementioned decision by the European Commission, D.Lgs. 63 of 15 April 2002 (subsequently converted into Law 112 on 15 June 2002) suspended Ciampi Law with effect from 2001. Commencing from that year, current income taxes and deferred taxes have therefore been determined without taking into account the benefits in question. Furthermore, through D.Lgs. 282 of 24 December 2002 (subsequently converted into Law 27 on 21 February 2003), the Government implemented the decision of the Commission whereby it enforced payment of the unpaid taxes (the relief granted through Ciampi Law) by 31 December 2002. It should be noted that SANPAOLO IMI and the Cardine group merged banks - that, through the law in question, benefited from tax relief for the years 1998, 1999 and 2000 - had prudently accrued the corresponding amount to the tax reserve.

In respect of the expiry on 31 December 2002, the Group paid 200 million euro, corresponding to the lower tax liabilities already paid in by the Parent Bank and the merged banks and including interest at an annual rate of 5.5%, which was substantially in line with the full amount to be reimbursed, apart from some minor adjustments. Merely for precautionary measures, reservations were expressed to the Department of the Treasury, the payee, in respect of the petitions brought before the High Court of the European Community.

As far as the effect on the financial statements is concerned, considering that the recovery of the tax relief has been applied in the presence of disputes brought against the European Commission by the Italian Government and the banks concerned and that in any case the amount paid cannot be considered definitive, such amounts have been recorded to other assets and wholly offset by accruals to the tax reserve.

In the first half of 2004, following the expiry of the three year period subject to taxation as provided by a specific law, 854 million euro of the Parent Bank's net equity was reclassified from the reserve accrued according to the Ciampi Law to an extraordinary reserve.

Provisions for risks and charges - other reserves (caption 80.c)

Analysis of caption 80.c "provisions for risks and charges: other provisions" (Table 7.3 B.I.)

(€/mil)

	Guarantees and commitments	Other risks and charges	Other personnel charges	Total
Opening balance	131	927	888	1,946
Increases				
– provisions	29	213	57	299
– reclassifications	-	-	-	-
– other	-	14	50 (*)	64
Decreases				
– revaluation of guarantees	15	-	-	15
– coverage of charges deriving from legal disputes and other	-	95	-	95
– used to cover long-service bonuses and for surplus	-	-	310	310
– reclassifications	-	-	-	-
– other	-	28	2	30
Closing balance	145	1,031	683	1,859

Other increases mainly include 28 million euro offset against personnel costs (of which 24 million euro accruals for the renewal of the CCNL employment contract which expired at the end of 2003 and 4 million euro for bonuses and incentives in favor of employees) and 14 million euro offset against "extraordinary expenses" referring to staff leaving incentives for Parent Bank employees.

Provisions for "guarantees and commitments" of 145 million euro cover expected losses in respect of guarantees and more generally, the contingencies associated with guarantees and commitments, including exposures to derivate contracts on loans for which the Group has taken over the credit risk (seller protection). More specifically, the provisions include risks calculated on a case by case basis as well as the physiological risk of performing accounts valued using the same principles as those applied to loans.

Provisions for "other risks and charges" amounting to 1,031 million euro, include:

- the Parent Bank for 554 million euro, of which:
 - 356 million euro provided against estimated losses on legal disputes and, more specifically, on claims by receivers of bankrupt customers;
 - 165 million euro to cover potential charges, among which guarantees given as part of company transactions and those relating to risks connected to dealing activities in securities;
 - 33 million euro accrued against potential charges deriving from the renegotiation of mortgage loans to a specific reserve calculated on the basis of current laws;
- Sanpaolo Banco di Napoli for 147 million euro, of which:
 - 90 million euro provided against estimated losses on legal disputes, including claims by receivers of bankrupt customers;
 - 34 million euro accrued against potential charges deriving from the possible renegotiation of mortgage loans to a specific reserve calculated on the basis of the parameters that are currently available;
 - 11 million euro for outstanding contributions connected to special loans;
 - 12 million euro for other categories;
- 62 million euro for other Group bank networks, of which 4 million euro against potential costs deriving from the renegotiation of mortgage loans;
- the tax collection services of the Group for 20 million euro to cover specific risks in the sector and restructuring charges;
- other subsidiaries for 248 million euro, mainly relating to risks, also of a commercial or operational nature, connected to the distribution of, and dealing in, financial products.

Provisions for “other personnel costs”, of 683 million euro, include:

- the Parent Bank for 547 million euro, of which:
 - 307 million euro for staff leaving incentives completed in previous years. With reference to initiatives defined during 2003, the reserve also includes charges referring to staff whose employment contracts were transferred to Sanpaolo Banco di Napoli S.p.A. in the context of the conferral of the business branch represented by the Southern Territorial Direction. The provisions of the transfer require that the Parent Bank reimburse the receiving company the sums paid by the latter as leaving incentives to employees on the basis of the company agreement with the Parent Bank dated 14 June 2003;
 - 125 million euro accrued, on the basis of independent actuarial appraisals, to cover the technical deficit of the supplementary pension fund, an independent entity, which integrates the compulsory pension fund for Istituto Bancario San Paolo di Torino employees;
 - 53 million euro of other provisions in respect of charges for social contributions and the supplementary pension fund;
 - 38 million euro accrued against potential liabilities deriving mainly from the renewal of the work contract and employee premiums and incentives, the issue of which is at the discretion of the Parent Bank;
 - 24 million euro to cover payment of long service bonuses to employees;
- other subsidiaries for 136 million euro, of which 97 million euro refer to those Group bank networks operating in Central Northern Italy and 16 million euro to Sanpaolo Banco di Napoli.

Report as per Consob Communication 1011405 dated 15 February 2001

Subsidized home mortgage loans

Law 133/99, implemented with Ministerial Decree 110/2000 (against which an appeal was presented before the administrative court) forces banks, upon receipt of a specific request by borrowers or by the body issuing the borrowing facilities, to review the interest rates applied to mortgages issued, with charges to be borne in full or partially by the public sector.

As no “threshold rate” is set for subsidized loans, subsection 62 of Art. 145 of Law 388 dated 23 December 2000 (Budget Law 2001) clarifies that the renegotiation rate is to be considered as “the average effective global rate for home mortgage loans being amortized”, assigning the identification of the transactions within which to carry out the observations to determine the renegotiation rate to a subsequent regulation. To this end, with a Decree dated 4 April 2001, the Treasury set up the new consistent category of subsidized loans being amortized, and the Bank of Italy issued the correlated methodological notes to identify the average rates for the sector. To complete the application of the framework of the legislation, Ministerial Decree dated 31 March 2003 was enacted, which identified the interest rates to be applied, 12.61%, for the purposes of renegotiating such loans.

The Group banks commenced accounting-administration activities in order to apply the new interest rates and to carry out the necessary adjustments to the installments expired after 1 July 1999. These activities refer to the six months ended 31 December 2003 and concern those loans to which the benefits of Art. 29 of Law 133/99 apply.

In the same context, mortgages assisted by Regional subsidies were also renegotiated in those cases where the bodies have adopted the provisions established by the framework of the legislation, whilst other loans obtained through Regional applications are still being investigated, also by ABI (Italian Bankers’ Association).

Some aspects still have to be defined with the interested bodies in respect of the renegotiation of some types of loans granted according to specific incentive laws. Loans already extinguished or amortized are being renegotiated and it is expected that these activities will be concluded before the end of this year in respect of both the bodies and the borrowers.

The Group banks have decided to continue, in accordance with the system, with the appeals which were disregarded in the first degree by the Lazio Regional Administration Court, against that stated in Ministerial Decree 110/2000.

For completeness it is highlighted that the provisions of the Ministerial Decree of 31 March 2003 for determining the renegotiation rate cannot be formally defined as being fully established, owing to an isolated appeal presented before the Lazio Regional Administration Court by a Regional Entity. Nevertheless, because of its characteristics and in the light of case law precedents issued by the same Regional Administration Court, such initiative would not appear appropriate to bring the current regulatory model under discussion.

The potential charge in respect of the future renegotiation of mortgage loans not included up to now in the enforcement of the applicable legislative measures, equal to 68 million euro (of which 30 million euro for the Parent Bank), has been covered by making appropriate accruals to the provision for other risks and charges. In the years following 2004, the negative impacts on the statement of income will be gradually reduced because of the expiry of current mortgage loans.

Subsidized agricultural mortgage loans

The provisions of Art. 128 of Law 388/2000 (Budget Law 2001) introduced the faculty for borrowers to renegotiate "loan installments still to expire" at more favorable rates fixed for low-interest transactions, as an alternative to early extinction, whilst providing the same benefits. Renegotiation is subject to the implementation of a Ministerial Decree which has not yet been issued.

Law 268 of 24 September 2003 was later enacted, providing that for the purpose of applying Art. 128 of Law 388/2000, even different banks may grant loans destined exclusively for the early extinction of agricultural mortgages which had been amortized for at least five years at the date on which Law 268/03 became effective. These new financial transactions, to be completed at market rates and the granting of which has been merely authorized and is not obligatory for the lending bank, are subject to the presentation of specific requests for early extinction and financing, also to be formulated by the local authorities providing the benefits.

Considering the precise reference to the "loan installments still to expire" already contained in Law 388/2000, enacted by Law 268/03, and the consequent possibility to activate "renegotiation" of such loans only for the future, no specific provisions have been made.

Fixed-rate unsubsidized mortgage loans (usury)

In compliance with the provisions of decree law 394/2000, (converted into Law 24/2001 and containing the authentic interpretation of "anti-usury" Law 108/1996) and the subsequent Constitutional Court Sentence 29/2002, the SANPAOLO IMI Group adjusted all mortgages covered by these provisions to the annual "replacement" rate of 9.96% with effect from installments expiring before 31 December 2000. Furthermore, an annual interest rate of 8% was applied to those loans for which, thanks to the presentation of self-certification by the borrowers, the eligibility requirements to such reduction were ascertained (the original capital of the loan not being more than 150 million Italian Lire, granted to first-time buyers of non-luxury homes).

The reserves for other risks and charges still include a residual accrual of 3 million euro (wholly referring to the Parent Bank) to cover further requests to reduce interest rates to 8% not yet received or not yet documented by borrowers possessing the legal requirements to benefit from such rates.

Anatocism

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

After the reversal by the Supreme Court, D.Lgs. 342/99 was enacted, confirming the legitimacy of capitalization of interest in current account contracts if it is applied over the same period as that for calculating interest payable and receivable: the Credit and Savings Interdepartmental Committee was assigned to determine the methods of such calculation and from 22 April 2000, the date on which the Committee's instructions became effective, all current accounts were adjusted applying quarterly capitalization to interests receivable and payable.

Since April 2000 the capitalization of half-yearly interests is considered legitimate and the dispute refers only to those contracts signed before that date; it should be noted that, despite the fact that the Supreme Court has repeatedly confirmed the invalidity of the capitalization clause, many judges of merit have disregarded the sentence and continue to consider it legitimate.

With the sentence issued on 4 November 2004 by the United Sections, the Supreme Court again authoritatively excluded that the use in question can be considered regulatory.

Nevertheless, on the basis of a number of profiles different to those already examined by them, the sentence issued by the United Sections does not eliminate the possibility of upholding the legitimacy of the method of calculating half-yearly interest payable, by way of arguments recognized as being well founded by pertinent jurisprudence.

As a whole, the number of cases pending has remained at an insignificant level in absolute terms, but they are subject to careful and continuous monitoring. The risks relating to the disputes in question correspond to the prudent accruals made to the Provisions for other risks and charges which are proportionate to the total of each legal request. Where the introductory measures do not quantify the demand and until an accounting opinion has been expressed on the issue, the risk involved is covered by an accrual to the provision for other risks and charges of 142 million euro (of which 122 million euro refer to the Parent Bank), destined, in its entirety, to hedge all disputes of an undetermined amount and of an uncertain outcome.

GEST Line dispute

GEST Line S.p.A. is the SANPAOLO IMI Group company for tax collection activities, created from the merger by incorporation of the tax collection companies Gerico, Sanpaolo Riscossioni Genova, Sanpaolo Riscossioni Prato and Esaban.

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

With reference to Gerico S.p.A., previously a subsidiary of the former Cardine Banca and later merged by incorporation into SANPAOLO IMI S.p.A., there are a series of administrative and accounting procedures pending filed by local Tax offices and by the General Accounting Office for presumed fiscal damages, all originating from the non-collection of income taxes. More specifically, the aforementioned proceedings are connected to presumed irregularities committed by some tax collection officials reporting activities during inspections on delinquent tax payers premises. These proceedings are still pending on various levels of judgment and are constantly defended by the legal professionals engaged by the company.

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

Through Law no. 311/2004 (Art. 1, subsection 426) the legislator has provided tax collection licensees with the faculty of an amnesty to amend irregularities in connection with activities performed by collectors up to 20 November 2004, through payment of the sum of 3 euro for each inhabitant residing in the territorial areas to which they were assigned. Compliance with this faculty appears appropriate to include the type of dispute affecting the Licensee, also in the opinion of external

consultants. GEST Line is evaluating the possibility of complying with the amnesty, the cost of which, considering the population of the territory assigned, is around 24 million euro.

The total risks connected to the Gerico S.p.A. and Esaban S.p.A. disputes are covered by unlimited guarantees already received by the aforementioned companies from the companies transferring the respective tax collection branches of business (each of the savings banks then merged into Cardine Banca and the former Banco di Napoli). The above-mentioned guarantees cover any losses or contingent liabilities following events prior to the respective dates of transfer and expire in 2005. In light of the events involving the merger of Cardine Banca and Banco di Napoli, SANPAOLO IMI took over the commitments deriving from the aforementioned guarantees, the risks of which are, as a whole, covered by appropriate accruals.

The risk connected to the dispute over the tax collection activities of the concession in Venice is not included in the aforementioned guarantees but solely affects the capital of GEST Line. Following the proceedings for fiscal damages as a result of presumed irregularities by some tax officials, the local section of the General Accounting Office passed sentence against the licensee for a sum of around 11 million euro. The relevant sentences have all been contested with their enforcement suspended; as a consequence an appropriate accrual has been made.

The Cirio group insolvency in respect of the sale of bonds

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

Consob proceedings in relation to operations carried out on Cirio bonds

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

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

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

The Bank and each of the accused will oppose the aforementioned sentence before the competent Court of Appeal of Turin.

Criminal investigations related to Cirio

In parallel to the above, the Criminal Courts are investigating a number of credit institutes, including SANPAOLO IMI, concerning dealing activities with savers in relation to bonds issued by Cirio group companies and the management of financial activities with the aforementioned group. The investigations are still in the preliminary stage and also concern company representatives, including two Directors no longer in office.

Confident of the absolute regularity, in general terms, of the company's activities in relation to the investigations being carried out by the Criminal Courts and, in particular, of the total lack of involvement of the aforementioned company representatives, the Bank is cooperating fully with the authorities in the investigations.

Management of complaints

With respect to complaints by customers holding Parmalat and Cirio bonds, Group policy provides that Group companies pay particular attention, by way of a proper course of investigation, to the adequacy of the financial instruments sold in relation to the position of each investor.

On the basis of the analyses and evaluations made in respect of the potential liabilities arising from complaints about the dealing activities by the Group's banks in respect of bonds in default, the SANPAOLO IMI Group has proceeded to adjust the amount accrued to the provision for risks and charges over previous years, bringing the balance of this provision to 29 million euro as of 31 December 2004.

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

The financial administrative sanctions issued by the Ministry for the Economy following the proposal by Consob after inspection assessments at Sanpaolo IMI Asset Management have, in accordance with Art. 195 TUF (Consolidated Financial Law), been contested by SGR and its sanctioned representatives before the Milan Court of Appeal which, on 26 November 2003, declared the sanctions illegal. An appeal against this decision has been filed before the Supreme Court by the Ministry and by Consob. SGR immediately filed a counter-appeal, requesting the dismissal of the appeal filed by the Authorities. Judgment is still pending.

Proceedings against Sanpaolo IMI Wealth Management and Fideuram Vita initiated by the Antitrust Authority

In January 2004 the Antitrust Authority notified Sanpaolo IMI Wealth Management, as holder and outsourcer of Sanpaolo Vita, and Fideuram Vita that they were subject to investigations in respect of the purchase of a database from a company specialized in analyzing the insurance market. This database contained information concerning contractual conditions, prices and methods of distribution of products in the life insurance and pensions sector. Having concluded the investigation, which was originally performed on a number of insurance companies before being carried out on the aforementioned Group companies, the Antitrust Authority issued a "Communication of the Investigation Results", in which it assumes the existence of a restrictive agreement. Following the receipt of this "Communication", all of the parties involved prepared their counter claims; the procedure was concluded on 30 September 2004 whereby the Antitrust Authority, whilst not imposing fines, found the companies involved in violation of Art. 2, subsection 2 of Law 287/90, ascertaining the existence of a horizontal agreement between the said companies consisting of the exchange of sensitive commercial information between competitive businesses.

An appeal against the aforementioned verdict has been lodged before the Lazio Regional Administration Court.

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

In March 2004 the Legal Authorities (Public Prosecutor's Office of the Court of Florence) commenced investigations into, among others, a certain number of financial planners of the Banca Fideuram group and employees of the subsidiary Fideuram Bank Suisse. Overall, the claims concern participation in the crime of abusiveness (consisting in the offer of invest-

ment services or financial products by a subject unauthorized in Italy), with the exception of one financial planner who is also charged with money laundering. The bank has set up a special work team for the prompt and in-depth verification of the facts and has ensured maximum cooperation with the investigating Authorities.

Reserve for probable loan losses (caption 90)

Changes during the year in “reserve for probable loan losses” (Table 7.2 B.I.) *(€/mil)*

A. Opening balance	91
B. Increases	
B1. provisions	17
B2. other changes	-
C. Decreases	27
C1. utilization	27
C2. other changes	-
D. Closing balance	81

This caption reflects provisions made by certain subsidiaries to cover credit risks, including risks arising from derivative transactions; these risks are only potential, therefore the reserve is not set off against asset balances.

SECTION 8 - CAPITAL, EQUITY RESERVES, RESERVE FOR GENERAL BANKING RISKS AND SUBORDINATED LIABILITIES

This section comments on the following balance sheet captions:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Shareholders' equity		
– capital (caption 150)	5,218	5,144
– additional paid-in capital (caption 160)	725	708
– reserves (caption 170)		
a) legal reserve	1,044	1,029
b) reserve for own shares	51	34
c) other reserves	2,868	2,819
– revaluation reserves (caption 180)	69	72
– reserve for general banking risks (caption 100)	6	4
– negative goodwill arising on consolidation (caption 120)	-	-
– negative goodwill arising on application of the equity method (caption 130)	430	213
Total Group capital and reserves	10,411	10,023
– net income (caption 200)	1,393	972
Group interest in shareholders' equity	11,804	10,995
Own shares (asset caption 140)	54	34
Minority interest (caption 140)	176	271
Subordinated liabilities (caption 110)	6,955	6,414

Group shareholders' equity

Capital and equity reserves (liability captions 150, 160, 170 and 180)

The capital, additional paid-in capital and the legal reserve coincide with the corresponding captions of the shareholders' equity of the Parent Bank.

As of 31 December 2004, the Parent Bank's share capital amounts to 5,217,679,140.80 euro, increased during the year by 73,614,340.8 euro for the exchange with the shareholders of Banca Fideuram as part of the spin off to SANPAOLO IMI of the stake held by Banca Fideuram in Fideuram Vita. The share capital is composed of 1,475,122,818 ordinary shares and 388,334,018 preference shares, both with a nominal value of 2.8 euro each.

Additional paid-in capital increased by 17 million euro following the allocation of the surplus arising from the spin-off of Banca Fideuram as a result of the reduced profit reserves of the spun-off company.

With reference to the allocation of the surplus from the spin-off of Banca Fideuram, 15 million euro, attributable to the reduced capital reserve of the spun-off company, was booked to the "legal reserve" in order to bring it to 20% of the new "share capital" of the Parent Bank, following the above-mentioned increase in share capital.

The "reserve for own shares" has been set up by the Parent Bank and by some subsidiaries to cover the SANPAOLO IMI shares in portfolio. The difference between this reserve and the SANPAOLO IMI shares in portfolio can be attributed to the minority interest in SANPAOLO IMI shares held by Banca Fideuram.

“Other reserves” includes the Parent Bank’s remaining reserves and changes at Group level in the equity of the companies included in the consolidation.

The “revaluation reserves” are lodged with certain Group companies following the revaluation of investments made in application of special laws.

Reserve for general banking risks (liability caption 100)

The “Reserve for general banking risks” exclusively refers to accruals made by certain subsidiaries.

Negative goodwill arising on application of the equity method and on consolidation (liability captions 120 and 130)

Liability captions 120 and 130 represent the negative differences arising on line by line consolidation and on application of the equity method after off-setting them against positive differences on first time consolidation.

Details of the aforementioned off-setting operations between negative and positive differences on first time consolidation are shown in the table below.

	31/12/04 (€/mil)	31/12/03 (€/mil)
Negative goodwill arising on first-time consolidation:		
- line by line		
- former IMI Group	952	952
- former Cardine Group	241	241
- using the equity method		
- former IMI Group	75	75
- former Cardine Group	58	58
Total	1,326	1,326
Goodwill arising on first-time consolidation:		
- line by line		
- former Banco di Napoli Group	-854	-854
- former Cardine Group	-296	-296
- using the equity method		
- Cassa di Risparmio di Firenze	-173	-173
- former Cardine Group	-3	-3
Total	-1,326	-1,326

The balance of caption 130 “Negative goodwill arising on application of the equity method”, for 430 million euro, represents the Group’s interest in the increase in shareholders’ equity of investments valued using the equity method and recorded after first time consolidation. The amount refers mainly to companies operating in the insurance sector.

Commentary on asset captions 90 “Goodwill arising on consolidation” and 100 “Goodwill arising on application of the equity method” is provided in Part B – Section 5, “Other assets”.

Own shares (asset caption 140)

As of 31 December 2004, the Parent Bank, Banca IMI and Banca Fideuram held 5,137,361 SANPAOLO IMI shares in their portfolio (equal to 0.28% of the share capital). These are recorded at market value among the assets in the Balance sheet for 54.4 million euro.

Further explanation of own shares is provided in the "Report on Operations - Capital and reserves". Detail of the movements in 2004 for each Group company is provided below:

	Opening balance		Increases		Decreases		Closing balance	
	number	book value (**) (€/mil)	number	equivalent (€/mil)	number	equivalent (€/mil)	number	book value (**) (€/mil)
SANPAOLO IMI	3,220,919	33.5	795,000	7.1	-	-	4,015,919	42.5
Invesp	-	-	6,793,642	8.4	6,793,642	69.4	-	-
Banca Fideuram	-	-	1,120,276	12.7	-	-	1,120,276	11.9
Banca IMI (*)	n.s.	n.s.	4,707,753	44.7	4,311,012	42.7	1,166	n.s.
Other	-	-	648	-	648	-	-	-
Total	3,220,919	33.5	13,417,319	72.9	11,105,302	112.1	5,137,361	54.4

(*) As of 31 December 2004, Banca IMI booked to liabilities a "short position" relating to 395,575 SANPAOLO IMI shares which refer to the normal dealing and financial activities balanced by transactions in derivatives.

(**) Expressed at market values.

Minority interests (liability caption 140)

As of 31 December 2004, the portion of "minority interests" amounting to 176 million euro is essentially related to the share attributable to minority shareholders in Banca Fideuram.

A statement of changes in the consolidated net shareholders' equity for the period is attached to these Notes, together with a reconciliation of the Parent Bank's net shareholders' equity and the corresponding consolidated amounts.

Regulatory capital

A breakdown of the regulatory capital and a description of the minimum requirements for supervisory purposes is provided below. The final results will be submitted to the Bank of Italy following approval of these financial statements:

Category / Value	31/12/04 (€/mil)	31/12/03 (€/mil)
A. Regulatory capital		
A.1 Tier 1 capital	10,860	10,038
A.2 Tier 2 capital	5,356	4,470
A.3 Items to be deducted	-840	-837
A.4 Regulatory capital	15,376	13,671
B. Minimum regulatory requirements		
B.1 Credit risk	9,568	9,999
B.2 Market risk	1,045	877
<i>of which:</i>		
- risks on dealing portfolio	1,039	866
- exchange risks	6	10
- concentration risks	-	1
B.2.1 Tier 3 subordinated loans	594	598
B.3 Other minimum requirements	63	45
B.4 Total minimum requirements	10,676	10,921
C. Risk assets and capital adequacy-ratios		
C.1 Risk-weighted assets (*)	133,450	136,513
C.2 Tier 1 capital / Risk weighted assets	8.1%	7.4%
C.3 Regulatory capital / Risk weighted assets (**)	12.0%	10.5%

(*) Total minimum requirements multiplied by the minimum compulsory ratio for lending risks (12.5).

(**) On the basis of Bank of Italy letter no. 10155 dated 3 August 2001, in order to compute the Total Risk ratio, Tier 3 subordinated loans are considered a component of total capital.

Subordinated liabilities (liability caption 110)

	Original currency	Amount in the financial statements as of 31/12/04 (€/mil)	Amount in original currency (millions)	Interest rate	Issue date	Maturity date	Starting date of early redemption of the loan
Preferred Shares	EUR	1,000	1,000	up to 10/11/2010: 8.126% p.a. subsequently: 1 year Euribor + 3.5% p. a.	10/11/2000	not redeemable	10/11/2010
<i>Total innovative capital instruments (Tier 1)</i>		<i>1,000</i>					
Notes	USD	69	94	6 months LIBOR -0.25% p.a. (a)	30/11/1993	30/11/2005	(*)
Debenture loan	EUR	136	150	5.75%	15/09/1999	15/09/2009	(*)
Debenture loan	EUR	200	200	6 months Euribor +0.50% p.a.	1/10/1999	1/10/2009	(*)
Notes	EUR	500	500	6.375% p.a.	6/04/2000	6/04/2010	(*)
Notes	EUR	347	350	up to 6/4/2005 excluded: 3 months Euribor +0.50% p.a. subsequently: 3 months Euribor +1.25% p.a.	6/04/2000	6/04/2010	6/04/2005
Notes	EUR	1,000	1,000	up to 27/9/2005 excluded: 3 months Euribor +0.65% p.a. subsequently: 3 months Euribor +1.25% p.a.	27/09/2000	27/09/2010	27/09/2005
Debenture loan	EUR	6	20	1.00% p.a.	27/04/2001	27/04/2006	(*)
Debenture loan	EUR	299	300	5.55% p.a.	31/07/2001	31/07/2008	(*)
Debenture loan	EUR	1	1	ECB interest rate on repurchase agreement refinancing transactions	20/09/2001	20/09/2006	(*)
Debenture loan	EUR	199	200	5.16% p.a.	2/10/2001	2/10/2008	(*)
Notes	EUR	499	500	up to 28/6/2007 included: 3 months Euribor +0.49% p.a. subsequently: 3 months Euribor +1.09% p.a.	28/06/2002	28/06/2012	28/06/2007
Debenture loan	EUR	48	54	up to 15/7/2007: 4.90% p.a. subsequently: 6 months Euribor +0.76% p.a.	15/07/2002	15/07/2012	15/07/2007
Debenture loan	EUR	133	147	up to 4/12/2007: 4.32% p.a. subsequently: 6 months Euribor +0.85% p.a.	4/12/2002	4/12/2012	4/12/2007
Notes	EUR	300	300	5.375% p.a.	13/12/2002	13/12/2012	(*)
Notes	EUR	346	350	up to 9/6/2010 excluded: 3.75% p.a. subsequently: 3 months Euribor +1.05% p.a.	9/06/2003	9/06/2015	9/06/2010
Notes	EUR	150	158	up to 1/7/2008 excluded: 6 months Euribor +0.48% p.a. subsequently: 6 months Euribor +1.08% p.a.	1/07/2003	1/07/2013	1/07/2008
Notes	EUR	62	75	up to 29/9/2008 excluded: 6 months Euribor +0.46% p.a. subsequently: 6 months Euribor +1.06% p.a.	29/09/2003	29/09/2013	29/09/2008
Notes	GBP	234	165	up to 18/3/2019 excluded: 5.625% p.a. subsequently: 3 months Sterling Libor +1.125% p.a.	18/03/2004	18/03/2024	18/03/2019
Notes	EUR	700	700	up to 28/6/2011 excluded: 3 months Euribor +0.30% p.a. subsequently: 3 months Euribor +0.90% p.a.	28/06/2004	28/06/2016	28/06/2011
Notes	EUR	132	134	up to 3/8/2009 excluded: 3.72% p.a. subsequently: 6 months Euribor +0.60% p.a.	3/08/2004	3/08/2014	3/08/2009
<i>Total subordinated liabilities (Tier 2)</i>		<i>5,361</i>					
Debenture loan	EUR	345	350	2.98% p.a.	15/05/2003	15/11/2005	(*)
Notes	EUR	50	50	up to 14/11/2004: 1.44% p.a. subsequently: 1.50% p.a.	26/06/2003	15/11/2007	(*)
Debenture loan	EUR	199	200	2.42% p.a.	30/06/2003	30/12/2005	(*)
<i>Total Tier 3 subordinated liabilities</i>		<i>594</i>					
Total		6,955					

(*) Early redemption of the loan is not provided for.

(a) With a minimum of 5.375% and a maximum of 8.250%.

During the year, the Parent Bank issued new Tier 2 subordinated loans for 1,066 million euro.

The Tier 2 subordinated liabilities not included in the calculation of regulatory capital as of 31 December 2004 are equal to 152 million euro.

Preferred Securities, which are attributable to Tier 1 capital, satisfy the following requirements:

- the securities are not redeemable, the issuer's redemption right, if any, cannot be exercised during the first 10 years after issue; redemption has to be authorized in advance by the Bank of Italy;
- the contract provides for the possibility of suspending remuneration of the securities, even partially, if the Parent Bank, which directly controls the issuer, has not distributed dividends on its own shares during the previous year;
- dividends cannot be accumulated in subsequent years;
- in the event of the liquidation of SANPAOLO IMI, the holders of securities can only be reimbursed after all other subordinated and non-subordinated creditors have been paid.

Contractually, subordinated loans included in Tier 2 may not be redeemed prior to maturity, nor converted into capital or any other type of liability. In particular, such contracts provide that:

- where permitted, early redemption can only take place on the issuer's initiative and with Bank of Italy authorization;
- the loan period must not be less than five years; if no maturity is stated, the contract must state that a notice period of at least five years has to be given;
- in the event that the issuer is put into liquidation, the loan can only be reimbursed once all other creditors, not similarly subordinated, have been satisfied.

Tier 3 subordinated loans, issued to cover market risks, meet the following conditions:

- the original duration is not less than 2 years;
- the payment of interest and capital is suspended should the capital requirements of SANPAOLO IMI fall below 7% on an individual basis or 8% on a consolidated basis;
- in the event that the Bank is put into liquidation, the loan can only be reimbursed once all other creditors, not similarly subordinated, have been satisfied.

Information regarding the distribution of subordinated liabilities by geographical area, type of currency and degree of liquidity, is reported in Part B, Section 11 of these Notes.

SECTION 9 - OTHER LIABILITIES

Liability captions 50 and 60 comprise the following:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Other liabilities (caption 50)	22,162	18,445
Accrued expenses and deferred income (caption 60)	2,647	2,181
Total	24,809	20,626

Other liabilities (caption 50)

Analysis of caption 50 "other liabilities" (Table 9.1 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
Items relating to derivative contracts and currency transactions:	13,389	7,939
- Valuation of derivatives on interest rates and stockmarket indexes	10,438	5,148
- Valuations of foreign currency derivative contracts	1,204	1,314
- Premiums collected on options sold	875	682
- Other items derivative contracts	872	795
Amounts available for third parties	2,181	2,824
Unprocessed transactions (*)	1,923	2,581
Amounts in transit with branches and subsidiaries	736	1,293
Non-liquid balances from portfolio transactions	607	684
Tax payments accounts	599	560
Amounts due to employees	487	376
Due to tax authorities	229	259
Deposits guaranteeing agricultural and construction loans	145	40
Items relating to securities transactions	130	1
Amounts payable due to settlement value date	72	129
Other	1,664	1,759
Total	22,162	18,445

(*) The amounts were mostly settled at the beginning of the new financial year.

Liabilities in respect of Banco di Napoli loans to be restored ex Law 588/96

Other liabilities includes two deposits of 58 million euro and 7 million euro (the same as of 31 December 2003), which represent the residual capital and interest for the recovery made by the Bank of Italy in relation to the outlay in the past by the former Banco di Napoli to cover the liquidation deficit of Isveimer and the losses of Società per la Gestione di attività S.p.A. (Sga). These interventions form part of the reorganization plan prepared, with the Bank of Italy's approval, in accordance with Law no. 588/96 (containing urgent provisions for the restoration, reorganization and privatization of the former Banco di Napoli). Furthermore, the same law establishes to hold harmless the former Banco di Napoli from the economic and financial consequences of the measures taken or to be taken, using the mechanism provided by the Treasury Ministry Decree of 27 September 1974. Since 31 December 2002, following the merger by incorporation of Banco di Napoli into

SANPAOLO IMI S.p.A., the latter has taken over from the Banco in the recovery mechanism.

A summary of the circumstances relating to the investments in Isveimer S.p.A. and in Società per la gestione di attività S.p.A. is provided below.

The liquidation of Isveimer

Isveimer S.p.A., a subsidiary of Banco di Napoli which financed industrial development in Southern Italy, was put into voluntary liquidation in 1996.

In 1997, Banco di Napoli intervened to reduce the final liquidation deficit estimated to be 917 million euro. The cost of this intervention and the related interest were recovered in accordance with Law no. 588/96, as mentioned above, and with the methods described in the aforementioned Treasury Decree of 1974.

The recovery process showed a balance in favor of the Central Bank of 58 million euro, lodged as a non interest-earning deposit with the same Central Bank. This deposit is shown under “other assets” offset by “other liabilities”.

Società per la Gestione di Attività (Sga)

Società per la Gestione di Attività S.p.A. (Sga) was created in 1996 by transforming an existing subsidiary of Banco di Napoli for the purpose of taking over most of the bank's doubtful loans as an onerous title and without recourse. Whilst owning the entire shareholding - it was transferred to the Treasury by way of a pledge with voting rights - the Parent Bank does not exercise control over the company.

The loss of time value incurred by Sga up to 31 December 2002, has been covered by the former Banco di Napoli and by SANPAOLO IMI and recovered on the basis of the provisions of Law no. 588/96, using the methods recommended by the aforementioned Treasury Ministry decree of 1974. The recovery process has revealed a balance in favor of Central Bank equal to 7 million euro, which on 30 January 2004 was lodged in a non interest-earning deposit with the same Central Bank. Also in this case the deposit is shown under “other assets” offset by “other liabilities”. No further interventions were necessary after the 2002 year-end.

At the time of the transfer of doubtful loans to Sga, Banco di Napoli granted its subsidiary various interest-bearing lines of credit, essentially to finance the cost of the factoring agreement, as well as to cover the company's running costs.

On 1 July 2003 these transactions, falling within the business branch represented by the Southern Territorial Direction of SANPAOLO IMI S.p.A., were transferred to Sanpaolo Banco di Napoli S.p.A.. SANPAOLO IMI S.p.A. has undertaken to hold harmless the receiving company from the losses and/or liabilities which may arise in respect of loans to Società per la gestione di attività S.p.A. (Sga) deriving from the business transferred. Any losses which may arise on such loans must be covered by SANPAOLO IMI S.p.A. which, in turn, must commence recovery on the basis of the provisions of Law 588/96.

As of 31 December 2004, the loans to Sanpaolo Banco di Napoli S.p.A. in respect of Sga totaled 841 million euro, of which 814 million euro was granted for the measures provided by law 588/96 and 27 million euro disbursed for the regular management of the company.

Accrued expenses and deferred income (caption 60)*Analysis of caption 60 "accrued expenses and deferred income" (Table 9.2 B.I.)*

	31/12/04 (€/mil)	31/12/03 (€/mil)
Accrued expenses		
– interest on securities issued	545	585
– charges on derivative contracts	1,373	887
– interest on amounts due to banks	105	84
– payroll and other operating costs	5	11
– interest on amounts due to customers	82	64
– other expenses	142	77
Deferred income		
– up front and other income from derivative contracts	80	127
– interest on discounted notes	29	40
– other	286	306
Total	2,647	2,181

SECTION 10 - GUARANTEES AND COMMITMENTS

Captions 10 and 20 of the balance sheet, related to guarantees issued and commitments undertaken by the Group, which involve the acceptance of credit risks, comprise the following:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Guarantees (caption 10)	17,299	19,912
Commitments (caption 20)	29,815	25,839
Total	47,114	45,751

“Guarantees granted to third parties” are comprised as follows:

Analysis of caption 10 “guarantees given” (Table 10.1 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Commercial guarantees	10,097	10,685
a) Financial guarantees	7,086	9,151
c) Assets lodged in guarantee	116	76
Total	17,299	19,912

“Commitments” at the end of the year are:

Analysis of caption 20 “commitments” (table 10.2 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Commitments to grant finance (certain to be called on)	9,079	6,173
b) Commitments to grant finance (not certain to be called on)	20,736	19,666
Total	29,815	25,839

The commitments undertaken by the Group are detailed below:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Purchase of securities not yet settled	2,783	2,634
Commitments for derivatives on loans	1,397	848
Other commitments certain to be called on	700	255
Undrawn lines of credit granted	12,556	11,412
Put options issued	1,613	1,147
Mortgage loans and leasing contracts to be disbursed	6,279	7,191
Deposits and loans to be made	4,074	1,986
Membership of Interbank Deposit Guarantee Fund	159	144
Other commitments not certain to be called on	254	222
Total	29,815	25,839

Assets lodged to guarantee the Group's liabilities

(Table 10.3 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
Portfolio securities lodged with third parties to guarantee repurchase agreements	9,679	8,037
Securities lodged with the clearing-house for transactions on the derivatives market	9	14
Securities lodged with central banks to guarantee advances	839	638
Securities lodged with the Bank of Italy to guarantee bankers' drafts	165	156
Other tied bonds	2,375	431
Total	13,067	9,276

Unused lines of credit

The unused lines of credit available to the SANPAOLO IMI Group, excluding operating limits, are as follows:

(Table 10.4 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Central banks	99	59
b) Other banks	305	431
Total	404	490

Forward transactions

Forward transactions, excluding those on behalf of third parties, show the following amounts:

(Table 10.5 B.I.)

	Hedged transactions	Dealing transactions (*)	Other transactions	Total
(€/mil)				
1. Purchase/sale of				
1.1 Securities				
– purchases	-	2,780	-	2,780
– sales	-	2,352	-	2,352
1.2 Currency				
– currency against currency	2,525	970	-	3,495
– purchases against euro	6,785	1,996	-	8,781
– sales against euro	5,201	2,049	-	7,250
2. Deposits and loans				
– to be disbursed	-	-	4,235	4,235
– to be received	-	-	5,356	5,356
3. Derivative contracts				
3.1 With exchange of capital				
a) securities				
– purchases	2	4,881	384	5,267
– sales	1,109	2,421	681	4,211
b) currency				
– currency against currency	21	4,850	-	4,871
– purchases against euro	2,442	8,107	-	10,549
– sales against euro	225	7,882	-	8,107
c) other instruments				
– purchases	-	-	-	-
– sales	-	-	-	-
3.2 Without exchange of capital				
a) currency				
– currency against currency	-	69	-	69
– purchases against euro	-	24	-	24
– sales against euro	-	44	-	44
b) other instruments (**)				
– purchases	24,725	369,557	257	394,539
– sales	16,155	390,412	4,122	410,689
Total	59,190	798,394	15,035	872,619

(*) They also include hedging derivatives belonging to the dealing portfolio for 5,846 million euro.

(**) Includes basis swaps for 19,938 million euro both in purchases and sales.

Dealings in derivative contracts principally include transactions entered into within the scope of investment banking activities and to cover dealing portfolios. The results of the valuation of dealings derivatives are revealed in the statement of income and described in the note concerning profits and losses on financial transactions of Part C, Section 3 of these Explanatory Notes.

“Hedging” derivatives refer mainly to transactions to cover interest, exchange rate and/or share indexes risks on funding and/or lending activities. These mainly reflect the activities of the Parent Bank and its subsidiaries operating in the loans sector.

“Other transactions” principally refer to some types of derivative contracts included under structured financial instruments.

Derivative contracts included under structured financial instruments amount to 9,531 million euro, at nominal value.

At year end the potential net loss on the aggregate value of derivative hedging contracts entered into by Group companies was 565 million euro. In compliance with the accounting policies, this amount has not been recorded in the financial statements since the purpose of the derivative contracts in question is to hedge interest and/or exchange rate risks with regard to funding activities and/or lending activities: these contracts are recorded on a consistent basis with those adopted for hedged transactions. It should be noted that if the assets and liabilities object of the above treatment were to be valued in the same way, the consequent result would generally offset the loss revealed above.

Forward transactions as of 31 December 2004, as shown in the above table, mainly reflect the activities of the Parent Bank and its subsidiaries operating in the loans sector and in dealing activities.

Financial information relating to derivative contracts and forward currency purchase/sale transactions

This section offers supplementary information on operations in derivative contracts according to the standards established by the Basel Committee on Banking Supervision and the International Organization of Securities Commissions (IOSCO).

The table below shows the notional nominal capital, by type, of forward currency purchase/sale transactions and derivative contracts on interest rates, exchange rates and stock market indexes.

<i>Notional amounts</i>	<i>(€/mil)</i>				
	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total
OTC trading contracts					
- Forward (*)	25,435	3,513	-	-	28,948
- Swap (**)	554,026	456	-	-	554,482
- Options purchased	26,292	10,475	4,655	-	41,422
- Options sold	41,060	9,925	6,548	-	57,533
- Other	978	40	113	-	1,131
Exchange traded contracts					
- Futures purchased	37,986	12	24	-	38,022
- Futures sold	45,390	19	56	-	45,465
- Futures currency against currency	-	49	-	-	49
- Options purchased	736	-	2,624	-	3,360
- Options sold	453	-	2,236	-	2,689
- Other	-	-	-	-	-
Total trading contracts	732,356	24,489	16,256	-	773,101
Total non-trading	36,827	15,043	9,329	-	61,199
Total contracts (***)	769,183	39,532	25,585	-	834,300
- including OTC contracts	684,617	39,453	20,646	-	744,716

(*) The caption includes the F.R.A. contracts and forward currency purchase/sale transactions.

(**) The caption mainly includes the I.R.S., C.I.R.S. contracts and basis swaps.

(***) Includes basis swaps for 19,938 million euro and does not include forward transactions on currency with an original duration of less than 2 days, amounting on the whole to 3,658 million euro.

The table below shows the residual duration of the above unquoted over the counter (OTC) transactions:

<i>Residual maturity of notional amounts underlying OTC derivative contracts</i>	<i>(€/mil)</i>			
	Up to 12 months	Between 1 and 5 years	Beyond 5 years	Total
Interest rate related	286,031	252,035	146,551	684,617
Exchange rate related	33,899	4,971	583	39,453
Stockmarket index related	7,706	10,039	2,901	20,646
Other contracts	-	-	-	-

The table below reports the credit risk equivalent relating to unquoted OTC contracts, broken down into their various components: positive market value and add on.

Notional amounts, market values and similar add on of OTC derivative contracts

	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total
Notional amounts	684,617	39,453	20,646	-	744,716
A. Market value of OTC trading contracts					
A.1 positive market value	10,934	460	471	-	11,865
A.2 negative market value	-11,023	-454	-406	-	-11,883
B. Add on	3,118	210	374	-	3,702
C. Market value of OTC non-trading contracts					
C.1 positive market value	509	270	544	-	1,323
C.2 negative market value	-1,043	-988	-191	-	-2,222
D. Add on	108	270	283	-	661
Credit risk equivalent (A.1+B+C.1+D)	14,669	1,210	1,672	-	17,551

The table below reports the positive and negative market value of quoted contracts:

Notional amounts and market values of quoted contracts

	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total
Notional amounts	84,566	79	4,939	-	89,584
A. Market value of OTC trading contracts					
A.1 positive market value	7	2	3	-	12
A.2 negative market value	-18	-1	-2	-	-21
B. Market value of OTC non-trading contracts					
B.1 positive market value	-	-	-	-	-
B.2 negative market value	-	-	-	-	-

Market values of hedging and dealing transactions arranged with external third parties have been calculated using the criteria established by the Bank of Italy to determine the solvency ratio. The market values identified in the table above derive from the application of the aforementioned criteria which provide for inclusion in the calculation of the market value of accrued income and expenses currently maturing as well as the result deriving from the current rate revaluation of the principal amount of cross-currency interest rate swaps to be exchanged at maturity.

The table below shows the breakdown of credit risk equivalent on unquoted contracts by type of counterparty.

Credit quality of OTC derivative contracts, by counterparty

	Positive market value	Add on	Credit risk equivalent (*) (current value)
Governments and central banks	-	7	7
Banks	11,849	3,964	15,813
Other operators	1,339	392	1,731
Total	13,188	4,363	17,551

(*) The credit risk equivalent reported in this table includes transactions with an original life not exceeding 14 days. The existence of Master Netting Agreements allows a reduction in the above equivalent credit risk of 12,523 million euro in respect of banks and 137 million euro in respect of other operators.

The aforementioned transactions are not normally covered by real or personal guarantees. There have been no losses on loans for derivatives during the year, and there are no outstanding derivative contracts waived but not settled.

The inherent risks of derivative contracts entered into by Group companies, including those “hedging” contracts whose current value is not shown in the financial statements, are subject to monitoring within the context of the complete system of risk management and control set up by the Group. A description of the organizational model and the results of monitoring the evolution of risks for 2004 is reported in the special section of the Report on Group Operations (“Risk management and control”).

Credit derivatives

Transactions in derivatives on loans carried out by the Group as of 31 December 2004, are analyzed below:

(Table 10.6 B.I.)

Categories of operations	Negotiation	Other transactions	(€/mil) Total
1. Hedging purchases			
1.1 With exchange of capital			
– credit default swap	833	233	1,066
– credit-linked note	-	202	202
1.2 Without exchange of capital			
– credit default swap	250	-	250
2. Hedging sales			
2.1 With exchange of capital			
– credit default swap	798	372	1,170
– credit-linked note	-	40	40
2.2 Without exchange of capital			
– credit default swap	150	-	150
– credit-linked note	6	30	36
Total	2,037	877	2,914

Table 10.6 comprises derivative contracts on loans recorded by the Parent Bank, included under structured financial instruments amounting to 278 million euro, at nominal value.

Other information relating to guarantees

The classification of guarantees given by category of counterparty is provided in Part B - Section 11 of these Notes, while forward transactions related to dealing on behalf of third parties are described in Part B - Section 12.

SECTION 11 - CONCENTRATION AND DISTRIBUTION OF ASSETS AND LIABILITIES

Significant exposures

The table below shows the positions defined as “Significant exposures” by the Bank of Italy in compliance with EU guidelines. For this purpose, positions are considered significant if the total exposure to a single client (or group of companies) on a consolidated basis is equal to or greater than 10% of the Group’s regulatory capital. Exposure is calculated using a system of weighting positions exposed to lending risk, which takes into account the nature of the counterparty and the guarantees received.

(Table 11.1 B.I.)

	31/12/04
a) Amount (€/mil)	6,350
b) Number	3

Distribution of loans to customers, by category of borrower

Loans to customers are distributed by main category of borrower as follows:

(Table 11.2 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Governments	6,713	7,551
b) Other public entities	6,855	6,275
c) Non-financial businesses	62,860	68,822
d) Financial institutions	11,405	10,222
e) Family businesses	6,051	5,910
f) Other operators	28,023	25,819
Total	121,907	124,599

Distribution of loans to resident non-financial companies and family businesses

The distribution of loans to non-financial and family businesses resident in Italy is detailed below, by borrower sector:

(Table 11.3 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Other services for sale	13,943	13,979
b) Commerce, renovation and repairs	9,563	9,693
c) Construction and public works	6,756	7,098
d) Energy products	3,966	4,656
e) Internal transport services	3,558	2,874
f) Other sectors	25,880	30,322
Total	63,666	68,622

Distribution of loan derivatives by category of counterparty

Group loan derivatives, equal to 2,914 million euro, classified in relation to the categories of counterparties are distributed as follows:

- 2,017 million euro to banks;
- 867 million euro to financial institutions;
- 30 million euro to other operators.

Distribution of guarantees issued, by category of counterparty

Guarantees given by the Group are classified by category of counterparty as follows:

(Table 11.4 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Governments	24	-
b) Other public entities	48	219
c) Banks	591	726
d) Non-financial businesses	14,050	16,968
e) Financial institutions	1,395	1,204
f) Family businesses	141	161
g) Other operators	1,050	634
Total	17,299	19,912

Geographical distribution of assets and liabilities

The geographical distribution of the Group's assets and liabilities is detailed below, by reference to the countries of residence of the counterparties concerned:

(Table 11.5 B.I.)

	31/12/04 (€/mil)				31/12/03 (€/mil)			
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total
1. Assets								
1.1 due from banks	7,606	13,757	2,414	23,777	6,872	12,747	2,659	22,278
1.2 loans to customers	111,412	6,827	3,668	121,907	114,128	5,579	4,892	124,599
1.3 securities	19,594	7,654	2,042	29,290	19,028	3,799	2,431	25,258
Total	138,612	28,238	8,124	174,974	140,028	22,125	9,982	172,135
2. Liabilities								
2.1 due to banks	5,651	15,617	6,930	28,198	8,181	12,955	7,398	28,534
2.2 due to customers	77,266	7,928	3,294	88,488	70,169	5,096	4,728	79,993
2.3 securities issued	36,510	7,788	2,266	46,564	37,274	11,479	2,800	51,553
2.4 other accounts	6,036	69	1,000	7,105	5,160	429	1,000	6,589
Total	125,463	31,402	13,490	170,355	120,784	29,959	15,926	166,669
3. Guarantees and commitments	30,038	9,047	8,029	47,114	29,342	8,196	8,213	45,751

Maturities of assets and liabilities

The residual maturities of assets and liabilities are detailed in the following table:

(Table 11.6 B.I.)

									(€/mil)
	On demand	Up to 3 months	Specified duration				Beyond 5 years	Unspecified duration	Total
			Between 3 and 12 months	Between 1 and 5 years		Fixed rate			
1. Assets									
1.1 Treasury bonds eligible for refinancing	-	461	550	365	607	309	261	-	2,553
1.2 due from banks	3,665	16,431	2,070	61	907	-	262	381	23,777
1.3 loans to customers	17,922	19,118	13,015	11,061	26,177	10,085	21,996	2,533	121,907
1.4 bonds and other debt securities	64	1,729	5,413	5,712	4,702	3,778	2,318	-	23,716
1.5 off-balance sheet transactions	8,071	245,917	238,057	166,631	55,866	71,504	1,255	-	787,301
Total assets	29,722	283,656	259,105	183,830	88,259	85,676	26,092	2,914	959,254
2. Liabilities									
2.1 due to banks	2,294	11,782	5,149	478	2,557	293	5,645	-	28,198
2.2 due to customers	67,043	17,410	1,402	1,117	85	1,312	119	-	88,488
2.3 securities issued:									
– bonds	357	2,838	5,869	10,639	10,475	3,007	6,443	-	39,628
– certificates of deposit	90	857	1,006	804	11	162	-	-	2,930
– other securities	654	3,135	156	61	-	-	-	-	4,006
2.4 subordinated liabilities	-	-	1,960	692	200	1,799	2,304	-	6,955
2.5 off-balance sheet transactions	11,971	269,356	213,406	159,824	51,508	79,113	2,123	-	787,301
Total liabilities	82,409	305,378	228,948	173,615	64,836	85,686	16,634	-	957,506

Assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in currencies other than those of the euro-zone are broken down as follows:

(Table 11.7 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Assets		
1. due from banks	5,038	3,970
2. loans to customers	6,734	6,920
3. securities	2,061	2,179
4. equity investments	70	69
5. other accounts	293	207
Total assets	14,196	13,345
b) Liabilities		
1. due to banks	5,932	6,595
2. due to customers	6,757	6,700
3. securities issued	4,326	6,819
4. other accounts	303	75
Total liabilities	17,318	20,189

The “liquidity”, “rates” and “exchange rate” risks inherent in the distribution by expiry, type of rate and currency of Group assets, liabilities and forward transactions (of which the two tables above supply a simplified representation with reference to the precise situation at the end of the year), are subject to monitoring within the context of the complete system of risk management and control set up by the Group.

A description of the organizational model and the results of monitoring the evolution of risks for 2004 is reported in the special section of the Report on Group Operations (“Risk management and control”).

Securitization transactions

Group securitization transactions

As of 31 December 2004 the SANPAOLO IMI Group accounts show two securitization transactions, both carried out by the subsidiary Sanpaolo Leasint S.p.A..

SPLIT1 Operation - in 1997 the company made a non-recourse assignment of performing loans under leasing contracts as per Law no. 52/91 for a total book value of 504 million euro. In 2004 no revolving assignments were made against the original securitization transaction, in order to ensure the equivalence of the initial securitized assets to the securities issued up to the contract date set for repayment of the securities. The transaction was carried out in order to free part of the loan portfolio, generating sources of additional liquidity and, at the same time, benefiting from credit risk containment. Junior securities are included in the dealing securities portfolio at their original value of 50 million euro. Furthermore, these securities represent the financial tool for recognizing, during the transaction, the spread differential between cash flows generated by the portfolio of assigned loans and the securities issued (excess spread). The assigned portfolio is subject to continuous monitoring which consists of preparing a quarterly settlement report for the various entities involved (rating agencies, factoring companies, vehicle companies and trustees) with a detailed explanation of the state of the loans and of collections during the period. The servicer activity commits the company to the separate administration, management and col-

lection of the portfolio originally assigned and of the loans subsequently due, as well as handling any recovery procedures. As of 31 December 2004, loans to be collected amounted to 1 million euro. The operation was concluded in January 2005 with the reimbursement of the subordinated security.

SPLIT2 Operation – in the last quarter of 2004, Sanpaolo Leasint made a non-recourse assignment of receivables deriving from performing leasing contracts to Split2 Srl, a vehicle company set up especially in accordance with law no. 130/99. The leasing contracts involving property, automobiles and operating assets total 1,805 million. In addition to the portfolio and under certain conditions, the structure of the operation provides for the disposal of other portfolios on a quarterly basis to replace the receivables collected by Split2 in the first 18 months (revolving period). With the aim of collecting the funding necessary for the purchase of these loans, Split2 issued three classes of securities with ratings assigned by the three agencies (Moody's, S&P and Fitch). They were successfully distributed on the market and Sanpaolo Leasint wholly subscribed to a Junior class for 18 million euro. The object of this operation is to diversify the company's sources of financing, to match funding to the underlying loans, as well as to free up economic and regulatory capital. As servicer, Sanpaolo Leasint continues to manage the collection of assigned loans and to maintain relations directly with customers, transferring the capital and interest collected on loans to accounts opened in the name of SPV at the depositary collecting bank. It also provides the periodical information about the portfolio, required by the Rating Agencies for monitoring purposes. The amount collected as servicer totaled 102 million euro as of 31 December 2004. The underlying securitization activities to junior securities as of 31 December 2004 amount to 1,726 million euro and wholly refer to performing loans from leasing operations.

Portfolio securities representing third party securitization transactions

The Group holds investment and dealing securities from third party securitizations, as shown in the following table:

Type of underlying activities	Credit quality	Senior securities	Mezzanine securities	Junior securities	(€/mil)
					Total
					<i>book value</i>
Dealing securities portfolio					
Central and local authorities	Performing	901	35	20	956
Building mortgage loans	Performing	3	-	-	3
Commercial / industrial / agricultural mortgage loans	Performing	1	-	-	1
Consumer loans	Performing	14	-	-	14
Leasing	Performing	8	-	-	8
Health care receivable	Performing	399	-	-	399
Public real estate	Performing	270	-	-	270
Social security contributions	Performing	166	-	-	166
Tax credits	Performing	415	-	-	415
Other loans	Performing	3	10	-	13
		2,180	45	20	2,245

As of 31 December 2004, the investment securities portfolio was held solely by the Parent Bank and was almost fully written down. More detailed information about the composition and dynamics of the adjustments to the financial statements is provided in Part B – Section 11 of the Explanatory Notes to the financial statements of SANPAOLO IMI S.p.A..

The underlying activities to junior securities deriving from third party securitization transactions (pro quota value) amount to 345 million euro.

SECTION 12 - ADMINISTRATION AND DEALING ON BEHALF OF THIRD PARTIES

Dealing in securities

Purchases and sales made during the year on behalf of third parties were as follows:

(Table 12.1 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Purchases		
1. settled	117,402	114,927
2. not settled	16	23
Total purchases	117,418	114,950
b) Sales		
1. settled	104,664	126,552
2. not settled	16	10
Total sales	104,680	126,562

Purchase and sale transactions performed on behalf of third parties include, respectively, 32,524 million euro and 19,550 million euro for dealings in derivative contracts.

Portfolio management

The total market value of portfolios managed on behalf of customers and inclusive of Fund-based Portfolio Management is detailed below:

(Table 12.2 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
Portfolio management (*)	33,084	33,241

(*) In accordance with specific Bank of Italy instructions, this information refers solely to personalized portfolio management on behalf of customers, excluding that offered by third parties and distributed by the Group.

Custody and administration of securities

The nominal value of securities held in custody and for administration, including those received as guarantees, is detailed below:

(Table 12.3 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Third-party securities held on deposit	281,685	289,891
b) Third-party securities deposited with third parties	235,996	210,283
c) Portfolio securities deposited with third-parties (*)	28,387	24,607

(*) Excluding securities deposited with third parties to secure repurchase agreements, already included in table "10.3 B.I. – Assets lodged to guarantee the Group's liabilities".

Collection of loans on behalf of third parties: debit and credit adjustments

The notes portfolio has been reclassified on the basis of the related settlement date by recording the following adjustments:

(Table 12.4 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Debit adjustments		
1. current accounts	740	659
2. central portfolio	4,217	2,555
3. cash	79	827
4. other accounts	2,014	812
b) Credit adjustments		
1. current accounts	777	827
2. transferors of notes and documents	6,414	4,122
3. other accounts	215	141

Other transactions

Research and Development

Applied Research Reserve

SANPAOLO IMI manages transactions arising from applications received by 31 December 1999 out of the Applied Research Reserve. As of 31 December 2004, there are resolutions to be stipulated for 57 million euro and disbursements to be made for 387 million euro.

Reserve for Research Grants

SANPAOLO IMI continued to provide services to the Ministry of Education, Universities and Research (MIUR) for the management of industrial research projects and researcher training schemes using the Reserve for Research Grants. During 2004, 87 applications were received for research investment for 295 million euro and MIUR deliberated on financing of 151 million euro. The reduction in applications was reflected in the lack of funds, which led the Ministry to completely suspend the "reception desk" for applications, which had already been limited to the areas of Southern Italy, with effect from 3 March 2004.

Reserve for Technological Innovation

SANPAOLO IMI continued to provide services to the Ministry for Productive Activities (MAP) for the management of development projects utilizing the Reserve for Technological Innovation. The "reception desk" was suspended by MAP in January 2003 owing to lack of funds. Activities continue exclusively on the passing of Notices reserved for projects in technological sectors considered to be of prominence or to be carried out in particular areas of Italy. During 2004, 203 applications were received for research investments for 236 million euro and MAP deliberated on financing of 224 million euro.

During 2004, activities connected to the three reserves generated a total of 10.5 million euro commissions from the Public Administration.

Guarantee Fund for small and medium-sized enterprises in Southern Italy, Law 341/95

With the Convention stipulated between the Italian Treasury and the Parent Bank on 21 December 1995, as approved and activated by Decree of the Director General of the Treasury dated 5 January 1996, SANPAOLO IMI, in its capacity as Managing Body, has been granted the concession to this Fund established under Law 341/1995.

The purpose of Law 341/1995 is to promote rationalization of the financial situation of small and medium-sized enterprises in Southern Italy, as defined by EU parameters. This involves measures of various types, from interest-relief grants on loans designed to convert short-term bank borrowing into medium and long-term loans, to the granting of supplementary guarantees on investment loans, for the purchase of equity investments and for the debt consolidation described above.

Acceptance of new applications has been closed since the beginning of 2000. As of 31 December 2004, there are 816 applications for 332 million euro, broken down as follows:

- 318 million euro for the consolidation of short-term debt for which contributions are being paid;
- 14 million euro for investment loans, of which an application for 1 million euro is not yet completed.

Notes accepted after collection and taxation

The Group has received instructions to collect third-party receivables as part of its portfolio transactions. The nominal value of such receivables is 15,781 million euro.

Furthermore, through the subsidiary Gest Line, the Group manages the collection and recovery of taxation and duties for 36,666 million euro.

Third-party portion of syndicated loans

The portion of syndicated loans arranged by the Parent Bank for third parties without a representation mandate totaled 559 million euro at period end (564 million euro as of 31 December 2003).

Portfolio management services rendered by third parties

The amount of portfolio management services rendered by third parties and offered to customers through Group companies as of 31 December 2004 amounted to 3,760 million euro broken down as follows: 1,061 million euro of mutual funds, 505 million euro of fund-based portfolio management, 535 million euro of portfolio management schemes and 1,659 million euro in insurance policies.

Part C - Information on the statement of income

SECTION 1 - INTEREST

Interest income and expense and similar revenues and charges, detailed below, are reported in captions 10 and 20 of the consolidated statement of income:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Interest income and similar revenues (caption 10)	7,195	7,443
Interest expense and similar charges (caption 20)	3,508	3,701

Interest income and similar revenues (caption 10)

Analysis of caption 10 "interest income and similar revenues" (Table 1.1 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) On amounts due from banks	445	460
<i>of which:</i>		
- deposits with central banks	40	43
b) On loans to customers	5,799	6,215
<i>of which:</i>		
- loans using public funds	-	-
c) On debt securities	926	727
d) Other interest income	25	41
e) Net differential on hedging transactions (*)	-	-
Total	7,195	7,443

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

Detail of caption 10 "interest income and similar revenues" (Table 1.3 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) On assets denominated in foreign currency	227	205

"Interest income and similar revenues" on assets denominated in foreign currency refer to transactions denominated in currencies not included in the euro-zone.

Interest expense and similar charges (caption 20)*Analysis of caption 20 "interest expenses and similar charges" (Table 1.2 B.I.)*

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) On amounts due to banks	694	659
b) On amounts due to customers	937	1,050
c) On securities issued (*)	1,364	1,493
<i>of which:</i>		
– certificates of deposit	60	110
d) On public funds administered	-	-
e) On subordinated liabilities	294	302
f) Net differential on hedging transactions (**)	219	197
Total	3,508	3,701

(*) *Excluding interest on subordinated securities included in caption e).*(**) *Representing the net effect of differentials on derivative hedging contracts.**Detail of caption 20 "interest expenses and similar charges" (Table 1.4 B.I.)*

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) On liabilities denominated in foreign currency	253	224

"Interest expense and similar charges" on liabilities denominated in foreign currency refer to transactions denominated in currencies not included in the euro-zone.

SECTION 2 - COMMISSION

Commission income and expense, as detailed below, is reported in captions 40 and 50 of the consolidated statement of income:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Commission income (caption 40)	3,998	3,722
Commission expense (caption 50)	761	685

Commission income (caption 40)

Analysis of caption 40 "commission income" (Table 2.1 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Guarantees given	96	80
b) Credit derivatives	4	8
c) Management, dealing and advisory services		
1. dealing in securities	120	97
2. dealing in currency	30	31
3. portfolio management:		
3.1 individual	217	204
3.2 collective	1,319	1,219
4. custody and administration of securities	61	67
5. depositary bank	136	115
6. placement of securities	34	34
7. acceptance of instructions	89	97
8. advisory services	19	35
9. third party service distribution:		
9.1 portfolio management:		
a) individual	29	18
b) collective	28	29
9.2 insurance products	351	285
9.3 other products	2	7
d) Collection and payment services	345	332
e) Servicing for securitization transactions	-	-
f) Tax collection services	169	179
g) Other services	949	885
Total	3,998	3,722

Subcaption “g) Other services” comprises, in particular:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Loans granted	315	271
Deposits and current account overdrafts	352	316
Current accounts	179	173
Other services	103	125
Total	949	885

Organization of commission income by distribution channels:

Detail of caption 40 “commission income”: “products and services distribution channels” (Table 2.2 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) with own operating points:		
1. portfolio management	1,123	993
2. placement of securities	30	1
3. third party service distribution	215	188
b) outside supply:		
1. portfolio management	413	430
2. placement of securities	4	33
3. third party service distribution	195	151

Commission expense (caption 50)*Analysis of caption 50 "commission expense" (Table 2.3 B.I.)*

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Guarantees received	4	12
b) Credit derivatives	4	1
c) Management and dealing services:		
1. dealing in securities	57	33
2. dealing in currency	1	1
3. portfolio management:		
3.1 own portfolio	-	-
3.2 third party portfolio	86	79
4. custody and administration of securities	26	23
5. placement of securities	8	7
6. outside supply of securities, financial products and services	352	314
d) Collection and payment services	97	93
e) Other services	126	122
Total	761	685

Subcaption "e) Other services" comprises, in particular:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Loan arrangement activities	71	56
Loans obtained	1	6
Intermediation on financing transactions	4	9
Other services	50	51
Total	126	122

SECTION 3 - PROFITS AND LOSSES FROM FINANCIAL TRANSACTIONS

Profits and losses from financial transactions, detailed below, are reported in caption 60 of the statement of income:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Profits (losses) from financial transactions (caption 60)	235	198

Profits and losses from financial transactions (caption 60)

Profits and losses in respect of the financial statements are analyzed as follows:

Analysis of caption 60 "profits (losses) from financial transactions" (Table 3.1 B.I.) (€/mil)

	Security transactions	Currency transactions	Other transactions	Total
A1. Revaluations	323	-	7,079	7,402
A2. Writedowns	-216	-	-7,083	-7,299
B. Other profits and losses	115	65	-48	132
Total	222	65	-52	235
<i>of which:</i>				
1. on Government securities	59			
2. on other debt securities	168			
3. on equities	216			
4. on security derivatives	-221			

This caption mainly reflects one component of the brokerage activity normally carried out by the Group, the results of which are also reflected in the captions relating to interest and dividends. The main result is outlined in the Report on Operations under the net interest and other banking income of Investment Banking - Banca IMI.

The reconciliation with the "Profits and losses from financial transactions and dividends on shares" caption of the reclassified statement of income, reported in the Report on Operations, is detailed below:

Reconciliation of caption 60 "profits (losses) from financial transactions" with the reclassified statement of income (€/mil)

Profits (losses) from financial transactions (caption 60)	235
Reclassification from interest income and expense of the positive margin of Investment Banking (*)	118
Reclassification from the dividends on dealing shares caption	79
Caption of the reclassified statement of income "Profits and losses from financial transactions and dividends on shares"	432

(*) The reclassification refers to the net interest income for the Banca IMI Group, which in the interests of a better representation of Group results is shown under 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 stockbroking activities.

SECTION 4 - ADMINISTRATIVE COSTS

Administrative costs, detailed below, are reported in caption 80 of the consolidated statement of income:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Personnel costs (caption 80.a)	2,803	2,841
Other administrative costs (caption 80.b)	1,762	1,769
Total	4,565	4,610

Personnel costs (caption 80.a)

	31/12/04 (€/mil)	31/12/03 (€/mil)
Wages and salaries	2,033	2,046
Social security charges	620	633
Termination indemnities	120	132
Pensions and similar	30	30
Total	2,803	2,841

Average number of employees by category (Table 4.1 B.I.)

	31/12/04	31/12/03
a) Executives	797	836
b) Managers	5,197	5,671
c) Other employees	37,108	37,834
Total	43,102	44,341
<i>of which: of companies consolidated proportionally</i>	<i>738</i>	<i>705</i>

Other administrative costs (caption 80.b)

	31/12/04 (€/mil)	31/12/03 (€/mil)
IT costs	419	430
Software maintenance and upgrades	126	122
External data processing	94	97
Maintenance of operating assets	61	69
Data transmission charges	69	66
Database access charges	45	49
Equipment leasing charges	24	27
Real estate costs	290	287
Rental of premises	183	171
Security services	34	38
Cleaning of premises	32	33
Maintenance of property owned by the Bank	26	30
Maintenance of leasehold premises	15	15
General expenses	247	258
Postage and telegraph charges	56	52
Office supplies	31	32
Transport and counting of valuables	22	23
Courier and transport services	20	18
Personnel on secondment	6	4
Other expenses	112	129
Professional and insurance fees	265	264
Professional fees	136	146
Legal and judiciary expenses	56	57
Insurance premiums banks and customers	46	41
Investigation/commercial information costs	27	20
Promotion, advertising and marketing expenses	99	93
Advertising and entertainment	84	79
Contributions and membership fees to trade unions and business associations	15	14
Indirect personnel costs	104	94
Indirect personnel expenses	104	94
Utilities	86	86
Energy	48	46
Telephone	38	40
Total	1,510	1,512
Indirect duties and taxes		
– stamp duties	169	176
– substitute tax (Pres. Decree 601/73)	35	32
– local property taxes	14	15
– tax on stock exchange contracts	7	7
– non-recoverable VAT on purchases	7	6
– other	20	21
Total	252	257
Total other administrative costs	1,762	1,769

SECTION 5 - ADJUSTMENTS, WRITEBACKS AND PROVISIONS

Adjustments and provisions, reported in captions 90, 100, 120, 140 and 150 of the statement of income, and writebacks, reported in captions 130 and 160, are detailed below:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Adjustments to tangible and intangible fixed assets (caption 90)	656	642
Provisions for risks and charges (caption 100)	231	195
Adjustments to loans and provisions for guarantees and commitments (caption 120)	894	1,126
Writebacks of adjustments to loans and provisions for guarantees and commitments (caption 130)	386	417
Provisions to reserves for probable loan losses (caption 140)	17	15
Adjustments to financial fixed assets (caption 150)	106	158
Writebacks of adjustments to financial fixed assets (caption 160)	124	218

Adjustments to tangible and intangible fixed assets (caption 90)

	31/12/04 (€/mil)	31/12/03 (€/mil)
Adjustments to intangible fixed assets		
– amortization of start-up and capital increase expenses	1	1
– amortization of goodwill	1	1
– long-term writedowns of goodwill	-	7
– amortization of merger differences	-	-
– amortization of software costs	189	199
– long-term writedowns of software costs	-	1
– amortization of other deferred charges	29	31
– long-term writedowns of other deferred charges	-	-
– amortization of goodwill arising on consolidation	179	131
– amortization of goodwill arising on application of the equity method	19	19
Adjustments to tangible fixed assets		
– amortization of property	82	93
– long-term writedowns of property	-	3
– depreciation of furniture and installation	156	156
Total	656	642

Individual assets have been written down with reference to their remaining useful lives using, in most cases, the maximum fiscally-allowed rates, including the provisions of accelerated depreciation.

“Amortization of goodwill arising on consolidation” includes the investments in Banque Privée Fideuram Wargny, Financière Fideuram and Cassa dei Risparmi di Forlì reflecting, in addition to the portion of ordinary amortization for 2004, the extraordinary adjustment of a long-term nature of 16 million euro for the French subsidiaries and 40 million euro for the Cassa, made in order to align their value to that shown in the Parent Bank financial statements of Banca Fideuram and of the Parent Bank.

Provisions for risks and charges (caption 100)

Provisions for risks and charges of 231 million euro during the year reflect the consolidation of the corresponding provisions of the Parent Bank for 127 million euro, allotted as follows:

- 91 million euro to strengthen the fund against losses on legal disputes, to reflect the increase in the claims by receivers of bankrupt customers recorded at the end of 2004, among which those filed by the Commission for the Parmalat group companies;
- 23 million euro to cover other potential risks, among which guarantees given in respect of company transactions;
- 13 million euro to increase the reserve for other personnel costs, of which 6 million euro for charges relating to supplementary pension funds and 6 million euro to cover long-service bonuses to employees.

Provisions made by subsidiaries (104 million euro) comprise 39 million euro of provisions made by the Cardine Finanziaria and Sanpaolo Banco Napoli Bank Networks; the remaining 65 million euro refer to:

- 32 million euro for provisions made by the subsidiaries operating in the placement and management of financial products against the risks involved in such activities. In particular, 30 million euro refer to the contribution by Banca Fideuram and its subsidiaries to cover possible losses on commissions paid in advance, legal disputes (including bankruptcies) and indemnity contracts to Private bankers;
- 33 million euro for provisions made by other subsidiaries. This provision mainly reflects the accruals made for the restructuring of the Private Banking business, following the merger between Sanpaolo Bank S.A. and IMI Bank Lux S.A. (14 million euro) and for the risks inherent in the tax collection business (8 million euro).

Adjustments to loans and provisions for guarantees and commitments (caption 120)

Analysis of caption 120 "adjustments to loans and provisions for guarantees and commitments" (Table 5.1 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Adjustments to loans	865	1,112
<i>of which:</i>		
– general adjustments for country risk	3	-
– other general adjustments	85	169
b) Provisions for guarantees and commitments	29	14
<i>of which:</i>		
– general provisions for country risk	-	-
– other general provisions	17	5
Total	894	1,126

Writebacks of adjustments to loans and provisions for guarantees and commitments (caption 130)

	31/12/04 (€/mil)	31/12/03 (€/mil)
Revaluation of loans previously written down	84	149
Revaluation of loans previously written off	4	5
Revaluation of provisions for guarantees and commitments	15	21
Collection of loan principal previously written down	202	161
Collection of loan principal and interest previously written off	40	39
Collection of default interest previously written down	41	42
Total	386	417

Provisions for probable loan losses (caption 140)

Provisions for probable loan losses are made by certain subsidiaries against risks which are only potential. For this reason they do not involve any adjustment to the assets.

Adjustments to financial fixed assets (caption 150)

	31/12/04 (€/mil)	31/12/03 (€/mil)
Adjustments to equity investments	78	150
Adjustments to other investment securities	28	8
Total	106	158

Adjustments to equity investments for 78 million euro relate to the writedown of holdings in the following companies:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Hutchison 3G Italia S.p.A. (*)	61	105
Fiat S.p.A.	5	12
Compagnia Assicuratrice Unipol S.p.A.	3	7
Kiwi II Ventura - Serviços de Consultoria S.A.	3	1
Praxis Calcolo S.p.A.	1	4
Euromedia Venture Belgique S.A.	1	-
Fin. Ser. S.p.A.	1	-
Volare Group S.p.A.	1	-
Kredyt Bank S.A.	-	11
Edison S.p.A.	-	2
Fata Group S.r.l.	-	2
Acegas-Aps S.p.A.	-	1
Eni S.p.A.	-	1
Finanziaria Aps S.p.A.	-	1
Lingotto S.p.A.	-	1
Other adjustments	2	2
Total	78	150

(*) The figure includes the effect of the writedown of the entire investment in Hutchison 3G Italia S.p.A., including the portion held through the subsidiary 3G Mobile Investments S.A. which was consolidated using the equity method. This treatment is aimed at disclosing the effect of the writedown in the value of the investment in a single balance sheet caption.

Adjustments to other investment securities, equal to 28 million euro, are composed of 23 million euro for the adjustment made by the Parent Bank on a put option granted to the Fondazione shareholder of Cassa dei Risparmi di Forlì, 4 million euro for an adjustment to the value of investment securities and 1 million euro for other investment securities.

Writebacks of adjustments to financial fixed assets (caption 160)

Writebacks of fixed financial assets (124 million euro) refer to writebacks of equity investments for 123 million euro (of which 122 million euro refer to Santander Central Hispano S.A.) and to writebacks of investment securities for 1 million euro. The writeback of the investment in SCH was made on the basis of precise quotations at year end (9.13 euro per share) for the stake held by Sanpaolo IMI International S.A. and to the purchase cost of the stake held by the Parent Bank (8.7 euro per share), to reflect their recovery, as a result of which the reasons for the writedowns (“impairment”) made in 2001 and 2002 ceased to apply.

Change in the reserve for general banking risks (caption 230)

Movements to the reserve during 2004 were made solely by subsidiaries and show accruals of 2 million euro.

SECTION 6 - OTHER STATEMENT OF INCOME CAPTIONS

	31/12/04 (€/mil)	31/12/03 (€/mil)
Dividends and other revenues (caption 30)	152	309
Other operating income (caption 70)	399	396
Other operating expense (caption 110)	76	68
Extraordinary income (caption 190)	323	548
Extraordinary expense (caption 200)	175	580
Income taxes for the period (caption 240)	658	657

Dividends and other revenues (caption 30)

	31/12/04 (€/mil)	31/12/03 (€/mil)
Shares, quotas and other equities		
– dividends	79	146
– tax credits	-	77
On equity investments, other than those consolidated on a line by line basis or carried at equity		
– dividends	73	73
<i>Santander Central Hispano S.A.</i>	39	36
<i>CDC Ixis S.A.</i>	8	9
<i>Banca d'Italia</i>	4	7
<i>Borsa Italiana S.p.A.</i>	3	2
<i>Banco del Desarrollo S.A.</i>	2	2
<i>Compagnia Assicuratrice Unipol S.p.A.</i>	2	1
<i>Banca delle Marche S.p.A.</i>	2	-
<i>Serene S.p.A.</i>	2	-
<i>Autostrada BS-VR-VI-PD S.p.A.</i>	1	1
<i>Biat S.A.</i>	1	1
<i>Centro Leasing S.p.A.</i>	1	1
<i>Banksiel S.p.A.</i>	1	-
<i>SI Holding S.p.A.</i>	1	-
<i>AEM Torino S.p.A.</i>	1	-
<i>Eni S.p.A.</i>	-	6
<i>Enel S.p.A.</i>	-	1
<i>Other minor investments</i>	5	6
– tax credits	-	13
Total	152	309

Tax credits on dividends have been written off as an effect of the introduction of a new corporate tax (IRES) which has led to the elimination of tax credit on dividends, to cover the substantial exclusion of such dividends from taxable income.

Other operating income (caption 70)*Analysis of caption 70 "other operating income" (Table 6.1 B.I.)*

	31/12/04 (€/mil)	31/12/03 (€/mil)
Expenses recovered		
– stamp duties	162	162
– other taxes	39	44
– legal costs	29	24
– other recoveries	63	69
Income from merchant banking activities	1	15
Reimbursement of services rendered to third parties	18	15
Rent and other income from property	8	15
Other income from leasing activities	19	4
Income from IT companies	2	2
Income from option contracts	19	2
Other income	39	44
Total	399	396

Other operating expense (caption 110)*Analysis of caption 110 "other operating expenses" (Table 6.2 B.I.)*

	31/12/04 (€/mil)	31/12/03 (€/mil)
Other charges on leasing transactions	36	41
IT companies expenses	1	1
Charges on option contracts	19	3
Losses on merchant banking activities	-	-
Other expenses	20	23
Total	76	68

Extraordinary income (caption 190)*Analysis of caption 190 "Extraordinary income"*

	31/12/04 (€/mil)	31/12/03 (€/mil)
Out-of-period income		
– use of reserves in excess	28	84
– other out-of-period income	73	83
Amounts not payable	7	9
Out-of-court settlements	-	11
Appropriation of securities to the prescribed order	2	-
Disposal of own shares (*)	50	-
Realignment for tax collection (**)	9	-
Disposal of operating points	-	11
Gains on:		
– equity investments (***)	124	40
– investments in consolidated companies	3	284
– investment securities	3	19
– other financial fixed assets	2	1
– tangible and intangible fixed assets	22	6
Total	323	548

(*) *This caption refers to the income recorded at consolidation level following the disposal by Invesp, already holder of 9.28% of Banca Fideuram, of 6,793,642 SANPAOLO IMI shares received in exchange after the partial spin off from Banca Fideuram of Fideuram Vita.*

(**) *The "Realignment for tax collection" derives from the accounting adjustments made to eliminate the previous disalignment in respect of IT archives or the inventories prepared to this specific purpose by the subsidiary Gest Line.*

(***) *The detail of gains on investments is shown in Part B - Section 3 of the Consolidated Explanatory Notes.*

Gains from the sale of companies already included in consolidation (line by line or proportionally) refer to the sale of the total shareholding in Sanpaolo Bank Austria (3 million euro). The balance for 2003 includes the profits realized from the sale of 60% interest in Banque Sanpaolo (240 million euro) and from the first tranche (equal to 20%) of the sale of Finconsumo Banca (44 million euro). Both companies were included in consolidation in 2002 (respectively line by line and proportionally).

Extraordinary expense (caption 200)*Analysis of caption 200 "Extraordinary expense"*

	31/12/04 (€/mil)	31/12/03 (€/mil)
Tax reform and benefits	3	16
Amounts not collectible	5	8
Transactions for legal disputes	3	10
Restructuring	3	9
Expenses for voluntary incentive retirement schemes	18	475
Out-of-period expenses to customers of private bankers	5	1
Realignment for tax collection (*)	7	-
Extraordinary expenses for supplementary pension funds	15	-
Expenses for theft	6	7
Losses on:		
– investment securities	-	6
– equity investments (disposal)	1	4
– equity investments (conferral)	50	-
– other financial fixed assets	-	3
– tangible and intangible fixed assets	13	2
Other out-of-period expenses	46	39
Total	175	580

(*) The "Realignment for tax collection" derives from the accounting adjustments made to eliminate the previous disalignment in respect of IT archives or the inventories prepared to this specific purpose by the subsidiary Gest Line.

"Extraordinary expenses for supplementary pension funds" is composed of 8 million euro for the outsourcing of the supplementary pension fund of Cassa di Risparmio in Bologna and 7 million euro for the mathematical adjustment to the Friulcassa fixed performance supplementary pension fund.

With respect to the "Tax reform and benefits" initiatives, SANPAOLO IMI and its subsidiaries incurred charges totaling 10 million euro, of which 3 million euro were charged to the statement of income for 2004 and 7 million euro economically neutralized as an effect of the use of pre-existing reserves. More specifically, such charge refers to companies consolidated on a line by line basis for 5 million euro (3 million euro of which is recorded to the statement of income as "extraordinary items" and 2 million euro compensated by the use of pre-existing funds) and to subsidiary companies consolidated using the net equity method for 5 million euro.

Expenses for staff leaving incentive schemes principally include accruals made by the Parent Bank (15 million euro).

Losses on investments refer to 50 million euro arising from the conferral of the investment in CDC Ixis to the company vehicles IXIS Asset Management Group S.A. and Ixis Corporate Investment Bank, in which the Parent Bank repositioned the investment following the restructuring of CNCE.

Income taxes for the period (caption 240)*Analysis of caption 240 "Income taxes for the period" (Bank of Italy regulation 03.08.99)*

	31/12/04 (€/mil)	31/12/03 (€/mil)
1. Current taxes	524	500
2. Change in deferred tax assets	89	290
3. Change in deferred tax liabilities	45	-133
4. Income taxes for the period	658	657

Income taxes for the year, totaling 658 million euro, established a Group tax rate of 31.3%, lower than that registered in 2003 (38.9%). This drop essentially refers to the one percentage point reduction in the IRES tax rate and to the introduction of a new system of income and charges related to equity investments, which more than compensated the higher charges deriving from the wider tax base for the regional tax on business activities introduced by the 2004 corrective measures. In 2004 the Bank concluded the agreements within the Group necessary to activate the "National fiscal consolidation".

SECTION 7 - OTHER INFORMATION ON THE STATEMENT OF INCOME

Geographical distribution of revenues

The geographical distribution of the revenues, based on the location of Group's companies and their branches, is as follows:

(Table 7.1 B.I.)

	31/12/04 (€/mil)				31/12/03 (€/mil)			
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total
Interest income and similar revenues	6,764	266	165	7,195	6,990	177	276	7,443
Dividends and other revenues	129	23	-	152	286	22	1	309
Commission income	3,126	833	39	3,998	3,019	636	67	3,722
Profits (losses) on financial transactions	186	50	-1	235	161	30	7	198
Other operating income	393	5	1	399	371	21	5	397
Total revenues	10,598	1,177	204	11,979	10,827	886	356	12,069

Part D - Other information

SECTION 1 - DIRECTORS AND STATUTORY AUDITORS

Remuneration

The remuneration of Directors, including variable components, and Statutory Auditors for the performance of their duties during the year on behalf of the Parent Bank and subsidiary companies is as follows:

Remuneration (Table 1.1 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
Directors (*) (**)	15	12
Statutory auditors (**)	1	1

(*) *This caption does not include 0.8 million euro received by the Directors for similar activities performed at other Group companies which they paid back to the Parent Bank.*

(**) *These captions include the remuneration paid to the Directors and Auditors of Prospettive 2001 and Invesp, which were merged into SAN-PAOLO IMI S.p.A. in 2004.*

In compliance with Art. 78 of Consob resolution no. 11971 dated 14 May 1999, detail of the remuneration of the Directors, Statutory Auditors and General Managers is provided in the Explanatory Notes to the Parent Bank financial statements (Part D – Other Information).

Loans and guarantees given

Loans and guarantees given (Table 1.2 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
Directors	9	21
Statutory auditors	-	-

The amounts indicated above refer to loans and guarantees granted to companies identified as being of extraordinary importance pursuant to Art. 136 of the Consolidated Banking Act.

Attachments

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

STATEMENT OF CONSOLIDATED CASH FLOWS

RECONCILIATION BETWEEN THE PARENT BANK'S FINANCIAL STATEMENTS
AND THE CONSOLIDATED FINANCIAL STATEMENTS

LIST OF EQUITY INVESTMENTS HIGHER THAN 10% IN UNLISTED COMPANIES
AND IN LIMITED LIABILITY COMPANIES

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Capital	Reserves and retained earnings	Reserve for general banking risks	Differences arising on consolidation and on application of the equity method	Net income	(€/mil) Total
Shareholders' equity as of 31/12/2002	5,144	4,396	14	94	889	10,537
Allocation of 2003 net income:						
- to reserves	-	339	-	-	(339)	-
- to shareholders	-	-	-	-	(550)	(550)
Reclassification between reserves	-	(119)	-	119	-	-
Change in reserve for general banking risks	-	-	(9)	-	-	(9)
Revaluation ex Law. 342 21/11/2000	-	54	-	-	-	54
Differences arising on the translation of foreign currency financial statements and other adjustments	-	(8)	(1)	-	-	(9)
Net income	-	-	-	-	972	972
Shareholders' equity as of 31/12/2003	5,144	4,662	4	213	972	10,995
Allocation of 2003 net income:						
- to reserves	-	257	-	-	(257)	-
- to shareholders	-	-	-	-	(715)	(715)
Reclassification between reserves	-	(217)	-	217	-	-
Change in reserve for general banking risks	-	-	2	-	-	2
Spin off of the share held by Fideuram Vita in SANPAOLO IMI	74	43	-	-	-	117
Differences arising on the translation of foreign currency financial statements and other adjustments	-	12	-	-	-	12
Net income	-	-	-	-	1,393	1,393
Shareholders' equity as of 31/12/2004	5,218	4,757	6	430	1,393	11,804

STATEMENT OF CONSOLIDATED CASH FLOWS

(€/mil)

APPLICATION OF FUNDS

Use of funds generated by operations	1,056
Dividends distributed	715
Use of reserve for employee termination indemnities	147
Use of provisions for risks and charges	167
Use of reserves for probable loan losses	27

Increase in funds applied	12,147
Due from banks	1,499
Dealing securities	3,748
Investment securities	311
Own shares	20
Differences arising on consolidation and on application of the equity method	10
Tangible fixed assets	69
Intangible fixed assets	166
Other assets	6,324
Decrease in funds taken	431
Due to banks	336
Minority interests	95

Total	13,634
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(€/mil)

SOURCES OF FUNDS

Funds generated by operations	2,873
Net income	1,393
Provisions for employee termination indemnities	87
Net adjustments to loans and provisions for guarantees and commitments	494
Provisions for risks and charges	231
Provisions for probable loan losses	17
Adjustments to tangible fixed assets	238
Adjustments to intangible fixed assets	219
Net adjustments to financial fixed assets	-18
Adjustments to goodwill arising on consolidation and on application of the equity method	199
Provision to the reserve for general banking risks	2
Exchange differences on translating the net equity of consolidated companies and other adjustments	11
Increase in funds taken	8,322
Due to customers and securities issued	3,480
Other liabilities	4,184
Subordinated liabilities	541
Spin off of the share held by Fideuram Vita in SANPAOLO IMI	117
Decrease in funds applied	2,439
Cash and deposits with central banks and post offices	126
Loans to customers	2,198
Equity investments	115
Total	13,634

RECONCILIATION BETWEEN THE BANK'S FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS

	(€/mil)				
	Net equity	Capital and reserves	Shareholders' income	Reserve for probable loan losses	Total
FINANCIAL STATEMENT OF THE PARENT BANK	1,036	10,054	11,090	-	11,090
Balance of subsidiary companies consolidated line by line	1,309	10,059	11,368	86	11,454
Consolidation adjustments:					
- book value of consolidated investments line by line	-	-7,728	-7,728	-	-7,728
- dividends of consolidated companies	-1,045	107	-938	-	-938
- amortization of goodwill arising on consolidation	-198	-631	-829	-	-829
- elimination of goodwill arising on consolidation	-	-1,326	-1,326	-	-1,326
- elimination of gains on sale investments	-52	-1,469	-1,521	-	-1,521
- valuation of investments at net equity	278	431	709	-	709
- writedowns of investments	402	267	669	-	669
- minority interests	-48	-128	-176	-	-176
- elimination of reserves used for possible loan losses made for tax purposes in previous years	-184	184	-	-	-
- tax effects of the elimination of reserves used for probable loan losses made for tax purposes	60	-60	-	-	-
- reversal of Group company transfers and goodwill	3	-117	-114	-	-114
- reversal of amortization of negative goodwill on Banco Napoli	142	304	446	-	446
- portion of tax benefits from the Banco Napoli merger	-26	226	200	-	200
- elimination of revaluation to equity investments made for tax purposes in previous years	-276	276	-	-	-
- other adjustments	-8	-38	-46	-6	-52
CONSOLIDATED FINANCIAL STATEMENTS	1,393	10,411	11,804	80	11,884

LIST OF EQUITY INVESTMENTS AS OF 31 DECEMBER 2004 HIGHER THAN 10% OF THE CAPITAL REPRESENTED BY SHARES WITH VOTING RIGHTS IN UNLISTED COMPANIES OR IN LIMITED LIABILITY COMPANIES (IN ACCORDANCE WITH ART. 126 OF CONSOB RESOLUTION 11971 OF 14 MAY 1999) (1)

Name	Held by	%
Agricola del Varano S.r.l.	Cassa di Risparmio Padova e Rovigo	26.58
Alilaguna S.r.l.	Cassa di Risparmio Venezia	80.00
Alpifin S.r.l. (in liq.)	Friulcassa	10.44
Ama International S.p.A.	FIN.Opi	14.97
Banque Galliere S.A. (in liq.)	Cassa di Risparmio Bologna	17.50
Beato Edoardo Materiali Ferrosi S.r.l.	Cassa di Risparmio Padova e Rovigo	50.00
	Cassa di Risparmio Venezia	50.00
		100.00
Biessefin S.p.A. (in liq.)	Sanpaolo IMI	36.10
Calitri Denim Industries S.p.A.	Isveimer (in liq.)	14.29
Celeasing S.r.l.	Sanpaolo IMI	100.00
Centro Agroalimentare di Napoli S.c.p.a.	Sanpaolo IMI	15.68
Dulevo S.p.A. (bankrupt)	Sanpaolo IMI	16.30
Efrem S.r.l.	Servizi	20.00
Elvetia Edile S.r.l.	Sanpaolo IMI	100.00
Emporium S.r.l.	Cassa di Risparmio Padova e Rovigo	51.27
Esatto S.p.A.	GEST Line	16.33
Esped Spedizioni S.r.l.	Cassa di Risparmio Padova e Rovigo	29.80
Eufigest S.A.	Sanpaolo IMI Asset Management	12.88
Evoluzione 94 S.p.A.	Sanpaolo IMI	5.99
	Cassa di Risparmio Bologna	2.55
	Friulcassa	1.97
		10.51
Fides S.p.A. (bankrupt)	Isveimer (in liq.)	20.00
Fin. Tess. S.p.A.	Cassa di Risparmio Padova e Rovigo	98.00
Finlombarda Leasing S.p.A. (in liq.)	Sanpaolo IMI	14.00
Finplozner S.p.A.	Friulcassa	25.00
Fonti di Gaverina	Sanpaolo IMI	60.64
Gerard H Polderman S.r.l.	Cassa di Risparmio Padova e Rovigo	100.00
Giraglia Immobiliare S.p.A.	Sanpaolo IMI	17.15
Guinness Peat Aviation ATR Ltd	Sanpaolo IMI Bank Ireland	12.50
I Guardì S.r.l.	Cassa di Risparmio Venezia	56.00
IAM Piaggio S.p.A. (in liq.)	Sanpaolo IMI	9.68
	Banca Fideuram	3.74
		13.42
Idra Equity investments S.p.A. (in liq.)	Ldv Holding	11.56
Immobiliare dell'Isola Cattaneo S.p.A.	Sanpaolo IMI	48.57
Immobiliare Femar S.p.A.	Cassa di Risparmio Padova e Rovigo	38.57
Immobiliare Meduna S.r.l.	Cassa di Risparmio Venezia	40.00

Name	Held by	%
Immobiliare Peonia Rosa S.r.l.	Sanpaolo IMI	57.00
Immobiliare Santa Caterina S.r.l.	Sanpaolo Banco di Napoli	100.00
Impianti S.r.l. (in liq.)	Sanpaolo IMI	14.16
Integrated Shipping Company	Sanpaolo IMI	100.00
Istituto per l'Enciclopedia della Banca e della Borsa S.p.A.	Sanpaolo IMI	12.11
	Banca Fideuram	0.35
		12.46
Isveimer S.p.A. (in liq.)	Sanpaolo IMI	65.22
	Banca Popolare dell'Adriatico	0.17
		65.39
Italpower S.p.A. (in liq.)	IMI Investimenti	15.00
Ittica Ugento S.p.A.	Sanpaolo Banco di Napoli	26.96
Kall Kwik Italia S.p.A. (in liq.)	Sanpaolo Leasint	15.00
Kish Receivables Co.	Tobuk	20.83
La Compagnia Finanziaria S.p.A.	Sanpaolo IMI	12.09
Lingotto S.p.A.	FIN.Opi	17.02
Loop S.p.A.	Sanpaolo Leasint	19.79
Loseri S.p.A.	Sanpaolo IMI	18.40
Marche Capital S.p.A.	Banca Popolare dell'Adriatico	11.99
Mirano Costruzioni S.r.l.	Cassa di Risparmio Venezia	100.00
Pantecna S.p.A. (bankrupt)	Sanpaolo IMI	15.50
Pdp Box Doccia S.p.A.	Cassa di Risparmio Padova e Rovigo	80.00
Pila 2000 S.p.A.	Cassa di Risparmio Padova e Rovigo	37.19
Praxis Calcolo S.p.A.	Ldv Holding	14.52
	Sanpaolo IMI Private Equity	0.29
		14.81
Print S.r.l.	Banca Popolare dell'Adriatico	100.00
Sago S.p.A. (2)	Sanpaolo IMI	26.67
SI Holding S.p.A.	Sanpaolo IMI	11.16
Siteba S.p.A.	Sanpaolo IMI	10.45
Soa Nordest S.p.A.	Cassa di Risparmio Padova e Rovigo	15.00
Società Capua Group Imbottigliamento Bevande Gassate S.p.A.	Sanpaolo Banco di Napoli	80.19
Società Trasporto Telematico S.p.A.	Sanpaolo IMI	14.00
SSB - Società per i Servizi Bancari S.p.A.	Sanpaolo IMI	15.54
	Banca Fideuram	0.02
		15.56
Stoà S.c.p.a.	Sanpaolo IMI	10.20
Tecnoalimenti S.c.p.a. (2)	Sanpaolo IMI	20.00
Tecnobiomedica S.p.A. (2)	Sanpaolo IMI	26.32
Tecnocittà S.r.l. (in liq.)	Sanpaolo IMI	12.00
Tecnofarmaci S.p.A. (2)	Sanpaolo IMI	20.50
Tecnogen S.c.p.a. (2)	Sanpaolo IMI	29.96
Tecnotessile S.r.l. (2)	Sanpaolo IMI	40.00

Name	Held by	%
Trieste Terminal Cereali S.r.l.	Cassa di Risparmio Padova e Rovigo	31.25
Zampieri S.r.l.	Cassa di Risparmio Venezia	25.00
Zwahlen & Mayr S.A.	IMI Finance Luxembourg	11.43

(1) Excludes equity investments already listed in Part B - Section 3 of the Consolidated Explanatory Notes.

(2) Equity investments originating from transactions as per Law 1089 of 25 October 1968 (Applied Research Reserve).

