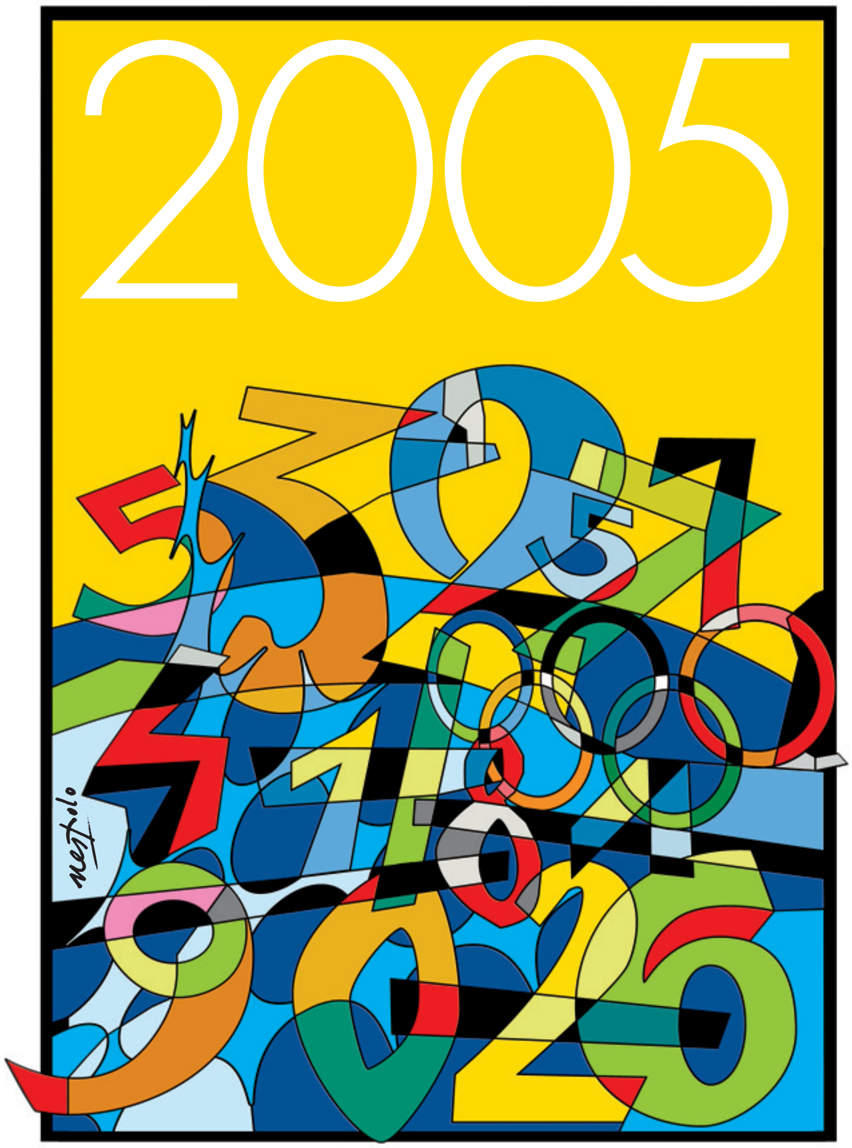
S A N P A O L O   I M I



QUARTERLY REPORT 30 SEPTEMBER 2005

PREPARED ACCORDING TO IAS/IFRS INTERNATIONAL ACCOUNTING STANDARDS

SANPAOLO IMI GROUP

Quarterly Report 30 September 2005

PREPARED ACCORDING TO IAS/IFRS INTERNATIONAL ACCOUNTING STANDARDS

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 5,235,781,140.80 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

Summary of Group figures

	30/9/2005	31/12/2004 (1)	Change 30/9/2005 - 31/12/2004 (%)
CONSOLIDATED BALANCE SHEET (€/mil)			
Total assets	276,344	248,391	+11.3
Loans to customers (excluding NPLs)	137,169	125,143	+9.6
Shareholdings	813	839	-3.1
Group net shareholders' equity	13,052	12,035	+8.5
CUSTOMER FINANCIAL ASSETS (€/mil)			
Total financial assets	411,898	384,111	+7.2
- direct deposits	148,199	141,796	+4.5
- indirect deposits	263,699	242,315	+8.8
- asset management	155,538	144,813	+7.4
- asset administration	108,161	97,502	+10.9
LOAN RISK RATIOS (%)			
Doubtful financing / Loans to customers	2.4	2.8	
Non-performing financing / Loans to customers	0.8	0.9	
Problem and restructured financing / Loans to customers	0.8	1.1	
Financing due/overdue by more than 180 days / Loans to customers	0.8	0.8	
EQUITY SOLVENCY RATIOS (%) (2)			
Core tier 1 ratio	6.9	6.9	
Tier 1 ratio	7.6	7.6	
Total risk ratio	10.7	11.7	
SHARES			
Number of shares (thousands)	1,869,922	1,863,457	+0.3
Listing for the period (€)			
- average	11.549	9.826	+17.5
- low	10.201	8.799	+15.9
- high	12.924	11.072	+16.7
Market capitalization (€/mil)	24,167	19,753	+22.3
Dividend per share (€)		0.47	
Dividend per share / Average annual listing (%)		4.78	
Book value per share (€) (3)	6.99	6.47	+8.0
OPERATING STRUCTURE			
Employees (4)	43,599	43,441	+0.4
Domestic branches	3,139	3,126	+0.4
Foreign branches and representative offices	135	131	+3.1
Financial planners	4,190	4,317	-2.9
	First nine months 2005	First nine months 2004 (5)	Change first nine months 2005 / First nine months 2004 (%)
CONSOLIDATED STATEMENT OF INCOME (€/mil)			
Net interest income	2,879	2,795	+3.0
Net commissions	2,542	2,400	+5.9
Total operating income	6,261	5,718	+9.5
Net adjustments to loans	-357	-386	-7.5
Net adjustments to other financial assets	-4	-112	-96.4
Net operating income	5,900	5,220	+13.0
Operating costs	-3,491	-3,561	-2.0
Pre-tax operating profit	2,348	1,606	+46.2
Net profit	1,509	964	+56.5
Net profit per share (€) (6)	0.81	0.53	+52.8
Diluted net profit per share (€) (6)	0.81	0.53	+52.8
MAIN RATIOS (%)			
Annualized RoE (7)	17.4	12.1	
Cost / Income ratio (8)	55.8	62.3	

(1) IAS compliant balance (cf full IAS) including the impact of transition to IAS 32 and 39 (financial instruments) and IFRS 4 (insurance contracts).
(2) Solvency ratios have been estimated as IAS compliant, applying the Bank of Italy regulations in a prudent way. At 31 December 2004, values calculated using current regulations equaled 7.4% for core tier 1 ratio, 8.1% for tier 1 ratio and 12% for total risk ratio.
(3) Net shareholders' equity / Number of shares in circulation.
(4) Including atypical contracts.
(5) Pro forma figures reconstructed on a homogeneous basis including an estimate of the impact of IAS 32 and 39 (financial instruments) and IFRS 4 (insurance contracts).
(6) Calculated on the basis of IAS 33.
(7) Annualized net profit / Net shareholders' equity at the end of the period (excluding profit).
(8) Personnel costs, other administrative costs and amortization / Total operating income.

Group structure

SANPAOLO IMI GROUP

CENTRAL FUNCTIONS

SANPAOLO IMI
- Governance, support and control functions
- Shareholdings
  - Santander Central Hispano *(Spain; 2.2%)*
  - Ixis Asset Management Group *(France; 12%)*
  - Ixis Corporate & Investment Bank *(France; 2.5%)*
  - Banque Palatine *(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)

BANKING

RETAIL & PRIVATE
- Sanpaolo IMI-Retail & Private
- Cassa di Risparmio di Padova e Rovigo-Retail & Private
- Cassa di Risparmio in Bologna-Retail & Private
- Cassa di Risparmio di Venezia-Retail & Private
- Friulcassa-Retail & Private
- Banca Popolare dell'Adriatico-Retail & Private
- Sanpaolo Banco di Napoli-Retail & Private
- Neos Banca *(96.8%)*
- Farbanca *(22.7%)*

CORPORATE
- Sanpaolo IMI-Companies
- Cassa di Risparmio di Padova e Rovigo-Companies
- Cassa di Risparmio in Bologna-Companies
- Cassa di Risparmio di Venezia-Companies
- Friulcassa-Companies
- Banca Popolare dell'Adriatico-Companies
- Sanpaolo Banco di Napoli-Companies
- Sanpaolo Leasint
- Sanpaolo IMI-Large Groups
- Sanpaolo IMI-International
  - Sanpaolo IMI Bank Ireland *(Ireland)*
  - Sanpaolo IMI Internazionale
- Banca IMI
- Banca OPI
  - Fin. OPI
- Sanpaolo IMI Private Equity

OTHER ACTIVITIES
- IMI Investimenti
- GEST Line

SAVINGS AND ASSURANCE

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)*

ASSICURAZIONI INTERNAZIONALI DI PREVIDENZA (A.I.P.)
- Fideuram Assicurazioni
- Sanpaolo Life *(Ireland)*
- Egida *(50%)*
- Universo Servizi

ASSET MANAGEMENT AND INTERNATIONAL PRIVATE BANKING

ASSET MANAGEMENT
- Sanpaolo IMI Asset Management
  - Sanpaolo IMI Asset Management *(Luxembourg)*
  - Sanpaolo IMI Institutional Asset Management (1)
  - Sanpaolo IMI Alternative Investments

INVESTMENT MANAGEMENT ADVISORY AND INTERNATIONAL PRIVATE BANKING
- Sanpaolo Bank *(Luxembourg)*
  - Sanpaolo Bank Suisse *(Switzerland)*
  - Sanpaolo Immobiliere
- Sanpaolo Fiduciaria

(1) On 26 July 2005, the merger by incorporation of Sanpaolo IMI Institutional Asset Management into Sanpaolo IMI Asset Management was decided.

Reclassified consolidated financial statements

Reclassified consolidated statement of income (1)

	First nine months 2005 (€/mil)	First nine months 2004 (2) (€/mil)	Change first nine months 2005 / First nine months 2004 (%)
A. Net interest income	2,879	2,795	+3.0
B. Net commissions	2,542	2,400	+5.9
C. Income from credit disposals, assets held to maturity and repurchase of financial liabilities	25	-19	n.s.
D. Dividends and income from other financial assets and liabilities	428	245	+74.7
E. Profits (losses) on equity shareholdings	85	53	+60.4
F. Income from insurance business	302	244	+23.8
- Total operating income	**6,261**	**5,718**	**+9.5**
G. Net adjustments to loans	-357	-386	-7.5
H. Net adjustments to other financial assets	-4	-112	-96.4
- Net operating income	**5,900**	**5,220**	**+13.0**
I. Personnel costs	-2,076	-2,096	-1.0
L. Other administrative costs	-1,108	-1,145	-3.2
M. Net adjustments to tangible and intangible assets	-307	-320	-4.1
- Operating costs (I+L+M)	-3,491	-3,561	-2.0
N. Other net income (expenses)	51	16	n.s.
O. Impairment of goodwill	-1	-	n.s.
P. Profits (losses) from disposals of investments	13	3	n.s.
Q. Net provisions for risks and charges	-124	-72	+72.2
- Pre-tax operating profit	**2,348**	**1,606**	**+46.2**
R. Taxes for the period	-791	-659	+20.0
S. Profits (losses) on discontinued operations	-	55	n.s.
T. Profit attributable to minority interests	-48	-38	+26.3
- Net profit	**1,509**	**964**	**+56.5**
Net profit per share (€)	0.81	0.53	+52.8
Diluted net profit per share (€)	0.81	0.53	+52.8

(1) The consolidated reclassified statement of income aims to present management economic margins. The contribution of the Group's insurance companies to "Total operating income" is customarily shown in the entry "Income from insurance business".

(2) Pro forma figures reconstructed on a homogeneous basis, including an estimate of the impact of IAS 32 and 39 (financial instruments) and IFRS 4 (insurance contracts).

Quarterly trend in the reclassified consolidated statement of income

	2005			2004 (1)				
	Third quarter (€/mil)	Second quarter (€/mil)	First quarter (€/mil)	Fourth quarter (€/mil)	Third quarter (€/mil)	Second quarter (€/mil)	First quarter (€/mil)	Quarterly average (€/mil)
A. Net interest income	971	975	933	914	924	937	934	927
B. Net commissions	929	844	769	839	800	819	781	810
C. Income from credit disposals, assets held to maturity and repurchase of financial liabilities	8	17	-	-28	-21	1	1	-12
D. Dividends and income from other financial assets and liabilities	202	161	65	45	48	122	75	73
E. Profits (losses) on equity shareholdings	10	64	11	21	15	24	14	19
F. Income from insurance business	120	118	64	85	80	65	99	82
- Total operating income	**2,240**	**2,179**	**1,842**	**1,876**	**1,846**	**1,968**	**1,904**	**1,899**
G. Net adjustments to loans	-128	-142	-87	-153	-82	-155	-149	-135
H. Net adjustments to other financial assets	-1	-2	-1	50	-	-32	-80	-16
- Net operating income	**2,111**	**2,035**	**1,754**	**1,773**	**1,764**	**1,781**	**1,675**	**1,748**
I. Personnel costs	-697	-674	-705	-741	-693	-705	-698	-709
L. Other administrative costs	-367	-379	-362	-421	-383	-395	-367	-391
M. Net adjustments to tangible and intangible assets	-105	-104	-98	-139	-110	-110	-100	-115
- Operating costs (I+L+M)	-1,169	-1,157	-1,165	-1,301	-1,186	-1,210	-1,165	-1,215
N. Other net income (expenses)	8	32	11	33	-2	13	5	12
O. Impairment of goodwill	-1	-	-	-77	-	-	-	-19
P. Profits (losses) from disposals of investments	-	13	-	6	3	-	-	2
Q. Net provisions for risks and charges	-16	-80	-28	-107	-20	-35	-17	-45
- Pre-tax operating profit	**933**	**843**	**572**	**327**	**559**	**549**	**498**	**483**
R. Taxes for the period	-297	-269	-225	-86	-215	-227	-217	-186
S. Profits (losses) on discontinued operations	-	-	-	61	-	-	55	29
T. Profit attributable to minority interests	-21	-13	-14	-10	-11	-15	-12	-12
- Net profit	**615**	**561**	**333**	**292**	**333**	**307**	**324**	**314**

(1) Pro forma figures reconstructed on a homogeneous basis, including an estimate of the impact of IAS 32 and 39 (financial instruments) and IFRS 4 (insurance contracts).

Reclassified consolidated balance sheet

	30/9/2005 (€/mil)	31/12/2004 (1) (€/mil)	Change 30/9/05-31/12/2004 (%)
ASSETS			
A. Cash and liquid assets	870	1,364	-36.2
B. Financial assets (other than credit and assets held to maturity)	90,678	78,230	+15.9
C. Assets held to maturity	2,175	1,818	+19.6
D. Loans to banks	29,937	24,908	+20.2
E. Loans to customers	138,289	126,280	+9.5
F. Hedging derivatives	653	1,569	-58.4
G. Fair value changes of generically hedged items (+/-)	-	-	-
H. Shareholdings	813	839	-3.1
I. Technical reserves reassured with third parties	25	25	-
L. Tangible assets	2,221	2,328	-4.6
M. Goodwill	761	766	-0.7
N. Other intangible assets	256	289	-11.4
O. Tax assets	3,188	3,789	-15.9
P. Non-current assets and groups of assets being disposed	-	-	-
Q. Other assets	6,478	6,186	+4.7
Total assets	**276,344**	**248,391**	**+11.3**
LIABILITIES AND SHAREHOLDERS' EQUITY			
A. Due to banks	44,193	28,293	+56.2
B. Due to customers	98,011	88,735	+10.5
C. Securities issued	50,188	53,061	-5.4
D. Financial liabilities held for trading	11,049	11,270	-2.0
E. Financial liabilities evaluated at fair value	22,190	19,255	+15.2
F. Hedging derivatives	1,103	1,941	-43.2
G. Provision for financial liabilities of generically hedged items (+/-)	11	18	-38.9
H. Tax liabilities	1,412	1,106	+27.7
I. Liabilities on groups of assets being disposed	-	-	-
L. Other liabilities	10,162	9,790	+3.8
M. Provisions for risks and charges	2,620	2,700	-3.0
N. Technical reserves	22,135	19,983	+10.8
O. Minority interests	218	204	+6.9
P. Group shareholders' equity	13,052	12,035	+8.5
Total liabilities and shareholders' equity	**276,344**	**248,391**	**+11.3**

(1) IAS compliant balance (cf full IAS) including the impact of transition to IAS 32 and 39 (financial instruments) and IFRS 4 (insurance contracts).

Report on Group Operations

Action points and initiatives in the quarter

The most important event in the period was the drawing up of the 2006-2008 Industrial Plan approved by the Board of Directors on 25 October 2005. Fundamentally, the Plan confirms and promotes the territorial bank model for banking activities, integrated with high competence and specialization by segment and product. This foresees the full deployment of the competitive power of the Group over the three-year period, emphasizing the centrality of customer relations. The growth strategy is centered on two basic levers: increasing revenues deriving from the convergence of all operating units in the levels of best practice already achieved within the Group, and broadening the customer base through the ability to relate and attract, as well as through competitive initiatives for products and segments under development, from long-term savings to consumer credit and financial products for companies. The achievement of the growth curve laid out in the Plan will permit the SANPAOLO IMI Group to exercise its role to the full, realize its potential and acquire a leadership on the domestic market.

The Plan has confirmed the organizational structure of the Group set out on 5 July 2005 and focused on specialization in activities in the sectors of "Banking", divided into the business lines of retail & private and corporate, "Savings and Assurance", and "Asset Management and International Private Banking". These Sectors are accompanied by the central functions of governance, support and control.

The initiatives taken in the third quarter of 2005 are aimed at strengthening the capacity to generate revenue and at improving efficiency through the optimization of cost structures.

With regard to the former, projects continued focused on the following themes:

- strengthening of the role of issuing loans to both retail customers, through an increase in the market share for residential mortgages and consumer credit, and to corporate customers, with especial attention to the small- and medium-sized enterprises (SME) segment, maintaining the high quality of the loan portfolio. A strong boost is also foreseen for the development of financing transactions and advisory and assistance services for companies with good creditworthiness and public authorities and entities;
- consolidation of the leadership in asset management through the optimization of customer investments on the basis of the specific risk/return profile, and reaching a leading position in the insurance compartment, thanks to market development prospects linked in particular to private assurance.

Projects for optimizing the utilization of human and financial resources continued centered on:

- defining a branch operating model aimed at improving interaction with customers and the productivity of the network, strengthening the front office in terms of numbers of employees and training;
- increasing cost management activities with the aim of using resources more efficiently, through a review of cost-management processes and related responsibilities.

In this operational scenario, the main initiatives taken in the third quarter are hereafter described for each Business Sector.

Banking

On the completion of the plan to rationalize the Group distribution network, which led to the transfer of operating points between commercial banks (based on the principle that the branches within a reference territory of a specific historical brand should belong to the bank holding that brand) and the progressive adoption of the organizational and commercial model of the Sanpaolo network by the other bank networks, especial efforts were made in the third quarter to consolidate the model. Extension of the organizational structure by markets involved both the operating points and territorial areas in charge of the presidium of the network. With reference to the latter, the organization model was 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 central functions.

With regard to retail and private customers, in the third quarter of 2005 the program to support investments for small businesses was continued (and will be completed at the end of 2005) aimed at promoting the competitivity and excellence of quality of products and services with the support of the major Guarantee consortia. The project is characterized by the offer from the retail branches of specific medium-term financing for wide-ranging and new goals, and prompt and streamlined response. Assistance will also be available to this customer segment through agreements with leading consultancy operators and university faculties.

The central importance to the growth of SANPAOLO IMI of retail mortgages, which led to the broadening of the range of offers at the end of June with the launch of a new product to finance purchasing of property up to 100%, was further confirmed during the quarter by commercial initiatives aimed at acquiring new customers.

Moreover, and still in the mortgage compartment, collaboration with Banca Fideuram continued (according to an agreement signed in the first half of the year) for the placement of this type of financing to private clients through financial planners. The agreement will strengthen the distribution capacity of the Group with cross selling of products previously exclusively placed by the operating points.

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

Confirming the importance given to developing transactions with the SME segment, collaboration projects continued in the third quarter of 2005 with Guarantee consortia aimed at consolidating existing relations and acquiring new customers with a medium/high credit standing. In particular, with regard to medium-term financing for applied research projects, the initial plafond of 250 million euro allocated at the beginning of July 2004 for this type of product was increased to 500 million euro, and some new actions were taken to increase the cost limits of projects to be financed and to rationalize issuing of loans.

In the international compartment and with the aim of assisting Italian companies in both direct investment and commercial trade, SANPAOLO IMI has subscribed to the Global Trade Finance Program of the International Finance Corporation (IFC) in Washington that aims to promote development of trade with emerging and developing countries. To achieve this aim, the IFC acts through the subscribing banks, offering guarantees of payment for supplies to countries with a high risk profile. As a member of the program, SANPAOLO IMI has a partial or total coverage of the risks underwritten with banks in emerging markets for the import/export of goods and services and may extend customer risk coverage in new markets, including especially complex transactions.

With regard to investment banking, Banca IMI strengthened its role on the Italian market, intensifying its corporate finance and structured finance activities and participating in major operations such as the acquisition of a shareholding in Wind by the Weather/Sawiris group and the placement of the shares of Fondo Immobili Pubblici (public real estate assets).

The agreements concerning the FIAT group and Italenergia Bis (IEB), investments in which are held by IMI Investimenti, underwent significant changes during the period.

On 20 September 2005, the integral debt conversion was completed of the "convertible facility" of three billion euro to the FIAT group to which SANPAOLO IMI, together with other banks, had subscribed in July 2002 for a share equal to 400 million euro. The conversion was effected at the share price of 10.28 euro, with the consequent subscription of FIAT shares for the relevant increase in capital. A share offer is currently underway for shareholders and an eventual unsold share option will be put on the market. After subscription, and depending on the results of the share offer, SANPAOLO IMI investment in FIAT deriving from the debt conversion should amount to 3.3% of voting rights and overall 4%; that percentage could rise to 4.4% if calculated on ordinary capital.

Concerning the Group's 12.48% investment in IEB held through IMI Investimenti, on 1 September 2005 SANPAOLO IMI, together with Banca Intesa and Capitalia, and following the sale options related to EDF – Electricité de France foreseen in the contracts drawn up in 2002, ceded to the company entirely controlled by EDF IEB shares and warrants and Edison shares. Capital ceded by the Group totaled 7.82% of IEB and 0.97% of Edison, for an overall total of 387.7 million euro. On 9 September 2005, these banks, on the basis of the Framework Agreement of May 2002 by which they took over a further 14% of IEB capital from FIAT (4.66% ascribable to SANPAOLO IMI) and with reference to the put option stipulated in 2002, sold the share to another company controlled by EDF for a sum of 217.5 million euro, together with related warrants at the same time as the closing of sale options between FIAT and EDF.

Savings and Assurance

With the aim of strengthening the rationalization of the Group's insurance activities and further increasing their industrial value, economic weight and market relevance, on 5 July 2005 the Board of Directors of SANPAOLO IMI decided to concentrate the insurance activities of Assicurazioni Internazionali di Previdenza (A.I.P.) and asset gathering of Banca Fideuram in a new company structure, the Savings and Assurance sector. New Step was established in October as the company reporting directly to the Parent Bank and into which, as of November, the investments previously held by SANPAOLO IMI in A.I.P. and Banca Fideuram have been transferred. The aims of the new Pole are to gather together the Group's competences in the production and distribution of insurance and financial products, in order to meet the needs of savings protection, personal assurance and defense of assets.

The aims of this organizational and company reconfiguration may be defined as:

- strategic positioning with greater visibility and perception of the value of asset gathering and management of insurance and pension investments;
- focusing of existing structures and activities, characterized by related competences and mutual opportunities for exploitation, with the creation of a large and highly efficient production/distribution platform;
- strategic options linked to growth opportunities for external business lines in the context of the ongoing aggregations.

In reference to Egida, the casualty insurance company 50% controlled by A.I.P., at the end of October 2005 the Board of Directors of SANPAOLO IMI authorized A.I.P. to exercise the call option for the remaining 50% of the company capital held by Reale Mutua. The acquisition of total control of Egida will lay the foundations for a re-launch of the casualty business that will be an important growth area in the Industrial Plan of the new Pole.

Asset Management and International Private Banking

The Sector brings together the business lines of Asset Management, dedicated to developing wealth management for private and institutional clients, and Investment Management Advisory and International Private Banking, aimed at developing advisory services for high-standing network customers and the presidium, through the companies falling within its perimeter, of international private banking.

Following the reorganization of asset management activities at the end of the last year through the spin off of the insurance branch, and with the goal of increasing management efficiency in the compartment, on 26 July 2005 the Board of Directors of SANPAOLO IMI authorized the merger by incorporation of Sanpaolo IMI Institutional Asset Management, the SGR specialized in management and advisory services for institutional customers, in Sanpaolo IMI Asset Management, which holds total control. The merger, which might be completed by the close of the year, will lead to a single presidium of business processes, with better operational efficiencies as well as synergies of scope and cost obtained by the integration of management, commercial and product development structures.

Consolidated results

The international context

In the third quarter of 2005, the rise in oil prices, due to structural factors augmented by the climatic phenomena at the end of August, does not seem to have changed the world macro-economic scenario, led by the Asian economies, principally China and India, and the United States. The American economy confirmed its healthy growth despite the risk of the rise of inflation due to high energy costs. Japan showed encouraging signs of recovery, powered by a rise in internal demand. On the other hand, the real cycle of the eurozone remained weak due to the poor performance of consumption and investments. In line with these trends, the Federal Reserve (Fed) continued its restrictive actions with the eleventh consecutive rise of Fed Fund rates (3.75%) in September, followed by further adjustment in November which brought the rate to 4%. For its part, the European Central Bank (ECB) left policy rates at 2%, the same levels as 2004. Performance of the international stock markets varied: there has been a rise in the eurozone since the beginning of the year, while the main US exchange indices have remained basically unchanged compared to the end of 2004. In Italy, signs of recovery have been seen in industrial production and exports, while difficulties persist in internal demand.

Presentation of information

As highlighted in the Half Year Report, the consolidated results for the first nine months of 2005 must be considered in the light of the changes brought about by the introduction of international accounting standards (IAS/IFRS). These standards have had a profound impact on the criteria for drawing up the report. Consequently, in order to provide the most consistent comparison, pro forma information for the first nine months of 2004 has been reconstructed full IAS.

Application of the new accounting standards has also led to a modification of the perimeter of consolidation: the most important change is the line by line consolidation of the insurance companies, previously reported in the financial statements according to the net shareholders' equity method. The revenue entries of the insurance compartment, partially not homogeneous with banking activities, have therefore been grouped in a specific item. Minor effects are related to the change from proportional consolidation to line by line consolidation of Banka Koper and evaluation by net equity of Cassa dei Risparmi di Forlì, previously consolidated proportionally.

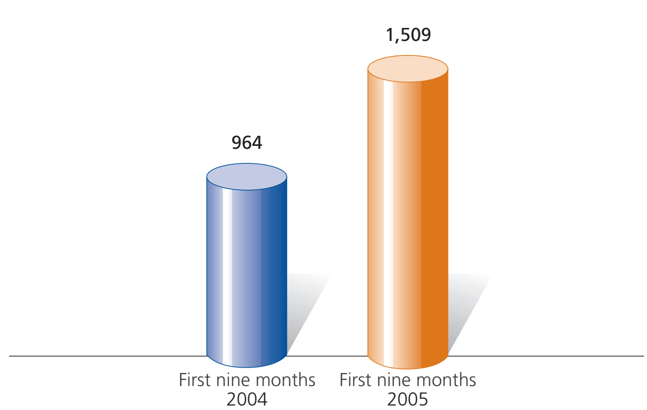
Summary of results

In the first nine months of 2005, the SANPAOLO IMI Group showed a positive evolution in the main income margins compared with the same pro forma period for 2004, with a considerable acceleration with respect to the first half of the year.

Total operating income, representing revenue, increased by 9.5% thanks to the favorable trend of the major components. Net operating income, that benefited from a reduction in net adjustments, rose by 13% compared to the first nine months of 2004. The growth in pre-tax operating profit was 46.2%, thanks also to containment of operating costs.

Net profit for the first nine months of 2005, which benefited from the effects of the Italenergia Bis (IEB) transactions for 128 million euro, totaled 1,509 million euro, an increase of 56.5% over the 964 million for the same period in the previous year reconstructed pro forma. The significant rise in profit was reflected in an increase in annualized RoE, calculated relating the net profit to net shareholders' equity at the end of the period (excluding profit). Profitability reached 17.4% compared to the 12.1% in the first nine months of 2004.

Net profit (€/mil)



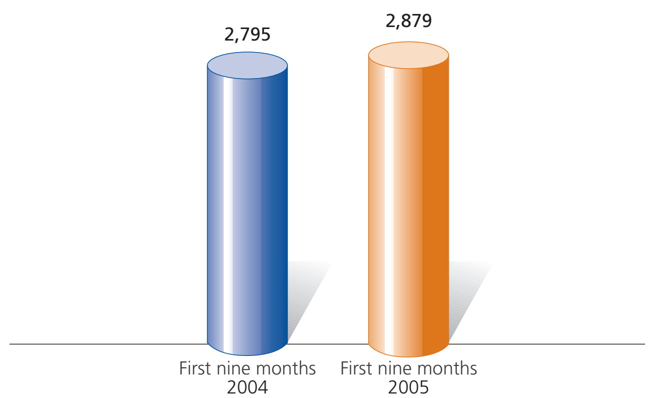
Net interest income

Net interest income, equal to 2,879 million euro, increased by 3% compared to the same period for 2004, a rise against the June figure of 2%. Concentrating on the analysis of the banking core business, with the exclusion of atypical components characterized by greater volatility attributable to the investment banking activities of Banca IMI, percentage growth rose to 4.4%. Therefore, the positive performance of income continued and represented an interruption in the downward trend seen during 2004. The main growth factor is attributable to the significant contribution of volumes dealt.

In order to determine the net interest income of the core banking business, average amounts and rates have been analyzed excluding investment banking activities.

On average, the Group's interest-earning assets rose by 7.6% compared to the first nine months of 2004. All the main components contributed to the increase: securities (+33.1%), other interest-earning assets, including repurchase agreements (+18%), and loans to customers (+3%) which make up around three quarters of interest-earning assets. Average amounts of interest-bearing liabilities showed a similar percentage rise to interest-earning assets, due to the rise in direct customer deposits (+4.1%), driven by deposits, and other interest-bearing liabilities (+21.9%).

Net interest income (€/mil)



Analysis of average amounts and interest rates (1)

	First nine months 2005		First nine months 2004		Change first nine months 2005 / First nine months 2004	
	Average amounts (€/mil)	Annualized average rate (%)	Average amounts (€/mil)	Annualized average rate (%)	Change in average amounts (%)	Difference in rates (points %)
Interest-earning assets	197,816	n.s.	179,391	n.s.	+10.3	n.s.
- interest-earning assets excluding investment banking	166,308	4.23	154,520	4.32	+7.6	-0.09
- loans to customers (excluding repurchase agreements)	*124,168*	*4.75*	*120,493*	*4.84*	*+3.0*	*-0.09*
- securities	*17,406*	*2.94*	*13,073*	*3.06*	*+33.1*	*-0.12*
- other interest-earning assets	*24,734*	*2.51*	*20,954*	*2.14*	*+18.0*	*+0.37*
- interest-earning assets from investment banking	31,508	n.s.	24,871	n.s.	+26.7	n.s.
Non interest-earning assets	68,208		78,598		-13.2	
Total assets	**266,024**		**257,988**		**+3.1**	
Interest-bearing liabilities	191,056	n.s.	172,343	n.s.	+10.9	n.s.
- interest-bearing liabilities excluding investment banking	159,990	2.03	148,645	2.05	+7.6	-0.02
- direct customer deposits (excluding repurchase agreements)	*123,662*	*1.85*	*118,845*	*1.93*	*+4.1*	*-0.08*
- due to customers	*75,433*	*1.01*	*70,011*	*0.98*	*+7.7*	*+0.03*
- securities issued	*48,229*	*3.17*	*48,834*	*3.29*	*-1.2*	*-0.12*
- other interest-bearing liabilities	*36,328*	*2.62*	*29,800*	*2.53*	*+21.9*	*+0.09*
- interest-bearing liabilities from investment banking	31,066	n.s.	23,698	n.s.	+31.1	n.s.
Non interest-bearing liabilities	62,425		74,147		-15.8	
Shareholders' equity	12,544		11,498		+9.1	
Total liabilities and shareholders' equity	**266,024**		**257,988**		**+3.1**	

(1) Excluding accruals and changes in assets and liabilities subject to hedging by derivative instruments.

This performance resulted in a less favorable mix in interest-earning assets, evident in a total average spread of 2.20%, down seven basis points compared to the first nine months of 2004. The spread related to customer transactions held up better, more or less maintaining the values shown for the same period of the previous year. Protection of the spread is more notable in the context of markets characterized by excessive supply of loans by the system that has fueled levels of competition. At the same time, the liquidity of companies has led to an increase in the usually more costly corporate deposits.

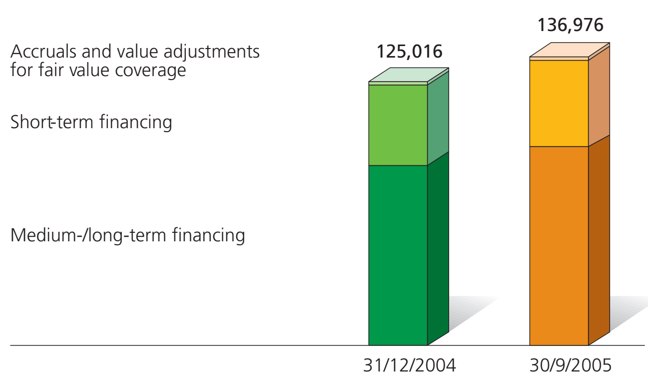
Money market rates rose slightly: comparing the average for the first nine months of 2005 (2.13%) with that of the same period for 2004 (2.09%), three-month Euribor increased by four basis points.

At the end of September 2005, there was a marked rise (+9.5% since the beginning of the year) in loans to customers, including debt securities and non-performing loans, which reached 138.3 billion euro. Financing to customers (excluding non-performing financing) amounted to 137 billion euro, a 9.6% increase over the end of 2004. This positive trend is attributable to the increase in both short-term financing (+9.8%) and medium-/long-term financing (+9.4%).

With regard to the latter, mortgage disbursements to households performed well, confirming the positive trend in financing directed to the retail sector. In the first nine months of 2005, inflow amounted to 3.4 billion euro, 14.5% higher than the same period in the previous year. As regards the evolution of loans made by Banca OPI for public works and infrastructures, the stock at the end of September amounted to 20.8 billion euro, a growth of 7.9% since the beginning of the year.

Loans by Group Business Sector have shown solid growth driven by the Banking sector (+11.4%). The most significant contribution was made by the Corporate business line (+12.6%), where exceptional performances were seen in loans to companies, public authorities and entities, the international compartment, structured finance and investment banking. On the other hand, loans to large groups decreased. The Retail & Private line of business showed an

Financing to customers excluding NPF (€/mil)



Loans to customers

	30/9/2005 (€/mil)	30/9/2005 %	31/12/2004 (1) (€/mil)	31/12/2004 (1) %	Change 30/9/05-31/12/04 (%)
Short-term financing	42,549	30.8	38,736	30.7	+9.8
Medium-/long-term financing	93,105	67.3	85,134	67.4	+9.4
Accruals and value adjustments for fair value coverage	1,322	1.0	1,146	0.9	+15.4
Financing to customers excluding NPF	**136,976**	**99.1**	**125,016**	**99.0**	**+9.6**
Non-performing financing	1,120	0.8	1,137	0.9	-1.5
Total financing to customers	**138,096**	**99.9**	**126,153**	**99.9**	**+9.5**
Debt securities held in the portfolio	192	0.1	127	0.1	+51.2
Accruals and value adjustments for fair value coverage	1	0.0	-	0.0	n.s.
Debt securities excluding non-performing debt securities	**193**	**0.1**	**127**	**0.1**	**+52.0**
Non-performing debt securities	-	0.0	-	0.0	-
Total debt securities	**193**	**0.1**	**127**	**0.1**	**+52.0**
Loans to customers	**138,289**	**100.0**	**126,280**	**100.0**	**+9.5**

(1) IAS compliant balance (cf full IAS) including the impact of transition to IAS 32 and 39 (financial instruments) and IFRS 4 (insurance contracts).

8.1% growth since the beginning of the year, attributable to both the healthy rise in medium-/long-term financing to households and consumer credit.

At the end of September 2005, direct customer deposits showed a positive performance, amounting to 148.2 billion euro, an increase of 4.5% since the beginning of the year. The trend in the first nine months is attributable especially to current accounts and deposits (+7.4%), to repurchase agreements and securities lending (+28.8%) and commercial paper (+10.7%), which largely compensated the drop in funding from securities and subordinated liabilities.

In the analysis of the Group Business Sector, Banking deposits, which make up over two thirds of the overall aggregate, increased 11.6% since the beginning of the year, due mainly to the contribution of the Corporate busi-

Loans to customers (excluding NPLs) by Business Sector

	30/9/2005 (€/mil)	31/12/2004 pro forma (€/mil)	Change 30/9/05-31/12/04 pro forma (%)
Banking	132,370	118,815	+11.4
- Retail & Private	45,166	41,792	+8.1
- Retail & Private-Commercial banks	*40,778*	*37,875*	*+7.7*
- Other companies	*4,388*	*3,917*	*+12.0*
- Corporate	84,781	75,280	+12.6
- Companies-Commercial banks	*39,012*	*35,489*	*+9.9*
- International	*6,643*	*5,113*	*+29.9*
- Large Groups	*4,739*	*6,421*	*-26.2*
- Public Authorities and Entities	*20,816*	*19,285*	*+7.9*
- Structured Finance	*3,452*	*1,410*	*+144.8*
- Other companies	*10,119*	*7,562*	*+33.8*
- Other Activities	2,423	1,743	+39.0
Savings and Assurance	977	830	+17.7
Asset Management and International Private Banking	246	456	-46.1
Central Functions (1)	3,576	5,042	-29.1
Loans to customers excluding NPLs	**137,169**	**125,143**	**+9.6**

(1) Including loans of Group Finance.

Direct customer deposits

	30/9/2005		31/12/2004 (1)		Change 30/9/05-31/12/04 (%)
	(€/mil)	%	(€/mil)	%	
Current accounts and deposits	78,641	53.1	73,191	51.6	+7.4
Certificates of deposits	2,895	2.0	2,904	2.0	-0.3
Bonds	35,783	24.1	37,953	26.8	-5.7
Commercial paper	3,712	2.5	3,352	2.4	+10.7
Subordinated liabilities	6,161	4.2	6,955	4.9	-11.4
Repurchase agreements and securities lending	15,028	10.1	11,664	8.2	+28.8
Other deposits	4,872	3.3	4,377	3.1	+11.3
Accruals and value adjustments for fair value coverage	1,107	0.7	1,400	1.0	-20.9
Direct customer deposits	**148,199**	**100.0**	**141,796**	**100.0**	**+4.5**

(1) IAS compliant balance (cf full IAS) including the impact of transition to IAS 32 and 39 (financial instruments) and IFRS 4 (insurance contracts).

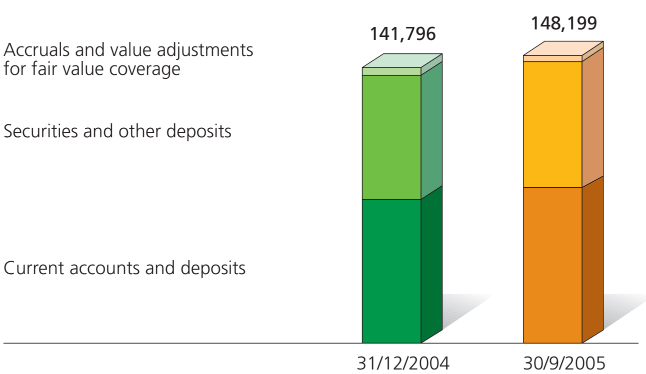
ness line (+27.5%) which benefited from the positive liquidity of private and public operators at home and abroad. The more volatile component of investment banking activities also showed a positive trend. Funding by the Retail & Private business line remained basically stable. The 12.7% fall in Central Functions is mainly attributable to the expiry of securities issued by the Treasury and the special funding vehicles which it oversees.

At the end of September 2005, the Group's domestic market share (calculated on harmonized figures defined in the context of eurozone countries) was 10.1% for loans and 10.2% for direct deposits. Compared to the end of 2004, the share of loans increased by one tenth of a point, while the share of deposits fell by the same amount due to the expiry of bond securities and subordinated liabilities.

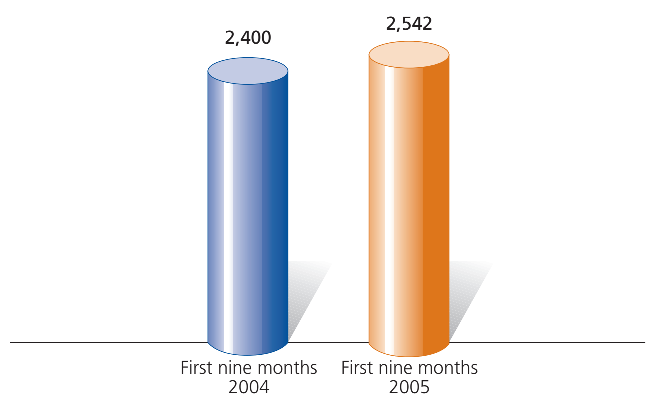
Net commissions

Net commissions rose by 5.9% compared to the first nine months of 2004, totaling 2,542 million euro.

Direct customer deposits (€/mil)



Net commissions (€/mil)



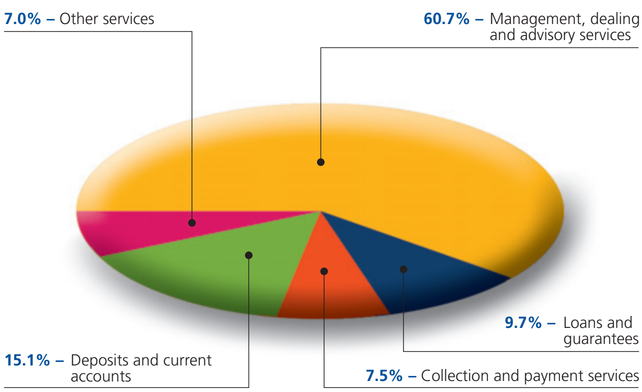
Direct customer deposits by Business Sector

	30/9/2005 (€/mil)	31/12/2004 pro forma (€/mil)	Change 30/9/05-31/12/04 pro forma (%)
Banking	104,853	93,937	+11.6
- Retail & Private	57,890	57,369	+0.9
- Retail & Private-Commercial banks	*57,575*	*57,229*	*+0.6*
- Other companies	*315*	*140*	*+125.0*
- Corporate	41,921	32,874	+27.5
- Companies-Commercial banks	*13,418*	*12,163*	*+10.3*
- International	*5,199*	*3,436*	*+51.3*
- Large Groups	*1,284*	*871*	*+47.4*
- Public Authorities and Entities	*4,710*	*4,447*	*+5.9*
- Other companies	*17,310*	*11,957*	*+44.8*
- Other Activities	5,042	3,694	+36.5
Savings and Assurance	5,093	4,097	+24.3
Asset Management and International Private Banking	2,489	2,777	-10.4
Central Functions (1)	35,764	40,985	-12.7
Direct customer deposits	**148,199**	**141,796**	**+4.5**

(1) Including deposits of Group Finance.

Commissions from the management, dealing and advisory services, making up over 60% of the total, rose by 10.3% compared to the same period in 2004, thanks to the increase in commissions on asset management (+9.7%) and the dealing and advisory compartment (+14.5%) that benefited from advisory fees (19 million euro) linked to the Wind transaction. The performance of the aggregate also benefited from the recovery of financial markets: the Comit index showed a positive performance of 14% since the beginning of the year after an increase of 17.4% in the previous year. The endogenous growth factors included a change in the mix of asset management attributable to the orientation of the customers towards products with a higher equity component, particularly fund-based portfolio management and insurance. There was in fact a re-conversion of the assets accumulated on the money compartment towards products with a higher added value, in terms of both portfolio manager actions and protection of capital and assurance.

Break-down of commissions in the first nine months of 2005



Collection and payment services rose by 7.3%, attributable to the growth in transactions involving traditional products. Commissions arising from loans and deposits varied to a lesser extent. Although other services were still in decline, they considerably reduced the fall recorded in the first half of the year, thanks to the acquisition of commissions on tax collection for 45 million euro, following the legal regulation of fixed public contributions in the sector.

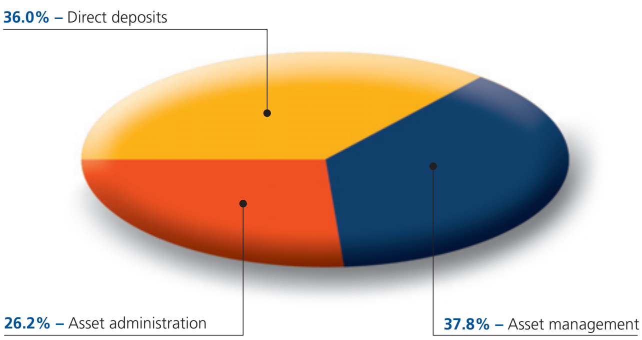
Indirect deposits increased by 8.8% since the end of December 2004, attributable to the two components of asset management and asset administration. The trend benefited in more or less the same fashion from the high number of placements and the positive performance of financial markets.

Total operating income

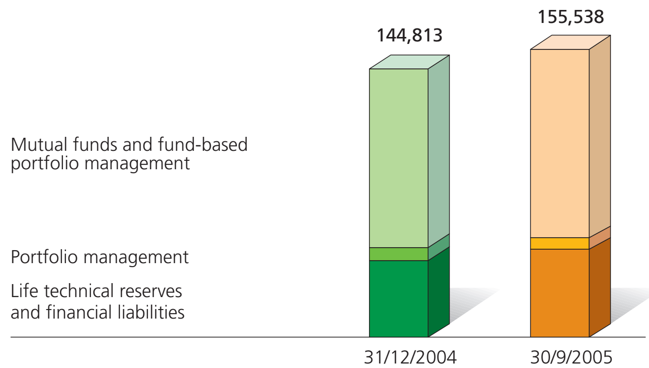
	First nine months 2005 (€/mil)	First nine months 2004 (1) (€/mil)	Change first nine months 2005 / First nine months 2004 (%)
Net interest income	2,879	2,795	+3.0
Net commissions	2,542	2,400	+5.9
- management, dealing and advisory services	1,542	1,398	+10.3
- asset management	*1,344*	*1,225*	*+9.7*
- securities dealing and safekeeping, and currency dealing	*198*	*173*	*+14.5*
- loans and guarantees	246	243	+1.2
- collection and payment services	192	179	+7.3
- deposits and current accounts	383	387	-1.0
- other services	179	193	-7.3
Income from credit disposals, assets held to maturity and repurchase of financial liabilities	25	-19	n.s.
Dividends and income from other financial assets and liabilities	428	245	+74.7
Profits (losses) on equity shareholdings	85	53	+60.4
Income from insurance business	302	244	+23.8
Total operating income	**6,261**	**5,718**	**+9.5**

(1) Pro forma figures reconstructed on a homogeneous basis, including an estimate of the impact of IAS 32 and 39 (financial instruments) and IFRS 4 (insurance contracts).

Break-down of customer financial assets in the first nine months of 2005



Asset management (€/mil)



In the first nine months of 2005, the Group's distribution networks recorded a positive net inflow from asset management of 3.7 billion euro, as against the negative flow of 2004. Inflow for the period mainly came through life policy premiums (3.2 billion) and, to a lesser extent, the placement of mutual funds and fund-based portfolio management (1 billion). Net placements in portfolio management fell (-0.5 billion).

At the end of September 2005, asset management totaled 155.5 billion euro, an increase of nearly 11 billion compared to the end of 2004. A break-down of the various compartments is as follows:

- since the beginning of the year, mutual funds and fund-based portfolio management have increased by 6%, attributable to both net flow and the positive performance of the financial markets. After a difficult year for Group funds, and the fund system in general, investors moved towards professional asset management, fueling an increase in managed amounts and counterbalancing funds with higher added value (equity, balanced and hedge). Since the beginning of the year, this component's share rose by 2.4 percentage points, totaling 35.2% at the end of September 2005. As regards the various types of low-risk funds, liquidity funds in the customer portfolios decreased consider-

Customer financial assets

	30/9/2005		31/12/2004 (1)		Change 30/9/05-31/12/04
	(€/mil)	%	(€/mil)	%	(%)
Asset management	155,538	37.8	144,813	37.7	+7.4
Asset administration	108,161	26.2	97,502	25.4	+10.9
Direct deposits	148,199	36.0	141,796	36.9	+4.5
Customer financial assets	**411,898**	**100.0**	**384,111**	**100.0**	**+7.2**

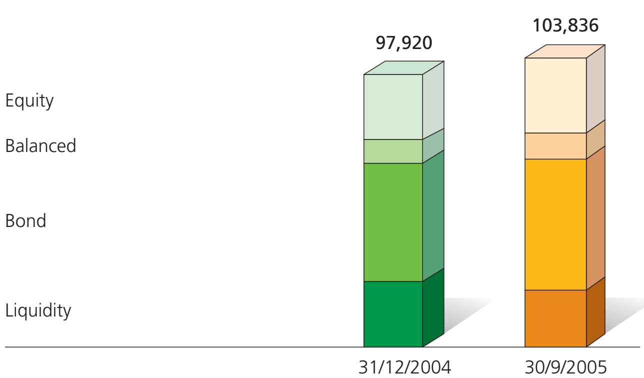
(1) IAS compliant balance (cf full IAS) including the impact of transition to IAS 32 and 39 (financial instruments) and IFRS 4 (insurance contracts).

Asset management

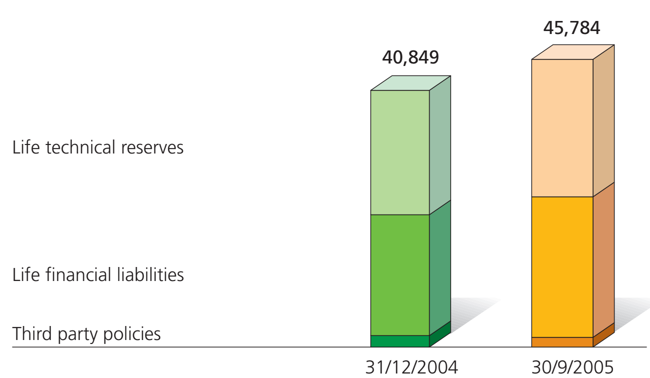
	30/9/2005		31/12/2004 (1)		Change 30/9/05-31/12/04
	(€/mil)	%	(€/mil)	%	(%)
Mutual funds and fund-based portfolio management	103,836	66.8	97,920	67.6	+6.0
Portfolio management	5,918	3.8	6,044	4.2	-2.1
Life technical reserves and financial liabilities	45,784	29.4	40,849	28.2	+12.1
Asset management	**155,538**	**100.0**	**144,813**	**100.0**	**+7.4**

(1) IAS compliant balance (cf full IAS) including the impact of transition to IAS 32 and 39 (financial instruments) and IFRS 4 (insurance contracts).

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



Life technical reserves and financial liabilities (€/mil)



ably (-4 percentage points) while bond funds increased (+1.6 percentage points). At the end of the first nine months of 2005, the Group continued to rank first on the domestic market, with a market share of 19%: the fall of eight-tenths of a point since the beginning of the year is due to the higher incidence of insurance and third party products on asset management;

- transactions in the life insurance branch continued to be lively, confirming it as the most dynamic compartment in asset management. Net inflow recorded by the Group's distribution networks in the first three quarters of 2005 brought the life policy portfolio to 45.8 billion euro at the end of September 2005, a rise of 12.1% since the beginning of the year. During the period under review, customers opted for both traditional policies and index- and unit-linked ones, with a greater financial content.

Other income items

Income from credit disposals, assets held to maturity and repurchase of financial liabilities, totaling 25 million euro, include the positive effects of the pro soluto disposal (22 million) of non-performing financing lower than 50,000 euro for a total declared loan of 278 million and a net

Change in asset management

	First nine months 2005 (€/mil)	First nine months 2004 (€/mil)
Net inflow for the period	3,668	-1,665
- mutual funds and fund-based portfolio management	949	-4,692
- portfolio management	-517	-1,526
- life policies	3,236	4,553
Performance effect	7,057	2,453
Change in asset management	**10,725**	**788**

Mutual funds by type

	30/9/2005 (%)	31/12/2004 (%)
Equity	26.1	24.8
Balanced	9.1	8.0
Bond	45.6	44.0
Liquidity	19.2	23.2
Total Group mutual funds	**100.0**	**100.0**

value of 37 million created in the second quarter by SANPAOLO IMI, Sanpaolo Banco di Napoli and Cassa di Risparmio in Bologna. The caption also includes price differentials for the repurchase of own shares, generally made above par due to the fall in rates, and the effect of the closing of the relative hedge derivatives.

Dividends and income from other financial assets and liabilities include current income from transactions in financial instruments, realized or evaluated at fair value, profits and losses on the available for sales portfolio and dividends. The latter include figures related to the minority interests of the Group in the available for sale portfolio and also trading securities of the investment banking activities of Banca IMI.

Dividends and income from other financial assets and liabilities amounted to 428 million euro, a rise of 74.7% compared to the 245 million recorded in the first nine months of 2004. This significant increase is attributable to the typical operations of Banca IMI in corporate finance and the equity capital markets, as well as the structured finance compartment. Considerable support came from transactions in securities, currency and derivative contracts by the commercial banks. The results for the first nine months of the year also include some one-off components: the positive (51 million) differential between the market value of FIAT shares on the date of the conversion of the loan and the evaluation of the embedded derivative made on the first application of IAS, and the capital gain (104 million) on the disposal of investments in IEB following the execution of the put option by the banks holding equity in the energy company. The effect of the latter transaction on net profit amounts to 128 million taking into account the redefinition of taxes in the period. The exercise of the rights inherent in the Edison warrants still in the portfolio will amount to an additional 8 million on the net profit for the fourth quarter.

Profits on equity shareholdings, equal to 85 million euro, rose compared to the first nine months of 2004 due to the capital gain achieved by the private equity compartment and profits from the companies carried at equity, mainly attributable to Cassa di Risparmio di Firenze and Banque Palatine.

Income from the insurance business related to the life and casualty companies headed by Assicurazioni Internazionali di Previdenza amounted to 302 million euro, an increase of 23.8% compared to the same period for 2004. The growth is attributable to the realization of capital gain on the mutual equity fund portfolio, which was liquidated following the company's decision to favor direct investments. The reduction in market rates was also reflected in an increase of fair value for A.I.P.'s financial assets available for sale, equal, at the end of the period, to 132 million euro as against the 94 million at the beginning of the year.

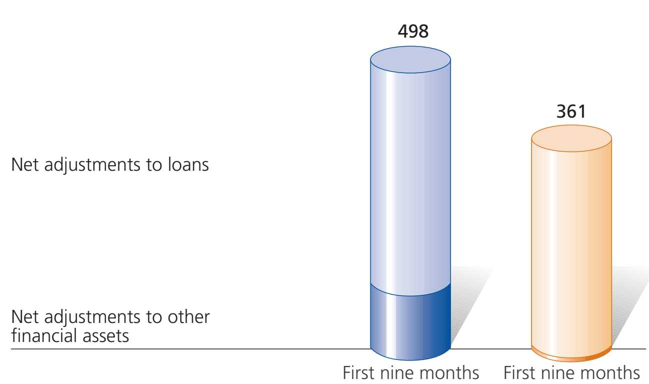
Adjustments to loans and other financial assets

Net adjustments to loans amounted to 357 million euro as against the 386 million in the first nine months of 2004. The 7.5% decrease resulted from the significant fall in net analytic adjustments, confirming the improvement of the risk profile of the Group's loan portfolio which also led to writebacks on some doubtful loans. Net analytic adjustments fell from the 335 million euro for the corresponding period in 2004, which included some major ones, to 171 million euro. Evaluation of the credit risk inherent in the performing portfolio led to general flat-rate adjustments of 186 million euro, compared to the 51 million of the same period in the previous year, also linked to the current economic cycle.

At end September 2005, net doubtful loans, which include loans due or overdue by more than 180 days according to the new accounting standards, amounted to 3,290 million euro, a 6.6% reduction since the beginning of the year. In more detail, with reference to loans to customers:

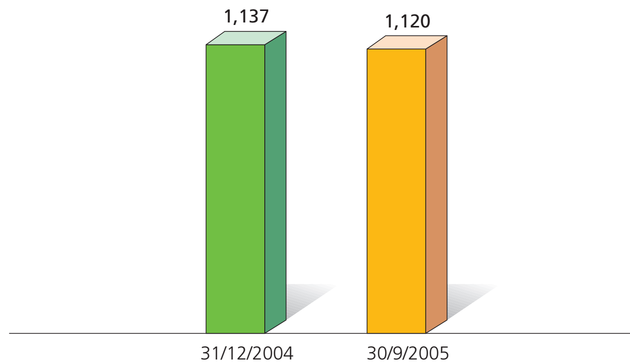
- non-performing financing totaled 1,120 million euro, a 1.5% drop compared to the 1,137 million at the end of 2004, due also to the above-mentioned pro soluto disposal; the non-performing financing/loans to customers ratio was 0.8%, a reduction of one tenth of a point over the beginning of the year. At the end of September,

Net adjustments to loans and other financial assets (€/mil)

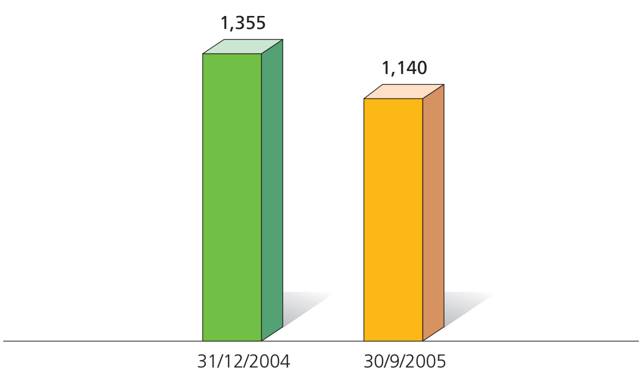


hedging of non-performing loans rose from the 75.3% at end year 2004 to 75.6%;
- problem and restructured financing totaled 1,140 million euro, a 15.9% reduction compared to the end of December 2004. The coverage ratio was 31.4% against 31.1% at the beginning of the year;
- financing due/overdue by more than 180 days amounted to 981 million euro, down 0.6% on the beginning of the year. The coverage ratio was 13.2%;
- non guaranteed financing to customers in countries subject to country risk amounted to 24 million euro, against 26 million at the end of 2004, with a coverage of 29.4%.

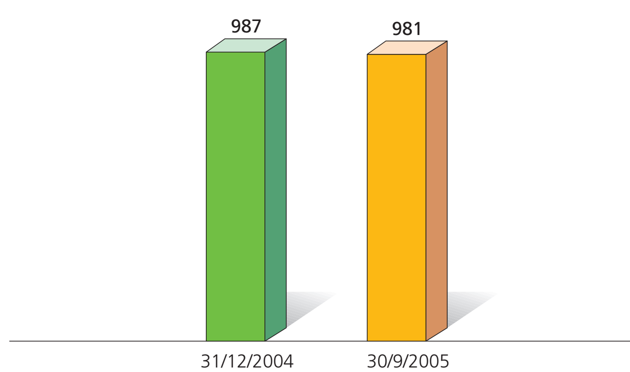
Non-performing financing to customers (€/mil)



Problem and restructured financing to customers (€/mil)



Financing due/overdue by more than 180 days (€/mil)



Qualitative analysis of the loan portfolio (1)

	30/9/2005		31/12/2004 (2)		Change 30/9/05-31/12/04 (%)
	(€/mil)	%	(€/mil)	%	
Non-performing financing	1,120	0.8	1,137	0.9	-1.5
Problem and restructured financing	1,140	0.8	1,355	1.1	-15.9
Financing to countries at risk	24	0.0	26	0.0	-7.7
Financing due/overdue by more than 180 days	981	0.8	987	0.8	-0.6
Doubtful securities held in the portfolio	-	0.0	-	0.0	-
Doubtful loans - customers	**3,265**	**2.4**	**3,505**	**2.8**	**-6.8**
Performing financing	134,831	97.5	122,648	97.1	+9.9
Performing debt securities held in the portfolio	193	0.1	127	0.1	+52.0
Loans to customers	**138,289**	**100.0**	**126,280**	**100.0**	**+9.5**
Non-performing and problem financing - banks	-		-		-
Financing due/overdue by more than 180 days - banks	-		-		-
Financing to countries at risk - banks	25		19		+31.6
Doubtful securites held in the portfolio - banks	-		-		-
Total doubtful loans - customers and banks	**3,290**		**3,524**		**-6.6**

(1) Figures include accruals and value adjustments for fair value coverage.
(2) IAS compliant balance (cf full IAS) including the impact of transition to IAS 32 and 39 (financial instruments) and IFRS 4 (insurance contracts).

At the end of September 2005, general flat-rate adjustments to the performing loan portfolio amounted to 1,061 million euro, corresponding to 0.8% of the performing loan portfolio, an increase of one tenth of a percentage point compared to the end of 2004.

Net adjustments to other financial assets, equal to 4 million euro, decreased compared to the 112 million in the first nine months of 2004.

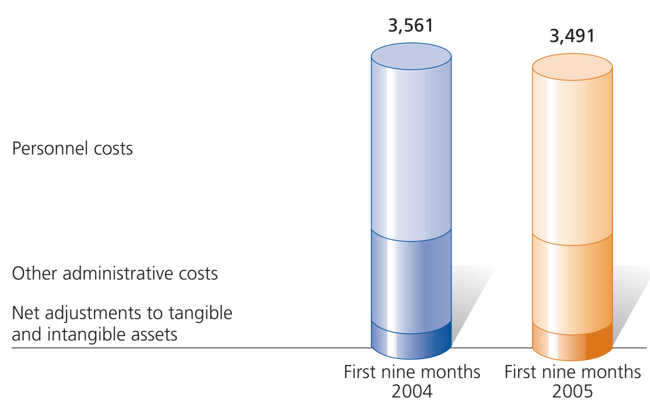
Operating costs and other items of pre-tax operating profit

In the first nine months of 2005, operating costs totaled 3,491 million euro, a drop of 2% compared to the same period in the previous year.

In more detail, personnel costs, equal to 2,076 million euro, decreased by 1% compared to the same period in 2004. Containment of these costs is related to staff leaving incentives, rationalization of the structure of the corporate center and the integration of the distribution networks carried out in the last two years mainly in the commercial banks. The efficiency of these actions can be seen in an average reduction in personnel (-1.1% compared to the first nine months of 2004) and has led to the absorption of the ordinary dynamics of payroll and the rises caused by the national collective labor contract, renewed in February 2005. It should be noted that, in accordance with the new accounting standards, personnel costs include atypical labor contracts, the cost of employee stock options and net provisions for fixed-term insurance funds, but exclude personnel costs for projects which are amortized on a three-year basis commencing on the conclusion of the reference project.

Other administrative costs, stated net of related recoveries, fell by 3.2% compared to the first nine months of 2004 and amounted to 1,108 million euro. The trend was positively influenced by the integration of the commercial banks and the subsequent concentration in the Parent Bank of cost management and contracts with suppliers, to the advantage above all of the IT and operations and logistics areas. Indirect personnel costs also decreased, thanks to a reduction in staff and lower charges for mobility sustained in 2004 in support of migration, and utilities due to

Operating costs (€/mil)



Other administrative costs

	First nine months 2005 (€/mil)	First nine months 2004 (1) (€/mil)	Change first nine months 2005 / First nine months 2004 (%)
IT costs	287	315	-8.9
Property costs	217	222	-2.3
General expenses	174	189	-7.9
Professional and insurance fees	225	204	+10.3
Utilities	62	67	-7.5
Promotion, advertising and marketing expenses	81	65	+24.6
Indirect personnel costs	69	75	-8.0
Indirect duties and taxes	236	197	+19.8
Cost recoveries	-243	-189	+28.6
Other administrative costs	**1,108**	**1,145**	**-3.2**

(1) Pro forma figures reconstructed on a homogeneous basis, including an estimate of the impact of IAS 32 and 39 (financial instruments) and IFRS 4 (insurance contracts).

a reduction in telephone costs which more than compensated for the increase in energy charges. On the other hand, there was an increase in professional and insurance fees, due to mortgage and land survey charges, professional fees linked to mandatory projects and commercial development, as well as premiums related to insurance coverage that were in any case largely covered by customers. Promotion, advertising and marketing expenses also rose due to sponsorship of the Olympic Winter Games 2006 and the new company advertising campaign.

The 4.1% decrease in net adjustments to tangible and intangible assets, in comparison to the same period for the previous year, is attributable to better management of investments by the commercial banks in the IT sector following concentration of the investments in the Parent Bank.

The cost/income ratio of the Group fell from the 62.3% in the first nine months of 2004 to 55.8%, an improvement of 6.5 percentage points due to the favorable performance in revenues and, to a lesser extent, containment of costs.

The increase in other net income, which totaled 51 million euro against the 16 million for the same period in the previous year, must be seen in relation to income and reimbursement of services rendered to third parties, as well as the recovery of tax arrears under risk and other out-of-period income that, under Italian accounting standards, were entered under extraordinary administration. On the other hand, the rise in profits from the disposal of investments, equal to 13 million euro against the 3 million in the first nine months of 2004, is due to the disposal of property and computers to third parties.

In the first nine months of 2005, net provisions for risks and charges rose by 72.2% compared to the same period in the previous year and reached 124 million euro. The increase was caused by strengthening of the presidium of risks against legal causes and in the tax collection sector in the Parent Bank and the network banks. Capital allocated by Banca Fideuram to meet the dispute risk of the placement of defaulted securities, and by Sanpaolo IMI Private Equity in presidium of the risk arising from the disposal of investment, also contributed to the increase.

Profits on discontinued operations and taxes

Profits on discontinued operations include assets that have been officially excluded from the context of production. For 2004, this item recorded a capital gain of 55 million euro from the disposal of the last share in Fincomsumo. No similar transactions were carried out in the first nine months of 2005.

Taxes for the period, amounting to 791 million euro, using a tax rate of 33.7%, were considerably lower than those recorded in the same period of 2004. The decrease is mainly the result of the effects of participation exemption, that is the norms for expenses and income on equity investments introduced in 2004. In more detail, there was more exempted income such as profits on disposal of investments, and there were fewer non-deductible expenses such as adjustments on investments entered in the statements for the previous year. Moreover, the first nine months of 2005 benefited from the processes of tax optimization initiated in some companies of the Group, and the decreased effects of non-deductible expenses for the purposes of IRAP represented by personnel costs and adjustments to loans.

Developments in the third quarter of 2005

The third quarter of 2005 was marked by a further acceleration in income compared to the preceding two quarters. In particular, operating income, pre-tax operating profit and net profit were the highest since the beginning of the year. The good performance in the third quarter, attributable to structural factors linked to the favorable trend in transactions, also benefited from one-off events such as the recording of tax commissions due in the first nine months following the extension of licenses in September, the positive effects of the closure of the Italenergia Bis transaction and the conversion of the FIAT loan. Excluding these one-off effects, the economic results for the third quarter still confirm the recovery seen in the second quarter. As far as operational aggregates are concerned, both customer financial assets and financing showed a higher growth trend in the third quarter.

Total operating income in the third quarter of 2005 was about 3% over the second quarter and around 22% higher than the first. The biggest revenues mainly came from the widespread recovery of transactions that was seen in a growth of loans and deposits, effecting net interest income and commissions. Particular mention should be made of the positive trend in short- and medium-/long-term financing to households and loans to companies, as well as the expansion of corporate and structured finance.

Operating costs in the third quarter were slightly higher than in the second and were basically the same as in the first: personnel costs were affected by the temporal distribution of the variable component of pay and the trend in contractual rises; other administrative costs fell in the third quarter while adjustments rose slightly.

Net profit in the third quarter totaled 615 million euro, a higher level than that shown in the second (561 million) and first (333 million) quarters.

Group capital and reserves

Net shareholders' equity

At 30 September 2005, Group net shareholders' equity amounted to 13,052 million euro, an increase of 1,017 million since 1 January 2005, largely due to current income in the period net of dividends paid out of the net profit for 2004, the change in valuation reserves (of which 139 million euro were recorded in the third quarter of 2005) and accounting for stock options (increase in capital and share premium reserves).

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

Shareholders' equity at 31 December 2004 (1)	**12,308**
Adoption of IAS 32, 39 and IFRS 4	-273
Shareholders' equity at 1 January 2005	**12,035**
Decreases	**-877**
- Dividends	-874
- Other changes	-3
Increases	**1,894**
- Net profit for the period	1,509
- Net change in valuation reserves	330
- Net change in own shares	5
- Stock option accounting	50
Shareholders' equity at 30 September 2005	**13,052**

(1) IAS compliant Group shareholders' equity at 31 December 2004, excluding IAS 32, 39 and IFRS 4.

Own shares

As of 30 September 2005, SANPAOLO IMI shares held by the Group totaled 4,646,504, equal to 0.25% of the share capital and were recorded on the basis of the new IAS/IFRS criteria as a negative component of net shareholders' equity for a total of 50 million euro corresponding to a unit value of 10.73 euro (at 30 June 2005, own shares were recorded in the financial statements for 52 million euro). The shares were held by the Parent Bank and the collective investment entities in the context of the Group's insurance sector and, in accordance with international standards, were consolidated on a line by line basis.

Transactions in SANPAOLO IMI shares in the first nine months of 2005 were as follows:

- during the period the Parent Bank did not purchase or sell any of its own shares and held 4,015,919 own shares in its portfolio at 30 September 2005 (11.2 million euro nominal value), equal to 0.21% of the share capital for a value of 42.5 million euro;
- as of 31 December 2004, Banca IMI held 1,166 SANPAOLO IMI shares in its portfolio. During the nine months, it acquired and sold shares to sell off its portfolio of SANPAOLO IMI shares. In connection to this, and for greater information, it should be noted that at 30 September 2005, Banca IMI had a short position on these shares of 462,575 shares for a nominal value of 1.3 million euro;
- Banca Fideuram sold off its portfolio of SANPAOLO IMI shares existing since the beginning of the year;
- as of 31 December 2004, collective investment entities, mainly owned by the insurance subsidiary A.I.P. and consolidated for the first time according to IAS/IFRS standards, held a total of 519,585 shares (1.5 million euro nominal value) equal to 0.03% of the share capital of the Parent Bank, for a value of 5.4 million euro. During the nine months, these companies acquired 430,000 SANPAOLO IMI shares (1.2 million euro nominal value) for a value of 6.5 million euro and sold 319,000 shares (0.9 million euro nominal value) for a total of 4.5 million euro. Therefore, at 30 September 2005, these companies held 630,585 SANPAOLO IMI shares (1.8 million euro nominal value), equal to 0.03% of the share capital of the Parent Bank, for a value of 7.3 million euro.

Regulatory capital and solvency ratios

Regulatory capital has been calculated on a pro forma and IAS compliant basis according to informal and as yet unconfirmed Bank of Italy regulations, applied with prudence, and in line with the guidelines of the Basel Committee and the Committee of European Banking Supervisors (CEBS). The definitive, consolidated regulations, still to be issued, will become applicable from 31 December 2005.

At 30 September 2005, the ratio of the Group's regulatory capital to total weighted assets against credit and market risks showed an overall solvency ratio of 10.7%. The ratio of Group primary capital to total weighted assets was 7.6%; the Core Tier 1 ratio (calculated on the capital net of preferred shares) came to 6.9%.

At 31 December 2004, the total risk ratio fell from the 11.7% of IAS/IFRS predictions to 10.7% following the reimbursement of subordinated issues in the third quarter of this year whose anticipated reintegration in 2004 had led to a temporary and extraordinary rise in the ratio.

Financial risk management and control

Financial risks from lending activities

In the first nine months of 2005, the financial risk generated by the Group's lending activities (Asset and Liability Management) was lower than the average levels of the previous year. The change in the market value of the banking book, measured using sensitivity analysis, assuming an adverse movement of 100 basis points in the interest rate curve, had an average value of 31 million euro in the nine months, compared to an average value of 83 million in the previous year.

The Value at Risk (VaR) of the banking book, calculated as the maximum unexpected potential loss of the market value of the portfolio which might occur during the subsequent ten working days with a statistical confidence of 99%, showed an average value of 27 million euro during the first nine months, amounting to 45 million euro at the end of September.

Equity investments in non-Group listed companies

At the end of September 2005, the Value at Risk relating to minority shareholdings in listed companies not consolidated line by line or included at net equity, totaled 124 million euro, a slight rise compared to the 95 million euro recorded at the end of June, mainly due to the increased value of the portfolio.

Trading activities

These risks arise from dealing in fixed income securities, equity securities, currency and other derivatives.

In the first nine months of the year, the Value at Risk (VaR) of trading activities, concentrated in Banca IMI and its subsidiaries, varied between a minimum of 4.1 million euro and a maximum of 14.6 million, reaching its highest levels for the period at the end of September. The average value since the beginning of the year was 7.6 million euro, basically in line with that recorded during the previous year (6.9 million).

In addition to VaR, the Worst Case Scenario technique is also used to monitor the impact of potential losses that could arise in extreme market conditions. The maximum potential daily loss in the first nine months showed an average value of 52 million euro (40 million euro in the same period of the preceding year), recording a maximum of 65 million at the end of March and minimum of 36 million at the beginning of the year.

Backtesting showed the prudent nature of the internal measurement technique used. In fact, in the first nine months of 2005, actual daily losses were never higher than the risk measures expressed in terms of maximum potential loss, while actual trading loss exceeded the ex-ante VaR on a daily basis on only one occasion.

Shareholders and ratings

Shareholders

As of 30 September 2005, the shareholder structure of SANPAOLO IMI, based on the available information, was as follows:

Shareholders of SANPAOLO IMI

	% of capital	
	total	ordinary
Compagnia di San Paolo	14.23	7.33
Fondazione Cassa di Risparmio di Padova e Rovigo	10.61	4.29
Banco Santander Central Hispano	8.45	10.66
Fondazione Cassa di Risparmio in Bologna	7.55	3.05
Giovanni Agnelli e C.	4.98	6.28
Assicurazioni Generali	2.00	2.53
Banca Monte dei Paschi di Siena	1.51	1.90
Società Reale Mutua di Assicurazioni	1.51	1.90
Groupe Caisse d'Epargne	1.50	1.90
Ente Cassa di Risparmio di Firenze	1.50	1.89
Fondazione Cassa di Risparmio di Venezia	1.47	1.86
Fondazione Cassa di Risparmio di Verona Vicenza Belluno e Ancona	1.42	1.79
Deutsche Bank	1.40	1.77
Fondazione Cassa di Risparmio di Udine e Pordenone	1.34	1.69
Fondazione Cariplo	1.18	1.49
Other shareholders (1)	39.35	49.67
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 September 2005, SANPAOLO IMI's share price was 12.924 euro, up 42.2% compared to 30 September 2004, against an increase of 34.2% in the MIB bancario index. On the same date, the SANPAOLO IMI share traded on a price/book value of 1.8.

On 11 November 2005, the quoted price was 12.689 euro, a rise of 19.7% since the beginning of the year.

SANPAOLO IMI share price and dividends

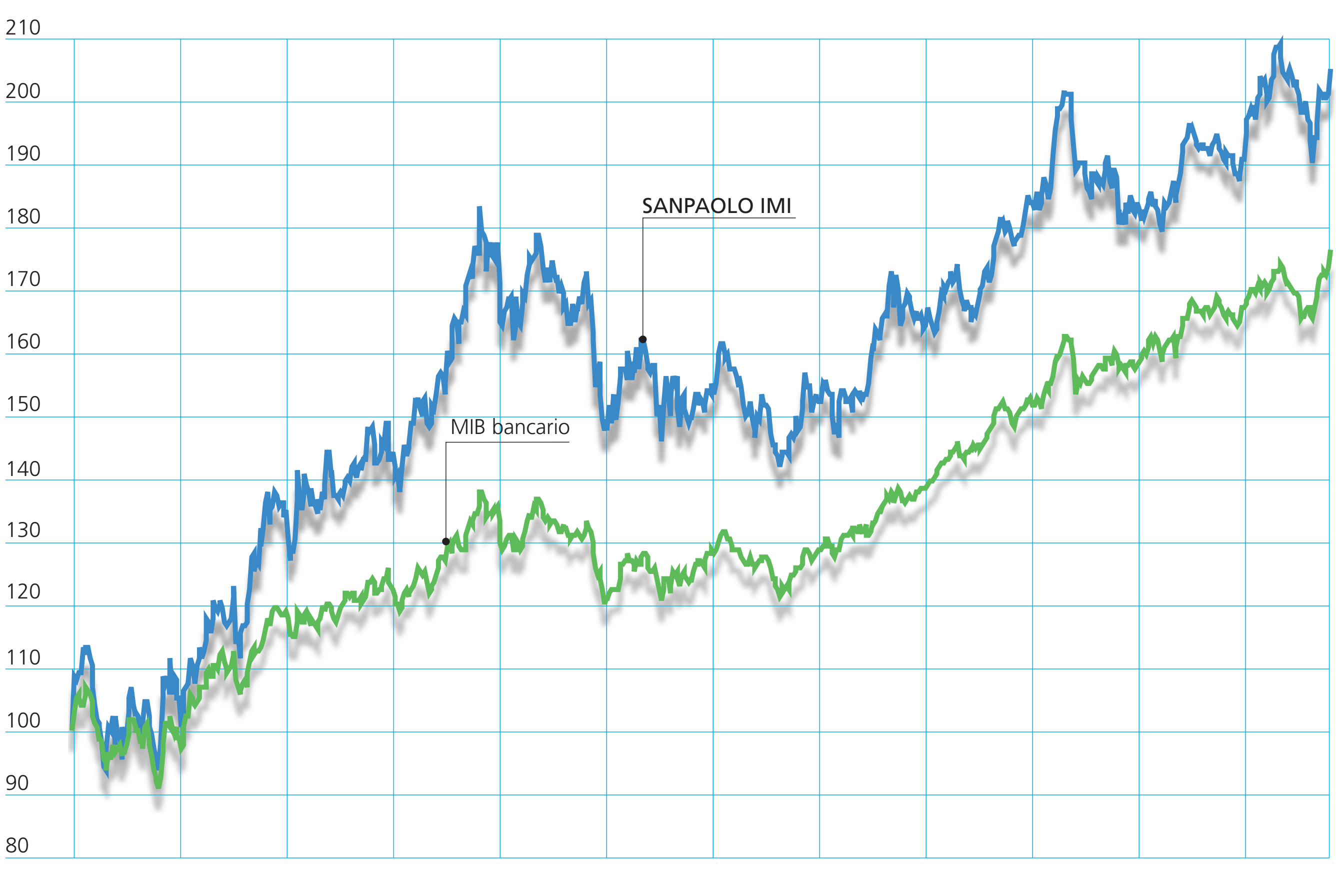
Year	High (€)	Low (€)	Average (€)	Unit dividend (€)	Dividend yield (1) %	Payout ratio (2) %
1997	8.800	4.564	6.275	0.06	0.91	53.4
1998	16.274	8.717	12.429	0.46	3.74	71.7
1999	16.071	10.970	13.192	0.52	3.91	69.0
2000	20.800	11.483	16.612	0.57	3.42	61.7
2001	18.893	8.764	14.375	0.57	3.97	66.5
2002	13.702	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)	12.960	10.201	11.667			

Market comparison

	11/11/2005	30/9/2005	30/9/2004	Change 30/9/05 - 30/9/04 (%)
SANPAOLO IMI share price (€)	12.689	12.924	9.090	+42.2
Historical MIB bancario index	3,041	2,984	2,223	+34.2

	30/9/2005	31/12/2004 (4)
Book value per share (€)	6.99	6.47

(1) Calculated on annual average price.
(2) On consolidated income.
(3) Up to 11 November 2005.
(4) Pro forma.



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

Supplementary information

Corporate bond risk and protection of savers

The measures taken by the Group to protect its customers who invested part of their savings in corporate bonds or international issues that recently defaulted continued in the last quarter.

Examination of claims on investments in Cirio and Parmalat bonds was basically completed, confirming the Group's formal and substantial correct behavior in the majority of cases. On the other hand, examination of claims made by customers holding Argentine bonds is still underway.

In relation to Argentine bonds, exchanges were made of old bonds for new ones under the Public Exchange Offers (PEO) proposed by the Argentine government.

As far as the SANPAOLO IMI Group is concerned, just over half of the private clients holding Argentine bonds ceded the old bonds by selling them on the secondary market or adhering to the Public Exchange Offer.

For investors who did not adhere to the Argentine Republic's Public Exchange Offer, on 21 July 2005, Task Force Argentina (TFA) instituted TFA Fiduciaria S.p.A., a stable fiduciary company to represent investors at the ICSID international court (the organization answering to the World Bank).

The initiative, entirely funded by the member banks, will be pursued by obtaining a fiduciary mandate from an Italian investor still holding old Argentine bonds (an estimated 250,000 Italian savers did not adhere to the Argentine PEO). Documented information is being prepared by TFA Fiduciaria and will be made available in Italian bank branches, with the required prior authorization from the competent authorities.

As regards bonds in the Province of Buenos Aires, on 7 November 2005 Consob (the Italian financial regulator) authorized the publication of an "Offer Document" to propose the restructuring of the debt through a Voluntary Public Exchange Offer. The Offer involves shares for a nominal value of around 2.7 billion US dollars, of which some 33% are held in Italy according to TFA estimates. The Offer will last from 7 November 2005 to 16 December 2005, but may be extended.

The insolvency of the Parmalat group, declared in December 2003, led to a default on 26 bond loans, mostly on the European market, corresponding to around seven billion euro. The majority of SANPAOLO IMI Group retail customers have adhered to the "Committee to defend SANPAOLO IMI Group Parmalat bondholders", founded autonomously with the financial support of the Bank with the aim of assisting members in the exercise of their rights, including any collective legal proceedings for compensation against individuals who, for the positions held or functions executed in companies of the Parmalat group, might be deemed responsible for the damage caused to all the customers represented by the above Committee.

The Committee has initiated civil action on behalf of its members in the two ongoing legal proceedings at the Court of Milan for crimes of market rigging, falsification of papers and obstructing the Supervisory Authorities. Over 32,000 customers adhered to the project. Similar initiatives will be taken in pending cases at the courts of Milan and Parma.

Between 28 June and 26 August 2005, voting was held on the proposed agreement drawn up by the Parmalat Commissioner for the conversion of loans, reduced to the percentages agreed for each insolvent company (recovery ratio), into shares issued by the contractor of the agreement (also called "Parmalat S.p.A.") and quoted on the MTA of the Italian stock exchange.

On 1 October 2005, in the light of a majority of favorable votes, the Court of Parma approved the agreement. Some bondholders opposed the sentence but this has not affected the efficacy of the contested approval.

The appropriate shares and warrants were promptly made available in the relevant administered deposits to Group customers who exercised their right to vote or subsequently requested registration. "Rights" have been given to those who have not yet made such a request to recall shares and must be exercised by 1 October 2010, otherwise they will expire.

On 8 November, on its second convocation, the shareholders' meeting was held which nominated the members of the board and the statutory auditors and the new "Parmalat S.p.A.".

In a summons to Banca IMI dated 19 September, the Commissioner for the Parmalat group, acting on behalf of

Parmalat Finance Corporation B.V. and Parmalat S.p.A., initiated action against the bank for compensation over alleged responsibility for placements made as co-lead manager in relation to three bond loans issued by Parmalat Corporation B.V. guaranteed by Parmalat S.p.A. between the beginning of 2000 and the beginning of 2001. The request for compensation was made for presumed damages of no less than 1,300 million euro, equal to the nominal value of the securities placed. At the moment, examination of the supporting arguments seems to show that the claims have no basis whatsoever.

Consequently, and in the light of the opinions of the defense lawyers, no changes have been deemed necessary to the provisions already made to the 2004 financial statements for the other initiatives taken by the Parmalat Commissioner for revocatory actions against the Group in connection to the said bankruptcy.

Group Business Structure

Following the redesign of the organizational structure initiated on 5 July 2005, the SANPAOLO IMI Group is divided into the following Business Sectors:

- Banking
- Savings and Assurance
- Asset Management and International Private Banking
- Central Functions.

This division, which has concentrated banking transactions, further divided into the business lines of "retail & private" and "corporate", savings and assurance activities, including the insurance business and asset gathering, and asset management, is in line with the provisions of IAS 14 concerning Segment Reporting. More in detail, it has been selected as primary information on the basis of the management approach principle inasmuch as it reflects the operational responsibilities required by the above-mentioned organizational restructuring.

The following table summarizes the main data for the performance of the Business Sectors.

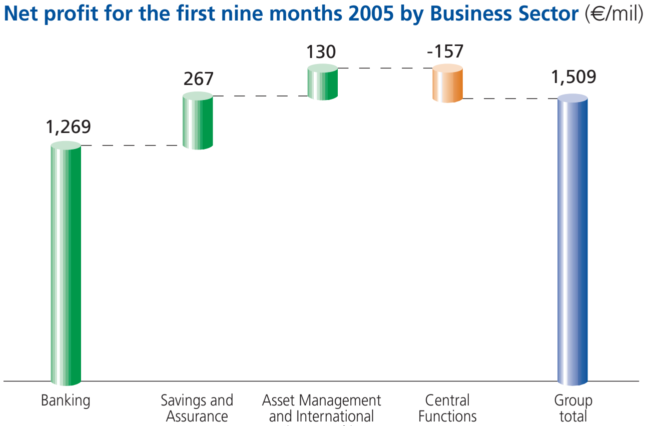
	Banking	Savings and Assurance	Asset Management and International Private Banking	Central Functions	Group total
TOTAL OPERATING INCOME (€/mil)					
First nine months 2005	4,954	794	257	256	6,261
First nine months 2004	4,610	690	236	182	5,718
Change first nine months 2005 / First nine months 2004 (%)	+7.5	+15.1	+8.9	+40.7	+9.5
PRE-TAX OPERATING PROFIT (€/mil)					
First nine months 2005	1,974	417	166	-209	2,348
First nine months 2004	1,451	359	141	-345	1,606
Change first nine months 2005 / First nine months 2004 (%)	+36.0	+16.2	+17.7	-39.4	+46.2
NET PROFIT (€/mil)					
First nine months 2005	1,269	267	130	-157	1,509
First nine months 2004	829	236	109	-210	964
Change first nine months 2005 / First nine months 2004 (%)	+53.1	+13.1	+19.3	-25.2	+56.5
TOTAL INTEREST-EARNING ASSETS (€/mil) (1)					
30/9/2005	138,294	7,014	3,371	28,531	177,210
31/12/2004	124,957	5,063	4,549	29,345	163,914
Change 30/9/2005 - 31/12/2004 (%)	+10.7	+38.5	-25.9	-2.8	+8.1
TOTAL INTEREST-BEARING LIABILITIES (€/mil) (1)					
30/9/2005	121,536	6,152	3,502	36,752	167,942
31/12/2004	112,349	4,312	5,554	34,822	157,037
Change 30/9/2005 - 31/12/2004 (%)	+8.2	+42.7	-36.9	+5.5	+6.9
ALLOCATED CAPITAL (€/mil)					
First nine months 2005	8,300	1,243	114	1,886	11,543
First nine months 2004	8,220	1,145	107	1,124	10,596
Change first nine months 2005 / First nine months 2004 (%)	+1.0	+8.6	+6.5	+67.8	+8.9
ANNUALIZED PROFITABILITY (%)					
First nine months 2005	20.4	28.6	152.0	n.s.	17.4
First nine months 2004	13.4	27.5	135.8	n.s.	12.1
EMPLOYEES					
30/9/2005	34,758	2,337	673	5,831	43,599
31/12/2004	34,745	2,213	689	5,794	43,441
Change 30/9/2005 - 31/12/2004 (%)	+0.0	+5.6	-2.3	+0.6	+0.4

(1) Excluding the Banca IMI group.

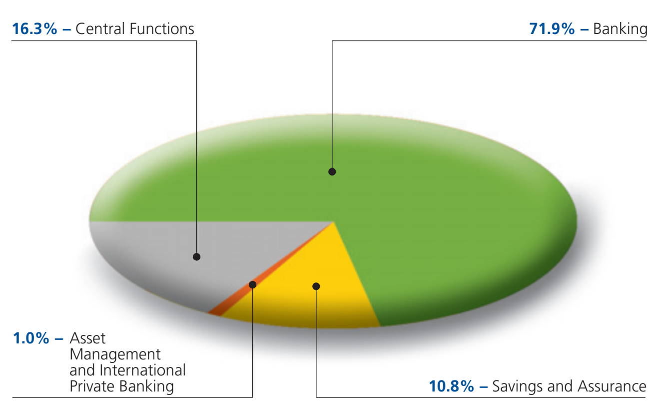
The detailed analysis of the Business Sectors and the principal business lines illustrates the initiatives taken in the third quarter, the data of the statement of income, the operating structure, as well as the main profitability ratios, with values expressing the contribution to Group income.

When necessary, figures for the statement of income for the first nine months of 2004 and operational data as at 31 December 2004 have been reconstructed homogeneously, with regard to both the adoption of the new accounting standards and the business structure.

Net profit for the first nine months 2005 by Business Sector (€/mil)



First nine months 2005 allocated capital by Business Sector



Initiatives and results of the Business Sectors

Banking

Banking activities are the Group's core business and represent the reference point for the definition, development and co-ordination of the commercial strategies of all the networks of the Group. They are divided into the business lines of Retail & Private and Corporate, and also include IMI Investimenti for the management of large industrial investments, and GEST Line, responsible for the Group's tax collecting activities.

80% of the Group's employees work in the Sector which generated 83% of total intermediary funds and contributed 79% of consolidated revenues. Banking activities also absorbed 72% of capital, a fall from the 78% in the first nine months of 2004. In absolute values, allocated capital rose slightly due to the greater impact of credit risks linked to new transactions, only partly compensated by the fall in operating risks linked to cost performances. Together with the trend in absorbed capital, the considerable increase in net profit (+53.1%) led to a rise of seven percentage points in annualized RORAC (20.4%) compared with the same period in 2004. Overall, the core business contributed 84% of the net consolidated profit. Alongside this, there was a reduction of over five points in the cost/income ratio which was seen in an improvement of efficiency pursued through the growth of revenues coupled with a reduction in costs.

More detailed analysis will be given under the two business lines of the Sector. However, the positive performance can be noted here of the main income margins, driven by the favorable trend in transactions since the beginning of the year, for both customer financial assets (+11.1%) and net customer loans (+11.4%). In particular, total operating income rose by 7.5%, mainly due to greater income from investment banking, in which Banca IMI operates, and in the public compartment where Banca OPI is active, as well as in the traditional revenues of the commercial banks. Net interest income rose by 0.9%, rising to 2.4% if investment banking activities are excluded. The growth in pre-tax operating profit, equal to 36%, was favored by a reduction in adjustments to loans and other financial assets, as well as a fall in operating costs in all the main elements. Net of taxes, profits for the period amounted to 1,269 million euro compared to the 829 million recorded for the first nine months of 2004 and reconstructed pro forma.

Banking

	First nine months 2005	First nine months 2004 pro forma	Change first nine months 2005 / First nine months 2004 pro forma (%)
STATEMENT OF INCOME (€/mil)			
Net interest income	2,654	2,630	+0.9
Net commissions	1,921	1,822	+5.4
Income from credit disposals, assets held to maturity and repurchase of financial liabilities	-	-1	n.s.
Dividends and income from other financial assets and liabilities	329	149	+120.8
Profits (losses) on equity shareholdings	50	10	n.s.
Income from insurance business	-	-	-
Total operating income	**4,954**	**4,610**	**+7.5**
Net adjustments to loans	-314	-389	-19.3
Net adjustments to other financial assets	-2	-60	-96.7
Net operating income	**4,638**	**4,161**	**+11.5**
Personnel costs	-1,552	-1,574	-1.4
Other administrative costs	-1,067	-1,099	-2.9
Net adjustments to tangible and intangible assets	-20	-33	-39.4
Operating costs	*-2,639*	*-2,706*	*-2.5*
Other net income (expenses)	30	39	-23.1
Impairment of goodwill	-	-	-
Profits (losses) from disposals of investments	1	-	n.s.
Net provisions for risks and charges	-56	-43	+30.2
Pre-tax operating profit	**1,974**	**1,451**	**+36.0**
Taxes for the period	-703	-620	+13.4
Profits (losses) on discontinued operations	-	-	-
Profit attributable to minority interests	-2	-2	-
Net profit	**1,269**	**829**	**+53.1**
REVENUES FROM THE SECTOR (€/mil)	**4,954**	**4,610**	**+7.5**
INCOME FROM THE SECTOR (€/mil)	**1,974**	**1,451**	**+36.0**
ALLOCATED CAPITAL (€/mil)	**8,300**	**8,220**	**+1.0**
RATIOS (%)			
Annualized profitability	20.4	13.4	
Cost / Income ratio	53.3	58.7	
	30/9/2005	31/12/2004 pro forma	Change 30/9/05-31/12/04 pro forma (%)
OPERATING DATA (€/mil)			
Intermediary funds	455,496	409,770	+11.2
Customer financial assets	323,126	290,955	+11.1
- direct deposits	104,853	93,937	+11.6
- asset management	101,902	93,491	+9.0
- mutual funds and fund-based portfolio management	*67,480*	*63,013*	*+7.1*
- portfolio management	*5,102*	*5,298*	*-3.7*
- life technical reserves and financial liabilities	*29,320*	*25,180*	*+16.4*
- asset administration	116,371	103,527	+12.4
Net asset management flows	4,574	-1,033	
Net loans to customers excluding NPLs	132,370	118,815	+11.4
Total interest-earning assets (1)	138,294	124,957	+10.7
Total interest-bearing liabilities (1)	121,536	112,349	+8.2
OPERATING STRUCTURE			
Employees	34,758	34,745	+0.0
Domestic branches	3,048	3,037	+0.4
Foreign branches and representative offices	130	126	+3.2

(1) Excluding the Banca IMI group.

Retail & Private

The Retail & Private business line operates to serve customers made up of families, small businesses and private clients and is supported by direct channels such as Internet, 'phone and mobile banking. It also comprises Neos Banca (formerly Finemiro Banca), the company specialized in consumer credit, and Farbanca.

Retail & Private's net operating income increased by 3% compared to the same period in the previous year, benefiting in particular from the growth in net interest income and net commissions and from the reduction in adjustments to loans in the portfolio of the commercial banks.

Net profit amounted to 619 million euro, an increase of 15.7% over the first nine months of 2004: the result not only of the good performance of revenues but also the reduction of other administrative costs and personnel costs. The latter make up a significant part of the costs of the line of business which employs 24,982 staff, corresponding to 57% of the Group's personnel.

Retail & Private intermediary funds, constituting 48% of those of the Group, registered a 5.3% growth since the beginning of the year, thanks to the expansion of both customer financial assets (+4.7%) and loans to customers (+8.1%). The increase in financial assets is attributable to indirect deposits and, in particular, asset management (+9%) which benefited from a high number of placements and the favorable trend of the financial markets. Concerning asset management, life policies and fund-based portfolio management were particularly lively with a growth rate of over 10% since the beginning of the year.

Retail & Private absorbed 20% of the Group's capital, a slight decrease compared with the level recorded in the first nine months of 2004 despite the increase in transactions. This was due to loans to customers with good creditworthiness and the fall in operational risks linked to cost structures. Annualized profitability, which rose to 35.4% from the 30.9% in the same period of the previous year, benefited from the increase in net profit.

Retail & Private operates through 2,977 branches and 202 other specialized operating points in the Group's commercial banks. In particular, the regions of Central Northern Italy and the Islands are covered by 1,464 Sanpaolo operating points, those of the South by 718 Sanpaolo Banco di Napoli operating points, and those of the North East and the Adriatic area by 997 operating points of Cassa di Risparmio di Padova e Rovigo, Cassa di Risparmio in Bologna, Cassa di Risparmio di Venezia, Friulcassa and Banca Popolare dell'Adriatico. To these must be added the 26 branches of Neos Banca and Farbanca.

The integration of the networks, now complete, has led to the extension of the Group's distribution model, tailored to each customer segment, to all the banks. The present organizational structure covers 45 Markets, with the responsibility to coordinate the branch transactions and improve the effectiveness of initiatives aimed at the customers on the basis of the specific needs of the reference territory, exploiting the advantages of close relations with customers, guaranteeing, at the same time, unity of commercial policy.

The retail branches are divided into modules providing services for the various types of customers: personal, family and small business, dedicated respectively to customers with significant financial funds, to households and customers comprising professionals, artisans, farmers and smaller companies. The larger retail branches also operate modules specialized in serving private customers, and these join the operating points specifically dedicated to this type of customer, to give a better territorial coverage.

The initiatives undertaken in the third quarter of 2005 were aimed at strengthening the market position through further specialization and personalization of the customer offer.

Particular importance has been given to the management of customers' assets: in line with market needs, 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. With particular reference to offers, the planning and realization phases of the new range of "absolute return" funds have been completed in collaboration with Sanpaolo IMI Asset Management SGR. These funds are managed with the aim of giving an "absolute" return, not linked to the traditional benchmark and market performance, through innovative management techniques that still maintain a close presidium of the risks. The first funds in the series will be commercialized in 2006.

Retail & Private

	First nine months 2005	First nine months 2004 pro forma	Change first nine months 2005 / First nine months 2004 pro forma (%)
STATEMENT OF INCOME (€/mil)			
Net interest income	1,633	1,599	+2.1
Net commissions	1,407	1,382	+1.8
Income from credit disposals, assets held to maturity and repurchase of financial liabilities	-	-	-
Dividends and income from other financial assets and liabilities	25	22	+13.6
Profits (losses) on equity shareholdings	-	-	-
Income from insurance business	-	-	-
Total operating income	**3,065**	**3,003**	**+2.1**
Net adjustments to loans	-147	-169	-13.0
Net adjustments to other financial assets	-	-	-
Net operating income	**2,918**	**2,834**	**+3.0**
Personnel costs	-1,104	-1,133	-2.6
Other administrative costs	-721	-751	-4.0
Net adjustments to tangible and intangible assets	-5	-6	-16.7
Operating costs	*-1,830*	*-1,890*	*-3.2*
Other net income (expenses)	16	19	-15.8
Impairment of goodwill	-	-	-
Profits (losses) from disposals of investments	-	-	-
Net provisions for risks and charges	-19	-19	-
Pre-tax operating profit	**1,085**	**944**	**+14.9**
Taxes for the period	-465	-408	+14.0
Profits (losses) on discontinued operations	-	-	-
Profit attributable to minority interests	-1	-1	-
Net profit	**619**	**535**	**+15.7**
ALLOCATED CAPITAL (€/mil)	**2,331**	**2,308**	**+1.0**
RATIOS (%)			
Annualized profitability	35.4	30.9	
Cost / Income ratio	59.7	62.9	
	30/9/2005	31/12/2004 pro forma	Change 30/9/05-31/12/04 pro forma (%)
OPERATING DATA (€/mil)			
Intermediary funds	265,246	251,902	+5.3
Customer financial assets	220,080	210,110	+4.7
- direct deposits	57,890	57,369	+0.9
- asset management	101,776	93,412	+9.0
- mutual funds and fund-based portfolio management	*67,356*	*62,936*	*+7.0*
- portfolio management	*5,100*	*5,296*	*-3.7*
- life technical reserves and financial liabilities	*29,320*	*25,180*	*+16.4*
- asset administration	60,414	59,329	+1.8
Net asset management flows	4,530	-1,054	
Net loans to customers excluding NPLs	45,166	41,792	+8.1
Total interest-earning assets	45,476	41,895	+8.5
Total interest-bearing liabilities	62,145	61,347	+1.3
OPERATING STRUCTURE			
Employees	24,982	24,878	+0.4
Domestic branches	3,003	2,991	+0.4

During the third quarter the foundations were laid for new commercial processes aimed at improving cross selling, customer retention and acquiring new customers. In particular, the network has new instruments for the family and personal sector for the prompt identification of customers showing signs of wishing to leave the bank and alerting the customer managers in real-time to the major commercial events in customer transactions.

Particular attention has been paid to private customers, also through a further increase in the offer range. “Gestione Investimento Private” (Private Investment Management), the portfolio management product with low volatility and a balanced management, was prepared during the quarter and began to be commercialized in October.

Operations carried out with small entrepreneurs with good creditworthiness were further increased, in line with the growth forecast of the Small Business Project, which has set ambitious objectives in terms of increasing market shares and broadening the customer base.

Especial attention was also paid to certain areas such as financing to personal and family customers, where Retail & Private operates both directly by granting personal loans and mortgages through the branch network, and indirectly through the subsidiary Neos Banca. After the company became a subsidiary of the SANPAOLO IMI Group, it has carried out major organizational and management changes aimed at strengthening its competitive ability, with the particular objective of gradually shifting the activity towards those business areas which are more interesting in terms of national growth, and reducing asset risk. The offer range of the branch network has been broadened with the commercialization of the “Domus 100%” mortgage which gives 100% financing of the value of the property. A multi-guarantee policy linked to mortgages has also been developed and is expected to be commercialized in the last quarter of this year.

In order to render the initiatives taken fully effective, constant attention has been paid to staff training with the goal of offering customers a higher professional service and developing the selling skills of the network employees.

Corporate

Corporate is the Banking business line dedicated to company customers. It consists of the following Divisions: Companies, for the management of relations with small- and medium-sized businesses; Large Groups, responsible for the management of relations with the more important national and international groups; International, which

Corporate

	First nine months 2005	First nine months 2004 pro forma	Change first nine months 2005 / First nine months 2004 pro forma (%)
STATEMENT OF INCOME (€/mil)			
Net interest income	1,014	1,030	-1.6
Net commissions	372	307	+21.2
Income from credit disposals, assets held to maturity and repurchase of financial liabilities	-	-1	n.s.
Dividends and income from other financial assets and liabilities	198	117	+69.2
Profits (losses) on equity shareholdings	44	-2	n.s.
Income from insurance business	-	-	-
Total operating income	**1,628**	**1,451**	**+12.2**
Net adjustments to loans	-169	-219	-22.8
Net adjustments to other financial assets	-2	1	n.s.
Net operating income	**1,457**	**1,233**	**+18.2**
Personnel costs	-394	-392	+0.5
Other administrative costs	-286	-301	-5.0
Net adjustments to tangible and intangible assets	-14	-25	-44.0
Operating costs	*-694*	*-718*	*-3.3*
Other net income (expenses)	11	21	-47.6
Impairment of goodwill	-1	-	n.s.
Profits (losses) from disposals of investments	1	-	n.s.
Net provisions for risks and charges	-37	-21	+76.2
Pre-tax operating profit	**737**	**515**	**+43.1**
Taxes for the period	-239	-196	+21.9
Profits (losses) on discontinued operations	-	-	-
Profit attributable to minority interests	-1	-1	-
Net profit	**497**	**318**	**+56.3**
ALLOCATED CAPITAL (€/mil)	**5,736**	**5,683**	**+0.9**
RATIOS (%)			
Annualized profitability	11.6	7.5	
Cost / Income ratio	42.6	49.5	
	30/9/2005	31/12/2004 pro forma	Change 30/9/05-31/12/04 pro forma (%)
OPERATING DATA (€/mil)			
Intermediary funds	161,346	138,380	+16.6
Direct deposits	41,921	32,874	+27.5
Net loans to customers excluding NPLs	84,781	75,280	+12.6
Total interest-earning assets (1)	89,434	81,091	+10.3
Total interest-bearing liabilities (1)	54,202	46,730	+16.0
OPERATING STRUCTURE			
Employees	8,419	8,488	-0.8
Domestic branches	45	46	-2.2
Foreign branches and representative offices	130	126	+3.2

(1) Excluding the Banca IMI group.

includes the Parent Bank's foreign network but limited to corporate lending activities, the Irish subsidiary Sanpaolo IMI Bank Ireland and Sanpaolo IMI Internazionale that has the presidium of the Group's activities in Central Eastern Europe; Public Authorities and Entities, dedicated to developing relations with reference organizations and institutions. Banca IMI, the Group's investment bank, Sanpaolo IMI Private Equity, Sanpaolo Leasint, active in the leasing compartment, and the Structured Finance unit, responsible for project financing and specialized structured lending, all also come under Corporate.

The growth in Corporate intermediary funds continued in the third quarter, rising 16.6% since the beginning of the year and indicating the significant upturn in transactions. This performance has been supported by the liquidity of the companies seen in an increase in direct deposits and in administered securities, as well as by the commercial effort for loans to foreign and domestic companies, also through transactions in investment banking and structured finance. Net loans to customers rose by 12.6% since the beginning of the year. The rise in trading volumes was obtained by containing risk in the portfolio that allowed a reduction in net adjustments to loans, also due to writebacks on some doubtful positions.

Revenues rose by 12.2% over the first nine months of 2004, attributable to the growth in commissions, generated by an increase in transactions by the commercial banks, and to income from other financial assets and liabilities, thanks to the good performance of corporate finance activities and equity capital markets overseen by Banca IMI. Total operating income also benefited from the capital gain on the disposal of some shareholdings by Sanpaolo IMI Private Equity. Net interest income fell by 1.6%; all the same, if investment banking transactions by Banca IMI are excluded, the trend is positive (+2.3%). Net interest income has been defended by the rise in operating volumes, which has largely compensated for the erosion of the spread in corporate counterparties, and thanks to non-recurrent income collected by Banca OPI on early repayment of loans to local entities.

Net operating income, up 18.2%, benefited from the aforementioned resizing of adjustments to loans. Due to the reduction in operating costs, pre-tax operating profit amounted to 737 million euro compared to the 515 million recorded for the same period in 2004. The fall in costs, equal overall to 3.3%, is attributable to other administrative costs and amortization. Personnel costs were basically stable. The business line employs 8,419 staff, representing 19% of the Group's personnel.

Net profit for the first nine months of 2005 totaled 497 million euro, up 56.3% on the same period in the previous year.

Corporate absorbed 50% of the Group's capital, a decrease with respect to the first nine months of 2004. In absolute values, allocated capital rose slightly as a result of the increase in credit risk connected to new business being offset by the decrease in operating risks linked to cost containment. The growth in net profit has given rise to an increase in profitability in terms of annualized RORAC that rose to 11.6% from the 7.5% for the same period in 2004.

Improvement in efficiency was equally significant: the cost/income ratio fell almost seven percentage points compared to the first nine months of the previous year.

Companies

The Group network dedicated to the companies market comprises 247 operating points divided between branches and specialist teams assigned to the retail branches.

The single service model used by all the commercial banks of the Group exploits the broad spread of the network and the specialization of employees. The territorial organization has 20 Market presidium offices responsible for coordinating branch transactions and shaping the commercial offer to specific local needs.

During the third quarter, actions were taken to strengthen relations with the domestic business system and increase financial support to companies with a suitable risk profile and prospects for growth. To that end, initiatives were taken to increase penetration with existing customers and develop relations in areas where penetration is low. Figures for the trend in the share of the wallet of loans to non-financial companies are fair, showing a rise of 70 basis points since the beginning of the year, according to the latest available information.

The main commercial initiatives concerned:

- the launch of development activities on selected customer targets, aimed at maximizing the renewed and strengthened offer of financing products;
- the strengthening of commercial activities aimed at improving international intermediate flows;
- the continuation of initiatives to increase the base of

customers using hedging products to cover interest rate and exchange risks;
- improvement of the offer of telematic services aimed at increasing automation of transactions.

Experimentation of the new model for commercial development aimed at increasing the effectiveness of the network continued, also through the exploitation of the Group's specialist know-how.

Particular attention was paid to the results of the survey of customer satisfaction carried out in the first half of the year. The valuations of customer satisfaction and the offer of products/services have been analyzed for each area and will continue to be monitored to check on the effectiveness of the initiatives and actions taken.

Lastly, the company network, with the collaboration of the banks of the North East, Emilia and the Adriatic area started the last phase of the Basel 2 project which will lead – beginning in 2006 – to unifying concessionary and loan management processes at Group level, with obvious advantages not only in terms of risk coverage but also efficiency in commercial business.

Large Groups

Large Groups is responsible for the presidium of the larger customers.

In a market characterized by strong commercial competition, the main aim was to protect the quality of the portfolio. There was no significant change in activities with large groups during the third quarter. The most important event was the conversion of the FIAT convertible facility for 400 million euro in ordinary shares, already described in preceding chapters of this Report.

International

International is responsible for international activities. It manages the sector made up of overseas customers, supports domestic companies operating on foreign markets and develops relations with corresponding banks. The Division is also responsible for Sanpaolo IMI Internazionale, the company that coordinates and heads the shareholdings in the Hungarian Inter-Europa Bank (85.9%) and Sanpaolo IMI Bank Romania (98.6%). The company is also responsible for the operational controlling of Banka Koper, operating in Slovenia, of which 63.9% is held by the Parent Bank.

The distribution structure directly covers 33 countries and constitutes the international network of the Parent Bank made up of 13 wholesale branches, the Irish subsidiary Sanpaolo IMI Bank Ireland, 19 representative offices and two operating desks, to which must be added the 97 branches of the controlled banks operating in Central Eastern Europe.

Activities in the third quarter continued in line with the mission, aimed at encouraging and supporting the internationalization of Italian companies, promoting and assisting the investments and activities of foreign multinationals on the European market (with priority given to the Italian market), increasing cross selling opportunities for the Group's product factories, operating as a domestic bank in new, high-growth markets, and extending relations with counterpart banks.

Public Authorities and Entities

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

Loans issued by Banca OPI in the third quarter – including security subscriptions – mainly concerned local and territorial entities. The more important transactions included mortgages for popular housing and port infrastructures. Other significant initiatives were made in favor of companies operating in public services and, especially, public utilities.

Subscription to bond securities issued by local entities (BOC and BOP), as well as those issued by a major public company operating in urban transport, continued.

With reference to project finance, the financing of the new seat of the Bologna Municipal Town Hall was closed during the period, the first example in Italy of a Public/Private Partnership (PPP) in public building, in which Banca OPI acted as mandated lead arranger together with other leading banks. The bank also acted as lead arranger subscribing to 25% of the financing for the construction and management of two hospitals in the province of Treviso. In international activities, the financing of Skyway Concession Company Holding LLC (Chicago) was completed for the concession of a stretch of toll highway to enter the city of Chicago (USA).

Advisory services carried out in the quarter, and still ongoing, concerned exhibitions, the energy sector and a concession for the recovery of a port zone.

With regard to equity investments, in the context of the replacement plan for minority investments within the Group, the controlled company Fin.OPI acquired 5.8% of the capital of Autostrada "Serenissima" and 0.76% of the capital of Autovie Venete. Among non-listed investments, the sale of the share in Lingotto should be noted.

Banca IMI

Banca IMI is the Group's investment bank and its business priorities concern, on the one hand, the offer of specialist services for company and institutional customers and, on the other, the development of structured products offered to retail and corporate customers through the Group's network.

In the third quarter of 2005, with reference to capital markets, and in particular the bond market, Banca IMI acted as leader in eight bond issues, placed at institutional investors issues by banks (including Banca Popolare dell'Emilia Romagna, Banca Popolare di Intra and Banca Europea per gli Investimenti), as well as shares in the Fondo Immobili Pubblici (FIP – fund for public real estate) on behalf of the Finance Ministry. The bank also acted as joint lead manager and rating advisory in the bond issue (BOP) for the Province of Como. Securitization was completed of the loan partly issued also by Banca IMI to FIP through the issue of securities in two tranches by the FIP Funding vehicle.

Banca IMI confirmed its traditional presidium of capital increases and placement of shares, in a scenario characterized by the positive performance of European stock markets. In particular, during the quarter, it acted as sole book runner for the private placement of 2.3% of the capital of Eutelia and 0.6% of the capital of Isagro; it terminated a further tranche of the capital increase of Buongiorno Vitaminic and acquired a mandate from Navigazione Montanari for specialist activities in the STAR segment of the Italian stock exchange.

As regards corporate finance advisory and structured finance activities, Banca IMI played a leading role in the acquisition of Wind by Weather Investments, acting as advisor in both structuring and subscription to financing. The bank also acted as sole arranger for the further structured financing of the company that controls Weather, the placement of which was concluded in October partially through securitization.

The disposal of Europoligrafico to New EPG by Reno de Medici was finalized during the quarter, and at the end of October the Public Offer for the capital of Perlier from Cemlux was concluded.

Activities in support of Hera, a Bologna municipal company, continued in the context of the merger with Meta that will give rise to the second largest Italian municipal multi-utility company, and of Maire Holding for the acquisition of Tecnimont by Edison that will lead to the establishment of a new Italian engineering pole, thanks to the foreseen merger with Maire Engineering. Lastly, the global advisory services provided to the FIAT group and the financial advisory services for AEM Torino in the integration with AMGA Genova should also be mentioned.

Sanpaolo IMI Private Equity

With regard to private equity activities, carried out through Sanpaolo IMI Private Equity, following the close in February of the fund raising for the two multi-regional funds – Fondo Centro Impresa and Fondo Nord Ovest Impresa – dedicated to equity investments in the capital of small- and medium-sized companies, the third quarter saw the approval of the first investments which could be concluded by the end of the year.

As regards the Fondo Mezzogiorno (Fund for Southern Italy), set up for investments in small- and medium-sized companies in Southern Italy, subscription is being completed for a 40% increase in capital in Tissuelab, a company in Campania operating in orthopedic biomaterials. Another three investments have been approved and are being concluded.

The gradual disposal of the merchant banking portfolio continued with agreements being reached for the infra-Group transfer of investments in Aeroporti Holding. Initiatives were also started to dispose of interests in Aeroviaggi.

Other Activities

As far as major industrial shareholdings, managed by IMI Investimenti, are concerned, the main event in the third quarter was the closing of the Italenergia Bis transaction, already described in the preceding chapters of this Report on Group Operations.

Tax collecting activities, managed by GEST Line, were affected by the extension of concessions for 2005/2006, which gave rise to the definition of regulations for fixed public sector contributions (Law Decree 203 of 30 September 2005).

Savings and Assurance

As described in more detail in the chapter "Action points and initiatives in the quarter", the Savings and Assurance sector covers the activities of the financial planners of the Banca Fideuram group (that includes Sanpaolo Invest SIM) serving customers with a medium/high savings potential, as well as those of Assicurazioni Internazionali di Previdenza (A.I.P.), the company comprising the Group's insurance companies.

In the first nine months of 2005, the total operating income of the Sector grew by 15.1% compared to the same period in 2004. This trend was generated by the increase in revenues by both Banca Fideuram and A.I.P.; the latter are entirely included in the income from insurance business. Operating costs (+6.8%) and the provisions for risks and charges at Banca Fideuram also rose, but to a lesser extent. In more detail, the rise in revenues affected the traditionally more sensitive costs such as the variable component of personnel costs. Net profit for the period amounted to 267 million euro, an increase of 13.1% over the first nine months of 2004.

With regard to operating data, there was a rise in asset management (+9.4%), thanks to the positive trend in all compartments, and in asset administration (+9.3%).

The capital absorbed by the Sector in the first nine months of 2005, representing 11% of the Group's shareholders' equity, was 1,243 million euro, a growth of 8.6% over the same period in the previous year. This higher absorption, together with an increase in the contribution to net profit, that represents 18% of the consolidated profit, generated a modest rise in annualized profitability to 28.6%.

Savings and Assurance

	First nine months 2005	First nine months 2004 pro forma	Change first nine months 2005 / First nine months 2004 pro forma (%)
STATEMENT OF INCOME (€/mil)			
Net interest income	32	31	+3.2
Net commissions	437	411	+6.3
Income from credit disposals, assets held to maturity and repurchase of financial liabilities	3	3	-
Dividends and income from other financial assets and liabilities	38	17	+123.5
Profits (losses) on equity shareholdings	-	-	-
Income from insurance business	284	228	+24.6
Total operating income	**794**	**690**	**+15.1**
Net adjustments to loans	1	-1	n.s.
Net adjustments to other financial assets	-	-	-
Net operating income	**795**	**689**	**+15.4**
Personnel costs	-144	-125	+15.2
Other administrative costs	-162	-156	+3.8
Net adjustments to tangible and intangible assets	-24	-28	-14.3
Operating costs	*-330*	*-309*	*+6.8*
Other net income (expenses)	13	10	+30.0
Impairment of goodwill	-	-	-
Profits (losses) from disposals of investments	-	-	-
Net provisions for risks and charges	-61	-31	+96.8
Pre-tax operating profit	**417**	**359**	**+16.2**
Taxes for the period	-105	-88	+19.3
Profits (losses) on discontinued operations	-	-	-
Profit attributable to minority interests	-45	-35	+28.6
Net profit	**267**	**236**	**+13.1**
REVENUES FROM THE SECTOR (€/mil)	**794**	**690**	**+15.1**
INCOME FROM THE SECTOR (€/mil)	**417**	**359**	**+16.2**
ALLOCATED CAPITAL (€/mil)	**1,243**	**1,145**	**+8.6**
RATIOS (%)			
Annualized profitability	28.6	27.5	
Cost / Income ratio	41.6	44.8	
	30/9/2005	31/12/2004 pro forma	Change 30/9/05-31/12/04 pro forma (%)
OPERATING DATA (€/mil)			
Asset management	79,903	73,028	+9.4
- mutual funds and fund-based portfolio management	34,352	32,307	+6.3
- portfolio management	671	601	+11.6
- life technical reserves and financial liabilities	44,880	40,120	+11.9
Net asset management flows	3,334	5,553	
Asset administration	11,916	10,901	+9.3
Total interest-earning assets	7,014	5,063	+38.5
Total interest-bearing liabilities	6,152	4,312	+42.7
OPERATING STRUCTURE			
Employees	2,337	2,213	+5.6
Financial planners	4,189	4,313	-2.9
Domestic branches	91	89	+2.2

Banca Fideuram

During the third quarter, Banca Fideuram pursued the aims at the heart of its three-year industrial plan approved in the first half of the year, confirming as its main objective the growth of volumes in the reference customer segments and the maintenance of the bank's profitability at the current levels of excellence.

In line with the projects outlined in the plan, activities continued in the third quarter in the workshops involved in the launch of new products and the redefining of the advisory process.

It should be remembered that, in order to give unity of comparison, figures for the first nine months of 2004, besides taking into account the adjustments following the introduction of IAS/IFRS, have been reported in the light of the demerger of the insurance business at the beginning of 2004.

Transactions in the first nine months benefited both from initiatives aimed at guiding the customer portfolio towards a mix of products with higher added value and from the recovery of financial markets. Assets under management grew 6.8% since the beginning of the year, reaching 63.5 billion euro and, within these, the amount of managed funds generating recurring commissions increased. The 10.4% rise in total operating income compared to the same period in 2004 is attributable to the increase in commission revenues and higher income from financial assets. The latter particularly benefited from the rise in profits from dealing activities in the securities of Fideuram Wargny, as well as from the added value deriving from the fair value evaluation of insurance policies drawn up by Banca Fideuram in favor of private bankers in the context of customer retention plans which are almost totally provided for in provisions for risks and charges. The positive trend of these aggregates has more than compensated for higher, non-recurring provisions, posted in a single solution as a presidium over risks connected to the placement of corporate bonds that subsequently defaulted. The contribution to the net profit of the Group was equal to 113 million euro, an increase of 7.6% compared to the same period in the previous year. Profitability, expressed in terms of annualized RoE, was 41.5% compared to 40.5% in the first nine months of 2004.

As an indicator of efficiency, the cost/income ratio improved by almost four percentage points, coming down to 50.2%. This trend confirms the success of the commercial policy centered on the recovery of profitability and on the synergies arising from integration with Sanpaolo Invest, despite the first investments to support the new 2005-2007 industrial plan.

Banca Fideuram

	First nine months 2005	First nine months 2004 pro forma	Change first nine months 2005 / First nine months 2004 pro forma (%)
STATEMENT OF INCOME (€/mil)			
Net interest income	32	31	+3.2
Net commissions	437	411	+6.3
Income from credit disposals, assets held to maturity and repurchase of financial liabilities	3	3	-
Dividends and income from other financial assets and liabilities	38	17	+123.5
Profits (losses) on equity shareholdings	-	-	-
Income from insurance business	-	-	-
Total operating income	**510**	**462**	**+10.4**
Net adjustments to loans	-	-1	n.s.
Net adjustments to other financial assets	-	-	-
Net operating income	**510**	**461**	**+10.6**
Personnel costs	-120	-110	+9.1
Other administrative costs	-115	-114	+0.9
Net adjustments to tangible and intangible assets	-21	-27	-22.2
Operating costs	*-256*	*-251*	*+2.0*
Other net income (expenses)	-	-1	n.s.
Impairment of goodwill	-	-	-
Profits (losses) from disposals of investments	-	-	-
Net provisions for risks and charges	-61	-31	+96.8
Pre-tax operating profit	**193**	**178**	**+8.4**
Taxes for the period	-38	-39	-2.6
Profits (losses) on discontinued operations	-	-	-
Profit attributable to minority interests	-42	-34	+23.5
Net profit	**113**	**105**	**+7.6**
ALLOCATED CAPITAL (€/mil)	**363**	**346**	**+4.9**
RATIOS (%)			
Annualized profitability	41.5	40.5	
Cost / Income ratio	50.2	54.3	
	30/9/2005	31/12/2004 pro forma	Change 30/9/05-31/12/04 pro forma (%)
OPERATING DATA (€/mil)			
Assets under management (1)	63,529	59,469	+6.8
Assets under management (net inflow) (1)	747	-798	
Asset management	49,051	46,322	+5.9
- mutual funds and fund-based portfolio management	34,352	32,307	+6.3
- portfolio management	671	601	+11.6
- life technical reserves and financial liabilities	14,028	13,414	+4.6
Net asset management flows	110	434	
Asset administration	11,916	10,901	+9.3
Total interest-earning assets	7,014	5,063	+38.5
Total interest-bearing liabilities	6,152	4,312	+42.7
OPERATING STRUCTURE			
Employees	1,893	1,844	+2.7
Financial planners	4,189	4,313	-2.9
Domestic branches	91	89	+2.2

(1) Includes asset management, asset administration and direct deposits.

A.I.P.

In the third quarter of 2005, A.I.P., that has been operative in its current company structure since 1 December 2004 after the incorporation of Sanpaolo Vita and Fideuram Vita, continued initiatives aimed at:

- full integration of the companies incorporated in the Company so as to increase efficiency and strengthen the capacity for innovation and presidium of the offer range;
- perfection and completion of the organizational structure through a more functional development of the Company and the introduction of specific competences.

Actions taken in the quarter should also be seen in the light of the aforementioned project to develop the "Savings and Assurance" pole whose aim is to meet the emerging needs of customers to protect savings and personal assurance more effectively.

In anticipation of the new strategic context in which A.I.P. will operate, some areas have been identified for priority analysis. In particular studies have been made of:

- integrated assurance, so as to take advantage of the future opportunities offered by the ongoing review of regulations;
- the casualty sector, so as to give better support to customers in their requirements for personal and property protection;
- life saving and investment products with the aim of identifying a trend in the product range that is coherent with the mission of protecting savings.

These studies will lead to a better vision of the opportunities for development of the Company.

In order to give unity of comparison, figures for the first nine months of 2004 have been recalculated assuming that the insurance companies of the Group were grouped under the Company as of 1 January 2004.

In the first nine months of 2005, Assicurazioni Internazionali di Previdenza's contribution to consolidated profit, net of third party income, was 154 million euro, an increase of 17.6% compared to the same period in 2004.

The improvement in net profit should be seen in the light of the increase in income from insurance business which rose from 228 to 284 million euro, a growth of 24.6%. The rise was positively influenced by realization of capital gain on the portfolio of mutual equity funds, disinvested by the company's decision to favor direct investments. The reduction in market rates was reflected in an increase in valuation reserves for financial assets available for sale, equal to 132 million at the end of the period, as against 94 million at the beginning of the year.

The rise in revenues was partly offset by the 27.6% growth in operating costs that rose from 58 to 74 million euro. The trend in costs should be seen in relation to the significant strengthening of the governance and operating structures of the Company and the higher expenses connected to the growth of volumes.

With regard to operations, at the end of September 2005 A.I.P.'s total assets were 47,954 million euro, a rise of 15% since the beginning of the year. The securities portfolio stood at 45,883 million and is made up for 58% by securities valuated at fair value, mainly for unit- and index-linked products, and for 42% by available for sale securities, mainly for policies available for revaluation. The policy portfolio, totaling 44,299 million, consists of 22,218 million in life technical reserves, of which 4,769 million in death, mixed and annuity products, classified according to international accounting standards as insurance, and 17,449 million in policies available for revaluation under separate management. There are also 22,081 million in financial unit- and index-linked policies classified as deposits.

During the first nine months of the year, A.I.P. recorded inflow of 6.5 billion euro, in terms of premiums issued net of those ceded as re-insurance, including products classified as insurance and deposits of financial policies.

A.I.P.

	First nine months 2005	First nine months 2004 pro forma	Change first nine months 2005 / First nine months 2004 pro forma (%)
STATEMENT OF INCOME (€/mil)			
Net interest income	-	-	-
Net commissions	-	-	-
Income from credit disposals, assets held to maturity and repurchase of financial liabilities	-	-	-
Dividends and income from other financial assets and liabilities	-	-	-
Profits (losses) on equity shareholdings	-	-	-
Income from insurance business (1)	284	228	+24.6
Total operating income	**284**	**228**	**+24.6**
Net adjustments to loans	1	-	n.s.
Net adjustments to other financial assets	-	-	-
Net operating income	**285**	**228**	**+25.0**
Personnel costs	-24	-15	+60.0
Other administrative costs	-47	-42	+11.9
Net adjustments to tangible and intangible assets	-3	-1	n.s.
Operating costs	*-74*	*-58*	*+27.6*
Other net income (expenses)	13	11	+18.2
Impairment of goodwill	-	-	-
Profits (losses) from disposals of investments	-	-	-
Net provisions for risks and charges	-	-	-
Pre-tax operating profit	**224**	**181**	**+23.8**
Taxes for the period	-67	-49	+36.7
Profits (losses) on discontinued operations	-	-	-
Profit attributable to minority interests	-3	-1	n.s.
Net profit	**154**	**131**	**+17.6**
ALLOCATED CAPITAL (€/mil)	**880**	**799**	**+10.1**
RATIOS (%)			
Annualized profitability	23.3	21.9	
Cost / Income ratio	26.1	25.4	
	30/9/2005	31/12/2004 pro forma	Change 30/9/05-31/12/04 pro forma (%)
OPERATING DATA (€/mil)			
Life technical reserves and financial liabilities	44,299	39,205	+13.0
- life technical reserves	22,218	19,945	+11.4
- life financial liabilities	22,081	19,260	+14.6
Life flows	6,453	8,539	
OPERATING STRUCTURE			
Employees	444	369	+20.3

(1) All the Company's operative revenues are recorded under "Income from insurance business".

Asset Management and International Private Banking

The Asset Management and International Private Banking sector comprises Sanpaolo IMI Asset Management and its subsidiaries, dedicated to providing asset management products to the Group networks as well as institutional investors, Sanpaolo Bank (Luxembourg), which operates in international private banking, and Sanpaolo Fiduciaria.

Total operating income for the Sector during the first nine months of 2005 was 257 million euro, a rise of 8.9% thanks to the increase in commission revenues at Sanpaolo IMI Asset Management and income from financial assets at Sanpaolo Bank (Luxembourg). The contribution to the net profit of the Group was 130 million euro, a positive performance of 19.3% compared to the 109 million of the same period in the previous year, reformulated pro forma in consideration of the demerger of the insurance companies. Besides the effect of the good performance of revenues, the result was also obtained through the fall in operating costs, especially other administrative costs, mainly attributable to Sanpaolo IMI Asset Management.

Assets under management in the Sector reached 116.5 billion euro at the end of September, a rise of 11.8% since the beginning of the year. Asset management increased by 6.5% due mainly to the trend in fund-based portfolio management and portfolio management.

Asset Management and International Private Banking contributed 9% of the consolidated net profit for the first nine months of 2005 and absorbed 1% of capital. Annualized profitability, totaling 152%, confirmed the distinctive high values of the business line and can be attributed to the limited absorption of capital with respect to the large volumes of assets managed by the Sector that are placed by the Group's banking networks nationwide. Annualized RORAC rose in comparison to the same period of the previous year due to the increase in contribution to Group profit. The cost/income ratio was 35%, a fall compared to the first nine months of 2004.

Sanpaolo IMI Asset Management

Activities continued in the third quarter of 2005 to rationalize the Sanpaolo IMI Asset Management offer range following the corporate reorganization in the previous year, in the context of maximizing active management of the portfolios. Moreover, in order to increase product penetration on the Group's banking networks, conversion is continuing of the portfolio management of the banks of the North East, Emilia and the Adriatic area to Sanpaolo IMI Asset Management products.

On 26 July, the merger by incorporation of the totally controlled company Sanpaolo IMI Institutional Asset Management, the SGR specialized in management and advisory services for institutional customers, into Sanpaolo IMI Asset Management was decided. The operation, which may be completed by the end of the year, will create a single presidium of business processes and therefore lead to greater operational efficiency and stronger offer abilities thanks to the synergies of purpose obtained through the integration of management, commercial and product development structures, as well as cost synergies.

Asset Management and International Private Banking

	First nine months 2005	First nine months 2004 pro forma	Change first nine months 2005 / First nine months 2004 pro forma (%)
STATEMENT OF INCOME (€/mil)			
Net interest income	7	9	-22.2
Net commissions	240	225	+6.7
Income from credit disposals, assets held to maturity and repurchase of financial liabilities	-	-	-
Dividends and income from other financial assets and liabilities	10	1	n.s.
Profits (losses) on equity shareholdings	-	1	n.s.
Income from insurance business	-	-	-
Total operating income	**257**	**236**	**+8.9**
Net adjustments to loans	-	-2	n.s.
Net adjustments to other financial assets	-	-	-
Net operating income	**257**	**234**	**+9.8**
Personnel costs	-44	-44	-
Other administrative costs	-40	-49	-18.4
Net adjustments to tangible and intangible assets	-6	-8	-25.0
Operating costs	*-90*	*-101*	*-10.9*
Other net income (expenses)	2	7	-71.4
Impairment of goodwill	-	-	-
Profits (losses) from disposals of investments	-	3	n.s.
Net provisions for risks and charges	-3	-2	+50.0
Pre-tax operating profit	**166**	**141**	**+17.7**
Taxes for the period	-36	-32	+12.5
Profits (losses) on discontinued operations	-	-	-
Profit attributable to minority interests	-	-	-
Net profit	**130**	**109**	**+19.3**
REVENUES FROM THE SECTOR (€/mil)	**257**	**236**	**+8.9**
INCOME FROM THE SECTOR (€/mil)	**166**	**141**	**+17.7**
ALLOCATED CAPITAL (€/mil)	**114**	**107**	**+6.5**
RATIOS (%)			
Annualized profitability	152.0	135.8	
Cost / Income ratio	35.0	42.8	
	30/9/2005	31/12/2004 pro forma	Change 30/9/05-31/12/04 pro forma (%)
OPERATING DATA (€/mil)			
Assets under management (1)	116,523	104,243	+11.8
Asset management	77,062	72,390	+6.5
- mutual funds and fund-based portfolio management	72,881	69,358	+5.1
- portfolio management	4,181	3,032	+37.9
Total interest-earning assets	3,371	4,549	-25.9
Total interest-bearing liabilities	3,502	5,554	-36.9
OPERATING STRUCTURE			
Employees	673	689	-2.3

(1) Includes management of institutional customers and third parties.

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), and the Group's credit policy, the Macchina Operativa Integrata. The principal component is made up of entities carrying out activities of governance, support and control of the other Business Sectors.

The income results therefore 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 nine months of 2005, Central Functions reported a loss of 157 million euro, mainly due to the share of costs not allocated to operating functions and to the net adjustments to loans and other financial assets. The higher loss in the first three quarters of 2004, equal to 210 million euro, is attributable to the write-back, among the net adjustments to other financial assets, of the permanent losses on some shareholdings and the higher operating costs, especially personnel costs, only partly compensated by the recording in the profits on discontinued operations of the capital gain of 55 million euro from the ceding of the last share of Finconsumo in the first half of 2004.

Secondary information

In accordance with the Group's management approach and organizational decisions, the disclosure by Geographical Sectors constitutes the secondary information required by IAS 14. There follows a summary report of the main operating data for Italy, the area where the majority of the Group's activities are concentrated, Europe and the rest of the world.

	Italy	Europe	Rest of the world	Group total
TOTAL OPERATING INCOME (€/mil)				
First nine months 2005	5,562	649	50	6,261
First nine months 2004	5,111	570	37	5,718
Change first nine months 2005 / First nine months 2004 (%)	+8.8	+13.9	+35.1	+9.5
TOTAL INTEREST-EARNING ASSETS (€/mil) (1)				
30/9/2005	159,628	11,497	6,085	177,210
31/12/2004	150,810	8,586	4,518	163,914
Change 30/9/2005 - 31/12/2004 (%)	+5.8	+33.9	+34.7	+8.1

(1) Excluding the Banca IMI group.

Explanatory Notes

Explanatory Notes

Accounting and valuation principles

The Quarterly Report of the SANPAOLO IMI Group as of 30 September 2005 has been prepared according to international accounting standards and is drawn up in the form required by Attachment 3D of 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 Half Year Report 2005 which constituted the definitive transition of the SANPAOLO IMI Group to IAS/IFRS standards.

Therefore, for further details on the accounting and valuation principles, please refer to the Half Year Report 2005. Here the following should be noted:
- the quarterly accounts have been prepared according to the discrete approach, by which the reference period is considered to be an independent financial period. Accordingly, the statement of income reflects both the ordinary and extraordinary components of the quarter, 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 and proportionally) with reference to 30 September 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 the latest available statements of income or accounts;
- 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

With the introduction of the new international accounting standards, the line by line and proportional consolidation area of the SANPAOLO IMI Group has experienced some changes mainly attributable to the line by line consolidation of subsidiaries in the insurance compartment previously reported according to the net equity method. As of 30 September 2005, the line by line and proportional consolidation area showed no significant changes compared with the Half Year Report 2005.

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:
  - 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 Banca Fideuram, which operates in the Savings and Assurance sector, where, as a quoted company, reference was made to the end of period accounting net shareholders' equity (excluding profit), as is done for the Group.

Profitability for the Sectors is expressed in terms of RORAC (Return On Risk Adjusted Capital), comparing the Sector's contribution to the Group's net profit with the relative average capital absorbed quantified according to the VaR approach. For the Savings and Assurance sector, profitability has been calculated by comparing the Sector's contribution to the Group's net profit to the sum of the net shareholders' equity of Banca Fideuram and the average absorbed capital of Assicurazioni Internazionali di Previdenza.

Turin, 14 November 2005

The Board of Directors

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