

GRUPPO SANPAOLO IMI

Q3 2004 RESULTS

12 November 2004

DISCLAIMER

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- Overview of results
- P&L breakdown

SUMMARY OF 9-MONTH 04 RESULTS

Good revenue growth

- Positive revenue momentum driven by net commission income +9.9% (asset management fees +9.9% Y/Y) ahead of expectations and strong increase in contribution from life companies (+104% Y/Y)
- Net interest income impacted by lower interest rates and difficult macro back-drop but operating trends remain positive

Total revenues +1.9%

Solid operating trends

- Good loan growth in retail lending (retail mortgages +14%)
- Selective loan growth enable appropriate pricing and good asset quality
- Customer financial assets up 3.1% (assets under management +1.7%, assets under administration +4.2%, direct deposits +3.7%)

Operating income +6.5%

Lower operating costs

- Benefits from integration drive operating costs lower despite ongoing integration charges and inflationary pressure

Prudential provisioning

- Good asset quality, adequate coverage levels and low NPL ratios underpin balance sheet strength
- Conservative credit provisioning includes 51 € MM generic charge.

**Income before
extraordinaries -1.2%**

Excellent bottom line growth

- Annualised ROE and Cost/income improve to 11.5% and 59.6% respectively
- Capital ratios strengthened (Tier 1 7.8, total capital 11.5)

Net income +21.8%

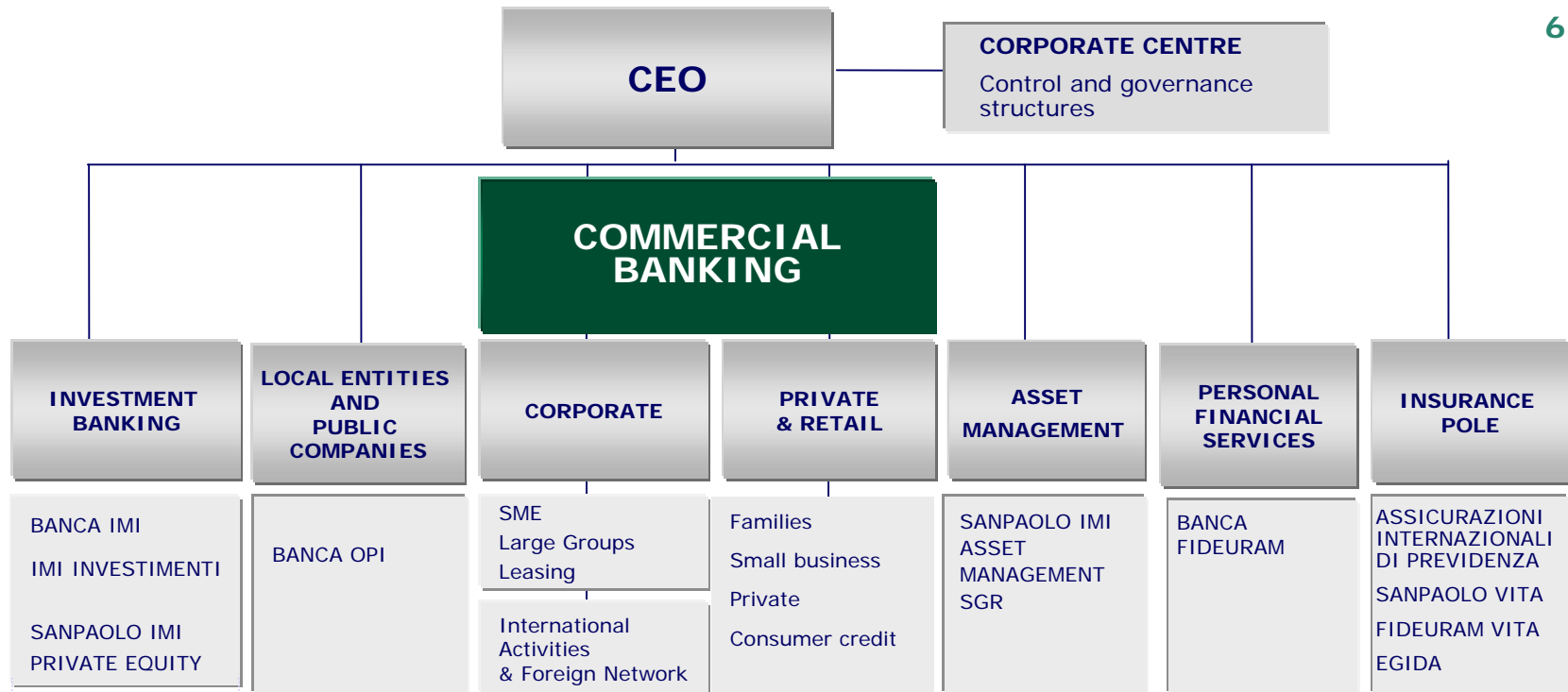
INTEGRATION OF THE BRANCH BANKING NETWORK ON TRACK

2003	2004
Integration of Banco di Napoli	Migration of Cassa di Risparmio di Venezia onto SPIMI IT platform (March 04)
Full acquisition of Banca Popolare dell'Adriatico	Migration of Cassa di Risparmio in Bologna onto SPIMI IT platform (April 04)
Integration of Cerea Bank in Cariparo	Migration of Friulcassa onto SPIMI IT platform (June 04)
Merger of Cardine Finanziaria	Migration of Cariparo onto SPIMI IT platform (July 04)
Merger of Crup and Carigo	IT merger of Banca Popolare dell'Adriatico (October 04)
Rebranding of all networks banks	Rationalisation of the branch network: 113 Sanpaolo branches to be conferred to the North East banks 30 Carisbo and Cariparo branches to be conferred to Sanpaolo network (November 04-January 05)

ROLL OUT OF IT OPERATING PLATFORM COMPLETED



GROUP STRUCTURE REFLECTS RATIONALISED BUSINESS MODEL

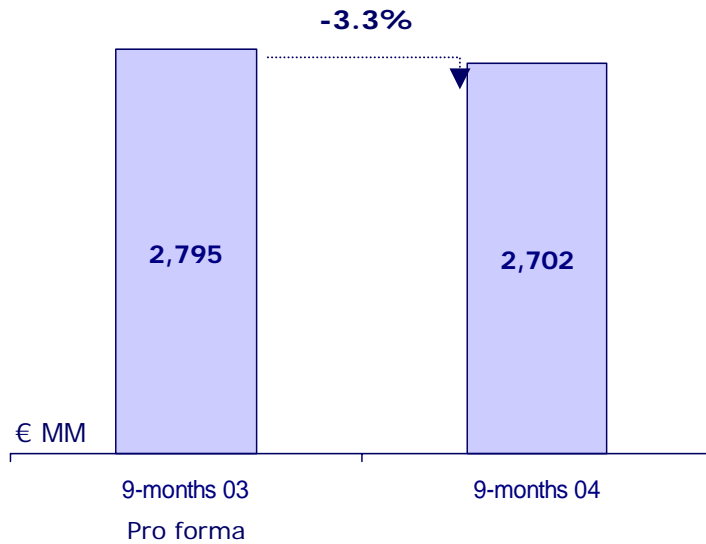


As a % of Group	INVESTMENT BANKING	LOCAL ENTITIES AND PUBLIC COMPANIES	CORPORATE	PRIVATE & RETAIL	ASSET MANAGEMENT	PERSONAL FINANCIAL SERVICES	INSURANCE POLE
Total revenues	3.1%	2.1%	78.3%		4.5%	8.8%	
Operating income	2.8%	4.5%	83.1%		8.5%	11.3%	

- Overview of results

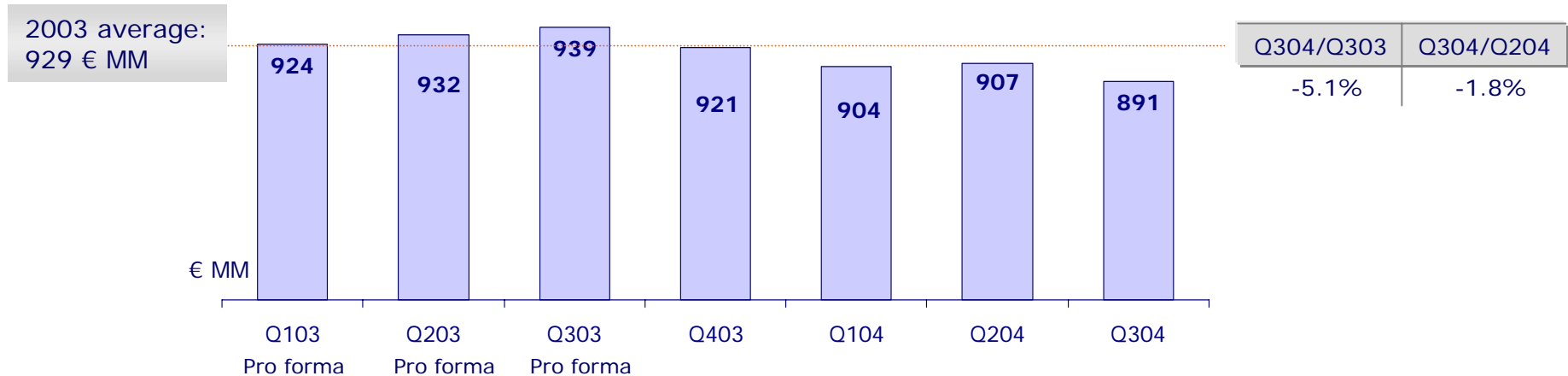
- P&L breakdown

NET INTEREST INCOME



- Negative impact of lower interest rate (av. 3-months Euribor -31 bps)
 - Impact particularly strong on free capital
 - Customer spread held up well (-14 bps Y/Y)

- Asset quality in the performing loan portfolio continues to remain good



SELECTIVE LOAN GROWTH

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- The loan policy remains focussed on:
 - asset quality
 - appropriate risk adjusted pricing
- Continuing positive trends in:
 - new mortgage lending: € 3 billion 9-months 04
 - public authority and infrastructure financing: M/L term +8.1%, bonds +115%
 - specialist consumer banking up 12.6% Y/Y

€ MM	Stock 30/09/04	Change 30/09/04-30/09/03 pro forma
GROUP:	120,207	+0.4%
▪ Medium-long term	81,696	+7.3%
▪ Short term	38,511	-11.7%
PRINCIPLE BUSINESS UNIT NUMBERS:		
▪ Commercial banking	94,795	-0.3%
▪ Sanpaolo	61,046	-1.5%
▪ Finemiro	3,672	+12.6%
▪ Large Groups	6,897	-26.8%
▪ International Corporate	3,195	-21.8%
▪ Sanpaolo Banco di Napoli	7,719	+3.5%
▪ North East Network	26,059	+1.7%
▪ Banca OPI	18,396	+1.3%

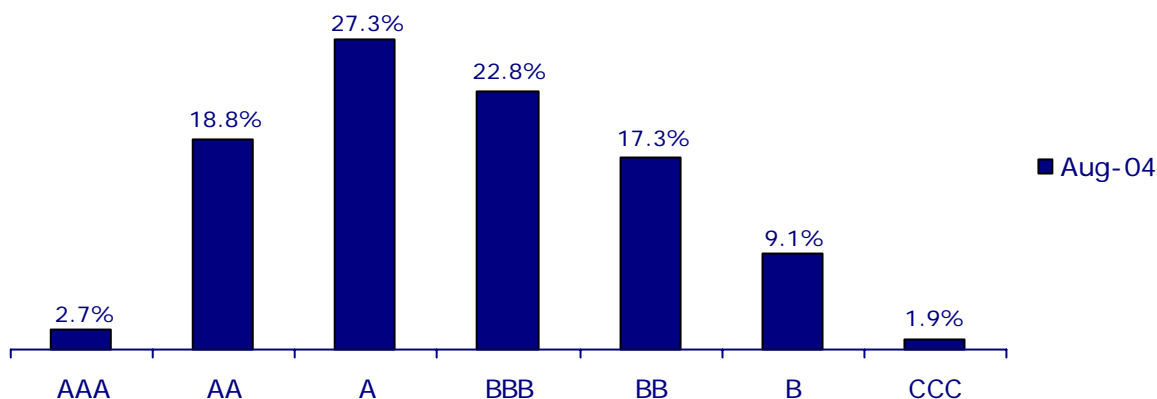
GOOD ASSET QUALITY AND SOLID MARGINS

- Effective repricing of liabilities reduced impact of falling interest rates
- Weakening of mark up due to growth in M/L term lending and fall in short term lending

Average spread on customer business

	Change Y/Y
Average spread	-14
▪ Mark up	-9
▪ Mark down	-5
3 month Euribor	-31

Customer loans by rating (*)



(*)The portfolio includes analytically rated performing loans to customers on and off-balance sheet which represent approximately 75% of the total portfolio. The remaining portion of the portfolio is principally retail lending of which approximately 70% in residential mortgage lending.

WELL BALANCED CUSTOMER DEPOSIT BASE

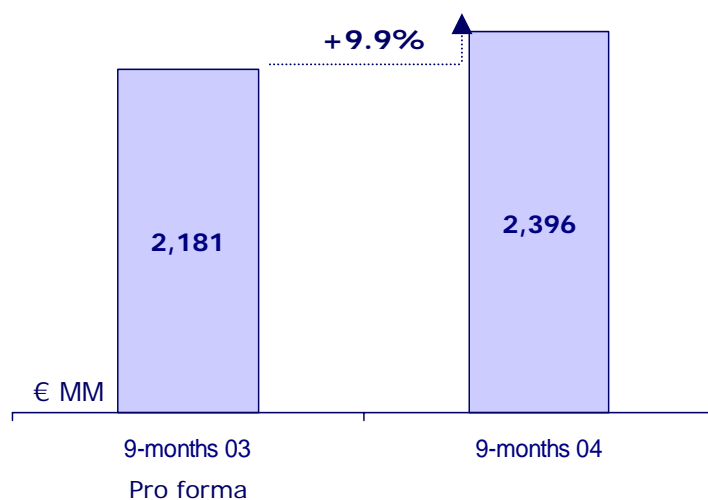
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- Current accounts and deposits account for more than 50% of direct deposits

€ MM	30/09/04	%	30/09/03 pro forma	%	Change 30/09/04- 30/09/03 pro forma
Current account and deposits	71,093	53.1	66,864	51.8	+6.3%
CDs	3,859	2.9	7,114	5.5	-45.8%
Bonds	41,090	30.7	38,401	29.8	+7.0%
Commercial paper	3,687	2.8	2,750	2.1	+34.1
Repos	11,002	8.2	11,015	8.5	-0.1%
Other	3,134	2.3	2,954	2.3	+6.1%
Total	133,865	100.0	129,098	100.0	+3.7%

STRONG GROWTH IN COMMISSION INCOME

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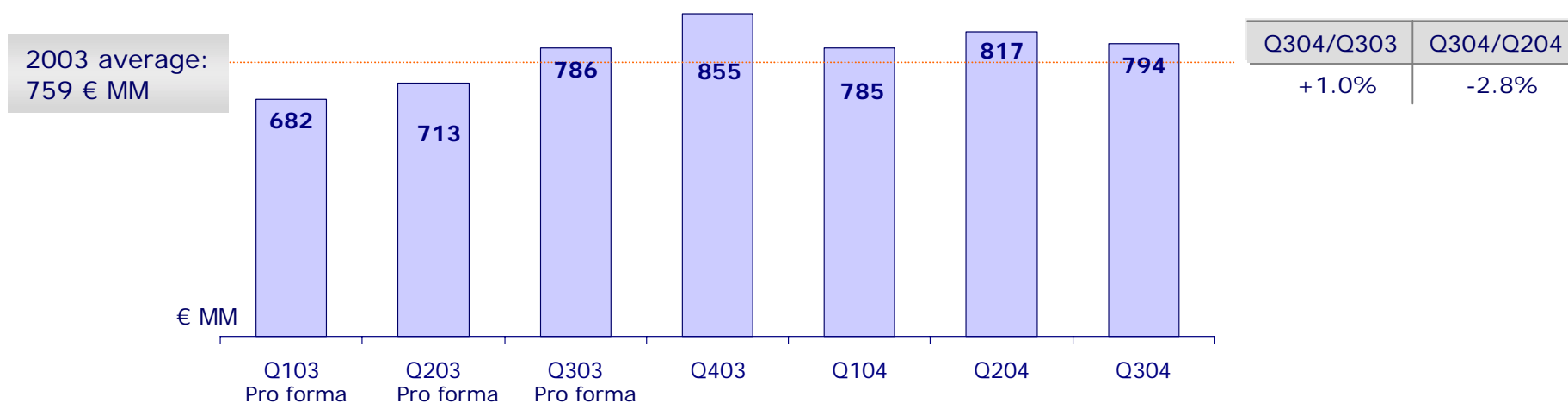


- Asset management fees driven by good operating trends and positive performance effect
- Traditional banking fees continue to make strong contribution to growth

€ MM	9-months 04	9-months 03 pro forma	Change 9-months 04/ 9-months 03 pro forma
Asset Management, Dealing and advisory services	1,413	1,286	+9.9%
▪ <i>asset management</i>	1,225	1,063	+15.2%
▪ <i>dealing, advisory and custody, currencies</i>	188	223	-15.7%
Loans and guarantees	253	188	+34.6%
Collection and payment services	181	181	-
Deposit and current accounts	388	355	+9.3%
Other services and net dealing revenues	161	171	-5.8%
Net Commission and other dealing revenues	2,396	2,181	+9.9%

FEE INCOME QUARTERLY ANALYSIS

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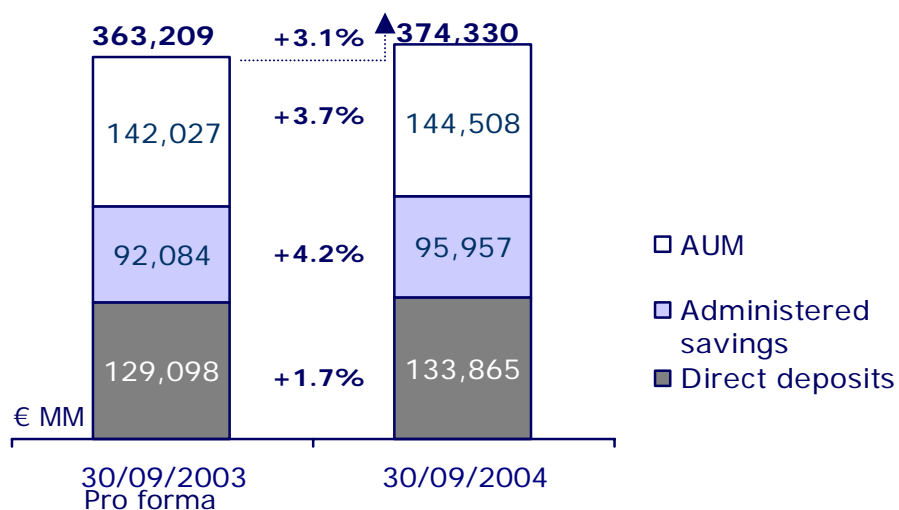


€ MM	Q304	Q204	Q104	Q403	Q303	Q203	Q103	Change Q304/Q303	Change Q304/Q204
Asset Management, Dealing and advisory services	466	470	477	490	468	415	403	-0.4%	-0.9%
▪ <i>asset management</i>	414	406	405	416	384	339	340	+7.8%	+2.0%
▪ <i>dealing and custody, currencies</i>	52	64	72	74	84	76	63	-38.1%	-18.8%
Loans and guarantees	84	93	76	93	66	59	63	+27.3%	-9.7%
Collection and payment services	59	60	62	58	64	60	57	-7.8%	-1.7%
Deposit and current accounts	134	135	119	133	124	120	111	+8.1%	-0.7%
Other services and net dealing revenues	51	59	51	81	64	59	48	-20.3%	-13.6%
Net Commission and other dealing revenues	794	817	785	855	786	713	682	+1.0%	-2.8%

DETAIL ON CUSTOMER FINANCIAL ASSETS

- 3.1% increase 30/09/04-30/09/03 in customer financial assets as a result of growth in all the principle aggregates
- Growth in the first nine months 04 as a result both of a positive performance effect (€ 4.7 billion) and of good net inflows (€ 1.6 billion)

TFA stock breakdown



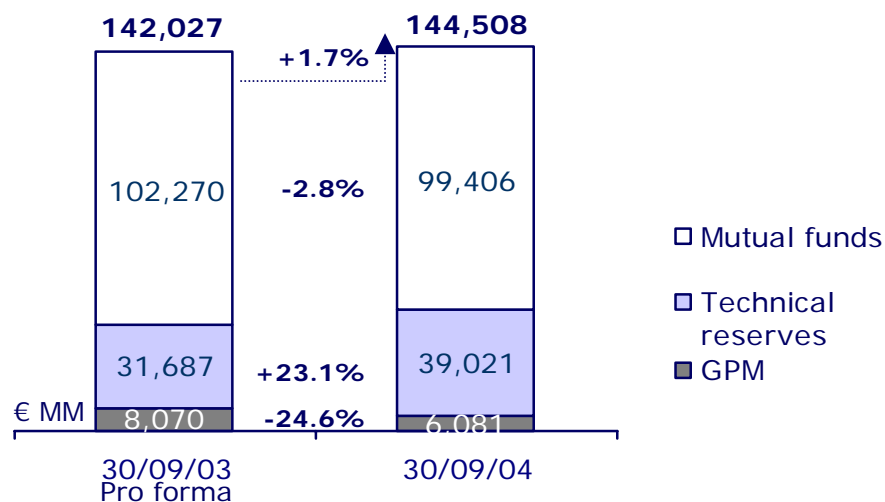
€ MM	30/09/04 stock	9-months 04 flows	9-months 04 performance	Net change year to date
TFA	374,330	1,610	4,678	6,288
AUM	144,508	-1,656	+2,453	+797
▪ Life assurance	39,021	+4,552	+933	+5,485
▪ Mutual funds	99,406	-4,682	+1,350	-3,332
▪ GPM	6,081	-1,526	+170	-1,356
Administered	95,957	+1,122	+2,225	+3,347
Direct deposits	133,865	+2,144	-	+2,144

DETAIL ON ASSETS UNDER MANAGEMENT

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- Continuing customer preference for life products at the expense of mutual funds
- Mutual fund outflow in Group networks mainly from liquidity funds
- Net outflow of € 1.6 billion wholly a result of non operational factors:
 - the sale of Adriavita (€ 424 million)
 - the negative impact of non captive business (Eptaconsors, € 1.2 billion)

Assets under Management



€ MM	9-months 04 Flows				30/09/04 Stock		
	Life assurance	Mutual funds	GPM	Total	Total	Var. Y/Y	Var. Q/Q
Sanpaolo combined (*)	3,657	-2,150	-791	716	81,259	4.3%	2.0%
North East Network	176	-601	-737	-1,162	11,430	-8.3%	-1.6%
Fideuram	426	-406	3	23	45,260	4.4%	-0.4%
Other	293	-1,524	-2	-1,233	6,559	-21%	-7.5%
Total	4,552	-4,682	-1,526	-1,656	144,508	1.7%	0.5%

(*) Includes Sanpaolo Network, Sanpaolo Banco di Napoli and BPA

DETAIL ON MUTUAL FUNDS

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- Over 20% market share confirms Sanpaolo IMI as the leading domestic mutual funds manager
- Strengthening of the asset mix over the last 12 months with equity and balanced funds now accounting for 32.3%

Mutual fund portfolio composition

€ MM	30/09/03 Pro forma	30/09/04
▪ Equity	21.4%	24.9%
▪ Balanced	7.7%	7.4%
▪ Bond	42.7%	42.1%
▪ Money	28.2%	25.6%
Mutual funds stock	100.0%	100.0%

Market share: 20.5% as of October 2004

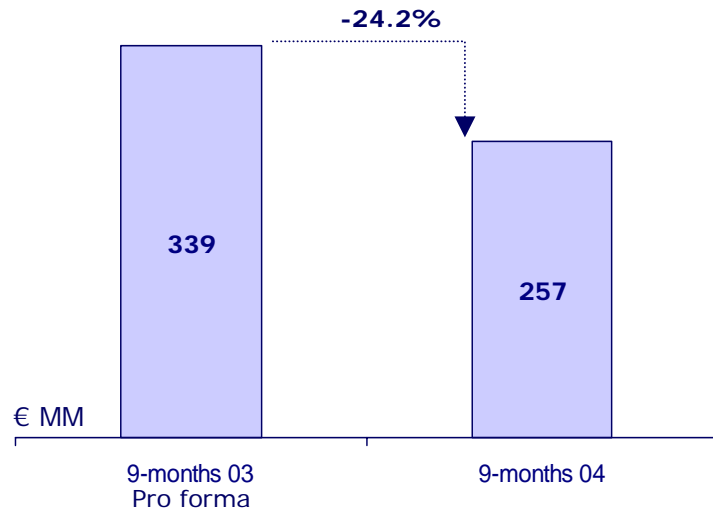
DETAIL ON LIFE ASSURANCE

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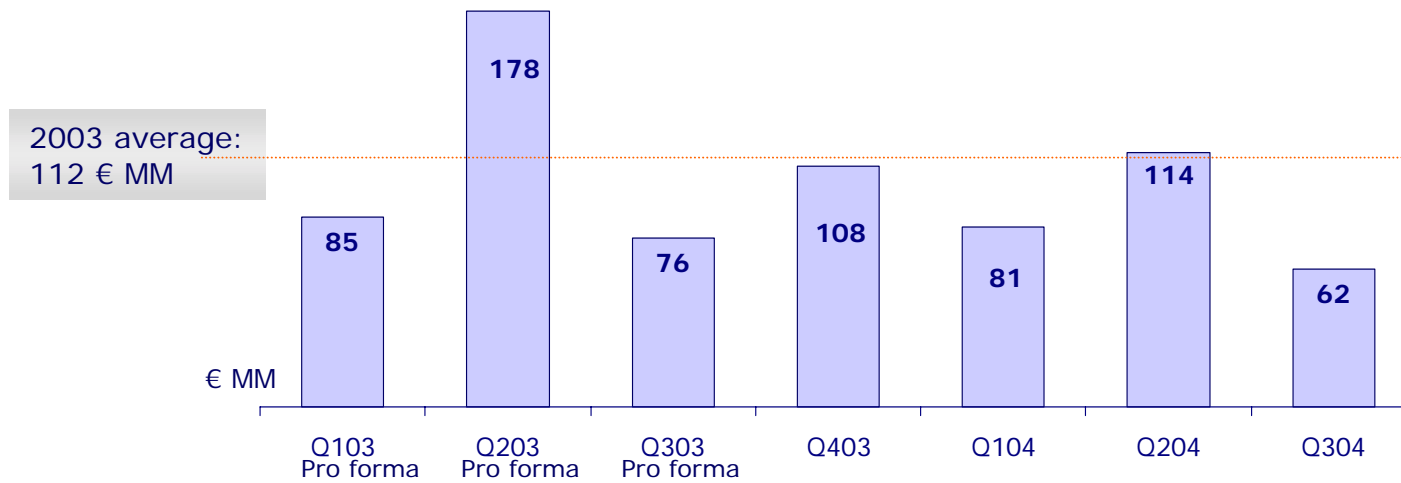
- Leading bancassurance Group in Italy with a 12% market share of technical reserves
- Technical reserves up 23% Y/Y
- 19.0% share of the bancassurance market for new business (17.0% of total life market) in first nine months 2004
- **Significant embedded value in life portfolio: 2,447 € MM (as at 30/06/2004)**

€ MM	30/09/04 stock	30/09/2003 pro forma stock	Change 30/09/04- 30/09/03 pro forma
Total	39,021	31,687	+23.1%
▪ Traditional	15,319	12,678	+20.8%
▪ Unit linked	12,459	10,163	+22.6%
▪ Index linked	9,083	6,835	+32.9%
▪ Third parties	2,159	2,011	+7.4%

PROFITS ON FINANCIAL TRANSACTIONS AND DIVIDENDS ON SHARES

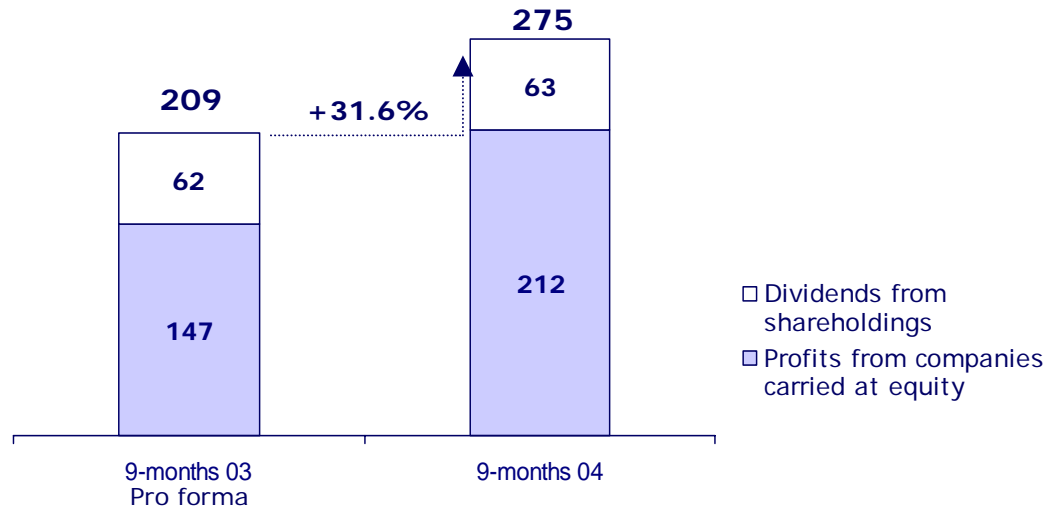


- Revenues ex-exceptional items -3.2% 9-months 04/9-months 03
- Low risk trading portfolio
Average Var in the first nine months 2004 7.5 € MM



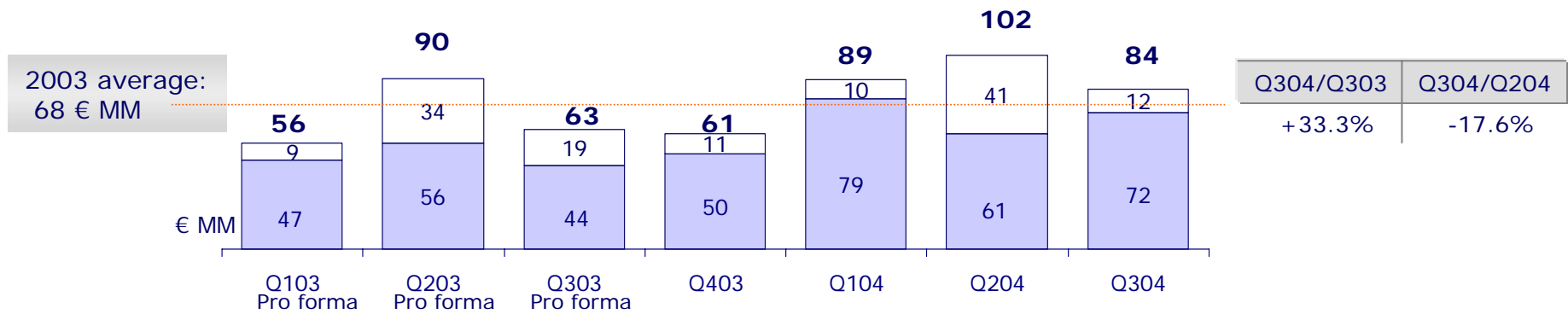
Q304/Q303	Q304/Q204
-18.4%	-45.6%

PROFITS OF COMPANIES CARRIED AT EQUITY AND DIVIDENDS ON EQUITY INVESTMENTS



▪ Contribution from life companies (€ 161 million) up 104% Y/Y reflecting strength of insurance business

□ Dividends from shareholdings
 ■ Profits from companies carried at equity



BENEFITS FROM INTEGRATION LEADS TO LOWER COSTS

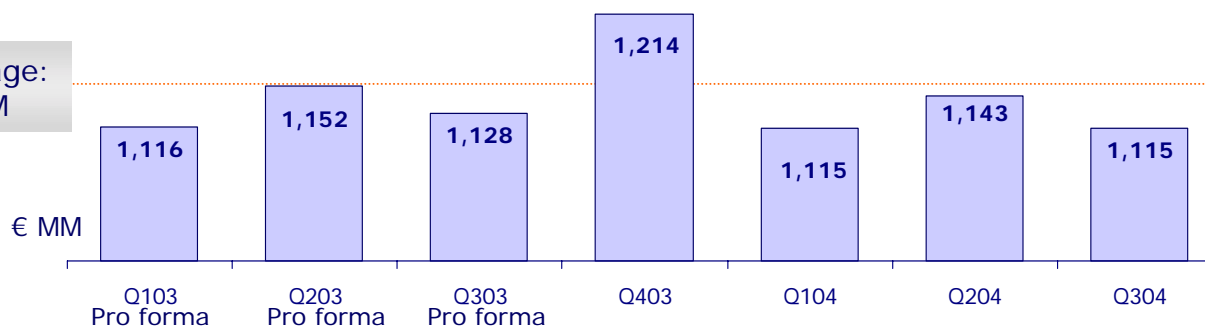
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- Fall in personnel expenses driven by average net headcount reduction of 3.8% Y/Y
- Fall in IT costs reflects benefits of on going integration process

€ MM	9-months 04	9-months 03 pro forma	Ch. 9-months 04/9-months 03 pro forma
Administrative costs	3,373	3,396	-0.7%
▪ Personnel expenses	2,074	2,106	-1.5%
▪ Other administrative costs	1,101	1,090	+1.0%
▪ <i>IT costs</i>	309	313	-1.3%
▪ <i>Real estate costs</i>	216	209	+3.3%
▪ <i>General costs</i>	183	191	-4.2%
▪ <i>Professional and insurance costs</i>	187	193	-3.1%
▪ <i>Utilities</i>	67	65	+3.1%
▪ <i>Advertising and marketing costs</i>	64	55	+16.4%
▪ <i>Indirect personnel costs</i>	75	64	+17.2%
▪ Indirect duties and taxes	198	200	-1.0%
Depreciation	319	336	-5.1%

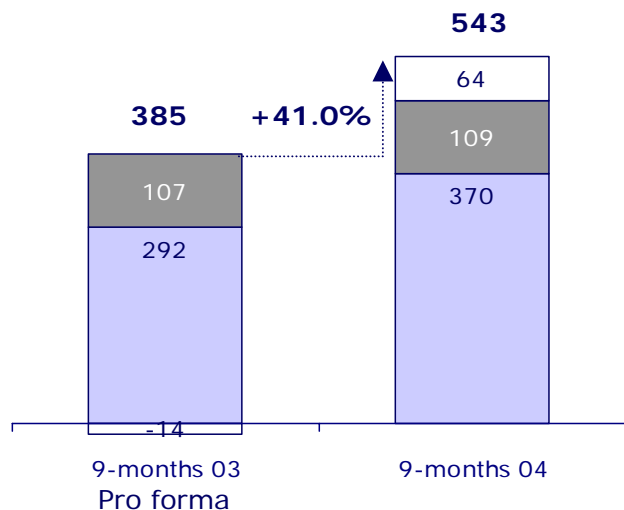
Administrative costs

2003 average:
1,153 € MM



Q304/Q303	Q304/Q204
-1.5%	-2.4%

TOTAL NET PROVISIONS



- Adj. to financial fixed assets
- Provisions for risks and charges
- Adj. to loans and provisions for guarantees and commitments

- Credit provisioning reflects average cost of risk and includes € 51 million generic charge
- Prudential accounting of financial assets

Adjustments

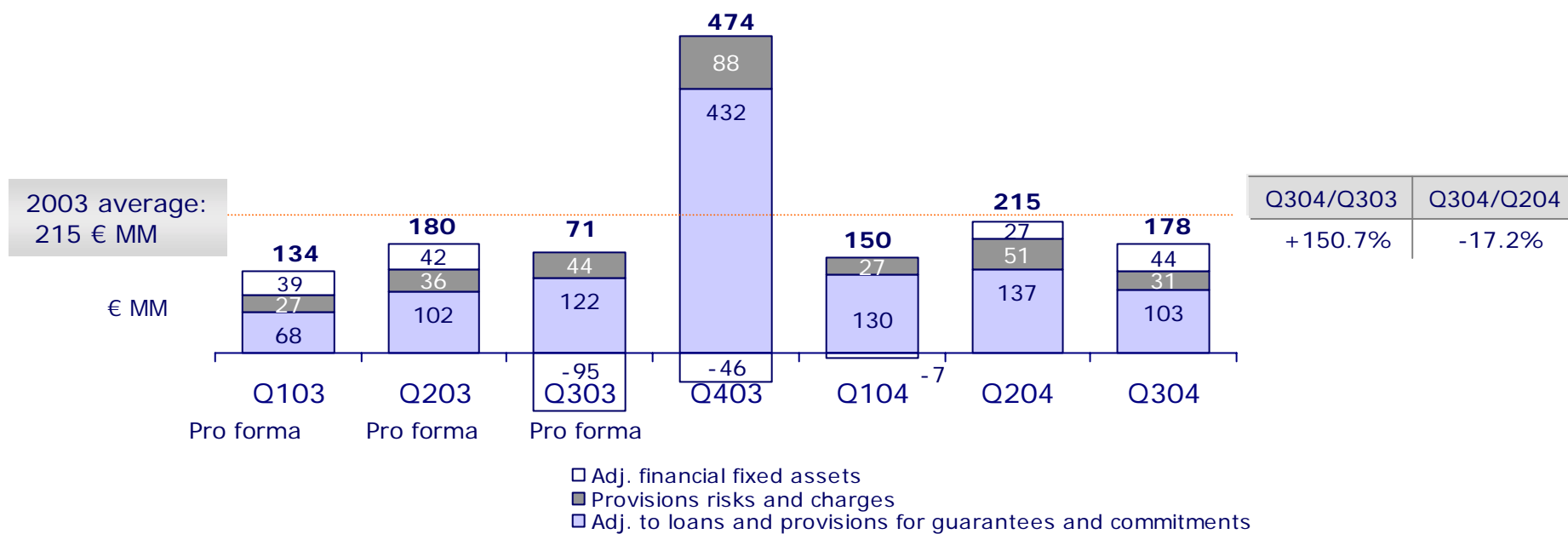
Financial assets

FIAT	€ -3 MM	€ 6.09 Book value p.s.
H3G	€ -61 MM	not quoted
CDC	€ -50 MM	not quoted
SCH	€ +56 MM	€ 8.48 Book value p.s.

Credit provisions

Generic provisions	€ 51 MM (total generic provision : € 1.1 BN)
Specific provisions	€ 303 MM

QUARTERLY ANALYSIS TOTAL NET PROVISIONS



GOOD ASSET QUALITY, ADEQUATE COVERAGE LEVELS AND LOW NPL RATIOS UNDERPIN BALANCE SHEET STRENGTH

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- Net NPLs and problem loans –4.9% and –2.6% Y/Y
- Net loans to countries at risk only 31 million euro
- NPL and net watchlist coverage levels up to 74.3% and 34.8% respectively
- NPL and watchlist ratios at 1% and 1.1% respectively
- High level of general reserve maintained at around 2X average cost of risk

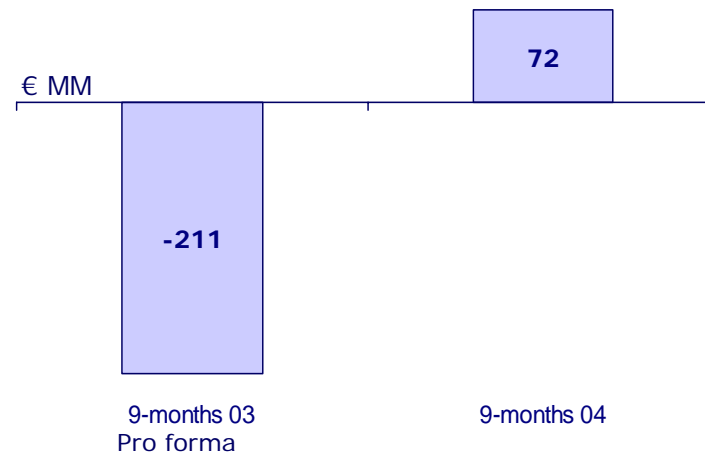
€ MM	30/09/04							
	Gross exposure	Var. Y/Y	Var. Q/Q	Total adjustments	Net exposure	Var. Y/Y	Var. Q/Q	Coverage
Doubtful loans	6,713	6.7%	-0.3%	4,143	2,570	-3.6%	-1.9%	61.7%
▪ Non-performing loans	4,578	11.3%	0.2%	3,401	1,177	-4.9%	-2.1%	74.3%
▪ Problem loans	2,135	-2.0%	-1.5%	742	1,393	-2.6%	-1.7%	34.8%
Performing loans	120,742	0.3%	-2.0%	1,065	119,677	0.2%	-2.0%	0.96%*
Total loans	127,455	0.6%	-1.9%	5,208	122,247	0.1%	-2.0%	-

	30/09/04	30/09/03 pro forma
NPL'S ratio	1.0%	1.0%
Watchlist ratio	1.1%	1.2%

	30/09/04	30/09/03
Core Tier 1 ratio	7.1%	6.5%
Tier 1 ratio	7.8%	7.3%
Total risk ratio	11.5%	10.6%

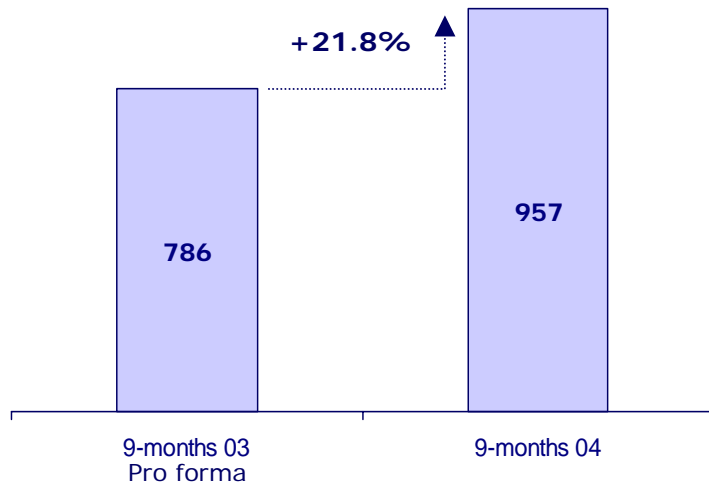
(*) Includes 98 € MM of reserve for credit risks

NET EXTRAORDINARY INCOME



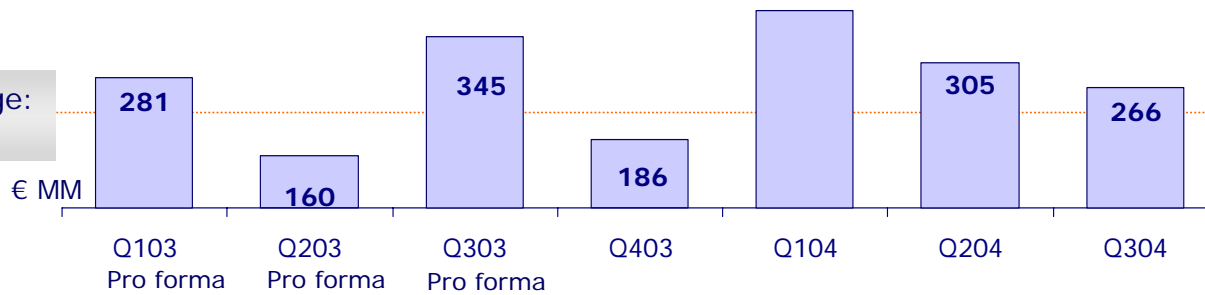
<u>Principle contributions</u>	
Sale of 30% stake in Finconsumo	+55 € MM

NET INCOME +21.8%



- Positive net income results driven by strong operating performance
- Cost/income 59.6%
- Annualised Return on Equity 11.5%

2003 average:
242 € MM



Q304/Q303	Q304/Q204
-22.9%	-12.8%