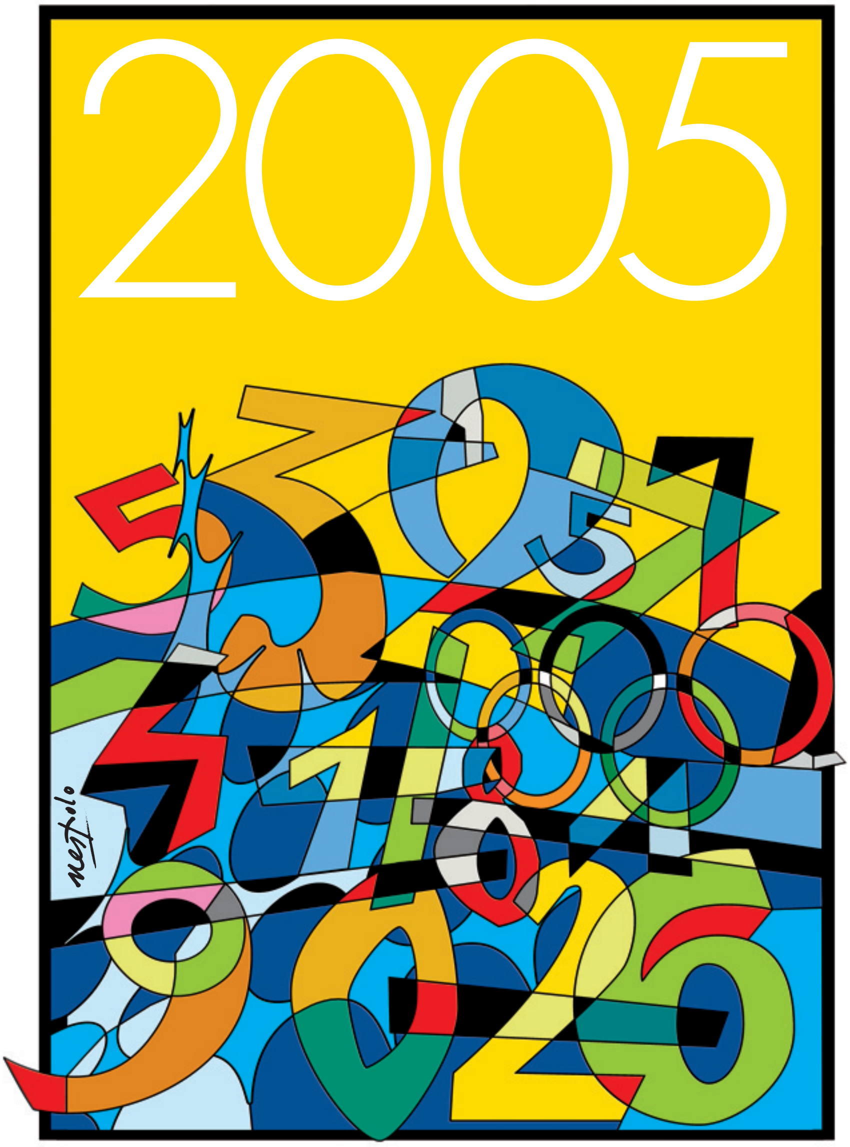
S A N P A O L O   I M I



QUARTERLY REPORT 31 MARCH 2005

SANPAOLO IMI GROUP

Quarterly Report 31 March 2005

SANPAOLO IMI S.p.A.

COMPANY REGISTERED IN THE REGISTER OF BANKS
PARENT BANK OF THE SANPAOLO IMI BANKING GROUP
REGISTERED IN THE REGISTER OF BANKING GROUPS
REGISTERED OFFICE: PIAZZA SAN CARLO 156, TURIN, ITALY
SECONDARY OFFICES:
- VIALE DELL'ARTE 25, ROME, ITALY
- VIA FARINI 22, BOLOGNA, ITALY
SHARE CAPITAL EURO 5,217,679,140.80 FULLY PAID
FISCAL CODE, VAT NUMBER AND REGISTRATION NUMBER
TURIN REGISTER OF COMPANIES: 06210280019
ABI CODE 1025-6
MEMBER OF THE INTERBANK DEPOSIT GUARANTEE FUND

Contents

Key figures

	First quarter 2005	First quarter 2004	Change first quarter 2005 / First quarter 2004 (%)	2004
CONSOLIDATED STATEMENT OF INCOME (€/mil)				
Net interest income	879	904	-2.8	3,569
Net commissions and other net dealing revenues	779	785	-0.8	3,240
Administrative costs	-1,115	-1,115	-	-4,565
Operating income	716	720	-0.6	2,890
Provisions and net adjustments to loans and financial fixed assets	-114	-150	-24.0	-738
Income before extraordinary items	568	535	+6.2	1,953
Net income	337	386	-12.7	1,393
CONSOLIDATED BALANCE SHEET (€/mil)				
Total assets	213,925	206,997	+3.3	211,157
Loans to customers (excluding NPLs and loans to SGA)	123,354	120,647	+2.2	119,932
Securities	32,111	31,470	+2.0	29,344
Equity investments	4,500	4,586	-1.9	4,503
Subordinated liabilities	7,459	6,666	+11.9	6,955
Shareholders' equity	12,140	11,383	+6.7	11,804
CUSTOMER FINANCIAL ASSETS (€/mil)				
Customer financial assets	384,499	374,116	+2.8	377,444
- direct deposits	136,229	134,863	+1.0	135,202
- indirect deposits	248,270	239,253	+3.8	242,242
- asset management	147,389	145,282	+1.5	144,485
- asset administration	100,881	93,971	+7.4	97,757
PROFITABILITY RATIOS (%)				
Annualized RoE (1)	11.3	13.8		12.2
Cost / Income ratio (2)	62.9	62.8		63.5
Net commissions / Administrative costs	69.9	70.4		71.0
CREDIT RISK RATIOS (%)				
Net non-performing loans / Net loans to customers	0.9	1.0		1.0
Net problem and restructured loans / Net loans to customers	1.1	1.2		1.1
EQUITY SOLVENCY RATIOS (%) (3)				
Tier 1 ratio	8.2	7.6		8.1
Total risk ratio	12.2	10.9		12.0
SHARES				
Number of shares (thousands)	1,863,457	1,837,166	+1.4	1,863,457
Quoted price per share (€)				
- average	10.979	10.293	+6.7	9.826
- low	10.201	9.141	+11.6	8.799
- high	12.081	11.072	+9.1	11.072
Earnings / Average number of shares in circulation (€)	0.18	0.21	-14.3	0.76
Dividend per share (€)				0.47
Dividend per share / Average annual quoted price (%)				4.78
Book value per share (€) (4)	6.53	6.21	+5.2	6.35
OPERATING STRUCTURE				
Employees	42,923	43,397	-1.1	42,738
Domestic branches	3,212	3,179	+1.0	3,205
Foreign branches and representative offices	132	122	+8.2	131
Financial planners	4,242	4,502	-5.8	4,317

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

(2) Administrative costs and amortization (excluding adjustments to goodwill and merger and consolidation differences) / Net interest and other banking income (including other operating income, net).

(3) Figures related to 31/3/2005 are estimated.

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

Data prepared according to the accounting principles adopted for the 2004 financial statements. The data relating to the first quarter 2005, as well as those relating to the first quarter 2004, are unaudited.

Group structure

Central Functions

- **Sanpaolo IMI**
  Strategic direction, governance and control functions
  Shareholdings
  - Santander Central Hispano *(Spain, 2.2%)*
  - Ixis Asset Management Group *(France, 12%)*
  - Ixis Corporate & Investment Bank *(France, 2.5%)*
  - Banque Sanpaolo *(France, 40%)*
  - Cassa di Risparmio di Firenze *(18.7%)*
  - Cassa dei Risparmi di Forlì *(29.8%)*
  - Banca delle Marche *(7%)*
  - Other shareholdings

  Finance
  Macchina Operativa Integrata
  (Integrated Operating Vehicle)
- **IMI Investimenti**
- **GEST Line**

Corporate

- Sanpaolo IMI-Corporate
- Cassa di Risparmio di Padova e Rovigo-Corporate
- Cassa di Risparmio in Bologna-Corporate
- Cassa di Risparmio di Venezia-Corporate
- Friulcassa-Corporate
- Banca Popolare dell'Adriatico-Corporate
- Sanpaolo Banco di Napoli-Corporate
- Sanpaolo IMI Bank Ireland *(Ireland)*
- Sanpaolo IMI Internazionale
- Sanpaolo Leasint
- Banca IMI
- Sanpaolo IMI Private Equity

Private and Retail

- Sanpaolo IMI-Private and Retail
- Cassa di Risparmio di Padova e Rovigo-Private and Retail
- Cassa di Risparmio in Bologna-Private and Retail
- Cassa di Risparmio di Venezia-Private and Retail
- Friulcassa-Private and Retail
- Banca Popolare dell'Adriatico-Private and Retail
- Sanpaolo Banco di Napoli-Private and Retail
- Finemiro Banca *(96.8%)*
- Farbanca *(22.7%)*
- Sanpaolo Fiduciaria
- Sanpaolo Bank *(Luxembourg)*

Asset Management

- **Sanpaolo IMI Asset Management**
  Sanpaolo IMI Asset Management *(Luxembourg)*
  Sanpaolo IMI Institutional Asset Management
  Sanpaolo IMI Alternative Investments

Personal Financial Services

- **Banca Fideuram** *(73.4%)*
  Sanpaolo Invest SIM
  Banque Privée Fideuram Wargny *(France)*
  Fideuram Investimenti
  Fideuram Bank *(Luxembourg)*
  Fideuram Fiduciaria
  Fideuram Bank Suisse *(Switzerland)*
  Fideuram Gestions *(Luxembourg)*
  Fideuram Asset Management *(Ireland)*
  Sanpaolo Invest Ireland *(Ireland)*

Insurance

- **Assicurazioni Internazionali di Previdenza** (A.I.P.)
  Fideuram Assicurazioni
  Sanpaolo Life *(Ireland)*
  Egida *(50%)*
  Universo Servizi

Public Authorities and Entities

- **Banca OPI**
  FIN.OPI
- **Sanpaolo IMI**
  Public Authorities and Entities

Reclassified consolidated financial statements

Reclassified consolidated statement of income

	First quarter 2005 (€/mil)	First quarter 2004 (€/mil)	Change first quarter 2005 / First quarter 2004 (%)	2004 (€/mil)
NET INTEREST INCOME	**879**	**904**	**-2.8**	**3,569**
Net commissions and other net dealing revenues	779	785	-0.8	3,240
Profits and losses from financial transactions and dividends on shares	131	81	+61.7	432
Profits from companies carried at equity and dividends from shareholdings	53	89	-40.4	351
NET INTEREST AND OTHER BANKING INCOME	**1,842**	**1,859**	**-0.9**	**7,592**
Administrative costs	-1,115	-1,115	-	-4,565
- personnel	*-691*	*-693*	*-0.3*	*-2,803*
- other administrative costs	*-350*	*-358*	*-2.2*	*-1,510*
- indirect duties and taxes	*-74*	*-64*	*+15.6*	*-252*
Other operating income, net	87	76	+14.5	320
Adjustments to tangible and intangible fixed assets	-98	-100	-2.0	-457
OPERATING INCOME	**716**	**720**	**-0.6**	**2,890**
Adjustments to goodwill and merger and consolidation differences	-34	-35	-2.9	-199
Provisions and net adjustments to loans and financial fixed assets	-114	-150	-24.0	-738
- provisions for risks and charges	*-29*	*-27*	*+7.4*	*-231*
- net adjustments to loans and provisions for guarantees and commitments	*-86*	*-130*	*-33.8*	*-525*
- net adjustments to financial fixed assets	*1*	*7*	*-85.7*	*18*
INCOME BEFORE EXTRAORDINARY ITEMS	**568**	**535**	**+6.2**	**1,953**
Net extraordinary income/expense	3	59	-94.9	148
INCOME BEFORE TAXES	**571**	**594**	**-3.9**	**2,101**
Income taxes for the period	-218	-190	+14.7	-658
Change in reserve for general banking risks	-	-	-	-2
Income attributable to minority interests	-16	-18	-11.1	-48
NET INCOME	**337**	**386**	**-12.7**	**1,393**

Data prepared according to the accounting principles adopted for the 2004 financial statements. The statement of income relating to the first quarter 2005 and the statement of income relating to the first quarter 2004 are unaudited.

Quarterly analysis of the reclassified consolidated statement of income

	2005	2004				
	First quarter (€/mil)	Fourth quarter (€/mil)	Third quarter (€/mil)	Second quarter (€/mil)	First quarter (€/mil)	Quarterly average (€/mil)
NET INTEREST INCOME	**879**	**867**	**891**	**907**	**904**	**892**
Net commissions and other net dealing revenues	779	844	794	817	785	810
Profits and losses from financial transactions and dividends on shares	131	175	62	114	81	108
Profits from companies carried at equity and dividends from shareholdings	53	76	84	102	89	88
NET INTEREST AND OTHER BANKING INCOME	**1,842**	**1,962**	**1,831**	**1,940**	**1,859**	**1,898**
Administrative costs	-1,115	-1,192	-1,115	-1,143	-1,115	-1,141
- personnel	*-691*	*-729*	*-686*	*-695*	*-693*	*-701*
- other administrative costs	*-350*	*-409*	*-363*	*-380*	*-358*	*-378*
- indirect duties and taxes	*-74*	*-54*	*-66*	*-68*	*-64*	*-63*
Other operating income, net	87	89	72	83	76	80
Adjustments to tangible and intangible fixed assets	-98	-138	-112	-107	-100	-114
OPERATING INCOME	**716**	**721**	**676**	**773**	**720**	**723**
Adjustments to goodwill and merger and consolidation differences	-34	-91	-36	-37	-35	-50
Provisions and net adjustments to loans and financial fixed assets	-114	-195	-178	-215	-150	-185
- provisions for risks and charges	*-29*	*-122*	*-31*	*-51*	*-27*	*-58*
- net adjustments to loans and provisions for guarantees and commitments	*-86*	*-155*	*-103*	*-137*	*-130*	*-131*
- net adjustments to financial fixed assets	*1*	*82*	*-44*	*-27*	*7*	*5*
INCOME BEFORE EXTRAORDINARY ITEMS	**568**	**435**	**462**	**521**	**535**	**488**
Net extraordinary income/expense	3	76	-	13	59	37
INCOME BEFORE TAXES	**571**	**511**	**462**	**534**	**594**	**525**
Income taxes for the period	-218	-75	-181	-212	-190	-165
Change in reserve for general banking risks	-	-2	-	-	-	-1
Income attributable to minority interests	-16	2	-15	-17	-18	-12
NET INCOME	**337**	**436**	**266**	**305**	**386**	**347**

Data prepared according to the accounting principles adopted for the 2004 financial statements. The statements of income relating to the first and third quarter 2004 and of the first quarter 2005 are unaudited.

Reclassified consolidated balance sheet

	31/3/2005 (€/mil)	31/3/2004 (€/mil)	Change 31/3/05-31/3/04 (%)	31/12/2004 (€/mil)
ASSETS				
Cash and deposits with central banks and post offices	1,004	914	+9.8	1,348
Loans	148,575	144,342	+2.9	145,684
- due from banks	*23,243*	*21,527*	*+8.0*	*23,777*
- loans to customers	*125,332*	*122,815*	*+2.0*	*121,907*
Dealing securities	28,880	28,557	+1.1	26,125
Fixed assets	9,778	9,755	+0.2	9,815
- investment securities	*3,231*	*2,913*	*+10.9*	*3,219*
- equity investments	*4,500*	*4,586*	*-1.9*	*4,503*
- intangible fixed assets	*268*	*327*	*-18.0*	*289*
- tangible fixed assets	*1,779*	*1,929*	*-7.8*	*1,804*
Differences arising on consolidation and on application of the equity method	736	933	-21.1	769
Other assets	24,952	22,496	+10.9	27,416
Total assets	**213,925**	**206,997**	**+3.3**	**211,157**
LIABILITIES				
Payables	167,580	164,476	+1.9	163,400
- due to banks	*31,351*	*29,613*	*+5.9*	*28,198*
- due to customers and securities issued	*136,229*	*134,863*	*+1.0*	*135,202*
Provisions	4,193	4,304	-2.6	4,013
- for taxation	*1,200*	*1,000*	*+20.0*	*989*
- for termination indemnities	*885*	*946*	*-6.4*	*886*
- for risks and charges	*1,913*	*2,055*	*-6.9*	*1,940*
- for pensions and similar	*195*	*303*	*-35.6*	*198*
Other liabilities	22,362	19,878	+12.5	24,809
Subordinated liabilities	7,459	6,666	+11.9	6,955
Minority interests	191	290	-34.1	176
Shareholders' equity	12,140	11,383	+6.7	11,804
Total liabilities	**213,925**	**206,997**	**+3.3**	**211,157**

Data prepared according to the accounting principles adopted for the 2004 financial statements. The balance sheet figures as of 31/3/2005 and as of 31/3/2004 are unaudited.

Quarterly analysis of the reclassified consolidated balance sheet

	2005	2004			
	31/3 (€/mil)	31/12 (€/mil)	30/9 (€/mil)	30/6 (€/mil)	31/3 (€/mil)
ASSETS					
Cash and deposits with central banks and post offices	1,004	1,348	984	1,037	914
Loans	148,575	145,684	143,153	146,924	144,342
- due from banks	*23,243*	*23,777*	*20,906*	*22,147*	*21,527*
- loans to customers	*125,332*	*121,907*	*122,247*	*124,777*	*122,815*
Dealing securities	28,880	26,125	32,348	31,772	28,557
Fixed assets	9,778	9,815	9,787	9,682	9,755
- investment securities	*3,231*	*3,219*	*2,967*	*2,917*	*2,913*
- equity investments	*4,500*	*4,503*	*4,603*	*4,559*	*4,586*
- intangible fixed assets	*268*	*289*	*290*	*305*	*327*
- tangible fixed assets	*1,779*	*1,804*	*1,927*	*1,901*	*1,929*
Differences arising on consolidation and on application of the equity method	736	769	860	896	933
Other assets	24,952	27,416	24,464	22,614	22,496
Total assets	**213,925**	**211,157**	**211,596**	**212,925**	**206,997**
LIABILITIES					
Payables	167,580	163,400	167,034	168,149	164,476
- due to banks	*31,351*	*28,198*	*33,169*	*32,570*	*29,613*
- due to customers and securities issued	*136,229*	*135,202*	*133,865*	*135,579*	*134,863*
Provisions	4,193	4,013	4,192	4,001	4,304
- for taxation	*1,200*	*989*	*1,031*	*795*	*1,000*
- for termination indemnities	*885*	*886*	*924*	*929*	*946*
- for risks and charges	*1,913*	*1,940*	*1,935*	*1,973*	*2,055*
- for pensions and similar	*195*	*198*	*302*	*304*	*303*
Other liabilities	22,362	24,809	22,089	22,683	19,878
Subordinated liabilities	7,459	6,955	6,705	6,801	6,666
Minority interests	191	176	331	318	290
Shareholders' equity	12,140	11,804	11,245	10,973	11,383
Total liabilities	**213,925**	**211,157**	**211,596**	**212,925**	**206,997**

Data prepared according to the accounting principles adopted for the 2004 financial statements. The balance sheet figures as of 31/3/2005, 30/9/2004 and 31/3/2004 are unaudited.

Report on Group Operations

Action points and initiatives in the quarter

In the first quarter of 2005, the SANPAOLO IMI Group has continued the initiatives aimed at achieving excellence in its "core business" as a commercial bank, carried out through the network of operating points specialized by customer segments, namely corporate and private and retail, and supported by its product companies. These initiatives are founded in the strong Group identity, based on the territorial rooting and the high attention paid to loan quality and customer relations, that are important qualities in a scenario characterized by a constantly growing demand for quality by households and companies and increasing competitiveness among market operators.

The actions undertaken were aimed at both developing the ability to generate revenue and improving efficiency by optimizing the cost structure.

As regards the first aspect, a number of projects were launched focusing on the following issues:
- consolidation of its role as a loan issuing bank that provides credit to both retail customers, by increasing the market share of residential mortgages and consumer credit, and corporate customers, with particular attention being paid to small- and medium-sized companies (SMEs), hence maintaining a high quality level of the loan portfolio. A strong boost to the development of financing, as well as consultancy and assistance operations, towards companies with good creditworthiness and public authorities and entities is also envisaged;
- strengthening its leadership in asset management by optimizing customers' investments based on the specific risk/return profile, and achieving a primary position in the insurance area, thanks to the market development prospects, especially in the private insurance and pension sector.

With regard to the optimization of the use of human and financial resources, projects have been undertaken that focus on:
- defining a branch operating model aimed at improving the ways of interacting with customers and the productivity of networks, strengthening the front office in terms of both staff number and training activities;
- strengthening cost management activities, with the objective of using resources more efficiently, by revising the cost management processes and related responsibilities.

The most important initiatives of the period, relating to the Business Sectors in which the Group is organized, and in an operating context focused on revenue development and cost optimization, are illustrated below.

Plan to develop and rationalize the distribution networks

In the first quarter of 2005, the initiatives of the Corporate and Private and Retail sectors had the objective to consolidate the Group's presence in specific customer segments and geographical areas with growth potential, both in Italy and abroad.

The plan to rationalize the distribution network was completed in January 2005 with the transfer to Sanpaolo of 9 operating points from Cassa di Risparmio di Padova e Rovigo, 21 operating points from Cassa di Risparmio in Bologna, 10 operating points from Sanpaolo to Cassa di Risparmio di Venezia and the same number to Friulcassa. The project, the objective of which was to take advantage of the potential generated by strong territorial roots, involved moving the operating points between bank networks based on the principle that the branches within a reference territory of a specific historical brand should belong to the bank holding that brand.

In the quarter, the organization and commercial model of the Sanpaolo network continued to be gradually adopted by the other bank networks. Extending the organization structure by markets at local level concerned both the operating points and the territorial areas in charge of the presidium of the network. As for the latter, the organization model has been refined to maximize commercial effectiveness and operating efficiency on the territory and to facilitate the exchange of information and operating flows between the network and the Central Functions.

Corporate sector

In the quarter, the importance assigned to the development of operations with the SMEs segment was confirmed by the continuation of the projects of collaboration with the Guarantee consortia, aimed at retaining existing customers and acquiring new ones with a medium-high credit standing. After offering technological consultancy with regard to medium-term financing for applied research projects, in the first quarter of 2005 the relationship with the segment was consolidated by offering a plafond to finance enterprises' working capital with a prompt and streamlined response.

Banca IMI intensified its activity aimed at recovering profitability and boosting revenue, by focusing its operations on particularly profitable products/customer segments, in synergy with the Group's networks.

Those activities aimed at strengthening the Group's presence in the countries of the Mediterranean area continued by opening a representative office in Casablanca, dedicated to provide support to Italian companies operating in the area. The opening of this representative office, together with the commercial agreements signed last year with Banque Marocaine du Commerce Extérieur (BMCE) and Banque Internationale Arabe de Tunisie (BIAT), represent a new element in the Group's internationalization strategy whose objectives include assisting Italian companies with their direct investment activity and commercial exchange, by providing them with high quality and efficient services.

Private and Retail sector

In order to strengthen the distribution capacity of the Group through cross selling activities, an agreement has been entered into with Banca Fideuram to place, through financial planners, products which to date had been solely distributed by the operating points, such as mortgage loans for private customers.

With reference to the Turin 2006 Olympic Winter Games, SANPAOLO IMI continued to carry out its commercial activities aimed at exploiting the role played by the Group as the main Sponsor of the Games. The combination of these initiatives intends to strengthen the customer relationship, with improved customer retention and cross selling, and to increase the customer base thanks to high quality and value services.

The other Business Sectors

As regards Asset Management, after completing the restructuring activity last year by spinning off the insurance sector, in the first quarter of 2005 the sector embarked on the rationalization of existing products and the definition of new or more flexible ones in an attempt to increase the relationship of trust with the customers in this sector, exploiting the active management of the portfolios.

Once Banca Fideuram had completed the spin-off of Fideuram Vita to the Parent Bank at the end of 2004, it confirmed its role as a bank specialized in financial consulting, asset management and private banking. In particular, in the quarter, Banca Fideuram approved the three-year industrial plan that indicated as the primary objective the growth of operating volumes in the reference customer segments, yet still maintaining the profitability of the bank at its current levels of excellence.

After the setting up of the Insurance sector, which took place in 2004 by centralizing in Assicurazioni Internazionali di Previdenza (A.I.P.) all the activities carried out by SANPAOLO IMI through Sanpaolo Vita, Fideuram Vita and Noricum Vita, in the first part of the new year A.I.P. unified its information systems and integrated its operating structures. Moreover, it defined the investment policy of the new company and identified the guidelines for the development of the business.

The Public Authorities and Entities sector defined a new business model aimed at strengthening the origination capacity of the operating points, in order to face a new challenging reference market characterized by broad administrative and financial decentralization and increasing competitiveness on profit margins. In particular, an agreement was signed between Banca OPI and the Group's banking networks, which became legally effective on 1 January 2005, the objective of which was to maximize the cross selling between the different operating units of the respective activities of competence (medium-/long-term financing and bridging financing for medium-/long-term transactions for Banca OPI, short-term loans for the Group's banking networks). Commercial offices, present throughout the territory and wholly dedicated to public authorities and entities, have the task of directly starting the origination activity or supporting the operating points in their promotion activity, in order to increase the commercial effectiveness on the reference market.

Consolidated results

The economic scenario of the first quarter of 2005 confirms the different growth trends experienced by the United States and the euro-zone, highlighting at the same time signs of slowing down for both. In the United States, the increase in the trade deficit held back the economy and the rise in oil prices had an adverse effect on the purchasing power of households. In the euro-zone, industrial production of the main economies slowed down and consumer confidence indexes did not show any improvement in domestic demand prospects. This slow growth scenario and the lack of significant pressures on prices, except for those due to increases in oil price quotations, have led the ECB to keep interest rates unchanged. Equities markets in the euro-zone have performed well since the beginning of the year, whereas the S&P500 index in the United States showed a down trend compared to the levels of the end of 2004. In Italy, the economy is going through a period of stagnation caused by an extremely weak domestic demand for both consumption and investments as well as by the increasing competition from emerging countries as regards manufactured products.

Summary of results

In this scenario, the SANPAOLO IMI Group showed significant stability in operating income and a rise in income before extraordinary items compared to the first quarter of 2004.

Revenues, represented by net interest and other banking income, fell slightly compared to the corresponding period of the previous year. The development of profits from financial transactions partly made up for the reduction in net interest income, commissions and profits from companies carried at equity. The containment of operating costs, made easier by the reduction in other administrative costs, enabled the Group to achieve an operating income of 716 million euro, which is substantially in line with the first quarter of 2004. Thanks to lower net adjustments to loans, income before extraordinary items improved by 6.2%. On the other hand, net income, equal to 337 million euro, fell compared to the corresponding period of the previous year owing to extraordinary income recorded in the first quarter of 2004 which was generated by the sale of equity investments and related positive tax effects. The negative variation in net income for the period caused a reduction in the annualized RoE, which went down to 11.3% compared to 13.8% of the corresponding period of the previous year.

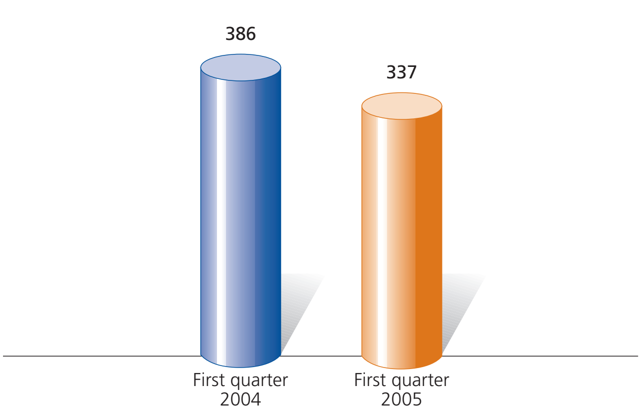
Net interest income

Net interest income, equal to 879 million euro, recorded a 2.8% drop compared to the first quarter of 2004. This reduction is attributable to the deterioration of the total spread between interest-earning assets and interest-bearing liabilities and the less favorable mix of the interest-earning assets, which were not compensated for by the positive contribution generated by the increase in average volumes dealt.

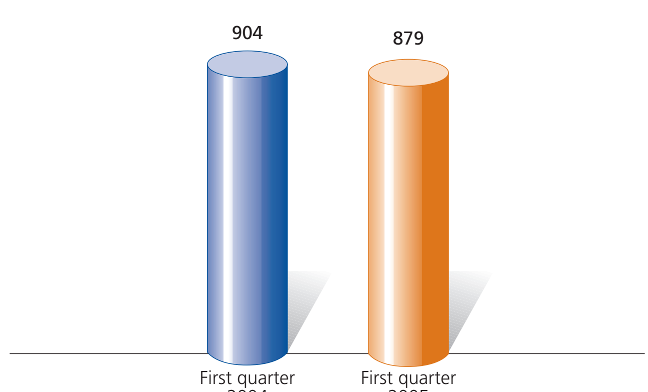
The comparison of net interest income of the period with that of the fourth quarter of 2004 highlighted, on the other hand, a 1.4% growth, hence a reversal of trend compared to the previous year.

Despite the market rates of the first quarter of 2005 showing a slight increase (the period average of three-month Euribor rose to 2.14%, 7 basis points higher than the value

Net income (€/mil)



Net interest income (€/mil)

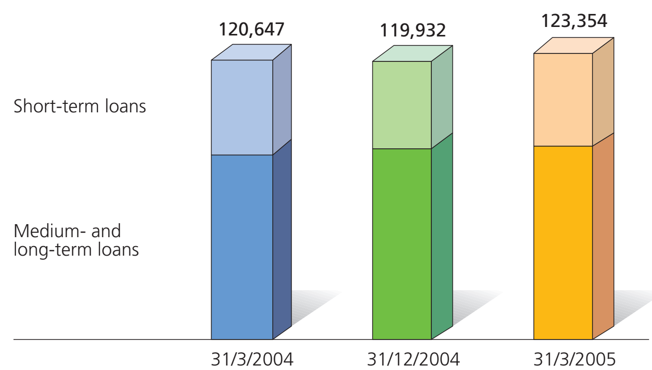


recorded in the corresponding period in 2004), the Group average spread dropped by 9 basis points, stabilizing at 2.15%. This reduction is attributable to the fall in the average return on interest-earning assets accompanied by an almost unchanged average cost of interest-bearing liabilities.

Net interest income benefited only partly from the increase in liquidity, generated by a rise in the Group's average interest-earning assets and a drop in average interest-bearing liabilities. Such effect was partly eroded by the unfavorable recomposition of aggregates in average terms: loans to customers (excluding repurchase agreements) dropped compared to the first quarter of the previous year (-0.4%) whereas securities increased (+20.8%). On the liability side there was a decrease in direct customer deposits excluding repurchase agreements (-1.1%), attributable to securities issued. Funds raised through repurchase agreements also dropped (-7.3%).

At the end of March 2005, the amounts of net loans to customers, excluding non-performing loans, and loans to SGA (the company to which former Banco di Napoli doubtful loans were transferred), amounted to 123.4 billion euro, an increase over 12 months (+2.2% notwithstanding the securitization of 1.8 billion euro relating to performing loans on leasing operations) as well as from the beginning of the year (+2.9%). The increase is attributable to the fact that the items making up the loan portfolio showed a different trend in the two periods considered: whilst the trend on an annual basis was affected by medium-/long-term loans, the trend observed since the beginning of the year is mainly ascribable to short-term loans (+7.1%). The latter have shown a reversal in trend compared to 2004.

Net loans to customers excluding net NPLs and loans to SGA (€/mil)



Analysis of average amounts and interest rates

	First quarter 2005		First quarter 2004		Change first quarter 2005 / First quarter 2004	
	Average amounts (€/mil)	Annualized average rate (%)	Average amounts (€/mil)	Annualized average rate (%)	Change average amounts (%)	Difference in rates (points %)
Interest-earning assets	158,519	4.20	157,441	4.28	+0.7	-0.08
- loans to customers (excluding repurchase agreements)	118,618	4.75	119,126	4.86	-0.4	-0.11
- securities	17,872	3.04	14,791	3.06	+20.8	-0.02
- other interest-earning assets	22,029	2.16	23,524	2.14	-6.4	+0.02
Non interest-earning assets (1)	54,480		46,492		+17.2	
Total assets	**212,999**		**203,933**		**+4.4**	
Interest-bearing liabilities	152,706	2.05	153,264	2.04	-0.4	+0.01
- direct customer deposits (excluding repurchase agreements)	113,675	1.78	114,883	1.78	-1.1	-
- due to customers	*72,647*	*1.04*	*69,192*	*0.89*	*+5.0*	*+0.15*
- securities issued	*41,028*	*3.08*	*45,691*	*3.13*	*-10.2*	*-0.05*
- other interest-bearing liabilities	39,031	2.86	38,381	2.81	+1.7	+0.05
Non interest-bearing liabilities (1)	48,321		39,480		+22.4	
Shareholders' equity	11,972		11,189		+7.0	
Total liabilities and shareholders' equity	**212,999**		**203,933**		**+4.4**	

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

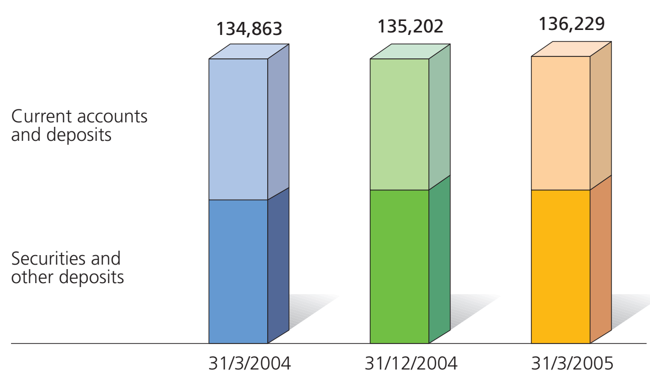
In the medium-/long-term loans sector, financing to the retail sector continued to grow. In the first quarter of the year, mortgage disbursements to households by the Group networks were approximately 1 billion euro, a 4.6% increase compared to the corresponding period in 2004.

As regards the evolution in terms of loans made by Banca OPI for public works and infrastructures, at the end of March the stock was 19.4 billion euro, an increase of more than 5% compared to the end of March 2004. The direct lending activity was coupled with the subscription of securities by customers, which amounted, at the end of the first quarter, to 4.8 billion euro, a 50% increase over the past 12 months.

Direct customer deposits rose by 1% compared to end March 2004 and by 0.8% since the beginning of the year. The change on an annual basis is attributable to current accounts and deposits, the increase of which (+7.8%) has more than offset the drop in funding through securities. In particular, certificates of deposit (-42%) continued to fall as already recorded in 2004, and so did bonds, commercial paper and repurchase agreements. At the end of March 2005 the stock of direct customer deposits reached 136.2 billion euro, of which more than half are current accounts and deposits.

At the end of the first quarter of 2005 the Group's domestic market shares were 9.9% in loans and 10% in direct customer deposits.

Direct customer deposits (€/mil)



Loans to customers

	31/3/2005		31/3/2004		Change 31/3/05-31/3/04 (%)	31/12/2004		Change 31/3/05-31/12/04 (%)
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%	
Short-term loans	40,433	32.3	40,831	33.2	-1.0	37,754	31.0	+7.1
Medium- and long-term loans	82,921	66.2	79,816	65.0	+3.9	82,178	67.4	+0.9
Loans to customers excluding NPLs and loans to SGA	**123,354**	**98.5**	**120,647**	**98.2**	**+2.2**	**119,932**	**98.4**	**+2.9**
Non-performing loans	1,168	0.9	1,178	1.0	-0.8	1,161	1.0	+0.6
Loans to SGA	810	0.6	990	0.8	-18.2	814	0.6	-0.5
Loans to customers	**125,332**	**100.0**	**122,815**	**100.0**	**+2.0**	**121,907**	**100.0**	**+2.8**

Direct customer deposits

	31/3/2005		31/3/2004		Change 31/3/05-31/3/04 (%)	31/12/2004		Change 31/3/05-31/12/04 (%)
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%	
Current accounts and deposits	72,997	53.6	67,741	50.2	+7.8	73,180	54.1	-0.3
Certificates of deposit	3,107	2.3	5,355	4.0	-42.0	2,930	2.2	+6.0
Bonds	39,036	28.7	41,479	30.8	-5.9	39,628	29.3	-1.5
Commercial paper	3,208	2.3	3,659	2.7	-12.3	3,352	2.5	-4.3
Repurchase agreements and securities lending	12,382	9.1	12,757	9.4	-2.9	11,696	8.6	+5.9
Other deposits	5,499	4.0	3,872	2.9	+42.0	4,416	3.3	+24.5
Direct customer deposits	**136,229**	**100.0**	**134,863**	**100.0**	**+1.0**	**135,202**	**100.0**	**+0.8**

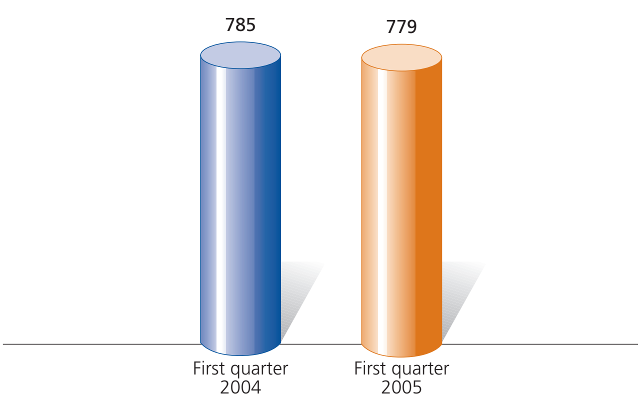
Net commissions and other net dealing revenues

In the first three months of 2005 net commissions amounted to 779 million euro, a 0.8% drop compared to the corresponding period of the previous year. The trend is attributable to lower revenue from tax collection activities included in the residual commission line item, compared to a positive trend in other commission revenues. It is worth noting that, as regards the commissions generated by the tax collection service, in accordance with the prudence principle, the fixed tax quota granted by the Government has not yet been booked, as the Group is waiting for a definite regulation to authorize the commission due to tax collection licensees for 2005.

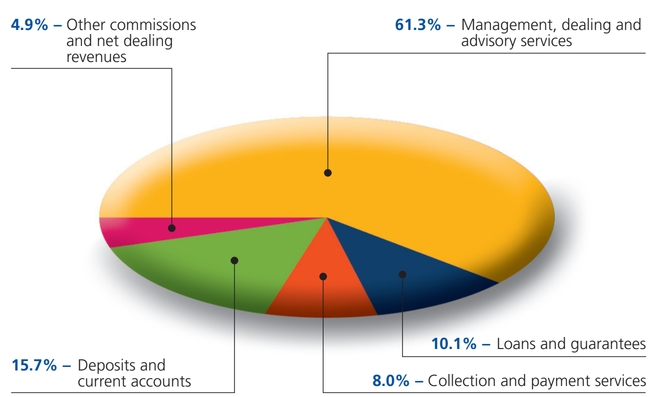
Management, dealing and advisory services, which represent approximately 60% of total commissions and are more than 80% of a recurrent nature, showed a slightly positive trend, thanks to the increase in revenues from asset management (+6.2%) which has more than compensated for the fall in revenue from brokerage and custody of securities. The commissions generated by asset management profited from the positive trend of the financial markets and also from the significant placement of mutual funds, fund-based portfolio management and life insurance policies and from the changed mix of asset management in favor of products with higher added value (equity funds and life insurance policies). Also the trend of loans and guarantees and deposits and current accounts has been positive thanks to the high volumes in customer business.

Indirect deposits showed an increase of 3.8% over the 12 months and of 2.5% since the end of December 2004, reaching 248.3 billion euro, as a result of the positive trend in both asset administration and, to a lesser extent, asset management.

Net commissions and other net dealing revenues (€/mil)



Break-down of commissions in the first quarter 2005



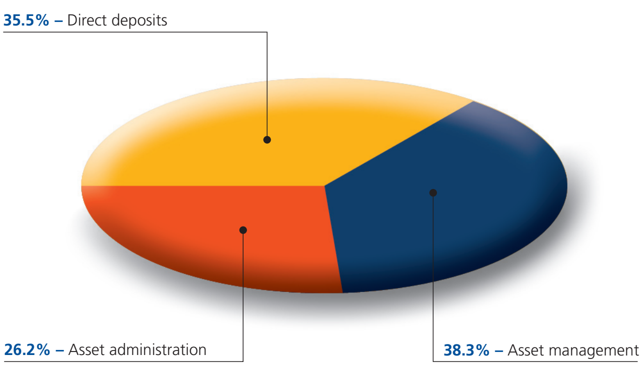
Net commissions and other net dealing revenues

	First quarter 2005 (€/mil)	First quarter 2004 (€/mil)	Change first quarter 2005 / First quarter 2004 (%)	2004 (€/mil)
Management, dealing and advisory services	478	477	+0.2	1,904
- asset management	430	405	+6.2	1,646
- brokerage and custody of securities and currencies	48	72	-33.3	258
Loans and guarantees	79	76	+3.9	333
Collection and payment services	62	62	-	248
Deposits and current accounts	122	119	+2.5	531
Other commissions and net dealing revenues	38	51	-25.5	224
Net commissions and other net dealing revenues	**779**	**785**	**-0.8**	**3,240**

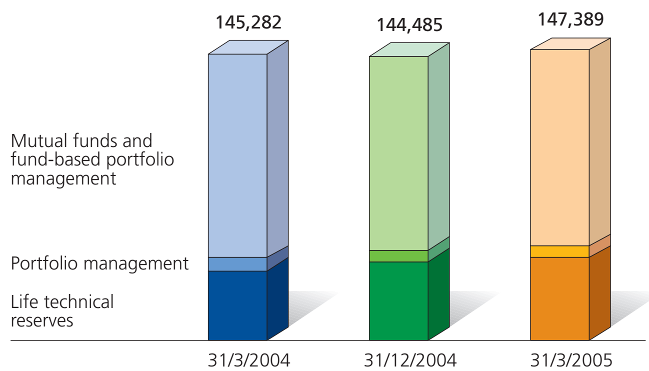
In the first quarter of 2005 the Group's distribution networks showed a positive net asset management flow of 2.1 billion euro, which counters that of the 2004 outflow.

The inflow for the quarter was achieved mainly through the flow of life insurance premiums (1.7 billion) and, to a lesser extent, the placement of mutual funds and fund-

Break-down of customer financial assets in the first quarter 2005



Asset management (€/mil)



Customer financial assets

	31/3/2005		31/3/2004		Change 31/3/05-31/3/04 (%)	31/12/2004		Change 31/3/05-31/12/04 (%)
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%	
Asset management	147,389	38.3	145,282	38.8	+1.5	144,485	38.3	+2.0
Asset administration	100,881	26.2	93,971	25.1	+7.4	97,757	25.9	+3.2
Direct deposits	136,229	35.5	134,863	36.1	+1.0	135,202	35.8	+0.8
Customer financial assets	**384,499**	**100.0**	**374,116**	**100.0**	**+2.8**	**377,444**	**100.0**	**+1.9**

Asset management

	31/3/2005		31/3/2004		Change 31/3/05-31/3/04 (%)	31/12/2004		Change 31/3/05-31/12/04 (%)
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%	
Mutual funds and fund-based portfolio management	99,385	67.4	103,268	71.1	-3.8	98,009	67.8	+1.4
Portfolio management	5,928	4.0	6,590	4.5	-10.0	6,035	4.2	-1.8
Life technical reserves	42,076	28.6	35,424	24.4	+18.8	40,441	28.0	+4.0
Asset management	**147,389**	**100.0**	**145,282**	**100.0**	**+1.5**	**144,485**	**100.0**	**+2.0**

Change in assets under management

	First quarter 2005 (€/mil)	First quarter 2004 (€/mil)	2004 (€/mil)
Net inflow for the period	2,093	-882	-3,635
- mutual funds and fund-based portfolio management	415	-1,233	-7,503
- portfolio management	-8	-1,001	-1,647
- life policies	1,686	1,352	5,515
Performance effect	811	2,453	4,409
Change in assets under management	**2,904**	**1,571**	**774**

based portfolio management (0.4 billion).

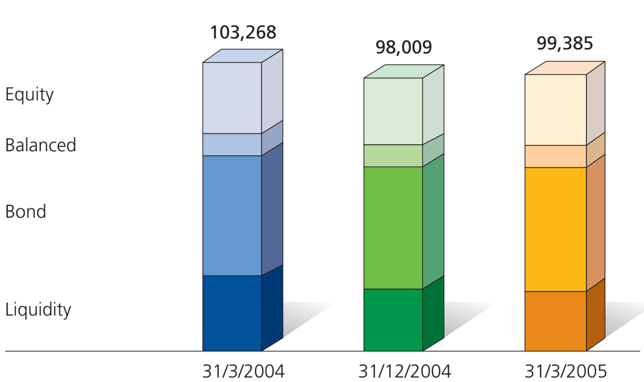
At the end of March 2005 asset management reached 147.4 billion euro, an increase of almost 3 billion euro compared to the end of 2004. With regard to the different areas, it should be noted that:

- mutual funds and fund-based portfolio management have shown a 1.4% increase since the beginning of the year, attributable to both net inflow and the positive performance of the stock markets. After a difficult 2004, which closed with a negative balance that reflected the general trend of the funds system, the current year started on a positive note thanks to the renewed trust shown by investors in professional asset management that translated into both an increase in the volumes handled and a greater proportion of funds with higher added value (equity and balanced mutual funds). The latter have seen their share go up by 6 basis points in three months, stabilizing at 33.4% by the end of March 2005. Among the various types of low-risk mutual funds, the reduced proportion of liquidity funds in the customer portfolios prevailed over the increase in weight of bond funds. At the end of the first quarter, the Group continued to be the leader in the domestic market, with a market share of 19.5%;
- the life insurance sector continued with its brisk activity and proved to be the most dynamic area of the asset management sector. Net inflow recorded by the Group's distribution networks in this quarter caused the technical reserves to go up to 42.1 billion euro at the end of March 2005, an 18.8% growth over 12 months and a 4% increase since the beginning of the year. In the period under review, customers opted for both traditional policies and index- and unit-linked ones, with a greater financial content.

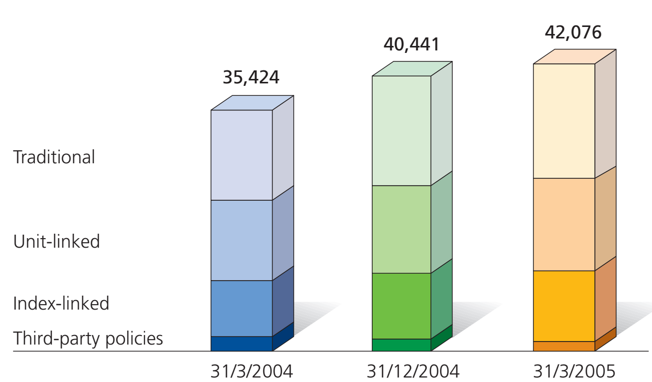
Profits from financial transactions, profits from companies carried at equity and dividends

Profits from financial transactions and dividends on shares reached 131 million euro: significantly higher than both the 81 million euro achieved in the first quarter of 2004 and the 108 million euro which represent the average quarterly amount of the last year. The positive trend shown by revenues is mainly attributable to the increased trading activity in securities and derivatives by Banca IMI, especially in the equity product and structured-yield issues sector, to the valuation and trading activity in securities and derivatives by the Parent Bank and to the particularly positive

Mutual funds and fund-based portfolio management (€/mil)



Life technical reserves (€/mil)



Mutual funds by type (1)

	31/3/2005 (%)	31/3/2004 (%)	31/12/2004 (%)
Equity	25.2	24.2	24.8
Balanced	8.2	7.9	8.0
Bond	44.6	41.9	44.0
Liquidity	22.0	26.0	23.2
Total Group mutual funds	**100.0**	**100.0**	**100.0**

(1) The criteria for the break-down of funds follow the new classification applied by Assogestioni as of January 2005.

dealing activities in securities which are ascribable to the French subsidiaries of Banca Fideuram. A further boost was given by the revaluation of own shares held by Group companies in charge of dealing with stock incentive plans in favor of employees.

An opposite trend was shown by profits from companies carried at equity and dividends from shareholdings, equal to 53 million euro compared with 89 million euro booked in the corresponding period of 2004. In particular:

- profits from companies carried at equity reached 42 million euro compared to 79 million euro in the first quarter of 2004. The reduction is attributable to Assicurazioni Internazionali di Previdenza (A.I.P.) and mainly results from writebacks and extraordinary capital gains on investment securities booked in the first quarter of 2004;
- dividends from minority shareholdings not included in the consolidation area amounted to 11 million euro, compared to 10 million euro of the first three months of 2004.

largely linked to the recovery of indirect duties from customers.

The decrease in personnel costs, equal to 0.3%, is the result of the actions aimed at optimizing resources which were undertaken in 2004, especially in the commercial banks, the effects of which continue to be seen in the current year. These actions led to a reduction in the Group's average staff numbers (-1.4%), which allowed a return to the ordinary dynamics of payroll, including the increases provided by the national collective labor contract that was renewed in February 2005.

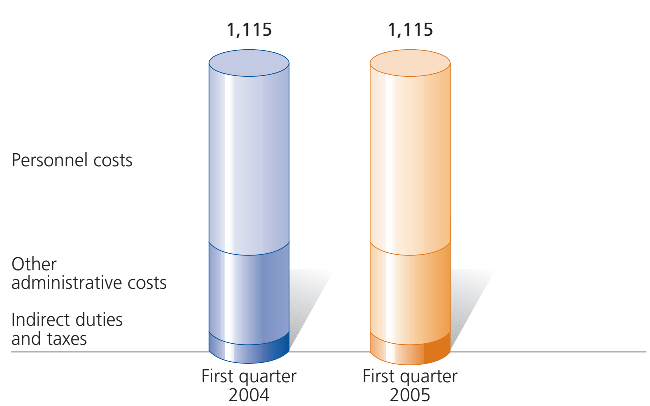
Other administrative costs amounted to 350 million euro compared to the 358 million of the same period in 2004, highlighting a 2.2% drop that, considering an inflation rate with an upward tendency of 1.9%, is equal to a reduction of more than 4% in real terms. The different types of costs included: reductions in IT costs, thanks to the

Operating costs

Operating costs of the first quarter of 2005 amounted to 1,126 million euro, a 1.1% drop compared to the corresponding period of last year.

Administrative costs amounted to 1,115 million euro, a value which was in line with that recorded in the same period last year: in absolute terms the containment of personnel costs and the reduction in other administrative costs counterbalanced the growth in indirect duties and taxes. On the other hand, this growth corresponds to an increase by the same amount of net operating income,

Administrative costs (€/mil)



Other administrative costs

	First quarter 2005 (€/mil)	First quarter 2004 (€/mil)	Change first quarter 2005 / First quarter 2004 (%)	2004 (€/mil)
IT costs	96	102	-5.9	419
Real estate costs	69	73	-5.5	290
General expenses	56	60	-6.7	247
Professional and insurance fees	66	60	+10.0	265
Promotion, advertising and marketing expenses	17	19	-10.5	99
Indirect personnel costs	24	23	+4.3	104
Utilities	22	21	+4.8	86
Other administrative costs	**350**	**358**	**-2.2**	**1,510**

benefits connected with the completion of the integration of the IT systems and the unification of the suppliers contracts of the commercial banks; reductions in real estate costs, as a result of the actions undertaken to rationalize space and the resulting lower maintenance and cleaning costs; and reductions in general expenses, attributable to the efficiency achieved in the transport and counting of valuables and in temporary and leased work. On the other hand, professional and insurance fees rose, owing to higher charges attributable to investigation costs due to the increase in secretarial costs introduced by the Financial Law ("Legge Finanziaria"), and to insurance premiums, resulting from the sale of products with insurance cover.

Adjustments to tangible and intangible fixed assets, equal to 98 million euro, were slightly down compared to the first quarter of 2004.

The cost to income ratio stood at 62.9%, more or less in line with that recorded in the corresponding period in 2004, owing to a reduction in costs which has largely compensated for the negative trend of revenues.

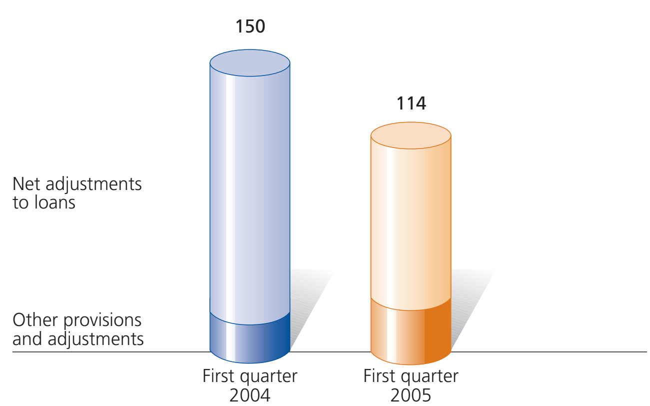
Provisions and adjustments

Adjustments to goodwill and merger and consolidation differences were 34 million euro, 23 million of which attributable to the amortization of the goodwill of the former Banco di Napoli.

Provisions and net adjustments to loans and financial fixed assets reached 114 million euro, lower than the 150 million euro recorded in the corresponding period of 2004. The net flow includes:

- 29 million euro of provisions for other risks and charges, in line with the 27 million euro booked in the first quarter of 2004;
- 86 million euro of provisions and adjustments for credit risks, a reduction compared to the 130 million euro of the same period of the previous year, thanks to the good quality of the loans portfolio that was confirmed also by the decline in non-performing, problem and restructured loans. The provisions for the quarter include an adjustment of 10 million euro made in connection with the contractual commitment implied in the FIAT convertible facility;
- 1 million euro of net writebacks to financial fixed assets, compared to 7 million euro of the first three months of 2004. In this period the revaluation of the investment in Santander Central Hispano (SCH) had more than com-

Provisions and net adjustments to loans and financial fixed assets (€/mil)



Qualitative analysis of the loan portfolio

	31/3/2005		31/3/2004		Change 31/3/05-31/3/04 (%)	31/12/2004		Change 31/3/05-31/12/04 (%)
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%	
Non-performing loans	1,168	0.9	1,178	1.0	-0.8	1,161	1.0	+0.6
Problem and restructured loans	1,323	1.1	1,553	1.2	-14.8	1,361	1.1	-2.8
Loans to countries at risk	29	0.0	30	0.0	-3.3	25	0.0	+16.0
Doubtful loans - customers	**2,520**	**2.0**	**2,761**	**2.2**	**-8.7**	**2,547**	**2.1**	**-1.1**
Performing loans	122,812	98.0	120,054	97.8	+2.3	119,360	97.9	+2.9
Total loans to customers	**125,332**	**100.0**	**122,815**	**100.0**	**+2.0**	**121,907**	**100.0**	**+2.8**
Non-performing and problem loans - banks	-		-		-	-		-
Loans to countries at risk - banks	22		33		-33.3	19		+15.8
Total doubtful loans - customers and banks	**2,542**		**2,794**		**-9.0**	**2,566**		**-0.9**

pensated for the booking of adjustments on other shares (Hutchison 3G Italia, CDC Ixis and FIAT). In the first quarter of 2005 no significant changes were made to the equity investment portfolio; in particular, the valuation of the shareholding in SCH as of 31 December 2004 was left unchanged, despite the recovery of the share prices recorded at the end of March, in the light of their subsequent drop.

At the end of March 2005 the Group's net doubtful loans were 2,542 million euro, a 9% fall compared to the end of March 2004 and 0.9% from the beginning of the year.

More specifically, as regards loans to customers:
- net non-performing loans, equal to 1,168 million euro, were down 0.8% over the 12 months and 0.6% higher than the values recorded at the end of December 2004; the net non-performing loans/net loans to customers ratio reached 0.9%;
- problem and restructured loans amounted to 1,323 million euro, a drop of 14.8% on an annual basis and of 2.8% since the end of December 2004;
- non-guaranteed loans to customers in countries subject to risk reached 29 million euro compared to 30 million euro at the end of March 2004.

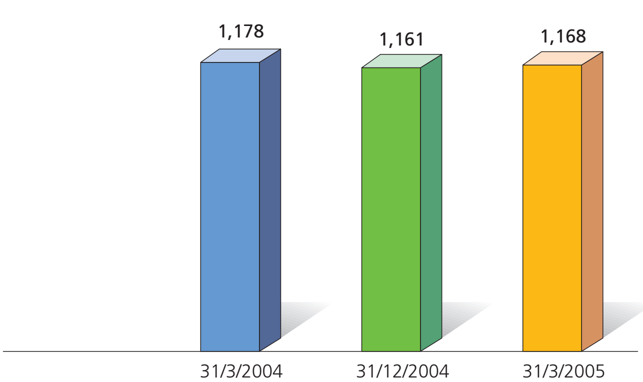
The coverage of non-performing loans increased over the 12 months by 1.8 percentage points, reaching 75%, in line with the level of the end of 2004. On the other hand, the coverage of problem and restructured loans went down from 32.2% at the end of March 2004 to 30.6%, close to the 30.9% recorded at the end of the previous year. The provision for performing loans, which rose to 1,244 million euro (including the coverage of the convertible facility of 177 million euro) from 1,174 million euro on 31 December 2004, represents a 1% coverage of the inherent risk of performing loans.

Extraordinary income and taxes

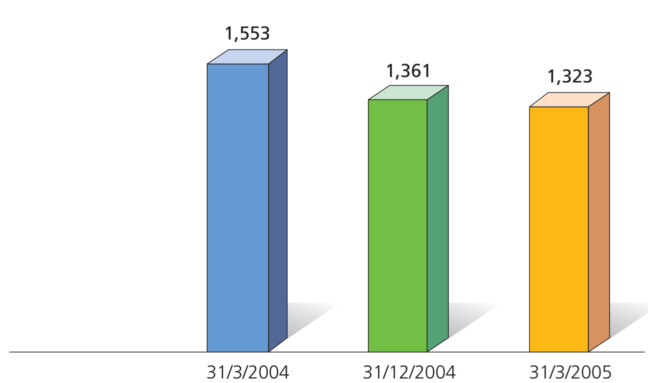
Management of extraordinary income in the first quarter of 2005, recording 3 million euro of net revenues, did not produce significant results, as opposed to the same period of last year which had benefited from the capital gain of 55 million euro realized on the disposal of the residual 30% share in Finconsumo Banca to the Spanish group SCH.

Income taxes for the period, totaling 218 million euro, reflect a 38.2% tax rate that is higher than the 37.25% theoretical rate, obtained as the sum of the tax charges relating to corporate income tax (IRES) and regional income tax (IRAP), especially as a result of the greater IRAP taxable amount. The tax rate is significantly higher than that recorded in the first quarter of 2004 (32%), which had benefited from the tax rules introduced by the new system of income and charges related to equity investments.

Net non-performing loans to customers (€/mil)



Net problem and restructured loans to customers (€/mil)



Capital and reserves

Net shareholders' equity

Group shareholders' equity, 12,140 million euro as of 31 March 2005, showed the following movements in the first quarter of the year:

Movements in Group shareholders' equity *(€/mil)*

Net shareholders' equity as of 1 January 2005	**11,804**
Increases	**337**
- Net income for the period	337
Decreases	**-1**
- Exchange and other adjustments	-1
Net shareholders' equity as of 31 March 2005	**12,140**

The reserves include 876 million euro profits for the year 2004, allocated for payment of dividend to SANPAOLO IMI shareholders, which will take place during May.

Own shares

As of 31 March 2005, SANPAOLO IMI shares held by the Group totaled 4,823,684, equal to 0.26% of the share capital, and were recorded as assets in the Balance sheet at the market value of 58.2 million euro (12.068 euro unit value).

Transactions in SANPAOLO IMI shares in the first three months of 2005 involved:
- the Parent Bank, that revalued the shares held in its portfolio as of 31 December 2004 by approximately 6 million euro. Consequently, as of 31 March 2005, SANPAOLO IMI held 4,015,919 own shares in its portfolio (11.2 million euro nominal value) booked at the market value of 48.5 million euro;
- Banca IMI, that, as part of its institutional dealing activity, acquired 537,977 shares (1.5 million euro nominal value for a total cost of approximately 6 million euro) and sold 70,794 shares (0.2 million euro nominal value for a total outlay of 0.8 million euro). The remaining SANPAOLO IMI shares were revalued by 0.4 million euro. Therefore, as of 31 March 2005 the company held 468.349 SANPAOLO IMI shares in its portfolio (1.3 million euro nominal value) booked at the market value of 5.7 million euro;
- Banca Fideuram, that in the first quarter of 2005 sold 780,860 SANPAOLO IMI shares (2.2 million euro nominal value), for an outlay of approximately 9 million euro. Banca Fideuram then revalued the remaining shares by 0.5 million euro. Consequently, as of 31 March 2005, Banca Fideuram held 339,416 SANPAOLO IMI shares in its portfolio (0.9 million euro nominal value), booked at the market value of 4.1 million euro.

Regulatory capital and solvency ratios

At the end of March 2005 the ratio of regulatory capital to total weighted assets deriving from credit and market risks (total risk ratio) was estimated at around 12.2%; the ratio of Group primary capital to total weighted assets was estimated at 8.2%.

Financial risk management and control

Financial risks from lending activities

Market risk generated by the lending activities of the Group in the first quarter of 2005 was slightly lower than the average level observed last year. The change in the banking book's market value, measured in terms of shift sensitivity as an upward, parallel and uniform movement of 100 basis points in the interest rate curve, showed in the first quarter of 2005 an average value of 80 million euro, against 83 million euro in the previous period.

The Value at Risk (VaR) of the banking book, calculated as the maximum "unexpected" potential loss of the market value of the portfolio which could occur in the 10 following working days with a statistical confidence interval of 99%, came to an average value of 16 million euro in the three months, falling compared with the average value of the previous year (36 million euro).

Non-Group listed equity investments

Equity investments held in listed companies not consolidated line by line or included at net equity showed a market value, at end of March 2005 prices, of 1,546 million euro and were aligned to book value at year end. The market value of equity investments showed, according to prices at the end of March, a net potential capital gain on book value of 105 million euro (after economic adjustments made to the value in the quarter).

The VaR relating to minority investments in listed companies, at the end of March stood at 104 million euro, a slight fall compared to the level observed at the end of last year (115 million euro), owing to the reduction in volatility in stock market prices.

Trading activities

Own financial risks from Group trading activities, concentrated in Banca IMI and its subsidiaries, registered an average value in the quarter, measured in terms of Value at Risk, of around 7 million euro (13 million euro in the first quarter of 2004), oscillating between a minimum of 4 million euro and a maximum of 11 million euro.

In addition to VaR, Worst Case Scenario technique is also used to monitor the impact of potential losses that could arise in extreme conditions.
In this context, the "maximum potential daily loss" during the first quarter of 2005 was 43 million euro, in line with 42 million euro in the same period last year.

Backtesting showed the prudent nature of the internal measurement techniques used. Actual losses were never higher than the ex ante risk measures.

Shareholders and ratings

Shareholders

The shareholder structure of SANPAOLO IMI, based on the currently available information, is as follows:

Shareholders of SANPAOLO IMI

	% of capital	
	total	ordinary
Compagnia di San Paolo	14.27	7.37
Fondazione Cassa di Risparmio di Padova e Rovigo	10.65	4.30
Banco Santander Central Hispano	8.48	10.71
Fondazione Cassa di Risparmio in Bologna	7.58	3.06
Giovanni Agnelli e C.	4.99	6.31
Mediobanca	1.97	2.49
Società Reale Mutua di Assicurazioni	1.51	1.91
Groupe Caisse d'Epargne	1.51	1.90
Ente Cassa di Risparmio di Firenze	1.51	1.90
Fondazione Cassa di Risparmio di Venezia	1.48	1.87
Fondazione Cassa di Risparmio di Verona Vicenza Belluno e Ancona	1.42	1.80
Fondazione Cassa di Risparmio di Udine e Pordenone	1.35	1.70
Fondazione Cariplo	1.18	1.50
Other shareholders (1)	42.10	53.18
Total	**100.00**	**100.00**

(1) Includes own shares held by the Group.

Ratings

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

SANPAOLO IMI debt ratings

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

Performance of share prices

At the end of March 2005, SANPAOLO IMI's share price was 12.081 euro, up 30.4% compared to 31 March 2004, against an increase of 29.6% in the MIB bancario index. On the same date the SANPAOLO IMI share traded on a price/book value of 1.9 and a price/earnings, calculated on consensus earnings for 2005, of 15.7.

On 11 May 2005, the share price was 11.71 euro, up 10.5% since the start of the year.

SANPAOLO IMI share price and dividends

Year	High (€)	Low (€)	Average (€)	Unit dividend (€)	Dividend yield (1) %	Payout ratio (2) %
1995	5.118	4.025	4.577	0.12	2.71	38.9
1996	5.269	4.236	4.766	0.14	3.03	37.9
1997	8.800	4.564	6.275	0.06	0.91	53.4
1998	16.274	8.717	12.429	0.46	3.74	71.7
1999	16.071	10.970	13.192	0.52	3.91	69.0
2000	20.800	11.483	16.612	0.57	3.42	61.7
2001	18.893	8.764	14.375	0.57	3.97	66.5
2002	13.702	5.231	9.439	0.30	3.18	62.0
2003	11.346	5.796	8.158	0.39	4.78	73.7
2004	11.072	8.799	9.826	0.47	4.78	62.9
2005 (3)	12.476	10.201	11.275			

Market comparison

	11/5/2005	31/3/2005	31/3/2004	Change 31/3/05 - 31/3/04 (%)
SANPAOLO IMI share price (€)	11.710	12.081	9.268	+30.4
Historical MIB bancario index	2,721	2,733	2,109	+29.6

	31/3/2004	31/3/2005
Book value per share (€)	6.21	6.53
	2005E	2006E
Consensus earnings per share (EPS) (€)	0.77	0.91

(1) Calculated on the average price for the year.
(2) On consolidated net income.
(3) As of 11/05/2005.

SANPAOLO IMI share price and MIB bancario (30/12/02=100)

Supplementary information

Corporate bond risk and the protection of savers

The serious repercussions of the recent national and international corporate bond defaults, which have affected savers' portfolios, have led the Group to take several precautions to protect its customers. In the belief that the investment services were provided with the utmost correctness, SANPAOLO IMI has adopted an approach involving the examination of those areas in respect of which customers complain of specific shortcomings in their relationship with the reference branch. The above measure should help verify the adequacy and the formal and substantive consistency of investments to the customer's risk profile and, consequently, where suitable conditions exist, to resolve any dispute amicably. Claims relating to the Argentine, Cirio and Parmalat bonds continued to be analyzed in the first quarter of 2005, identifying in most cases the formal and substantive regularity of the work performed by the Group. In the cases in which the investment transaction was judged to be inadequate, action was taken to reimburse customers.

As regards the Argentine bonds, from 14 January to 25 February 2005, Public Exchange Offers (PEOs), proposed by the Argentine Government to all categories of investors in bonds issued by the Government, took place in Argentina, United States, Japan and in some European countries, including Italy. The nominal value of the stocks traded was approximately 82 billion US dollars, converted at the exchange rate ruling as of 31 December 2003. The number of Italian savers involved is estimated at over 400,000. The total number of applications received, at an international level, which were communicated to the market topped 76%. As regards the SANPAOLO IMI Group, during the offer period, just above half of private customers, holders of Argentine bonds, disposed of the old Argentine bonds either by selling them on the secondary market or by accepting the PEO. The behavior of SANPAOLO IMI customers is in line with that recorded by the Italian system. The allocation of the new bonds to the investors who had accepted the PEO, which had been planned to take place on 1 April 2005, was postponed by the Argentine Government owing to cases pending at the Court of New York.

The Parmalat group, a multinational company operating in the food and beverages sector, became insolvent in December 2003. The group issued a total of 26 bonds, mainly on the Euromarket, for a total amount of approximately 7 billion euro. The initiatives undertaken by the SANPAOLO IMI Group towards its retail customers who had acquired the above-mentioned securities have been confirmed by the agreement made with the "Committee to defend SANPAOLO IMI Group Parmalat bondholders". This committee was set up on 2 February 2004 upon the initiative of a number of Group customers, with the objective of taking all actions required for the admission of the credits into the extraordinary administration procedures and initiating collective legal proceedings against subjects which, because of the office or function carried out at any of the companies of the Parmalat group, appear to be responsible for the damages caused to all the customers represented by the said Committee. Under the agreement signed with the Committee, SANPAOLO IMI has undertaken to provide the former with logistic assistance and financial support to pursue its statutory aims, guaranteeing, at the same time, total autonomy with regard to management and decision-making. With respect to the legal proceedings already in place, the Committee has obtained, on the terms it requested, recognition of the amounts due to its associates as proven credits and their inclusion in the final lists of creditors of the various insolvent companies. Moreover, the Group obtained all the special powers of attorney required to enable the bondholding customers to sue in the criminal cases that are still pending as well as those that will be soon initiated for the crimes committed in connection with the company setback, in order to obtain compensation for damages. Well over 32,000 customers, equal to approximately three-quarters of the Committee's associates, joined in the initiative.

Lastly, in the first quarter of 2005 the Group continued with its activities relating to the application of the "PattiChiari" (Clear Deals) interbanking project, aimed at improving the relationship between the bank and its customers. After implementing the eight initiatives envisaged by the project, which took place last year, in 2005 the Group underwent a second verification of its compliance with the quality protocols set out within the interbanking area, in line with the normal performance of the certification process which provides for regular checks aimed at ensuring that the service levels required are constantly maintained.

The Group IAS Project

In December 2002 the SANPAOLO IMI Group launched a project with the aim of planning and realizing the operations necessary to cope adequately with the transition to the new regulatory framework. In the context of the project, the Parent Bank took on a role of directing and controlling the activities entered into by the Group companies which, on the one hand, involved the definition, at the end of 2003, of "Group Guidelines" aimed at supplying methodological and operational support to subsidiaries for the planning of adaptation processes and, on the other, provides for constant monitoring of the progress of the operations underway with subsidiaries.

The project is mainly split into two areas of activity:

- study and analysis of the new international accounting policies and the main problems caused by their introduction. This activity, which involved a high number of resources (about 120 specialists within the Parent Bank and the main subsidiaries which were split into 15 work groups), enabled the drafting of the first IAS compliant version of the "Group Accounting Policies Handbook", which will represent the univocal point of reference for the Parent Bank and all its subsidiaries for the preparation of financial statements by applying uniform Group policies. The content of the manual is constantly updated, to reflect the evolution of the contents of the IAS/IFRS;
- interventions performed separately within the different Group areas on the basis of the above mentioned "Guidelines". In particular, these activities include:
  - *actions taken on IT systems* which are under way; In this respect, as during the development of the project, uncertainties remained regarding the breadth of application of the new accounting principles in the various relevant areas (single company financial statements, tax entries and reports to the Supervising Authorities. From the outset, the Group has defined all the actions aimed at guaranteeing parallel results when preparing the financial statements on the basis of IAS/IFRS and the pre-existing accounting principles. Altogether, for the two project areas and considering all the other activities that have been planned for 2005 at the Parent Bank and its subsidiaries, external costs for the IAS Project are estimated at 32 million euro;
  - *the organizational actions taken on administration, evaluation and accounting processes*, launched in the second half of 2004 and about to be completed;
  - *training activities*, planned with the aim of spreading knowledge of the new regulatory framework to the Parent Bank and all its subsidiaries through special courses and meetings at different levels of specialization and detail. In December 2004 the first two training courses were concluded which involved approximately 2,000 employees of the Parent Bank and its subsidiaries. The training activity will continue throughout 2005.

As regards the adoption of IAS/IFRS by the SANPAOLO IMI Group, the Board of Directors resolved to adopt, starting from 2005, the new international accounting principles to draw up the financial statements of the Parent Bank and, excluding exceptions, of its subsidiaries with the aim of ensuring uniform accounting throughout the Group. As regards interim financial statements, the transition to IAS/IFRS is planned for the Half Year Report as the SANPAOLO IMI Group is exempt from publishing its second quarterly report pursuant to Art. 82-bis of the Issuers Regulations as amended by Consob Resolution no. 14990 of 14 April 2005.

With regard to the effects on the Group's income and equity configuration, caused by the introduction of international accounting standards, based on valuations made as part of the Group IAS Project, no major variations are reported compared to what has already been stated in the Report on Operations relating to the 2004 Consolidated Financial Statements which highlighted positive effects both from the capital, financial and economical viewpoint. In particular, the estimated increase in consolidated shareholders' equity (approximately 250/300 million euro) is basically attributable to the writeback to lands included in the Group's real estate portfolio (IAS 16) and this irrespective of any portfolio revaluations, which for the moment have not been considered. In addition, no other areas are expected to have a significant impact on the shareholders' equity of the Group since two conditions are expected: on the one hand the adequacy of the loan portfolio already in line with the IAS/IFRS standards, on the other hand, the impacts are estimated as being insignificant and fundamentally compensated for by applying the remaining principles.

From an economic viewpoint, the simulation of the impact of IAS/IFRS carried out on the 2004 results highlights an increase in net income estimated at more than 100 million euro. This taking into account the fact that the Group applied for the exemptions provided for by the transition regulations and especially the failed re-opening of the business aggregation (IFRS 3) and the adoption, starting from 1 January 2005 of IAS/IFRS with regard to financial instruments (IAS 32 and 39) as well as insurance contracts (IFRS 4). This result is mainly attributable to the fact that goodwill is no longer amortized, as the other effects are not individually significant and are overall totally offset.

Group Business Structure

In the first quarter of 2005 the SANPAOLO IMI Group operated through a structure organized by the following Business Sectors:

- Corporate
- Private and Retail
- Asset Management
- Personal Financial Services
- Insurance
- Public Authorities and Entities
- Central Functions.

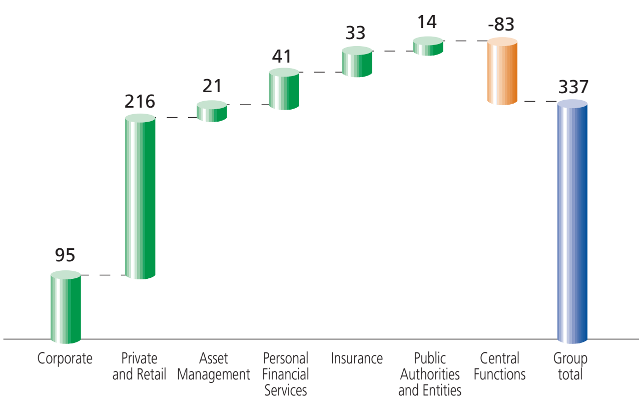
The main initiatives carried out in the quarter with regard to each Business Sector are presented below together with an analysis of the data relating to the statement of income, the operating structure as well as the main profitability ratios, with values indicating the contribution to the Group's result.

Where necessary, figures relating to the first quarter of 2004 have been reported, for the purpose of uniformity, assuming that such organizational model has been adopted since 1 January 2004.

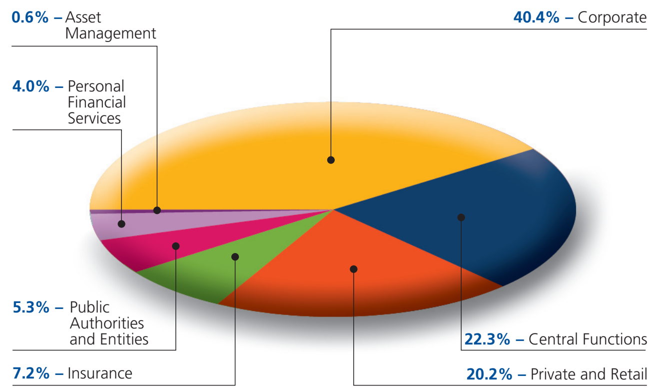
	Corporate	Private and Retail	Asset Management	Personal Financial Services	Insurance (1)	Public Authorities and Entities	Central Functions	Group total
STATEMENT OF INCOME (€/mil)								
Net interest and other banking income								
First quarter 2005	442	1,041	46	168	33	33	79	1,842
First quarter 2004	447	1,027	45	147	69	37	87	1,859
Change first quarter 2005 / First quarter 2004 (%)	-1.1	+1.4	+2.2	+14.3	-52.2	-10.8	-9.2	-0.9
Operating income								
First quarter 2005	224	421	25	83	33	26	-96	716
First quarter 2004	223	394	22	63	69	30	-81	720
Change first quarter 2005 / First quarter 2004 (%)	+0.4	+6.9	+13.6	+31.7	-52.2	-13.3	+18.5	-0.6
Income before extraordinary items								
First quarter 2005	163	376	25	73	33	23	-125	568
First quarter 2004	142	332	22	53	69	28	-111	535
Change first quarter 2005 / First quarter 2004 (%)	+14.8	+13.3	+13.6	+37.7	-52.2	-17.9	+12.6	+6.2
Net income								
First quarter 2005	95	216	21	41	33	14	-83	337
First quarter 2004	85	192	17	31	69	17	-25	386
Change first quarter 2005 / First quarter 2004 (%)	+11.8	+12.5	+23.5	+32.3	-52.2	-17.6	n.s.	-12.7
AVERAGE ALLOCATED CAPITAL (€/mil)								
First quarter 2005	4,835	2,420	68	484	858	635	2,672	11,972
First quarter 2004	5,068	2,477	71	442	799	545	1,787	11,189
Change first quarter 2005 / First quarter 2004 (%)	-4.6	-2.3	-4.2	+9.5	+7.4	+16.5	+49.5	+7.0
ANNUALIZED PROFITABILITY (RoE, RORAC) (%)								
First quarter 2005	7.9	35.7	123.5	33.9	15.4	8.8	n.s.	11.3
First quarter 2004	6.7	31.0	95.8	28.1	34.5	12.5	n.s.	13.8
EMPLOYEES								
31/3/2005	8,098	25,323	452	1,817	-	176	7,057	42,923
31/3/2004	8,211	25,539	451	1,853	-	169	7,174	43,397
Change 31/3/2005-31/3/2004 (%)	-1.4	-0.8	+0.2	-1.9	-	+4.1	-1.6	-1.1

(1) The insurance sector is consolidated using the net equity method, therefore only net income is included in consolidated results; employees (346 units as of 31 March 2005) are not included in the Group's headcount. Net income for the first quarter of 2004, recalculated on a pro forma basis, improves as a result of writebacks and extraordinary capital gains relating to investment securities.

Net income first quarter 2005 by Business Sector (€/mil)



Allocated capital first quarter 2005 by Business Sector



The initiatives and results of the Business Sectors

The Corporate sector and the Private and Retail sector represent the Group's "core business" and are the reference point for defining, developing and coordinating the sales strategies for all the Group's networks.

Corporate

The Corporate sector is dedicated to companies of the Group's commercial banks, including small- and medium-sized companies as well as large groups of domestic and international importance. This sector includes also the Parent Bank's foreign network but only as regards the corporate lending activity, the Irish subsidiary Sanpaolo IMI Bank Ireland, and Sanpaolo IMI Internazionale set up with the aim of developing and supervising the Group's activity in Central Eastern Europe. Lastly, the sector includes Sanpaolo Leasint, which operates in the leasing area, Banca IMI, the Group's investment bank, Sanpaolo IMI Private Equity, responsible for the private equity activity, and the Structured Finance unit, which deals with project financing and specialized structured lending.

Following the extension of the organizational model to the banks operating in the Triveneto, Emilia and Adriatic regions, the Group's network dedicated to companies is currently organized in 260 operating points including branches and "detached" specialist teams working at the retail branches including Banca IMI's head office.

During the first quarter of 2005 the development lines have been focused mainly on strengthening the relationships with customers in traditionally serviced areas and on acquiring new customers in lower penetration areas.

To this end, specific initiatives were launched aimed at:
- identifying and selecting target companies;
- expanding the offer of financing products, particularly medium- and long-term ones;
- strengthening the sales proposal as regards products and services aimed at dealing with commercial flows with foreign countries and at supporting the internationalization of companies.

At the same time, in order to improve the effectiveness of the service model, a further boost was given to the decision-making decentralization and the strengthening of sales tools available to support customer managers continued.

Moreover, a plan to rationalize and strengthen the presence in the territories affected by the integration with the banks of the Triveneto, Emilia and Adriatic regions was started with the objective of creating the necessary conditions to exploit business opportunities to the maximum and to pursue sustainable and long-lasting growth.

Finally, the Basel 2 Project began to be extended to the companies network, with the related refinements of the credit granting and management processes.

With regard to operations with large groups, in a market context characterized by excess liquidity and strong commercial competition, the primary objective during the quarter was that of safeguarding the credit quality of assets and the profitability of relationships by increasing the number of operations characterized by higher commission margins.

As regards international activities, carried out through 127 branches and representative offices, the strategies already under way were continued in the quarter. These are aimed at fostering and sustaining the internationalization of Italian companies, promoting and supporting investments and activities of foreign multinationals in the European market, maximizing cross selling opportunities and operating as a "local bank" in some high-growth countries. The relations with the banks were mainly oriented towards supporting the repositioning of the Group as an excellence reference point for products/services to and from foreign countries.

As regards the investment banking activity, carried out by Banca IMI, in the first quarter of 2005 the sector completed the listing on the Expandi market of Mondo Home

Corporate

	First quarter 2005	First quarter 2004 pro forma	Change first quarter 2005 / First quarter 2004 pro forma (%)
STATEMENT OF INCOME (€/mil)			
Net interest income	271	285	-4.9
Net commissions and other net dealing revenues	80	99	-19.2
Profits and losses from financial transactions and dividends on shares	91	63	+44.4
Profits from companies carried at equity and dividends from shareholdings	-	-	-
Net interest and other banking income	442	447	-1.1
Administrative costs	-217	-223	-2.7
- personnel	*-127*	*-128*	*-0.8*
- other administrative costs	*-86*	*-91*	*-5.5*
- indirect duties and taxes	*-4*	*-4*	*-*
Other operating income, net	6	7	-14.3
Adjustments to tangible and intangible fixed assets	-7	-8	-12.5
Operating income	224	223	+0.4
Adjustments to goodwill and merger and consolidation differences	-2	-2	-
Provisions and net adjustments to loans and financial fixed assets	-59	-79	-25.3
- provisions for risks and charges	*-7*	*-8*	*-12.5*
- net adjustments to loans and provisions for guarantees and commitments	*-54*	*-70*	*-22.9*
- net adjustments to financial fixed assets	*2*	*-1*	*n.s.*
Income before extraordinary items	163	142	+14.8
Net extraordinary income/expense	-	1	n.s.
Income before taxes	163	143	+14.0
Income taxes for the period	-68	-57	+19.3
Change in reserve for general banking risks	-	-	-
Income attributable to minority interests	-	-1	n.s.
Net income	95	85	+11.8
AVERAGE ALLOCATED CAPITAL (€/mil)	4,835	5,068	-4.6
RATIOS (%)			
Annualized RORAC	7.9	6.7	
Cost / Income ratio	50.0	50.9	
	31/3/2005	31/3/2004 pro forma	Change 31/3/05-31/3/04 pro forma (%)
OPERATING DATA (€/mil)			
Intermediary funds	117,462	113,060	+3.9
Net loans to customers excluding NPLs	56,829	56,070	+1.4
STRUCTURE			
Employees	8,098	8,211	-1.4
Domestic branches	41	33	+24.2
Foreign branches and representative offices	127	117	+8.5

Entertainment, a company specialized in the distribution of home video products and VOD (Video on Demand) rights. It participated in the public offer of Immobiliare Grande Distribuzione, the only IPO that took place in Italy in the first quarter. It also completed a private placement of 8.9% of CDC Point's share capital. Lastly, the sector took part in the extraordinary operations relating to the reorganization of the Pirelli-Telecom group, acting as the intermediary in charge of the Public Offer for TIM's ordinary and savings shares and as the underwriter of the capital increase option of Camfin and Pirelli. Within advisory activity, significant actions include the completion of the acquisition from Italgas of the majority shareholding in Acque Potabili by a joint-venture set up by AMGA and SMAT with the assistance of Banca IMI, which is also advisor and intermediary in charge of the obligatory Public Offer planned for May, and the completion of the sale of Worknet to Générale Industrielle by Fiat Partecipazioni, where Banca IMI acted as advisor to the selling party. Furthermore, the assistance provided to the Albanian Government in the privatization of the telecommunication (fixed telecommunication) and power (oil&gas) sector continued as well as the activity as global advisor for the FIAT group.

Among the new mandates, the assistance provided to Enel as part of the project to dispose of Wind and the assistance and consulting engagement received from AEM Torino with regard to the integration with AMGA should be mentioned.

As regards the structured finance sector, the activities in preparation for the placement of the FIP (Fondo Immobili Pubblici) fund are under way, as part of the privatization process of public real estate assets. Among the mandates in force, Banca IMI is presently the placer and arranger of the first real estate fund owned by Whitehall, one of Goldman Sachs real estate management company.

Lastly, the support activity to the Group bank networks with regard to the bonds for retail customers continued. In the first quarter of 2005 Banca IMI carried out the issue of three new Dynamic Fund Bonds, it placed two Enel bonds under a Public Offer and, as regards the index-linked Sanpaolo policies, it structured the "Blue Profit Index Performer" policy.

In private equity activities, carried out through Sanpaolo IMI Private Equity, on 16 February 2005 fund raising was concluded for the new multi-regional closed funds, Fondo Centro Impresa and Fondo Nord Ovest Impresa, dedicated to investments in small- and medium-sized companies in their respective areas of competence, and managed by Sanpaolo IMI Fondi Chiusi, the SGR asset management subsidiary. The total commitment reached 180 million euro, of which 100 million related to the Fondo Centro Impresa and 80 million to the Fondo Nord Ovest Impresa. With reference to the investment portfolio of existing funds (Cardine Impresa and Eptasviluppo), during the first quarter of 2005, Fondi Chiusi SGR continued its activity monitoring and developing subsidiaries' value, with the support of the advisory company Alcedo. Sanpaolo IMI Investimenti per lo Sviluppo SGR was granted a line of credit with Mediocredito Centrale to manage advances aimed at providing support to risk capital of companies in the South of Italy. As regards the activity in foreign-law funds, in April, the Milan branch of the London-based subsidiary Sanpaolo IMI Management Ltd commenced operations to support the management of the SIPEF I fund.

Corporate sector intermediary funds showed a 3.9% increase over 12 months thanks to the expansion of customer financial assets (+6.4%) attributable to companies' liquidity which, in turn, led to an increase in direct deposits. Customer loans grew by 1.4%, due to the increase in the short-term component of financing related to investment banking and of loans to small- and medium-sized companies which more than compensated for the drop in loans to large Italian and foreign groups and the resizing of the leasing contracts portfolio following a securitization operation.

Net interest and other banking income fell by 1.1% compared to the first quarter of 2004 due to both a reduction in net interest income caused by the erosion in the spread of commercial banks and a drop in commission revenues attributable to the investment banking activity. However, the fall in operating costs (-2.7%) and lower adjustments to loans (-22.9%) compared to the corresponding period of last year, enabled the sector to achieve a net income of 95 million euro, up by 11.8%.

The sector absorbed 40% of the Group's shareholders' equity, a reduction compared to the first quarter of 2004 following the slight drop in the credit risk indicators, caused mainly by a reduction in the concentration towards large groups. This trend, together with the increase in the net income, led to a growth in annualized profitability to 7.9%, from 6.7% for the same period in 2004.

Private and Retail

The Private and Retail sector provides its services to the customers of the Group's commercial banks represented by households, private customers and small businesses. Direct channels such as Internet, phone and mobile banking are available to support the network's customers. The sector includes also Finemiro Banca, a company specialized in consumer credit, Sanpaolo Bank (Luxembourg), operating in the international private banking area, Sanpaolo Fiduciaria and Farbanca.

The sector operates through 2,974 branches as well as 201 specialized operating points. In particular the regions of Central Northern Italy and the Islands are covered by 1,456 Sanpaolo operating points, those of the South by 721 Sanpaolo Banco di Napoli operating points, whereas those of the North East and the Adriatic area by the 998 operating points of the former Cardine banks.

The integration of the banking networks allowed the extension of the Group's distribution model, specialized by customer segments, to all the banks. Retail branches are organized in modules which provide services to the various types of customers: personal, family and small business, dedicated respectively to customers with significant financial funds, to households and to customers comprising professionals, artisans, farmers and smaller companies. The larger retail branches operate also modules specialized in serving private customers, and these join the operating points specifically dedicated to this type of customers to offer better coverage of the territory.

The initiatives undertaken in the sector since the first quarter of 2005 are aimed at pursuing the budget objectives fixed for the year which envisage the strengthening of the market position to be achieved through further specialization and personalization of the customer offer.

Within the management of customers' funds, offer policies have been oriented towards providing support to customers in maximizing their short- and medium-/long-term financial plans, by offering asset management and welfare products, satisfying at the same time the increasing demand for personal and property protection by offering insurance products.

In order to allow customer managers to provide a more effective service aimed at optimizing the risk/return profile of the customers' portfolio, yet still meeting their specific needs and risk-taking propensity, the operating tools which had been recently made available were further refined and disseminated to the entire commercial network; in particular, the calculation of risk was enhanced to include also "concentration risks" and decision-making functions have been introduced. The initiatives undertaken are in line with the requirements of the Investment Policy, presented in April 2003, which establishes the guidelines to be followed by branches to assist customers in relation to their investments.

Actions have been taken, in terms of private customers, to improve cross selling, especially in respect of customers holding accounts with numerous banks, and to expand the customer base by increasing the rate of retention and acquiring new customers. Worthy of notice, in this context, is the Progetto Giovani (a project aimed at younger customers), started in June 2004, which intends to strengthen the Bank's relationship with customers under the age of 30; by the end of March, the number of young people who had signed up for the program topped 100,000, of which more than 25% were new customers.

Particular attention was paid to the service provided to private customers which, after the integration of the networks, comprised approximately 35,000 customers, with financial assets amounting to 40 billion euro, of which almost half are represented by asset management. Over 350 customer managers, located at 130 operating points nationwide, are available to assist private customers selected on the basis of an access threshold of approximately 1 million euro. The activities under way are aimed at further personalizing the offer range, as regards both financial products and consulting services in areas other than finance, also in the light of the experience gained in the three years following the launch of the Sanpaolo private structure.

A further boost was given to the operations carried out with small entrepreneurs with appropriate creditworthiness, in line with the growth forecast of the Small Business Project, which has set ambitious objectives in terms of increasing market shares and customer base. In particular, in the first quarter of 2005:

- new management tools were released to allow the operators to get to know their customers better and improve risk management; a specific "Customer Commercial File Card" was designed for the small business sector and new tools for the simulation of the statement of income were developed as had already been done for private customers;

Private and Retail

	First quarter 2005	First quarter 2004 pro forma	Change first quarter 2005 / First quarter 2004 pro forma (%)
STATEMENT OF INCOME (€/mil)			
Net interest income	537	539	-0.4
Net commissions and other net dealing revenues	495	481	+2.9
Profits and losses from financial transactions and dividends on shares	9	7	+28.6
Profits from companies carried at equity and dividends from shareholdings	-	-	-
Net interest and other banking income	1,041	1,027	+1.4
Administrative costs	-691	-689	+0.3
- personnel	*-389*	*-386*	*+0.8*
- other administrative costs	*-243*	*-251*	*-3.2*
- indirect duties and taxes	*-59*	*-52*	*+13.5*
Other operating income, net	73	59	+23.7
Adjustments to tangible and intangible fixed assets	-2	-3	-33.3
Operating income	421	394	+6.9
Adjustments to goodwill and merger and consolidation differences	-	-	-
Provisions and net adjustments to loans and financial fixed assets	-45	-62	-27.4
- provisions for risks and charges	*-6*	*-5*	*+20.0*
- net adjustments to loans and provisions for guarantees and commitments	*-39*	*-57*	*-31.6*
- net adjustments to financial fixed assets	*-*	*-*	*-*
Income before extraordinary items	376	332	+13.3
Net extraordinary income/expense	-1	1	n.s.
Income before taxes	375	333	+12.6
Income taxes for the period	-159	-141	+12.8
Change in reserve for general banking risks	-	-	-
Income attributable to minority interests	-	-	-
Net income	216	192	+12.5
AVERAGE ALLOCATED CAPITAL (€/mil)	2,420	2,477	-2.3
RATIOS (%)			
Annualized RORAC	35.7	31.0	
Cost / Income ratio	62.2	63.7	
	31/3/2005	31/3/2004 pro forma	Change 31/3/05-31/3/04 pro forma (%)
OPERATING DATA (€/mil)			
Intermediary funds	260,299	250,692	+3.8
Customer financial assets	218,393	209,864	+4.1
- direct deposits	59,703	57,233	+4.3
- asset management	96,188	91,888	+4.7
- mutual funds and fund-based portfolio management	*64,406*	*64,744*	*-0.5*
- portfolio management	*5,284*	*5,912*	*-10.6*
- life technical reserves	*26,498*	*21,232*	*+24.8*
- asset administration	62,502	60,743	+2.9
Net asset management flows	2,228	-917	
Net loans to customers excluding NPLs	41,906	40,828	+2.6
STRUCTURE			
Employees	25,323	25,539	-0.8
Domestic branches	2,997	2,981	+0.5

- customer managers underwent intense training, also in view of the imminent implementation of the logics relating to ratings of the credit portfolio, in line with the provisions of the “Basel 2, Retail” Project;
- the range of products dedicated to the small entrepreneurs was widened, especially with regard to the agriculture segment, also by introducing more flexible financing options;
- development initiatives were undertaken with the Loan Consortia of Central Northern Italy and collaboration initiatives with the main aggregation of categories nationwide.

Particular attention was paid to certain areas such as consumer credit, where the sector operates either directly by granting personal loans through the branch network or indirectly through the subsidiary Finemiro Banca. After the company became a subsidiary of the SANPAOLO IMI Group, it carried out significant organizational and management changes aimed at strengthening its competitive ability, with the objective of gradually shifting the activity carried out towards those business areas which are more interesting in terms of national growth, and reducing asset risk.

Furthermore, in the first months of the year the spread of the multi-channel infrastructure continued: during the quarter, the number of direct banking contracts with retail customers has grown by almost 50 thousand units, reaching by the end of March a little less than 850 thousand (+6% compared to the end of 2004). The validity of the choice made by the Group in adopting a multi-channel distribution model is confirmed by the fact that customers seem to use these channels increasingly more either to obtain information or to give instructions to the bank: in fact, the average monthly number of customers using these channels has increased by approximately 8% compared to the end of last year.

In order to improve the effectiveness of the initiatives undertaken, attention has been regularly paid to the training of resources in the attempt to offer customers a highly professional service and develop the selling skills of the network staff; almost 30,000 days of training were provided in the quarter, the staff of recently integrated branches being the most involved.

Private and Retail sector intermediary funds registered a 3.8% growth over 12 months thanks to the expansion of financial activities (+4.1%) and loans to customers (+2.6%). The increase in financial activities is attributable to both direct and indirect deposits. In this respect, the significant placement of asset management products, equal to 2.2 billion euro, should be noted.

The Private and Retail sector manages more than half of the volumes handled by the Group, generating 57% of net interest and other banking income. The latter showed a slight increase compared to the same period of 2004, as evidence of the ability of the bank networks and product companies to compensate the decrease in net interest income with the generation of other revenues, in particular commissions and profits from financial transactions.

The monitoring of operating costs (-2.1%) combined with the above-mentioned development of revenues, gave rise to a 6.9% improvement in operating income. It is worth noting that personnel costs, which form a significant part of sector costs, have remained substantially stable: the sector employs 25,323 staff, corresponding to 59% of the Group’s total headcount.

Net income reached 216 million euro, up by 12.5% compared to the first three months of last year, thanks to the fact that lower adjustments were booked to loans (-31.6%).

The sector absorbed 20% of the Group’s capital, a reduction compared to the level reached in the first quarter of 2004 as a result of the slight improvement in the quality of the loan portfolio. Profitability rose to 35.7% compared to 31% of the same period in 2004, taking advantage of both the increase in the net income and the reduction in allocated capital.

Asset Management

Following the spin off of the insurance activities, the Asset Management sector includes Sanpaolo IMI Asset Management and its subsidiaries, dedicated to supplying asset management products to both the banking networks within the Group and to institutional investors.

In the first quarter of 2005 the rationalization of the offer range, caused by corporate reorganization operations car-

Asset Management

	First quarter 2005	First quarter 2004 pro forma (1)	Change first quarter 2005 / First quarter 2004 pro forma (%)
STATEMENT OF INCOME (€/mil)			
Net interest income	-	1	n.s.
Net commissions and other net dealing revenues	46	44	+4.5
Profits and losses from financial transactions and dividends on shares	-	-	-
Profits from companies carried at equity and dividends from shareholdings	-	-	-
Net interest and other banking income	46	45	+2.2
Administrative costs	-21	-22	-4.5
- personnel	*-10*	*-10*	-
- other administrative costs	*-11*	*-12*	*-8.3*
- indirect duties and taxes	-	-	-
Other operating income, net	1	1	-
Adjustments to tangible and intangible fixed assets	-1	-2	-50.0
Operating income	25	22	+13.6
Adjustments to goodwill and merger and consolidation differences	-	-	-
Provisions and net adjustments to loans and financial fixed assets	-	-	-
- provisions for risks and charges	-	-	-
- net adjustments to loans and provisions for guarantees and commitments	-	-	-
- net adjustments to financial fixed assets	-	-	-
Income before extraordinary items	25	22	+13.6
Net extraordinary income/expense	-	-1	n.s.
Income before taxes	25	21	+19.0
Income taxes for the period	-4	-4	-
Change in reserve for general banking risks	-	-	-
Income attributable to minority interests	-	-	-
Net income	21	17	+23.5
AVERAGE ALLOCATED CAPITAL (€/mil)	68	71	-4.2
RATIOS (%)			
Annualized RORAC	123.5	95.8	
Cost / Income ratio	46.8	52.2	
	31/3/2005	31/3/2004 pro forma (1)	Change 31/3/05-31/3/04 pro forma (%)
OPERATING DATA (€/mil)			
Assets under management	108,424	103,158	+5.1
Asset management	72,453	77,035	-5.9
- mutual funds and fund-based portfolio management	*69,288*	*73,929*	*-6.3*
- portfolio management	*3,165*	*3,106*	*+1.9*
STRUCTURE			
Employees	452	451	+0.2

(1) The figures relating to the first quarter of 2004 have been reported excluding the insurance companies' results.

ried out last year in order to exploit the active management of the portfolios, continued. In particular, the "Obiettivo" hedge funds were liquidated, focusing on the commercial offer of alternative products on the "Brera" funds. Furthermore, in order to foster the penetration of products in the Group's banking networks, the portfolio management of the bank networks of the North East and the Emilia region were converted to Sanpaolo IMI Asset Management products.

Asset Management contributed more than 6% to consolidated net income of the first quarter of 2005 and absorbed less than 1% of the capital. This sector, which uses the Group's banking networks spread throughout the country for the placement of its products, is characterized by high levels of profitability; the latter is attributable to the low capital absorption compared to the high volumes of assets under management which generate enough commission revenues to remunerate the distribution networks and adequately cover the efficient cost structure of the company.

Assets under management reached 108.4 billion euro at the end of March 2005, up by 5.1% on an annual basis.

The contribution to the Group's net income for the quarter was 21 million euro, an increase compared to the 17 million euro registered in the first quarter of 2004, recalculated based on pro forma basis to take into account the spin-off of the insurance sector. The result was achieved thanks to the increase in commissions and the reduction in other administrative costs, partly related to the integration of Eptafund.

Personal Financial Services

The Personal Financial Services sector manages all the activities carried out by the networks of financial planners of the Banca Fideuram group (which includes Sanpaolo Invest SIM) to serve customers with medium/high savings

Personal Financial Services

	First quarter 2005	First quarter 2004 pro forma (1)	Change first quarter 2005 / First quarter 2004 pro forma (%)
STATEMENT OF INCOME (€/mil)			
Net interest income	11	11	-
Net commissions and other net dealing revenues	139	135	+3.0
Profits and losses from financial transactions and dividends on shares	18	1	n.s.
Profits from companies carried at equity and dividends from shareholdings	-	-	-
Net interest and other banking income	168	147	+14.3
Administrative costs	-85	-82	+3.7
- personnel	*-42*	*-37*	*+13.5*
- other administrative costs	*-37*	*-40*	*-7.5*
- indirect duties and taxes	*-6*	*-5*	*+20.0*
Other operating income, net	7	7	-
Adjustments to tangible and intangible fixed assets	-7	-9	-22.2
Operating income	83	63	+31.7
Adjustments to goodwill and merger and consolidation differences	-	-1	n.s.
Provisions and net adjustments to loans and financial fixed assets	-10	-9	+11.1
- provisions for risks and charges	*-10*	*-10*	-
- net adjustments to loans and provisions for guarantees and commitments	-	-	-
- net adjustments to financial fixed assets	-	*1*	*n.s.*
Income before extraordinary items	73	53	+37.7
Net extraordinary income/expense	-1	-	n.s.
Income before taxes	72	53	+35.8
Income taxes for the period	-16	-11	+45.5
Change in reserve for general banking risks	-	-	-
Income attributable to minority interests	-15	-11	+36.4
Net income	41	31	+32.3
AVERAGE ALLOCATED CAPITAL (€/mil)	484	442	+9.5
RATIOS (%)			
Annualized RoE	33.9	28.1	
Cost / Income ratio	52.6	59.1	
	31/3/2005	31/3/2004 pro forma (1)	Change 31/3/05-31/3/04 pro forma (%)
OPERATING DATA (€/mil)			
Assets under management	60,157	59,450	+1.2
Assets under management (net inflow)	338	-30	
Asset management	46,515	46,141	+0.8
- mutual funds and fund-based portfolio management	*32,471*	*32,750*	*-0.9*
- portfolio management	*621*	*624*	*-0.5*
- life technical reserves	*13,423*	*12,767*	*+5.1*
Net asset management flows	-5	348	
Asset administration	11,249	10,901	+3.2
STRUCTURE			
Employees	1,817	1,853	-1.9
Financial planners	4,238	4,498	-5.8
Domestic branches	90	89	+1.1

(1) The figures relating to the first quarter of 2004 have been reported excluding the insurance companies' results.

potential. 4,238 financial planners and 1,817 employees operate in this sector.

The three-year industrial plan was approved in the quarter and its primary objective was confirmed as being the growth of activity volumes in the reference customer segments, maintaining the bank's profitability at the present levels of excellence.

The contribution to the Group's net income was 41 million euro compared to 31 million in the same period of last year. In order to enable a uniform comparison, the figures relating to the first quarter of 2004 have been shown assuming that the spin-off of the insurance business took place at the beginning of 2004.

The sector contributed 12% to consolidated net income compared to 8% for the same period in 2004 and absorbed 4% of the capital. As a result profitability was high, confirmed by an annualized RoE of 33.9% compared to 28.1% for the first quarter of 2004.

Transactions benefited from actions aimed at guiding customers portfolios towards a mix of products with higher added value and from the recovery of the financial markets. Assets under management grew by 1.2% on an annual basis, reaching 60.2 billion euro and, within these, the amount of managed funds generating recurring commissions increased. Operating income reached 83 million euro, a 31.7% increase compared to the same period of 2004, thanks to the increase in commission revenues and profits from dealing activities in the securities of Fideuram Wargny. The cost to income ratio, regarded as a key efficiency indicator, improved by more than six percentage points, dropping to 52.6%. This trend confirms the success of the commercial policy focused on the recovery of efficiency and on the synergies arising from the integration with Sanpaolo Invest.

Insurance

The Insurance sector operates through Assicurazioni Internazionali di Previdenza (A.I.P.), the company that has been operational since 1 December 2004 and comprises all the Group's insurance companies. The concentration of such activities led to the creation of a major entity in the Italian insurance sector. Thanks to a consolidated premium flow in the quarter of 2.5 billion euro and life insurance technical reserves at the end of the period equal to 40.7 billion euro, A.I.P. is one of the top market operators.

The first quarter was mainly characterized by the activities carried out to set up the company following the integration of the insurance activities of the SANPAOLO IMI Group. In particular, these activities were related to:

- the completion of the company's organizational structure;
- the definition of the investment policy;
- the definition of the projects and integration plan, with particular reference to unification of the information systems;
- the identification of guidelines for the business development.

Moreover, the actions taken to concentrate the Group's welfare activities in A.I.P. continued; these will eventually lead to the transfer of the promotion of open pension funds to the insurance company.

To give uniform comparison, the data relating to the first quarter of 2004 have been recalculated assuming that the Group's insurance companies were grouped under the same sector as of 1 January 2004. For both periods, only net income is shown as the consolidation was carried out on the basis of the net equity method.

Net income was equal to 33 million euro, a 52.2% reduction compared to the same period in 2004, which had been influenced by the booking of writebacks and extraordinary capital gains on investment securities. On the other hand, the performance was positive thanks to a premium flow which was 30% higher than that achieved in the first quarter of 2004.

The capital absorbed by the sector in the first quarter of 2005, which represents 7% of the Group's shareholders' equity, showed an increase compared to the same period of the previous year as a result of the positive trend in operating volumes. The annualized RORAC reached 15.4%.

Insurance

	First quarter 2005	First quarter 2004 pro forma (1)	Change first quarter 2005 / First quarter 2004 pro forma (%)
STATEMENT OF INCOME (€/mil)			
Net income	33	69	-52.2
AVERAGE ALLOCATED CAPITAL (€/mil)	858	799	+7.4
RATIOS (%)			
Annualized RORAC	15.4	34.5	
	31/3/2005	31/3/2004 pro forma (1)	Change 31/3/05-31/3/04 pro forma (%)
OPERATING DATA (€/mil)			
Life technical reserves	40,668	33,392	+21.8
- traditional	*16,904*	*13,261*	*+27.5*
- index and unit linked	*23,764*	*20,131*	*+18.0*
Life premiums issued	2,494	1,897	
Property and casualty technical reserves	63	50	+26.0

(1) The figures relating to the first quarter of 2004 have been reported including the results of Fideuram Vita and Sanpaolo Vita.

Public Authorities and Entities

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

The activity of the first quarter of 2005 was affected by the widespread seasonal slowdown of the flow of initiatives envisaged for the credit system by public sector operators.

Public Authorities and Entities

	First quarter 2005	First quarter 2004 pro forma (1)	Change first quarter 2005 / First quarter 2004 pro forma (%)
STATEMENT OF INCOME (€/mil)			
Net interest income	33	34	-2.9
Net commissions and other net dealing revenues	1	3	-66.7
Profits and losses from financial transactions and dividends on shares	-1	-	n.s.
Profits from companies carried at equity and dividends from shareholdings	-	-	-
Net interest and other banking income	33	37	-10.8
Administrative costs	-7	-8	-12.5
- personnel	*-3*	*-4*	*-25.0*
- other administrative costs	*-4*	*-3*	*+33.3*
- indirect duties and taxes	*-*	*-1*	*n.s.*
Other operating income, net	-	1	n.s.
Adjustments to tangible and intangible fixed assets	-	-	-
Operating income	26	30	-13.3
Adjustments to goodwill and merger and consolidation differences	-	-	-
Provisions and net adjustments to loans and financial fixed assets	-3	-2	+50.0
- provisions for risks and charges	*-*	*-*	*-*
- net adjustments to loans and provisions for guarantees and commitments	*-3*	*-2*	*+50.0*
- net adjustments to financial fixed assets	*-*	*-*	*-*
Income before extraordinary items	23	28	-17.9
Net extraordinary income/expense	-	-	-
Income before taxes	23	28	-17.9
Income taxes for the period	-9	-11	-18.2
Change in reserve for general banking risks	-	-	-
Income attributable to minority interests	-	-	-
Net income	14	17	-17.6
AVERAGE ALLOCATED CAPITAL (€/mil)	635	545	+16.5
RATIOS (%)			
Annualized RORAC	8.8	12.5	
Cost / Income ratio	21.2	21.1	
	31/3/2005	31/3/2004 pro forma (1)	Change 31/3/05-31/3/04 pro forma (%)
OPERATING DATA (€/mil)			
Loans and subscription of securities by customers (€/mil)	24,159	21,516	+12.3
- net loans to customers excluding NPLs	*19,375*	*18,434*	*+5.1*
- investments in customer securities	*4,784*	*3,082*	*+55.2*
Disbursements in the period (flow)	1,294	557	
Subscriptions of securities issued by customers (flow)	175	977	
STRUCTURE			
Employees	176	169	+4.1

(1) To give unity of comparison with the first quarter of 2005, the figures relating to the first quarter of 2004 have been reported to take into account the new organizational structure of the Group approved on 1 May 2004.

The new transactions completed in the period - including the subscriptions of securities - related mainly to the financing of important infrastructure investments in the ports, school construction and road building sectors carried out by local or regional authorities. Worthy of notice is a significant financing in favor of a foreign company operating in the telecommunication satellites sector and public entities operating in the water supply sector.

The project financing activity carried out in the first quarter of 2005 was concentrated on finalizing the financial documentation to close the first “maxi-lot” of the Salerno-Reggio Calabria highway (in a pool with other institutions) and on the operation (carried out with another bank) relating to the construction and management of the new head office of the Municipality of Bologna.

During the quarter, the sector entered into an agreement to act as financial advisor - together with BBVA, BNL and Unicredit - to the concerted party led by Astaldi participating in the selection of the General Contractor responsible for the design and construction of the Strait of Messina Bridge.

The advisory activity involved the performance of on-going engagements, and also the participation to tenders and the development of commercial relationships aimed at securing new mandates. Particular mention should be made of the participation (together with Banca IMI and Banca Popolare dell’Adriatico) to a tender for the selection of an advisor to act in the aggregation of the former municipal companies of Pesaro, Fano and Urbino.

In the first quarter of 2005 the typical activity involving investment and management of shareholdings, carried out through the subsidiary FIN.OPI, developed with particular regard to the preparatory activities for the launch of the PPP Italia fund, by focusing on the collaboration procedures with Fondaco SGR as well as through contacts with possible investors.

At the end of March 2005, the total exposure for customer loans and securities amounted to 24.2 billion euro, an increase of 12.3% over the 12 months. The increase is mainly attributable to securities, as local and regional authorities increasingly seem to prefer issuing their own shares to financial brokers by way of subscription.

As the reference market has not been very dynamic, the sector reported a fall in income results, mainly as a result of the trend of commissions. Operating income was 26 million euro compared to 30 million of the first quarter of 2004. Net income, equal to 14 million euro, dropped by 17.6%. The capital absorbed by the sector, corresponding to 5% of the Group’s capital, increased as a result of the expansion of the portfolio, especially concerning the infrastructural component. Annualized profitability was 8.8%.

Central Functions

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

The income results reflect the transversal nature of these Functions, which sustain costs using a centralized system and on behalf of other Group companies, only partially allocating them to the operating units.

In the first quarter of 2005, Central Functions reported a loss of 83 million euro, attributable especially to the share of costs not allocated to operating functions and the amortization of goodwill arising on equity investments made at the holding level. The lower loss booked in the first quarter of 2004, equal to 25 million euro, is attributable to the writeback of the equity investment in Santander Central Hispano and the capital gains deriving from the sale of shareholdings.

Explanatory Notes

Explanatory Notes

Accounting and valuation principles

The Quarterly Report of the SANPAOLO IMI Group as of 31 March 2005 has been prepared according to Consob Regulation no. 11971 of 14 May 1999 as amended by Resolution no. 14990 of 14 April 2005. In particular, this Quarterly Report has been prepared using the principles already adopted for the financial statements of the previous year in compliance with the provisions of Article no. 82-bis of the above-mentioned Regulation, which governs the transition for the application of the international accounting standards to the quarterly report.

Therefore, for further detail on the accounting and valuation principles please refer to the 2004 financial statements. Here the following should be noted:
- the quarterly accounts have been prepared using the discrete approach, by which the reference period is considered to be an independent financial period. Accordingly, the quarterly statement of income reflects both the ordinary and extraordinary components pertaining to the period, in accordance with the accrual principle. In particular, income tax reflects the cost attributable to the period according to current and deferred taxation;
- the accounts used for the consolidation are those prepared by subsidiary companies (consolidated line by line, proportionally or at net equity) with reference to 31 March 2005, as adjusted when necessary to bring them into line with the Group accounting principles;
- valuations according to the net equity method of subsidiaries subject to a significant degree of influence have been made on the basis of information made available by them also using, for the statement of income for the period, prudent estimates;
- only significant balances and transactions with Group companies have been eliminated.

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

Changes in the consolidation area

The line by line and proportional consolidation area of the SANPAOLO IMI Group as of 31 March 2005 showed no significant changes compared to 31 December 2004 and 31 March 2004.

Criteria for calculating the profitability of the Business Sectors

The statement of income of the Business Sectors has been prepared according to the following criteria:
- for those Sectors whose activities are carried out by both the Parent Bank and its subsidiaries, the accounts of the Parent Bank attributable to the relevant Sector have been consolidated with the income statement line items of the Sector's subsidiary companies. In particular, the attribution to the individual Sectors of the Parent Bank line items was made on the basis of the following principles:
  - the net interest income has been calculated using appropriate Internal Transfer Rates;
  - in addition to real commissions, also notional commissions for services rendered between business units have been quantified;
  - the direct costs of each Sector have been calculated and the costs of central structures other than those attributable to holding company functions have been allocated to the same Sectors. It should be noted that, for services provided to the operating business units by the central bodies, the allocation was made on the basis of standard prices, allocating to head office the difference between costs effectively sustained and costs allocated. This method is aimed at making the central structures responsible for the recovery of efficiency;
- for those Sectors whose activities are wholly carried out by subsidiaries, the income statements of the relevant companies have been accounted for as a contribution to consolidated results, net of minority interest and after posting the consolidation adjustments attributable to the Sector.

The average capital absorbed has been attributed to each Sector on the basis of current risks (credit, market and operational) as calculated according to the VaR (Value at Risk) approach. These risks are entirely covered by primary capital. The only exception is represented by the Personal Financial Services sector which operates through Banca Fideuram where, being the company quoted, reference was made to the average accounting net shareholders' equity (including income for the period).

Finally, the profitability of each Sector has been calculated. In particular:
- for all the Sectors, except for the Personal Financial Services, profitability has been expressed in terms of

RORAC (Return On Risk Adjusted Capital), by comparing the Sector's contribution to the Group's net income with the relative average capital absorbed quantified according to the VaR approach;
- for the Personal Financial Services sector, profitability has been expressed in terms of RoE (Return on Equity), by comparing the contribution to the Group's net income with the relative average accounting net shareholders' equity (including net income for the period), in accordance with the criteria adopted to calculate the Group's profitability.

Turin, 13 May 2005

The Board of Directors