SANPAOLO IMI

QUARTERLY REPORT 31 MARCH 2006

SANPAOLO IMI GROUP

Quarterly Report 31 March 2006

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

SECONDARY OFFICES:

- VIALE DELL'ARTE 25, ROME, ITALY

- VIA FARINI 22, BOLOGNA, ITALY

SHARE CAPITAL EURO 5,399,548,807.68 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

THE QUARTERLY REPORT 31 MARCH 2006 HAS BEEN TRANSLATED FROM THAT ISSUED IN ITALY FROM ITALIAN INTO ENGLISH SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS

Contents

Key figures

	31/3/2006	31/12/2005	Change 31/3/2006 - 31/12/2005 (%)
CONSOLIDATED BALANCE SHEET (€/mil)			
Total assets	270,606	263,258	+2.8
Loans to customers excluding NPLs	143,110	138,427	+3.4
Shareholdings	847	819	+3.4
Group net shareholders' equity	14,211	13,483	+5.4
CUSTOMER FINANCIAL ASSETS (€/mil)			
Total financial assets (1)	412,573	401,838	+2.7
- direct deposits	168,761	165,230	+2.1
- indirect deposits	269,491	262,232	+2.8
- asset management	160,938	157,990	+1.9
- asset administration	108,553	104,242	+4.1
LOAN RISK RATIOS (%)			
Doubtful loans / Loans to customers	2.2	2.4	
Non-performing financing / Loans to customers	0.7	0.8	
Problem and restructured financing / Loans to customers	0.8	0.8	
Financing due/overdue by more than 180 days / Loans to customers	0.7	0.8	
EQUITY SOLVENCY RATIOS (%) (2)			
Core tier 1 ratio	6.8	6.8	
Tier 1 ratio	7.5	7.4	
Total risk ratio	9.8 (3)	9.4	
SHARES			
Number of shares (thousands)	1,873,047	1,871,151	+0.1
Listing for the period (€)			
- average	14.241	11.836	+20.3
- low	12.986	10.201	+27.3
- high	15.556	13.420	+15.9
Market capitalization (€/mil)	27,643	24,719	+11.8
Dividend per share (€)		0.57	
Dividend per share / Average annual listing (%)		4.82	
Book value per share (€) (4)	7.61	7.22	+5.4
OPERATING STRUCTURE			
Employees (5)	43,868	43,666	+0.5
Domestic branches	3,183	3,172	+0.3
Foreign branches and representative offices	142	136	+4.4
Financial planners	4,161	4,151	+0.2

	First quarter 2006	First quarter 2005	Change first quarter 2006 / First quarter 2005 (%)	2005
CONSOLIDATED STATEMENT OF INCOME (€/mil)				
Net interest income	988	920	+7.4	3,795
Net commissions	905	772	+17.2	3,476
Total operating income	2,162	1,824	+18.5	8,402
Net adjustments to loans	-95	-87	+9.2	-489
Net adjustments to other financial assets	-	-1	n.s.	-1
Net operating income	2,067	1,736	+19.1	7,912
Operating costs	-1,174	-1,151	+2.0	-4,790
Pre-tax operating profit	864	561	+54.0	3,023
Net profit	519	333	+55.9	1,983
Net profit per share (€) (6)	0.28	0.18	+55.6	1.06
Diluted net profit per share (€) (6)	0.28	0.18	+55.6	1.06
MAIN RATIOS (%)				
Annualized RoE (7)	15.2	11.0		17.2
Cost / Income ratio (8)	54.3	63.1		57.0

(1) Includes netting between direct deposits and asset management.

(2) Values as at 31 March 2006 are estimates. Solvency ratios as at 31 December 2005 have been reworked compared to figures from the 2005 Financial Statements in order to take into account the introduction of definitive provisions and specific transition regulations to IAS/IFRS published by the Bank of Italy in April 2006.

(3) The scrip issue made in April 2006 and the placement of subordinated securities on the market for a further 500 million euro brought the total risk ratio to 10.1%, with reference to equity balances as at 31 March 2006.

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

(5) Includes atypical contracts.

(6) Calculated on the basis of IAS 33.

(7) Annualized net profit / Net shareholders' equity as at period-end (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 *(38.3%)*
  - 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 *(99.5%)*
- 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

WHOLESALE

- Sanpaolo IMI-Large Groups
- Sanpaolo IMI-International
  - Sanpaolo IMI Bank Ireland *(Ireland)*
  - Sanpaolo IMI Internazionale
- Banca IMI
- Banca OPI
  - FIN.OPI

OTHER ACTIVITIES

- Sanpaolo IMI Private Equity (3)
- IMI Investimenti (3)
- GEST Line
- Sanpaolo Bank *(Luxembourg)*
  - Sanpaolo Bank Suisse *(Switzerland)*
  - Sanpaolo Immobiliere
- Sanpaolo Fiduciaria

SAVINGS AND ASSURANCE

EURIZON FINANCIAL GROUP

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 (1)
- Sanpaolo Life *(Ireland)*
- Egida
- Universo Servizi

SANPAOLO IMI ASSET MANAGEMENT (2)

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

(1) On 23 March 2006, the plan for the merger through incorporation of Fideuram Assicurazioni into Egida was approved.
(2) On 24 January 2006, the resolution was carried to concentrate Sanpaolo IMI Asset Management into Eurizon Financial Group.
(3) On 28 February 2006, the resolution was carried to approve the plan for the merger through incorporation of Sanpaolo IMI Private Equity into IMI Investimenti.

Reclassified Consolidated Financial Statements

Reclassified Consolidated Statement of Income (1)

	First quarter 2006 (€/mil)	First quarter 2005 (€/mil)	Change first quarter 2006 / First quarter 2005 (%)	2005 (€/mil)
A. Net interest income	988	920	+7.4	3,795
B. Net commissions	905	772	+17.2	3,476
C. Income from credit disposals, assets held to maturity and repurchase of non-hedged financial liabilities	10	5	+100.0	58
D. Dividends and income from other financial assets and liabilities	144	51	+182.4	526
E. Profits (losses) on equity shareholdings	15	12	+25.0	116
F. Income from insurance business	100	64	+56.3	431
TOTAL OPERATING INCOME	**2,162**	**1,824**	**+18.5**	**8,402**
G. Net adjustments to loans	-95	-87	+9.2	-489
H. Net adjustments to other financial assets	-	-1	n.s.	-1
NET OPERATING INCOME	**2,067**	**1,736**	**+19.1**	**7,912**
I. Personnel costs	-711	-697	+2.0	-2,839
L. Other administrative costs	-379	-356	+6.5	-1,514
M. Net adjustments to tangible and intangible assets	-84	-98	-14.3	-437
- Operating costs (I+L+M)	**-1,174**	**-1,151**	**+2.0**	**-4,790**
N. Other net income (expenses)	10	11	-9.1	74
O. Impairment of goodwill	-	-	-	-47
P. Profits (losses) from disposals of investments	-	-	-	17
Q. Net provisions for risks and charges	-39	-35	+11.4	-143
PRE-TAX OPERATING PROFIT	**864**	**561**	**+54.0**	**3,023**
R. Taxes for the period	-326	-225	+44.9	-948
S. Profits (losses) on groups of discontinued operations	-	11	n.s.	-35
T. Profit attributable to minority interests	-19	-14	+35.7	-57
NET PROFIT	**519**	**333**	**+55.9**	**1,983**
Net profit per share (€)	0.28	0.18	+55.6	1.06
Diluted net profit per share (€)	0.28	0.18	+55.6	1.06

(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 summarized in "Income from insurance business".

Quarterly trend in the Reclassified Consolidated Statement of Income (1)

	2006 First quarter (€/mil)	2005 Fourth quarter (€/mil)	2005 Third quarter (€/mil)	2005 Second quarter (€/mil)	2005 First quarter (€/mil)	2005 Quarterly average (€/mil)
A. Net interest income	988	977	956	942	920	949
B. Net commissions	905	919	935	850	772	869
C. Income from credit disposals, assets held to maturity and repurchase of non-hedged financial liabilities	10	2	13	38	5	15
D. Dividends and income from other financial assets and liabilities	144	102	207	166	51	132
E. Profits (losses) on equity shareholdings	15	28	11	65	12	29
F. Income from insurance business	100	129	120	118	64	108
TOTAL OPERATING INCOME	**2,162**	**2,157**	**2,242**	**2,179**	**1,824**	**2,102**
G. Net adjustments to loans	-95	-132	-128	-142	-87	-122
H. Net adjustments to other financial assets	-	3	-1	-2	-1	-
NET OPERATING INCOME	**2,067**	**2,028**	**2,113**	**2,035**	**1,736**	**1,980**
I. Personnel costs	-711	-772	-698	-672	-697	-710
L. Other administrative costs	-379	-435	-354	-369	-356	-379
M. Net adjustments to tangible and intangible assets	-84	-130	-105	-104	-98	-109
- Operating costs (I+L+M)	-1,174	-1,337	-1,157	-1,145	-1,151	-1,198
N. Other net income (expenses)	10	23	8	32	11	19
O. Impairment of goodwill	-	-46	-1	-	-	-12
P. Profits (losses) from disposals of investments	-	4	-	13	-	4
Q. Net provisions for risks and charges	-39	-10	-23	-75	-35	-36
PRE-TAX OPERATING PROFIT	**864**	**662**	**940**	**860**	**561**	**757**
R. Taxes for the period	-326	-146	-297	-280	-225	-237
S. Profits (losses) on groups of discontinued operations	-	-33	-7	-6	11	-9
T. Profit attributable to minority interests	-19	-9	-21	-13	-14	-14
NET PROFIT	**519**	**474**	**615**	**561**	**333**	**497**

(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 summarized in "Income from insurance business".

Reclassified Consolidated Balance Sheet

	31/3/2006 (€/mil)	31/12/2005 (€/mil)	Change 31/3/2006 - 31/12/2005 (%)
ASSETS			
A. Cash and cash equivalents	967	1,107	-12.6
B. Financial assets (other than credit and assets held to maturity)	75,068	77,402	-3.0
C. Assets held to maturity	2,429	2,535	-4.2
D. Loans to banks	34,724	28,836	+20.4
E. Loans to customers	144,170	139,507	+3.3
F. Hedging derivatives	324	435	-25.5
G. Changes in fair value of assets in hedged portfolios (+/-)	-	-	-
H. Shareholdings	847	819	+3.4
I. Insurance reserves attributable to reinsurers	29	29	-
L. Tangible assets	2,153	2,177	-1.1
M. Goodwill	756	756	-
N. Other intangible assets	239	252	-5.2
O. Tax assets	2,529	2,728	-7.3
P. Non-current assets and groups of assets being disposed	220	220	-
Q. Other assets	6,151	6,455	-4.7
Total assets	**270,606**	**263,258**	**+2.8**
LIABILITIES AND SHAREHOLDERS' EQUITY			
A. Due to banks	39,385	35,682	+10.4
B. Due to customers	94,516	92,306	+2.4
C. Securities issued	48,290	46,985	+2.8
D. Financial liabilities held for trading	11,535	11,342	+1.7
E. Financial liabilities designated as at fair value	25,955	25,939	+0.1
F. Hedging derivatives	541	730	-25.9
G. Provision for financial liabilities of generically hedged items (+/-)	-79	-35	+125.7
H. Tax liabilities	1,028	860	+19.5
I. Liabilities on groups of assets being disposed	164	164	-
L. Other liabilities	10,121	10,573	-4.3
M. Provisions for risks and charges	2,801	2,883	-2.8
N. Technical reserves	21,893	22,113	-1.0
O. Minority interests	245	233	+5.2
P. Group net shareholders' equity	14,211	13,483	+5.4
Total liabilities and shareholders' equity	**270,606**	**263,258**	**+2.8**

Quarterly trend in the Reclassified Consolidated Balance Sheet

	2006	2005		
	31/3 (€/mil)	31/12 (€/mil)	30/9 (€/mil)	30/6 (€/mil)
ASSETS				
A. Cash and cash equivalents	967	1,107	870	1,016
B. Financial assets (other than credit and assets held to maturity)	75,068	77,402	90,678	91,190
C. Assets held to maturity	2,429	2,535	2,175	1,660
D. Loans to banks	34,724	28,836	29,937	26,165
E. Loans to customers	144,170	139,507	138,289	132,443
F. Hedging derivatives	324	435	653	855
G. Changes in fair value of assets in hedged portfolios (+/-)	-	-	-	-
H. Shareholdings	847	819	813	796
I. Insurance reserves attributable to reinsurers	29	29	25	23
L. Tangible assets	2,153	2,177	2,221	2,248
M. Goodwill	756	756	761	762
N. Other intangible assets	239	252	256	259
O. Tax assets	2,529	2,728	3,188	3,299
P. Non-current assets and groups of assets being disposed	220	220	-	-
Q. Other assets	6,151	6,455	6,478	6,910
Total assets	**270,606**	**263,258**	**276,344**	**267,626**
LIABILITIES AND SHAREHOLDERS' EQUITY				
A. Due to banks	39,385	35,682	44,193	39,963
B. Due to customers	94,516	92,306	95,499	89,907
C. Securities issued	48,290	46,985	47,005	48,072
D. Financial liabilities held for trading	11,535	11,342	13,561	14,214
E. Financial liabilities designated as at fair value	25,955	25,939	25,373	25,096
F. Hedging derivatives	541	730	1,103	874
G. Provision for financial liabilities of generically hedged items (+/-)	-79	-35	11	34
H. Tax liabilities	1,028	860	1,412	1,261
I. Liabilities on groups of assets being disposed	164	164	-	-
L. Other liabilities	10,121	10,573	10,162	11,378
M. Provisions for risks and charges	2,801	2,883	2,620	2,627
N. Technical reserves	21,893	22,113	22,135	21,709
O. Minority interests	245	233	218	196
P. Group net shareholders' equity	14,211	13,483	13,052	12,295
Total liabilities and shareholders' equity	**270,606**	**263,258**	**276,344**	**267,626**

Report on Group Operations

Action Points and Initiatives in the Quarter

The initiatives undertaken during the first quarter of 2006 by the SANPAOLO IMI Group were aimed at pursuing the objectives defined in the three year Plan 2006-2008, approved by the Board of Directors in October of last year.

With reference to banking, the "national territorial bank" model was strengthened through the reinforcement of the links between the single network banks and the local communities in which they are located. With the objective of improving the capacity of penetration and attracting customers, the branch plan has been approved and innovative credit products have been finalized in order to enrich the range of products offered to the segments with high potential for development.

Regarding savings and assurance operations, the subsidiary companies operating in the insurance and asset management businesses were centralized into Eurizon Financial Group, a newly created holding company.

The governance, support and control functions accompany the Banking and Savings and Assurance sectors. As regards this organizational structure, the main initiatives in the quarter are illustrated below.

Banking

On 24 January 2006, the Board of Directors of SANPAOLO IMI approved the branch plan 2006-2008, which provides for the opening of new operating points as well as the territorial reorganization of those in specific geographical areas.

The evaluation of the attractiveness of the territory and the analysis of commercial priorities has led to planning the opening of 246 new operating points over the three-year period. Based on the specializations of the network, the new openings will involve seven corporate operating points, five private, three Domus points and 213 retail operating points. This is in addition to 18 new openings of Neos Banca, the Group's consumer credit company.

The first phase of territorial reorganization concluded at the beginning of 2005. It involved the transfer of operating points between the Parent Bank and the banks in the Triveneto and Emilia areas. In the first quarter of 2006, the second phase of the reorganization was defined, which includes the reorganization of the Group's presence in the Adriatic areas, including the regions of Marche, Abruzzo and Molise, and the completion of the reorganization of the North-Eastern area.

In the regions of the Adriatic, it is planned to incorporate Banca Popolare dell'Adriatico into SANPAOLO IMI, based on the project approved by the Board of Directors on 28 February 2006. The merger will be followed by the assignment of the company branch composed of the total branches located in the three regions to the new bank, called Sanpaolo Banca dell'Adriatico, wholly owned by the Parent Bank. The assignment will also involve the branches located in the Romagna region, already owned by Banca Popolare dell'Adriatico, which will then be assigned to the Cassa dei Risparmi di Forlì, within the Romagna project. This project, common to SANPAOLO IMI and the Fondazione Cassa dei Risparmi di Forlì, is aimed at integrating the Group's distribution networks located in Romagna with those of the Cassa dei Risparmi di Forlì, planned for 2007. Following the acquisition of control of the Romagna bank by SANPAOLO IMI, this project will be carried out through the assignment of the Group's branches in the area to the Cassa dei Risparmi di Forlì.

Completion of the territorial reorganization includes the assignment, in the period between May and July 2006, of 119 operating points in the North East network banks, based on the criteria of one unique brand for each area. For the Friuli Venezia Giulia area, supervision will be guaranteed by Friulcassa, for the Veneto area by Cassa di Risparmio di Padova e Rovigo, with the exception of the province of Venice which will be overseen by the Cassa di Risparmio di Venezia, and for the Emilia area by Cassa di Risparmio in Bologna.

Retail & Private

In the first quarter 2006, new products have been created both in the consumer credit sector and in the home mortgages sector in order to increase the market share of financing in the Retail & Private business line.

In the area of consumer credit, the potential for development generated by the growing tendency towards household debt has led to the creation of a streamlined, flexible fiduciary loan product, aimed at facilitating the purchase of goods and services for private use. As a result of cross selling activities, this product can be matched with an insurance policy for protecting the household using the financing.

Regarding home mortgages, aside from enriching the existing products, a new line of mortgages has been defined for retail clients, to be promoted and placed exclusively in the Neos Banca network. This commercial strategy, aimed at optimizing synergies among the various companies in the Group which are dedicated to specific customer segments, is continuing during this year, following the path set out by last year's agreement between SANPAOLO IMI and Banca Fideuram for the placement of home mortgages to private clients through financial planners.

During the quarter, the Group's attention on the small business segment was confirmed by the creation of medium-/long-term credit products aimed at improving the financial structure of companies with suitable prospectives for development and profitability. These instruments are also aimed at attracting new customers.

Moreover, collaboration with credit consortia which have a greater local presence continued, in order to favor the credit support of small- and medium-sized enterprises, as described in more detail in the section regarding the Corporate business line.

Among the initiatives of the period aimed at private and small business clients, it is worth mentioning the medium-/long-term financing program in support of clean energy, consistent with the Group's environmental policy. This type of financing, granted to corporate customers, too, also provides consulting activities regarding economic advantages and public incentives provided by FIN.OPI, the Group's Investment Trust for Public Works and Infrastructures.

The Turin 2006 Olympic Winter Games and Paralympics were held during the quarter. Prior to and during the sports events, SANPAOLO IMI carried out various commercial promotions in order to emphasize the Group's role as a primary sponsor, such as pre-paid cards and credit cards with an Olympic theme, and ticketing, as well as increasing the bank's service in the area by setting up temporary branches.

Corporate

Consistent with the "national territorial bank" model, which focuses on strengthening the links with the local communities through decentralization, during the quarter SANPAOLO IMI signed collaboration agreements with several credit guarantee consortia (Unionfidi for the North-West regions and Neafidi for the North-East regions), in order to guarantee small and medium sized enterprises (SME) associated with such consortia easy access to medium-/long-term credit in relation to expenditure plans for investments or to increase the average life of financial debt. The credit linked to the guarantee of the credit consortia will subsequently be transferred to the capital market through securitization transactions, through the issuing of district bonds which Banca IMI, the Group's investment banking company, will place with institutional investors.

Within the framework of cooperation with the credit consortia, the Group has created a new product, in collaboration with Eurofidi, for small- and medium-sized building companies or cooperatives.

As previously mentioned regarding Retail & Private, a lending program has been created for private clients and companies supporting clean energy. For this program, loans have been made available, generally in amounts between 250 thousand and six million euro, for the purposes of supporting projects for rationalization, improving efficiency and diversifying the use of traditional energy sources.

Wholesale

With reference to investment banking, in February 2006, Banca IMI presented its industrial plan 2006-2008. Consistent with the role assigned to the bank in the SANPAOLO IMI Group three-year Plan, the industrial plan sets forth the actions to be taken to strengthen the integration in the Group, specific competencies and operating efficiency. More specifically, the investment banking company will have to carry out its specialized activities in support of the bodies responsible for customer segments, not only in providing financial services to businesses, but also in creating financial products for households. It will have the task of selectively developing its activities in financial markets, taking advantage of the critical mass of transactional flows originating from customers. Lastly, it will have to take advantage of opportunities on international markets.

With reference to the FIAT group, on 20 January 2006, SANPAOLO IMI placed on the market, at 7.70 euro per share, the entire share of capital deriving from the conversion, in September 2005, of the three billion euro loan that SANPAOLO IMI, jointly with other banks, had underwritten in July 2002, for a quota equal to 400 million euro. Following the disposal, the Group continues to own, through IMI Investimenti, a share of 0.84% of the ordinary share capital of FIAT, deriving from a stable holding prior to the issue of the aforementioned loan.

Banca OPI, the company in charge of the Public Authorities and Entities, concentrated most of its operations on public utilities, providing financing for investment in this sector. Within foreign activities, relations have been developed with counterparties in strategic countries, including Hungary, Slovenia and Turkey.

Other Banking Initiatives

On 28 February 2006, the Board of Directors of SANPAOLO IMI approved the merger through incorporation of Sanpaolo IMI Private Equity into IMI Investimenti. The company merger of the two Group holdings into a single business subholding will bring advantages in terms of:

- uniformity of strategic management in the choice and supervision of the holding portfolio;
- creation of a single qualified center with specialist competencies dedicated to identifying, managing and monitoring equity investments in industrial and service companies;
- simplification of company structures, with resulting cost synergies;
- optimization of the use of available financial resources, based on the development objectives and opportunities identified for investment/disposal, according to capital management logic, coordinated with Group policies.

Savings and Assurance

During November 2005, the establishment of the Savings and Assurance sector was completed through the creation of the Eurizon Financial Group (former New Step). Subsequently, the insurance activities of Assicurazioni Internazionali di Previdenza (A.I.P.), and asset gathering activities of Banca Fideuram were concentrated into this new group. On 24 January 2006, the Board of Directors of SANPAOLO IMI approved a further phase of development of this Sector, aimed at strengthening its strategic role inside the Group.

More specifically, the resolution was carried to concentrate Sanpaolo IMI Asset Management, a company wholly owned by the Parent Bank, into Eurizon Financial Group. This transaction, which will allow Eurizon to take on a position of leadership in the Italian market of asset management and assurance, aims, among other things, at consolidating the organizational model founded on the distinction between the product factories, concentrated in the Savings and Assurance sector, and the banking networks.

Moreover, the activities required for the listing of Eurizon were authorized. With the listing, the company will be able to access the capital market directly, facilitating the development of products with high capital absorption, and creating the conditions for accepting possible growth opportunities through external strategies or partnerships. In view of this goal, Eurizon will adopt a new organizational structure, suitable to its role as a subholding, directly responsible for operational and management coordination of its subsidiary companies, as well as the main strategic functions of savings and assurance activities. For the completion of this reorganization, the creation of an "Operating Vehicle" was approved. This company will have the objective of concentrating and rationalizing information technology and operational activities in support of the productive activities of the Sector. This project provides for the concentration of the above-mentioned activities, which are currently carried out separately by Banca Fideuram and A.I.P., into Universo Servizi, a company wholly owned by A.I.P., which already carries out services for the latter.

On 23 March 2006, the projected merger by incorporation of Fideuram Assicurazioni, wholly owned by A.I.P., into Egida was approved. Egida, an insurance company operating in the casualty branch, has been wholly owned by A.I.P. since May 2006 following the exercise of the call option on 50% of the capital held by Reale Mutua.

Central Functions

SANPAOLO IMI and five other banks which were already shareholders of SI Holding obtained control of the company as a result of subscription to the purchase offer, that expired in 10 January 2006, for a number of shares equal to 56% of its share capital. Following the finalization of the transaction, the total holding of the pool of banks will reach 80% of the capital of SI Holding. This transaction was carried out in order to maintain ownership of CartaSì, a company wholly owned by SI Holding and a leader in Italy in the credit card sector, in the interbank area, as well as to provide continuity of the service offered, while developing activities for rationalization and improving efficiency.

On 3 March 2006, SANPAOLO IMI subscribed with the Municipality of Turin a preliminary sales contract for the building area near the historical center of Turin. In this area, in a strategic position in line with the city's urban development plan, SANPAOLO IMI intends to build a new headquarters, which will join the historical headquarters in piazza San Carlo and via Monte di Pietà. This building will house the management offices and corporate center of the Group. This initiative, aside from being a sign of the bank's deeply-rooted presence in the Turin area, is intended to offer solutions to the requirements of rationalization and the containment of management costs for the real estate and logistics plans. For the choice of the building project for the new management center, world class architects of international fame are currently being consulted.

Consolidated Results

International Scenario

The trends for the first quarter 2006 confirm the increase in interest rates, and the consolidation of economic recovery. The development seen in 2005 in the United States has continued, and a phase of cyclical recovery has begun in the euro area. Furthermore, the solidity of the growth factors in the Japanese economy has been strengthened. The prices of raw materials have increased further, though inflationary pressures have remained under control on a global level. Stock market prices have gained strongly in the main markets, sustained by the positive trend in company profits, and by the improvement in business confidence. On the contrary, the growth in interest rates has led to the gradual decrease in yields of bond indices. Also in Italy the trend has shown signs of recovery, such as the increase in turnover and orders from industry, and the growth rate of exports, after substantial stagnation during last year.

Summary of Results

In the context described above, the main income margins for the SANPAOLO IMI Group in the first quarter 2006 showed a significant increase as compared to the trends recorded during 2005. Above all, this is the result of the strong drive to increase revenues, deriving from the actions taken in pursuing the targets set in the 2006-2008 three-year Plan. The trend also benefited from the modest base for comparison, as the results from the first quarter 2005, reconstructed pro forma fully compliant with IAS, were inferior to those of the following quarters, although one-off and non-recurring revenue components were removed.

Total operating income grew by 18.5%, thanks to the favorable trend in all revenue components, with a significant contribution from net commissions and income from other financial assets and liabilities. Net operating income, despite increased value adjustments, rose by 19.1% compared to the first three months of 2005. With a limited growth in operating costs (+2%), operating profit increased by 54%.

Net profits for the quarter were 519 million euro, exceeding the quarterly average of last year. The significant increase in profits as compared to the first quarter 2005, reconstructed pro forma, (+55.9%) is reflected in an increase in the annualized RoE (calculated using net shareholders' equity at period-end, excluding profit): the indicator of profitability reached 15.2% compared to 11% in the first three months of the previous year.

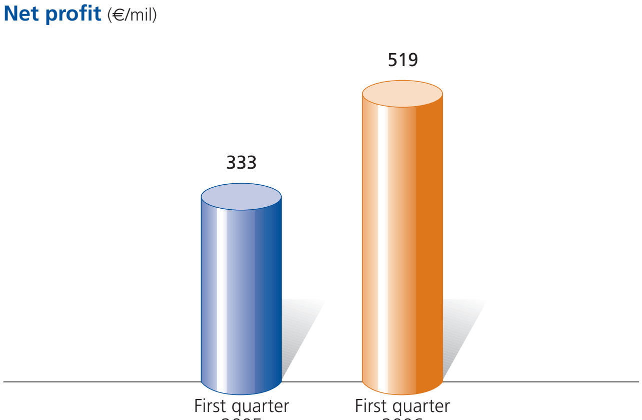
Net Interest Income

Compared to the same period of 2005, the net interest income, equal to 988 million euro, increased by 7.4%, greater than the growth of 3% recorded in 2005. Excluding the component attributable to investment banking activities carried out by Banca IMI, the change decreases to 6.2%. The increase in the trend in net interest income essentially derives from the significant contribution provided by the growth in volumes dealt and the new composition of liabilities due to the lesser weight of funding through securities. As regards the spreads, the progressive erosion in the mark-up on loans was only partially counterbalanced by the opening of a mark-down on deposits, which can be attributed to the increase in interest rates by the ECB at end 2005.

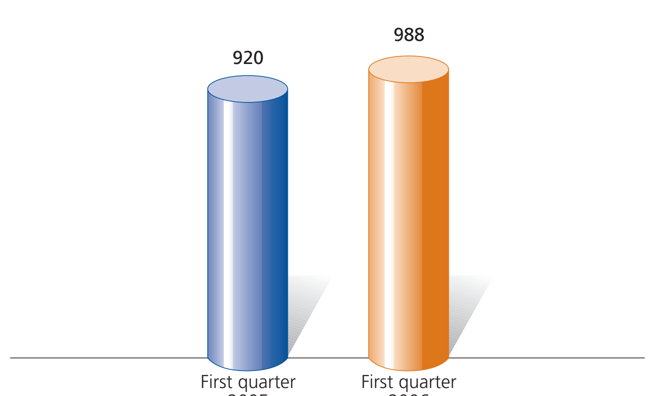
In order to identify the factors determining net interest income for the core banking business, an analysis of average amounts and interest rates was carried out, excluding investment banking activities.

In terms of average amounts, interest-earning assets of the Group increased by 14.1% compared to the first quarter 2005. The main contributors to this development were financing to customers (+10.6%), which represents about three-quarters of the interest-earning assets, and other interest-earning assets (+42.4%), including repurchase agreements. In percentage terms, average amounts of interest-bearing liabilities increased in line with interest-earning assets (+13.7%), caused by the increase in both cus-

Net profit (€/mil)



Net interest income (€/mil)



tomer deposits (+7.8%), which was driven by the deposit component, and other interest bearing liabilities (+35.7%).

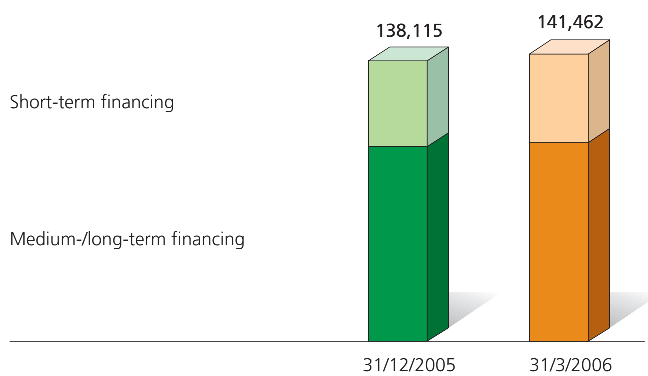
The total average spread was 2.05%, 18 basis points lower than that recorded in the first three months of 2005. The spread regarding customer transactions showed a slightly smaller decrease, resulting from a market characterized by a wide offer of credit, which is considerably eroding the mark-up.

The trend in the monetary market increased. In average terms, the three-month Euribor increased by almost half a percentage point between the first quarter of 2005 and the first quarter of 2006, reaching 2.60%.

The increased cost of access to credit did not affect the trend in loans: in fact, the expectations for a further increase in interest rates drove many companies to refinance their debt in advance. At the end of March 2006, loans to customers, including debt securities and NPLs, reached 144.2 billion euro, an increase of 3.3% from the beginning of the year. Financing to customers (excluding NPF) reached 141.5 billion euro. Regarding collection dates, there was a positive trend over the medium to long term, thanks to the demand in home mortgages and consumer credit, and greater growth in the short term component. As a result, the trend towards recomposition in favor of longer terms, which has been observed over the past few years, stopped. Lastly, repurchase agreements held by the Parent Bank developed significantly.

Regarding financing in the retail sector, disbursements exceeded 2.5 billion euro. Specifically, mortgages showed sustained growth: the flow for the first three months of 2006 amounted to 1.3 billion euro, an increase of 37% compared to the same period of the previous year.

Financing to customers excluding NPF (€/mil)



Analysis of average amounts and interest rates

	First quarter 2006		First quarter 2005		Change first quarter 2006 / First quarter 2005	
	Average amounts (€/mil)	Average rate annualized (%)	Average amounts (€/mil)	Average rate annualized (%)	Change in average amounts (%)	Difference in rates (% points)
Interest-earning assets	210,857	n.s.	187,695	n.s.	+12.3	n.s.
- interest-earning assets excluding investment banking	180,870	4.31	158,519	4.30	+14.1	+0.01
- loans to customers (excluding repurchase agreements)	*134,472*	*4.78*	*121,618*	*4.80*	*+10.6*	*-0.02*
- securities	*15,018*	*3.19*	*14,872*	*3.05*	*+1.0*	*+0.14*
- other interest-earning assets	*31,380*	*2.84*	*22,029*	*2.37*	*+42.4*	*+0.47*
- interest-earning assets from investment banking	29,987	n.s.	29,176	n.s.	+2.8	n.s.
Non interest-earning assets	58,025		69,405		-16.4	
Total assets	**268,882**		**257,099**		**+4.6**	
Interest-bearing liabilities	201,649	n.s.	180,175	n.s.	+11.9	n.s.
- interest-bearing liabilities excluding investment banking	172,194	2.26	151,506	2.07	+13.7	+0.19
- direct customer deposits (excluding repurchase agreements)	*128,877*	*2.07*	*119,581*	*1.94*	*+7.8*	*+0.13*
- due to customers	*83,490*	*1.30*	*72,647*	*1.06*	*+14.9*	*+0.24*
- securities issued	*45,387*	*3.48*	*46,934*	*3.31*	*-3.3*	*+0.17*
- other interest-bearing liabilities	*43,317*	*2.84*	*31,925*	*2.58*	*+35.7*	*+0.26*
- interest-bearing liabilities from investment banking	29,455	n.s.	28,669	n.s.	+2.7	n.s.
Non interest-bearing liabilities	53,386		64,705		-17.5	
Shareholders' equity	13,847		12,219		+13.3	
Total liabilities and shareholders' equity	**268,882**		**257,099**		**+4.6**	

Regarding the company compartment, during the quarter financing was issued for a total of 1.8 billion euro, an increase of 68% on the flow in the first quarter 2005, above all due to the expansion in business credit.

As far as the trend in loans to the public works and infrastructure sector, issued by Banca OPI, is concerned, the stock at the end of March amounted to 21 billion euro, an increase of 1.2% from the beginning of the year. The lack of dynamism in the reference market is linked both to seasonal factors and electoral deadlines.

An analysis of loans by Group Business Sector indicates that the growth since the beginning of the year in Banking was primarily due to the Retail & Private business line (+5.2%), as a result of medium-/long-term financing in the home mortgages and consumer credit sectors, and by the Corporate business line (+2.3%). In Wholesale (+0.8%), the sharp increase in foreign business was partially neutralized by the resizing of loans to large groups and financing related to investment banking. The loans on Central Functions increased as well, linked to treasury transactions.

Loans to customers (1)

	31/3/2006		31/12/2005		Change 31/3/06-31/12/05
	(€/mil)	%	(€/mil)	%	(%)
Short-term financing	43,778	30.4	42,228	30.3	+3.7
Medium-/long-term financing	97,684	67.8	95,887	68.7	+1.9
Financing to customers excluding NPF	**141,462**	**98.2**	**138,115**	**99.0**	**+2.4**
Non-performing financing	1,060	0.7	1,080	0.8	-1.9
Financing to customers	**142,522**	**98.9**	**139,195**	**99.8**	**+2.4**
Debt securities held in the portfolio	1,648	1.1	312	0.2	n.s.
Defaulted debt securities	-	0.0	-	0.0	-
Debt securities	**1,648**	**1.1**	**312**	**0.2**	**n.s.**
Loans to customers	**144,170**	**100.0**	**139,507**	**100.0**	**+3.3**

(1) Including accruals and value adjustments for fair value coverage.

Loans to customers (excluding NPLs) by Business Sector

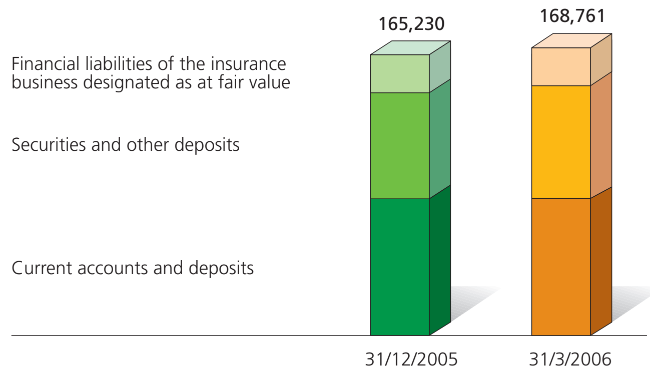
	31/3/2006 (€/mil)	31/12/2005 pro forma (€/mil)	Change 31/3/06-31/12/05 pro forma (%)
Banking	137,221	133,375	+2.9
- Retail & Private	46,313	44,028	+5.2
- Retail & Private - Commercial banks	*41,381*	*39,325*	*+5.2*
- Other companies	*4,932*	*4,703*	*+4.9*
- Corporate	48,880	47,801	+2.3
- Companies - Commercial banks	*43,131*	*42,192*	*+2.2*
- Other companies	*5,749*	*5,609*	*+2.5*
- Wholesale	39,506	39,176	+0.8
- International	*8,782*	*7,455*	*+17.8*
- Large Groups	*6,605*	*7,574*	*-12.8*
- Public Authorities and Entities	*21,008*	*20,757*	*+1.2*
- Investment banking	*3,111*	*3,390*	*-8.2*
- Other Activities	2,522	2,370	+6.4
Savings and Assurance	1,197	1,122	+6.7
Central Functions (1)	4,692	3,930	+19.4
Loans to customers excluding NPLs	**143,110**	**138,427**	**+3.4**

(1) Including loans of Group Finance.

Direct customer deposits showed a positive trend, reaching 168.8 billion euro at the end of March 2006, an increase of 2.1% from the beginning of the year. This increase can essentially be attributed to repurchase agreements, which were more cost-effective due to the increase in interest rates, to subordinated liabilities issued in order to strengthen the equity ratios, and to currency certificates of deposit. On the other hand, deposits and bonds remained at the levels of December 2005.

In the analysis of the Group by Business Sector, deposits in Banking, which make up over 60% of the total aggregate,

Direct customer deposits (€/mil)



Direct customer deposits (1)

	31/3/2006		31/12/2005		Change 31/3/06-31/12/05
	(€/mil)	%	(€/mil)	%	(%)
Current accounts and deposits	80,254	47.6	80,424	48.7	-0.2
Certificates of deposits	5,904	3.5	4,338	2.5	+36.1
Commercial paper	5,940	3.5	6,297	3.8	-5.7
Bonds	32,575	19.3	32,656	19.8	-0.2
of which: designated as at fair value	*3,771*	*2.2*	*3,524*	*2.1*	*+7.0*
Subordinated liabilities	7,002	4.2	6,221	3.8	+12.6
Repurchase agreements and securities lending	13,143	7.8	10,545	6.4	+24.6
Financial liabilities of the insurance business designated as at fair value	22,182	13.1	22,413	13.6	-1.0
Other deposits	1,761	1.0	2,336	1.4	-24.6
Direct customer deposits	**168,761**	**100.0**	**165,230**	**100.0**	**+2.1**

(1) Including accruals and value adjustments for fair value coverage.

Direct customer deposits by Business Sector

	31/3/2006 (€/mil)	31/12/2005 pro forma (€/mil)	Change 31/3/06-31/12/05 pro forma (%)
Banking	105,262	103,431	+1.8
- Retail & Private	60,329	60,122	+0.3
- Retail & Private - Commercial banks	*60,036*	*59,800*	*+0.4*
- Other companies	*293*	*322*	*-9.0*
- Corporate	15,421	15,829	-2.6
- Companies - Commercial banks	*13,228*	*13,631*	*-3.0*
- Other companies	*2,193*	*2,198*	*-0.2*
- Wholesale	21,923	19,883	+10.3
- International	*6,538*	*5,601*	*+16.7*
- Large Groups	*1,397*	*1,071*	*+30.4*
- Public Authorities and Entities	*4,166*	*4,747*	*-12.2*
- Investment banking	*9,822*	*8,464*	*+16.0*
- Other Activities	7,589	7,597	-0.1
Savings and Assurance	28,043	28,184	-0.5
Central Functions (1)	35,456	33,615	+5.5
Direct customer deposits	**168,761**	**165,230**	**+2.1**

(1) Includes deposits of Group Finance, mainly in bonds.

increased by 1.8% on the beginning of the year, above all due to the contribution from the Wholesale business line (+10.3%), through foreign counterparties, large groups and investment banking. On the other hand, funding in the Retail & Private business line remained substantially unchanged, and funding in the Corporate line was resized after strong development during last year. The increase in Central Functions can be attributed mainly to deposits through securities issued by the Treasury and the funding vehicle companies which it controls.

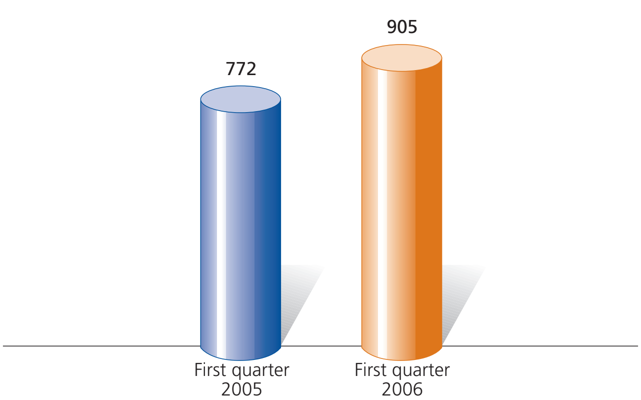
At the end of March 2006, the domestic market share held by the Group (calculated on the harmonized series defined by the euro-zone countries) amounted to 10.1% for loans and 10.4% for direct deposits, without any significant variations compared to the situation at the end of 2005.

Net Commissions

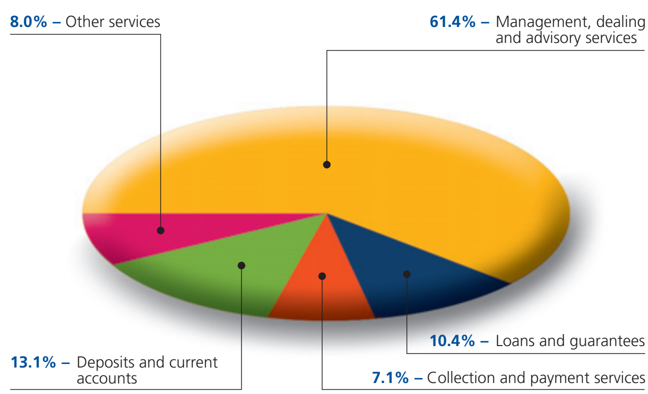
Net commissions, amounting to 905 million euro, showed an increase of 17.2% compared to the first quarter of 2005.

The performance of the aggregate was driven by the positive trend in commissions in management, dealing and advisory services, which increased by 19.3% compared to the amounts for the same period in 2005. More specifically, improvement was seen both in asset management products (+15.1%) which represent over half of total commissions, and in dealing and advisory services (+63.4%), which benefited from the fees related to the closure of the Wind transaction and the placement of structured securities. This compartment also benefited from the favorable trend in the financial markets: the Comit index rose by 9.5% since the beginning of the

Net commissions (€/mil)



Break-down of commissions in the first quarter 2006



Total operating income

	First quarter 2006 (€/mil)	First quarter 2005 (€/mil)	Change first quarter 2006 / First quarter 2005 (%)	2005 (€/mil)
Net interest income	988	920	+7.4	3,795
Net commissions	905	772	+17.2	3,476
- management, dealing and advisory services	556	466	+19.3	2,062
- asset management	*489*	*425*	*+15.1*	*1,800*
- securities dealing and safekeeping, and currency dealing	*67*	*41*	*+63.4*	*262*
- loans and guarantees	94	81	+16.0	372
- collection and payment services	64	62	+3.2	256
- deposits and current accounts	119	122	-2.5	520
- other services	72	41	+75.6	266
Income from credit disposals, assets held to maturity and repurchase of non-hedged financial liabilities	10	5	+100.0	58
Dividends and income from other financial assets and liabilities	144	51	+182.4	526
Profits (losses) on equity shareholdings	15	12	+25.0	116
Income from insurance business	100	64	+56.3	431
Total operating income	**2,162**	**1,824**	**+18.5**	**8,402**

year, following an increase of 13.8% in the previous year. The positive performance of stocks increased the volumes traded and pushed customer preferences towards instruments with higher share value, characterized by greater flexibility in management, and able to generate higher yields. Moreover, the expected increase in interest rates, which penalizes the trends in fixed rate bonds, led to a move away from the bond and liquidity sectors.

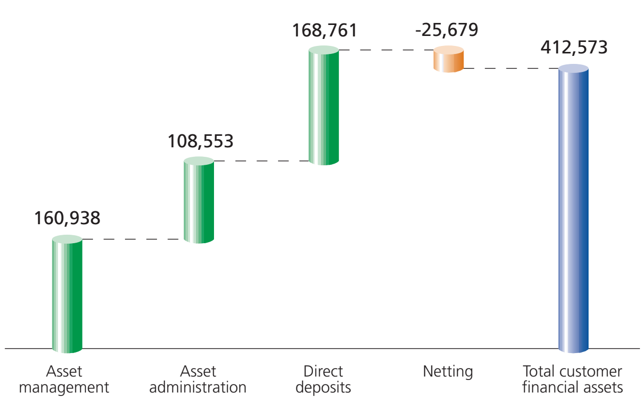
Loans and guarantees increased by 16%, due to the growth in transactions aimed at businesses and households, as well as related services. Commissions generated from collection and payment services had a smaller increase, while deposits decreased slightly. Lastly, the aggregate remaining from other services increased slightly due to the non-recording in the first quarter 2005 of the commissions on tax collection delayed to September, following the legal regulation of the fixed part of public contributions to the sector.

Indirect deposits increased by 2.8% since the end of December 2005, which can be attributed to both asset management and, in greater measure, asset administration. Aside from the abovementioned positive performance of financial markets, the trend in the aggregate benefited from the high volumes placed by the Group's distribution networks.

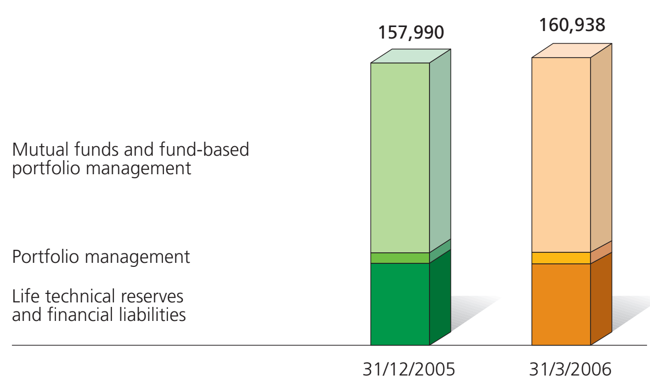
At the end of March 2006, asset management stood at 160.9 billion euro, an increase of 2.9 billion from the beginning of the year. During the period, net flows were positive, for a total of 2.3 billion euro, almost entirely due to mutual funds and fund-based portfolio management. More specifically:

- since the beginning of the year, the amounts of mutual funds and fund-based portfolio management increased by 2.8%, which can be attributed to net flows as well as to the positive performance of securities markets. The plan for development of the Group's funds, which began during last year, was con-

Break-down of customer financial assets as at 31/3/2006 (€/mil)



Asset management (€/mil)



Customer financial assets

	31/3/2006		31/12/2005		Change 31/3/06-31/12/05
	(€/mil)	%	(€/mil)	%	(%)
Asset management	160,938	39.0	157,990	39.3	+1.9
Asset administration	108,553	26.3	104,242	26.0	+4.1
Direct deposits	168,761	40.9	165,230	41.1	+2.1
Netting	-25,679	-6.2	-25,624	-6.4	+0.2
Customer financial assets	**412,573**	**100.0**	**401,838**	**100.0**	**+2.7**

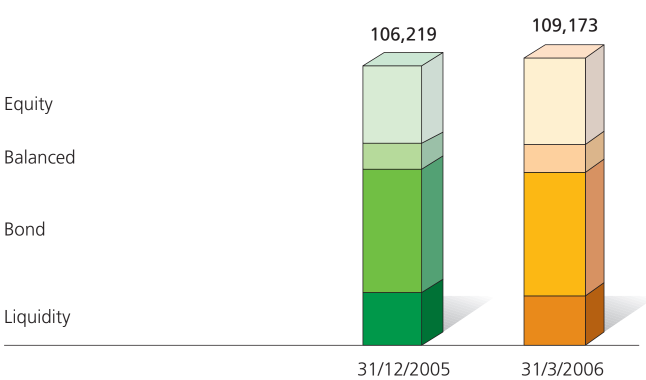
Asset management

	31/3/2006		31/12/2005		Change 31/3/06-31/12/05
	(€/mil)	%	(€/mil)	%	(%)
Mutual funds and fund-based portfolio management	109,173	67.8	106,219	67.2	+2.8
Portfolio management	6,190	3.9	5,879	3.7	+5.3
Life technical reserves and financial liabilities	45,575	28.3	45,892	29.1	-0.7
Asset management	**160,938**	**100.0**	**157,990**	**100.0**	**+1.9**

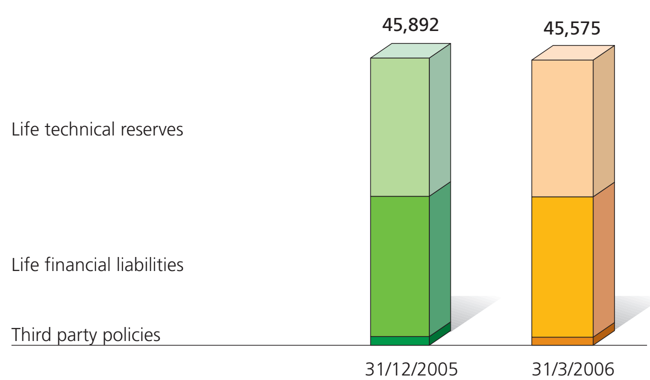
tinued, confirming the confidence of customers in professional asset management, with an excessive effect of equity funds and balanced funds as compared to bonds and liquidity funds. In fact, the share of greater added value grew by 2.8 percentage points since the beginning of the year, reaching 39.8% at the end of March 2006. Savers were especially interested in the new funds launched by the Group starting from January 2006, called "Absolute Return". In this quarter, these funds collected over three billion euro in subscriptions. These funds, characterized by the significant autonomy granted to the fund manager in composing the portfolio, depend on a range of instruments permitted by law in order to obtain a positive yield under any market conditions. The target yield is declared a priori within a predefined time frame, and with specific limits of volatility. Among the funds with low risk profiles, in customer portfolios, the weight of liquidity funds decreased further (-1.7 percentage points) as well as the weight of bonds (-1.1 percentage points). At the end of the first quarter 2006, the Group maintained its leading position on the domestic market, with a market share of 18.3% calculated based on the new field of reference enlarged by Assogestioni, including foreign funds promoted in Italy by Sicav with foreign rights;

- in the life insurance business, the stock of technical reserves and financial liabilities confirmed the levels reached at the end of 2005. The progressive ageing of the policy portfolio increased the significance of the phenomenon of surrendering of policies, which counterbalanced the policies issued in the first three months, preventing the repetition of the rate of development of the first quarter 2005. The reverse in the compartment is also connected to the current review of life business products, which will produce new results in the second half of the year. In addition, a weakening of the flows of new

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



Life technical reserves and financial liabilities (€/mil)



Change in asset management

	First quarter 2006 (€/mil)	First quarter 2005 (€/mil)	2005 (€/mil)
Net inflow for the period	2,299	2,089	5,476
- mutual funds and fund-based portfolio management	2,128	411	2,561
- portfolio management	275	-8	-584
- life policies	-104	1,686	3,499
Performance effect	649	1,016	7,701
Change in asset management	**2,948**	**3,105**	**13,177**

Mutual funds by type

	31/3/2006 (%)	31/12/2005 (%)
Equity	30.1	27.7
Balanced	9.7	9.3
Bond	43.0	44.1
Liquidity	17.2	18.9
Total Group mutual funds	**100.0**	**100.0**

business for life policies has also been seen at a global level. During the period in question, operations focused both on traditional policies and on index- and unit-linked policies, primarily with financial content.

Other Income Items

Income from credit disposals, held-to-maturity financial assets and repurchase of non-hedged financial liabilities, including penalties paid by customers for early repayment of medium-/long-term financing and differentials in the price of repurchasing own bonds, did not reach significant levels (10 million euro compared to the five million recorded in the first quarter of 2005).

A decisively more significant contribution was made by dividends and income from other financial assets and liabilities, which amounted to 144 million euro, tripling the values recorded in the first quarter of 2005. This considerable improvement can be attributed to the typical operations of Banca IMI, in relation to corporate finance and equity capital markets, and market making on derivatives to support the placement of structured products (during the period, structured bonds in funds were issued for a total of about half a billion euro). A significant contribution was also made by trading activity in securities, foreign exchange and derivatives contracts by the commercial banks. In particular, interest and exchange rate derivatives targeted at businesses generated 43 million euro in income on the consolidated level. This represents 60% of revenues for all of 2005 in the same sector. The expansion of trading in business derivatives is also confirmed by the number of customers operating during the first quarter 2006, which more than doubled compared to that of last year. Lastly, the financial results for the quarter include the profits gained from the sale of FIAT shares, deriving from the Convertible Facility (12 million euro), as well as the capital gains (six million) deriving from the disposal of an interest in the shipbuilding sector.

Profits from shareholdings, which can essentially be attributed to the valuation at net shareholders' equity of Cassa di Risparmio di Firenze, Banque Palatine, Synesis Finanziaria and Allfunds, reached 15 million euro, which compares to 12 million in the first three months of 2005.

Income from insurance business, which contains the revenue items referring to the life and casualty companies reporting to the subholding Eurizon, reached 100 million euro during the first quarter of 2006, an increase of 56.3% compared to the same period in 2005. This positive trend can be attributed to the increase in net interest income, partly due to the increase in volumes and partly to the improvement in the yields of segregated funds. In fact, financial management benefited from the increase in average yields, due to the effect of the increased duration of assets and greater exposure in the equity sector. At the end of the quarter, the valuation reserve for available-for-sale financial assets reached 54 million euro, compared to 91 million at the beginning of the year, due to the reduction in capital gains on bonds following the increase in interest rates.

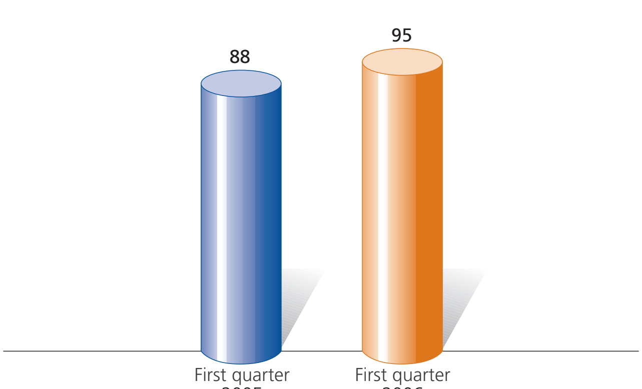
Adjustments to Loans and Other Financial Assets

Net adjustments to loans amounted to 95 million euro, compared to 87 million in the first quarter of 2005. Despite the increase in financing to households and businesses, the contained level of analytical adjustments (37 million) confirmed the suitable risk profile of the Group's loans portfolio. Hedging of doubtful loans remains high, and thus provides suitable guarantees for the recovery of portfolios. Valuation of the inherent credit risk in the performing portfolio led to the quantification of 58 million euro of lump-sum adjustments, a similar value to the corresponding period of the previous year.

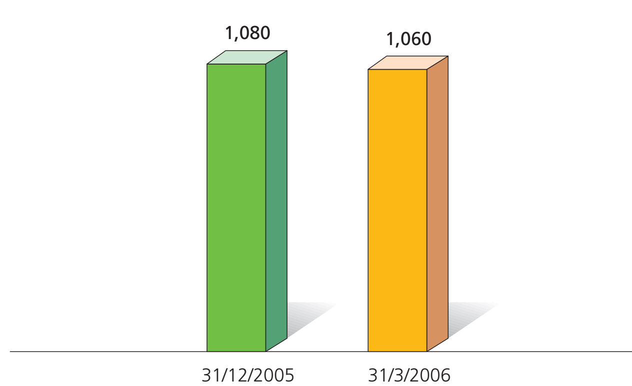
The trend in net doubtful loans, which decreased by 5.3% since the beginning of the year, testifies to the high quality of credit and the careful monitoring of the credit-worthiness of counterparties receiving the new loans. At the end of the quarter, net doubtful loans amounted to 3,203 million euro. More specifically, as regards loans to customers:

- non-performing financing reached 1,060 million euro, a decrease of 1.9% compared to 31 December 2005. The non-

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



Non-performing financing to customers (€/mil)



performing financing/loans to customers ratio was 0.7%, a reduction of a tenth of a point since the beginning of the year. Coverage of non-performing loans rose to 75.6% from 75% at the end of 2005;

- problem and restructured financing amounted to 1,168 million euro, unchanged compared to the end of December 2005. The weight of adjusted funds reached 30.9%;
- financing due/overdue by more than 180 days amounted to 908 million euro, dropping by 14.8% from the beginning of the year, with a coverage ratio of 16.4%;
- unsecured financing to countries at risk amounted to 14 million euro, compared to 17 million recorded at the end of 2005, with 33.3% coverage.

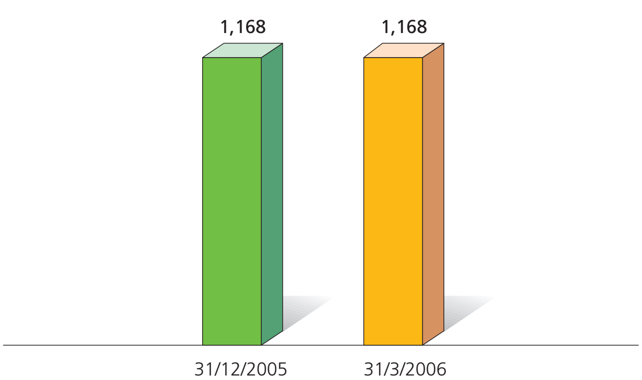
At the end of March 2006, the amount of lump-sum adjustments to the performing portfolio reached 1,124 million euro, corresponding to 0.8% of performing loans, in line with the figures from the end of 2005.

Operating Costs and Other Components of Pre-Tax Operating Profit

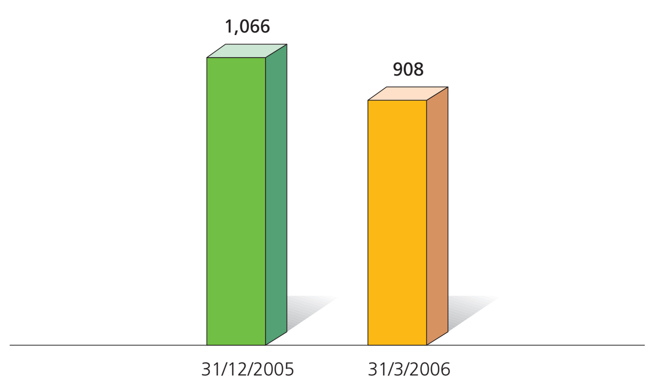
Operating costs for the first quarter 2006 amounted to 1,174 million euro, a 2% increase on the same period of the previous year, due to the increase in personnel costs and other administrative costs, only partially compensated for by the decrease in amortization. The growth in the aggregate is in line with the general inflation rate for the period (2.1%).

In detail, personnel costs, equal to 711 million euro, grew by 2% compared to the first three months of 2005, compared to an

Problem and restructured financing to customers (€/mil)



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



Qualitative analysis of the loan portfolio (1)

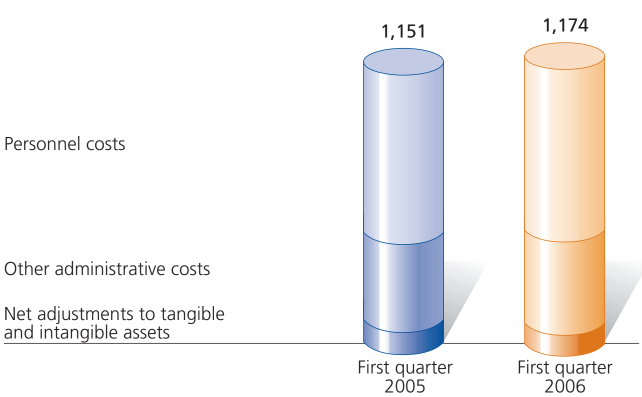
	31/3/2006		31/12/2005		Change 31/3/06-31/12/05
	(€/mil)	%	(€/mil)	%	(%)
Non-performing financing	1,060	0.7	1,080	0.8	-1.9
Problem and restructured financing	1,168	0.8	1,168	0.8	-
Financing to countries at risk	14	0.0	17	0.0	-17.6
Financing due/overdue by more than 180 days	908	0.7	1,066	0.8	-14.8
Defaulted securities held in the portfolio	-	0.0	-	0.0	-
Doubtful loans - customers	**3,150**	**2.2**	**3,331**	**2.4**	**-5.4**
Performing financing	139,372	96.7	135,864	97.4	+2.6
Performing debt securities held in the portfolio	1,648	1.1	312	0.2	n.s.
Loans to customers	**144,170**	**100.0**	**139,507**	**100.0**	**+3.3**
Non-performing and problem financing - banks	-		-		-
Financing due/overdue by more than 180 days - banks	-		-		-
Financing to countries at risk - banks	52		47		+10.6
Defaulted securities held in the portfolio	1		5		-80.0
Total doubtful loans - customers and banks	**3,203**		**3,383**		**-5.3**

(1) Including accruals and value adjustments for fair value coverage.

average increase of 1.2% in the workforce, following investments in the sales network and the insurance business. The trend in personnel costs was also influenced by the continuing effects of the contractual salary increases resulting from the renewal of the national collective labor agreements in February 2005, provisions for the possible renewal of the national collective labor agreements which expired at the end of 2005, and complementary company agreements, as well as the provisions for variable costs and other compensation related instruments in support of the three-year Plan.

The increase of 6.5% in other administrative costs as compared to the first quarter of 2005 can be attributed primarily to the costs incurred by the Parent Bank in relation to the "Turin 2006" Olympic Winter Games. These costs were mainly concentrated in the fourth quarter of 2005, and in the first quarter of 2006. Aside from growth in promotional, advertising and marketing costs, due to the sponsorship of the Olympics, increases were also evident in general expenses, property costs and indirect duties and taxes. The growth in general expenses is due to increased postal charges, linked to expanding communications to customers in compliance with the provisions of law regarding transparency, and to the high costs for information and investigation, specifically in the tax collection business to support the recovery of credits. Property costs were mainly affected by the rise in lease rentals, due to the increase in the number of operating points, and in the market prices for commercial leasing, which augmented the burden of contracts under renewal. Lastly, the rise in indirect duties and taxes is correlated to the growth in components which cannot be directly recovered from customers. The other expense items were stable, including IT expenses and charges for services provided by third parties, or decreasing, such as indirect personnel expenses and professional and insurance fees, in which expenses for professional fees dropped significantly. Overall, during the quarter, the other administrative costs, net of their recoveries, amounted to 379 million euro.

Operating costs (€/mil)



On the contrary, net adjustments to tangible and intangible assets decreased by 14.3%, benefiting from the completion of the amortization of relevant investments in fixed assets of the Parent Bank and Banca Fideuram, at the end of 2005. As far as the Parent Bank is concerned, this reduction will gradually be reabsorbed by the amortization of investments regarding projects expected to be finalized during 2006.

The cost/ income ratio of the Group (54.3%) decreased by almost nine percentage points compared to the first quarter of 2005, thanks to the increase in revenues.

Net provisions for risks and charges, equal to 39 million euro, are slightly higher than those for the corresponding period of 2005 due to the strengthening of protection from risk connected to a legal dispute. No further specific provisions were made in relation to the funds previously created for protection against risks connected to tax collection. This is despite the fact that in relation to the aforementioned legal dispute, GEST Line S.p.A. recently received a request for the payment of 180 million euro from the Revenue Office. Aside from any reasonable foundation, the company deems that GEST Line's adherence to the correction introduced by Law no. 311 of 30 December 2004 nullifies the request.

Other administrative costs (1)

	First quarter 2006 (€/mil)	First quarter 2005 (€/mil)	Change first quarter 2006 / First quarter 2005 (%)	2005 (€/mil)
IT costs	72	72	-	289
Property costs	91	85	+7.1	360
General expenses	79	73	+8.2	287
Professional and insurance fees	41	49	-16.3	209
Promotion, advertising and marketing expenses	37	18	+105.6	132
Indirect personnel costs	25	26	-3.8	109
Charges for services provided by third parties	20	20	-	75
Indirect duties and taxes	14	13	+7.7	53
Other administrative costs	**379**	**356**	**+6.5**	**1,514**

(1) Expenses are expressed net of their recoveries.

Profits on Groups of Discontinued Operations and Taxes

No profits or losses on groups of discontinued operations were realized during the year.

Income taxes for the period, quantified as 326 million euro, imply a tax rate of 37.7%, inferior to the 40.1% recorded in the same period of 2005. This reduction is primarily due to the lesser weight on taxable income of non-deductible IRAP costs, representing personnel costs and adjustments to loans.

Group Capital and Reserves

Net Shareholders' Equity

Group shareholders' equity, as at 31 March 2006, was 14,211 million euro, up 728 million over figures recorded at 31 December 2005, due essentially to profits made over the period, adjustments to valuation reserves, and the approach taken to booking stock options (increase in capital and share premium reserves).

Movements in Group shareholders' equity (1)	*(€/mil)*
Group shareholders' equity at 31 December 2005	**13,483**
Increases	728
- Net profit for the period	519
- Net change in valuation reserves	169
- Stock option accounting	25
- Other changes	15
Group shareholders' equity at 31 March 2006	**14,211**

(1) Shareholders' equity as at 31 March 2006 includes a further 1,069 million euro for the payment of the dividend of 0.57 euro per share from net profits recorded for 2005.

The 169 million euro increase in the valuation reserve recorded at the end of March 2006 was due to the restatement at fair value of certain listed minority interests (+ 177 million euro), mainly in SCH, FIAT, and Parmalat, given the reduction in the valuation reserves for debt securities held for sale due to the rise in interest rates. The rise in interest rates further led to an increase in equity with reference to the determination of the value of actuarial liabilities for defined pension benefit funds and provisions for employee termination indemnities (TFR), whose value was booked as a direct balancing entry to consolidated shareholders' equity reserves.

Own Shares

As at 31 March 2006, the Group held 4,740,843 SANPAOLO IMI shares, representing 0.25% of the share capital, which were recorded in accordance with the new IAS/IFRS as a negative component of shareholders' equity, for a total of 51 million euro. The shares were held by the Parent Bank, the subsidiary Banca IMI, and by the collective investment entities within the insurance sector of the Group. In accordance with international accounting standards, consolidation was carried out on a line-by-line basis.

Transactions on SANPAOLO IMI shares over the first three months of 2006 were as follows:

- the Parent Bank did not carry out purchase or sales transactions during the period. As such, as at 31 March 2006, the Parent Bank held 4,015,919 own shares in its portfolio (with a par value of 11.2 million euro), representing 0.21% of the share capital and equal to 42.5 million euro;
- Banca IMI, in relation to its institutional trading activities, held a total of 216,270 SANPAOLO IMI shares (for a par value of 0.6 million euro) as at 31 December 2005. Over the first three months of 2006, it carried out transactions for the purchase of 36,001 shares (with a par value of 0.1 million euro) for a total value of approximately 0.5 million euro, and the sale of 46,432 shares (with a par value of 0.1 million euro) for a total of 0.6 million. As a result, at 31 March 2006, the company held a total of 205,839 SANPAOLO IMI shares in its portfolio (with a par value of 0.6 million euro), representing 0.01% of the share capital of the Parent Bank, equal to 2.7 million euro;
- the collective investment entities, whose controlling stakes are held by the insurance subsidiary A.I.P. and which were consolidated in accordance with IAS/IFRS, held a total of 542,585 SANPAOLO IMI shares (with a par value of 1.5 million euro) as at 31 December 2005, representing 0.03% of the share capital of the Parent Bank and equal to 5.8 million euro. Over the first three months of 2006, the collective investment entities carried out transactions for the purchase of 222,000 SANPAOLO IMI shares (with a par value of 0.6 million euro) for a total value of approximately three million euro, and the sale of 245,500 shares (with a par value of 0.7 million euro) for a total of 3.4 million. As a result, at 31 March 2006, the SANPAOLO IMI shares held by the collective investment entities totaled 519,085 (with a par value of 1.4 million euro), representing 0.03% of the share capital of the Parent Bank and equal to 5.4 million euro.

As required by laws in force, the Parent Bank and Banca IMI have the same amount in the undisposable reserve as the own shares held in portfolio.

Own shares held by subsidiary companies in portfolio refer exclusively to Banca Fideuram S.p.A., and were not subject to movements over 2006 with respect to 31 December 2005.

Regulatory Capital and Solvency Ratios

As at 31 March 2006, the ratio of regulatory capital to total weighted assets deriving from credit and market risks resulted in an estimated Total risk ratio of 9.8%. The ratio of the Group's Tier 1 capital to total weighted assets was 7.5%, whilst the Core tier 1 ratio (calculated on the basis of Tier 1 capital net of preferred shares) was estimated at 6.8%.

It should be highlighted that in April 2006, the Bank of Italy published the definitive provisions and transition regulations for the introduction of IAS/IFRS. In the light of the new regulations, the equity figures published in the 2005 financial statements and report were carefully re-examined. The reworking led to an adjustment of all the solvency ratios by 20 basis points, for which values as at 31 December 2005 were adjusted to 9.4% for the Total risk ratio and 7.4% and 6.8% respectively for the Tier 1 and Core tier 1 ratios. The variation arose as a result of the application of the provisions set forth in the transition regulations regarding capital gains accruing before 31 December 2004 on the basis of national accounting standards, affecting securities currently classified in the held for sale portfolio. It should further be noted that the change in the Total risk ratio over 2005 was the result of the increase in equity deductions resulting from the introduction of laws governing financial conglomerates, together with the repayment of subordinated loans expiring during the year and the growth in assets subject to risk.

Compared to the 31 December 2005 figure, the Total risk ratio rose from 9.4% to 9.8%, as a result of the placement of subordinated securities in the first quarter of the current year. Furthermore, the scrip issue made in April 2006, together with the placement of subordinated securities for a further value of 500 million euro took the Total risk ratio with reference to equity balances as at 31 March 2006 up 30 basis points to 10.1%, whilst the Core tier 1 and Tier 1 ratios rose respectively to 7.0% and 7.6%.

Risk Management and Control

Market Risk of the Non-Trading Portfolio

A large part of the market risk deriving from the non-trading portfolio concerns the exposure of the Parent Bank and the other main companies in the Group that carry out retail and corporate banking.

Interest rate risk deriving from the Group's non-trading portfolio in the first three months of 2006 reached higher levels than those observed over the previous financial year. Variations in the market value of the banking book, measured via a shift sensitivity analysis on the assumption of a 100 basis point fall in the interest rate curve, resulted in an average value of 58 million euro for the three months, compared to the average 12 euro million recorded for the previous year.

Value at Risk (VaR), measured as the maximum potential "unexpected" loss in the portfolio's market value that could potentially be recorded over a ten day holding period with a statistical confidence interval of 99%, was recorded at an average of 68 million euro for the first quarter of the year (compared to an average 33 million for the previous year).

Sensitivity in net interest income, on the assumption of a 25 point rise in rates, amounted to 43 million euro as at the end of March, in line with year-end figures for 2005 (-35 million euro in the case of a fall in interest rates).

The non-trading portfolio also comprises market exposures deriving from equity shareholdings held by the Parent Bank and the companies FIN.OPI, IMI Investimenti, Sanpaolo IMI-International, Sanpaolo IMI Internazionale and Sanpaolo IMI Private Equity in listed companies which are not fully consolidated or accounted for under the equity method. Price risk is measured via the VaR method (using a confidence interval of 99% over a 10 day holding period). The Value at Risk method recorded an average risk of 120 million euro for the first quarter of 2006, representing a decrease with respect to the 127 million euro recorded at the end of December 2005.

Market Risk of the Trading Portfolio

Market risk deriving from the trading portfolio relates to trading activities carried out by Banca IMI and its subsidiaries. Trading activities, mainly in securities, both fixed-income and shares, and foreign exchange and derivative contracts are all subject to measurement.

Value at Risk over the first quarter of the year swung between a minimum of eight million euro and a maximum of 18 million euro, settling at the maximum for the period at the end of March. Average Value at Risk over the first quarter averaged 12 million euro, compared to an average nine million observed for the previous year.

In addition to VaR, a Worst Case Scenario method is also used to monitor the impact of the potential losses that might arise in extreme market conditions. The maximum potential daily loss over the first quarter of 2006 showed an average risk of 52 million euro, in line with the average risk recorded for the previous financial year (54 million euro), reaching a maximum of 58 million euro at the end of March and a minimum of 47 million euro in the middle of the quarter.

Backtesting highlighted the prudential nature of the internal measurement models adopted. In fact, in the first three months of 2006, the actual daily losses effectively never exceeded the risk measures expressed in terms of maximum potential loss, whilst only in one case did the effective loss in trading exceed the ex-ante daily VaR.

Shareholders and Ratings

Shareholders

On the basis of the information available to date, the shareholder breakdown for SANPAOLO IMI is as follows:

Shareholders of SANPAOLO IMI

	% of capital	
	total	ordinary
Compagnia di San Paolo	14.19	6.83
Banco Santander Central Hispano	8.43	9.93
Fondazione Cassa di Risparmio di Padova e Rovigo	7.02	3.99
Fondazione Cassa di Risparmio in Bologna	5.54	2.84
Giovanni Agnelli e C.	4.96	5.85
Assicurazioni Generali	2.00	2.36
Mediobanca	1.75	2.06
Morgan Stanley & Co. International	1.75	2.06
Banca Monte dei Paschi di Siena	1.51	1.77
Società Reale Mutua di Assicurazioni	1.50	1.77
Caisse Nationale des Caisses d'Epargne (CNCE)	1.50	1.77
Ente Cassa di Risparmio di Firenze	1.50	1.76
Fondazione di Venezia	1.20	1.42
Other shareholders (1)	47.17	55.59
Total	**100.00**	**100.00**

(1) Includes own shares held by the Group.

Ratings

The table below reports the main debt ratings assigned to SANPAOLO IMI.

SANPAOLO IMI debt ratings

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

Performance of Share Prices

At the end of March 2006, SANPAOLO IMI shares were listed at 14.773 euro, an increase of 22.3% compared to the 31 March 2005 figure, whilst the MIB banking index rose by 31.7%. At the same date, SANPAOLO IMI shares recorded a price/book value of 1.9.

On 10 May 2006, the listed share price was 15.357 euro, representing an increase of 16.2% over the beginning of the year.

SANPAOLO IMI share price and dividends

Year	Maximum price (€)	Minimum price (€)	Average price (€)	Dividend per share (€)	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	13.420	10.201	11.836	0.57	4.82	53.8
2006 (3)	15.556	12.986	14.429			

Market comparison

	10/5/2006	31/3/2006	31/3/2005	Change 31/3/06-31/3/05 (%)
SANPAOLO IMI share price (€)	15.357	14.773	12.081	+22.3
Historical MIB bancario index	3,696	3,598	2,733	+31.7

	31/3/2006	31/12/2005
Book value per share (€)	7.61	7.22

(1) Calculated on annual average price.
(2) On consolidated income.
(3) Until 10/5/2006.

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

Group Business Structure

Business Sectors

In the first quarter of 2006, SANPAOLO IMI Group operations were structured into the following Business Sectors:
- Banking
- Savings and Assurance.

In addition, there is also Central Functions responsible for governance, support and control.

In line with provisions in IAS 14 regarding Segment Reporting, a management approach has been taken with primary reporting based on the segmentation into Business Sectors, as this reflects the operating structure and responsibilities introduced with the restructuring plan launched on 5 July 2005 and subsequent organizational initiatives.

The table below reports the main information summarizing performance in the Business Sectors.

The detailed analysis of the Business Sectors and the main business lines illustrates the initiatives introduced over the quarter,

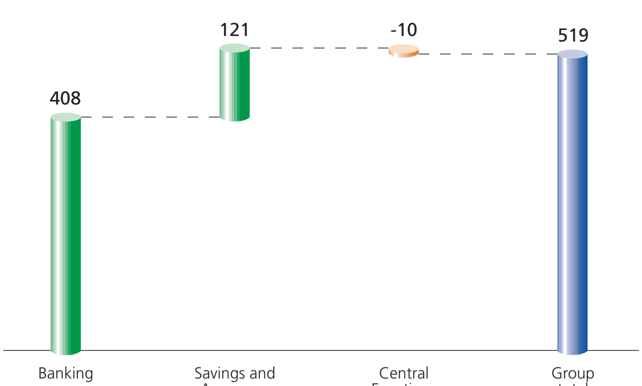
	Banking	Savings and Assurance	Central Functions (1)	Group total
TOTAL OPERATING INCOME (€/mil)				
First quarter 2006	1,749	317	96	2,162
First quarter 2005	1,537	254	33	1,824
Change first quarter 2006 / First quarter 2005 (%)	+13.8	+24.8	n.s.	+18.5
PRE-TAX OPERATING PROFIT (€/mil)				
First quarter 2006	693	185	-14	864
First quarter 2005	505	127	-71	561
Change first quarter 2006 / First quarter 2005 (%)	+37.2	+45.7	-80.3	+54.0
NET PROFIT (€/mil)				
First quarter 2006	408	121	-10	519
First quarter 2005	288	91	-46	333
Change first quarter 2006 / First quarter 2005 (%)	+41.7	+33.0	-78.3	+55.9
TOTAL INTEREST-EARNING ASSETS (€/mil) (2)				
31/3/2006	152,412	6,607	41,465	200,484
31/12/2005	146,016	6,460	33,292	185,768
Change 31/3/2006 - 31/12/2005 (%)	+4.4	+2.3	+24.5	+7.9
TOTAL INTEREST-BEARING LIABILITIES (€/mil) (2)				
31/3/2006	133,610	5,696	51,414	190,720
31/12/2005	130,474	5,780	41,700	177,954
Change 31/3/2006 - 31/12/2005 (%)	+2.4	-1.5	+23.3	+7.2
ALLOCATED CAPITAL (€/mil)				
First quarter 2006	7,538	1,513	4,641	13,692
First quarter 2005	6,785	1,404	3,881	12,070
Change first quarter 2006 / First quarter 2005 (%)	+11.1	+7.8	+19.6	+13.4
ANNUALIZED PROFITABILITY (%)				
First quarter 2006	21.7	32.0	n.s.	15.2
First quarter 2005	17.0	25.9	n.s.	11.0
EMPLOYEES				
31/3/2006	35,583	2,655	5,630	43,868
31/12/2005	35,430	2,610	5,626	43,666
Change 31/3/2006 - 31/12/2005 (%)	+0.4	+1.7	+0.1	+0.5

(1) Includes netting and consolidation entries.
(2) Excluding Banca IMI group.

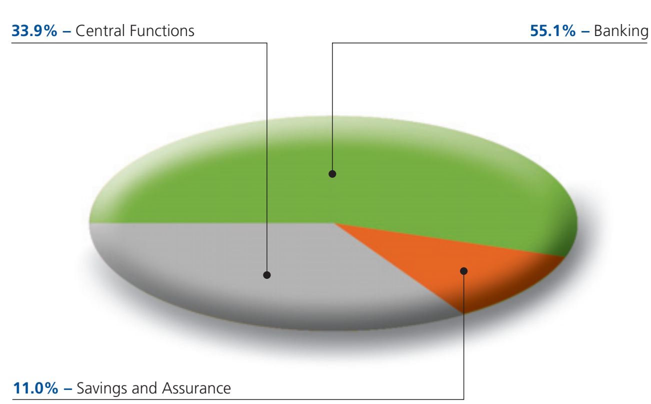
statement of income data, operating structure, and the main profitability ratios, including figures which express the contribution of the Business Sectors to Group income.

Where necessary, figures relating to the first quarter of 2005 have been reworked for the purposes of uniformity, with regard to the adoption of new accounting standards and the business structure.

Net profit first quarter 2006 by Business Sector (€/mil)



Allocated capital first quarter 2006 by Business Sector



Initiatives and Results of the Business Sectors

Banking

Banking constitutes the core business of the Group and the reference point for the definition, development and coordination of the commercial strategies of the entire Group network. The Sector is divided into the Retail & Private, Corporate and Wholesale business lines, and comprises the companies IMI Investimenti, for the management of large industrial investments, Sanpaolo IMI Private Equity, Sanpaolo Bank (Luxembourg), dealing with international private banking, Sanpaolo Fiduciaria, and GEST Line S.p.A., responsible for Group tax collection activities.

The current organizational structure is distributed across 20 territorial areas/directorates of the network banks, responsible for the coordination of Market operations and branches, and improving the effectiveness of initiatives targeting customers on the basis of the specific needs of the territory of reference, by taking advantage of the direct relationship with the customer base.

Employing 81% of the Group's workforce, Banking generated 83% of total intermediary funds and 81% of consolidated revenues. Banking in the first quarter of 2006 substantially confirmed its absorption of Group capital of 55%. The Sector also recorded a considerable rise in net profits (+41.7%) which, when coupled with the 11.1% rise in absorbed capital relating to new operations, resulted in an almost five percentage point rise in annualized RORAC (21.7%) compared to the same period of last year. Overall, core business activities contributed 79% of consolidated net profit. Alongside this, there was an almost six point fall in the cost/income ratio, seen in improvements in efficiency achieved through a growth in revenues coupled with contained growth in operating costs.

A more detailed analysis of these figures is provided below under the business lines in which the Sector is organized. It should be highlighted that customer financial assets and net loans to customers rose by 2.3% and 2.9% respectively over the quarter, whilst total operating income rose by 13.8%, thanks to the 8% increase in net interest income, together with the recovery made in other revenues typical of commercial banks and greater proceeds recorded by the Wholesale line and other banking activities. The positive performance led to a 37.2% increase in operating profit, thanks to stable adjustments made to loans and despite the 2.9% growth in operating costs compared to the first quarter of 2005. Net of taxation accruing to the period, net profits for the period totaled 408 million euro, compared to the 288 million recorded for the first quarter of 2005, as reworked pro forma.

Retail & Private

The Retail & Private business line provides services targeting a customer base comprised of families, small businesses and private clients, and is supported by direct channels such as Internet, 'phone and mobile banking services. The business line further includes the company Neos Banca (formerly Finemiro Banca), specialized in consumer credit, and Farbanca, the on-line bank for the pharmaceutical and health care sector.

Compared to the first quarter of last year, total operating income for the Retail & Private business line grew by 7.3%, thanks mainly to the rise in net interest income, which benefited from an extension of the mark-down on deposits as a result of the rise in money market rates, and the growth in net commissions, due primarily to the placement of asset management products and dealing activities by the commercial banks.

Contributing to the upward trend in net profits, which grew by 19.5% to 221 million euro, was the growth in revenues and the contained rise in operating costs. A key factor in the latter was the substantial stability of personnel costs compared to the first quarter of 2005, which constitute approximately half of all costs for the business line - the Retail & Private business line employs 23,125 employees, representing 53% of the Group's workforce.

Intermediary funds, representing almost half those of the Group, enjoyed a 2% rise over the quarter, thanks to the growth in customer loans (+5.2%) and, to a lesser degree, in financial assets (+1.4%). The growth in financial assets was mainly due to indirect deposits, which benefited from the high volumes dealt and the favorable trend in financial markets. With regard to asset management products, the performance of fund-based portfolio management is worth noting, which over the first quarter of the year grew by over 7%, as is the performance of fund-based structured securities, which recorded approximately 500 million euro in placements over the period.

Retail & Private absorbed 15% of the Group's capital, down with respect to the first quarter of last year. The decrease can be attributed to the risk profile of new loan operations undertaken. Annualized profitability, up to 44.3% compared to the 36% recorded for the first quarter of 2005, benefited from the rise in net income and the lower absorption of capital.

Retail & Private operates through 3,017 branches and a further 177 specialized operating points run by Group commercial banks, spread across 44 Markets. More specifically, Northern and Central regions and the Islands are covered by 1,480 Sanpaolo operating points, whilst Southern Italy is covered by 718 Sanpaolo Banco di Napoli operating points. North-Eastern Italy, Emilia, and the Adriatic area are covered by 996 operating points run by Cassa di Risparmio di Padova e Rovigo, Cassa di Risparmio in Bologna, Cassa di Risparmio di Venezia, Friulcassa and Banca Popolare dell'Adriatico. Added to these are the 26 branches of Neos Banca and Farbanca.

Retail branches are structured into service-based modules targeting personal, family and small business customers, which respectively comprise customers with significant financial resources, families and self-employed professionals and small companies. As a result of the new level of segmentation introduced as of 1 January 2006, the small business segment now includes business concerns with a turnover of less than 2.5 million euro or with loan facilities of less than one million euro. The larger retail branches also operate private customer service modules, designed to improve and extend the territorial coverage of the network of operating points specifically targeting the private banking segment.

Banking

	First quarter 2006	First quarter 2005 pro forma	Change first quarter 2006 / First quarter 2005 pro forma (%)
STATEMENT OF INCOME (€/mil)			
Net interest income	927	858	+8.0
Net commissions	700	609	+14.9
Income from credit disposals, assets held to maturity and repurchase of non-hedged financial liabilities	4	-1	n.s.
Dividends and income from other financial assets and liabilities	114	70	+62.9
Profits (losses) on equity shareholdings	4	1	n.s.
Income from insurance business	-	-	-
Total operating income	**1,749**	**1,537**	**+13.8**
Net adjustments to loans	-123	-125	-1.6
Net adjustments to other financial assets	-	1	n.s.
Net operating income	**1,626**	**1,413**	**+15.1**
Personnel costs	-555	-545	+1.8
Other administrative costs	-364	-347	+4.9
Net adjustments to tangible and intangible assets	-7	-8	-12.5
Operating costs	*-926*	*-900*	*+2.9*
Other net income (expenses)	6	6	-
Impairment of goodwill	-	-	-
Profits (losses) from disposals of investments	-	-	-
Net provisions for risks and charges	-13	-14	-7.1
Pre-tax operating profit	**693**	**505**	**+37.2**
Taxes for the period	-285	-217	+31.3
Profits (losses) on groups of discontinued operations	-	-	-
Profit attributable to minority interests	-	-	-
Net profit	**408**	**288**	**+41.7**
REVENUES FROM THE SECTOR (€/mil)	**1,749**	**1,537**	**+13.8**
INCOME FROM THE SECTOR (€/mil)	**693**	**505**	**+37.2**
ALLOCATED CAPITAL (€/mil)	**7,538**	**6,785**	**+11.1**
RATIOS (%)			
Annualized profitability	21.7	17.0	
Cost / Income ratio	52.9	58.6	
	31/3/2006	31/12/2005 pro forma	Change 31/3/06-31/12/05 pro forma (%)
OPERATING DATA (€/mil)			
Intermediary funds	459,058	448,062	+2.5
Customer financial assets	321,837	314,687	+2.3
- direct deposits	105,262	103,431	+1.8
- asset management	105,780	103,743	+2.0
- mutual funds and fund-based portfolio management	*70,686*	*68,828*	*+2.7*
- portfolio management	*5,515*	*5,195*	*+6.2*
- life technical reserves and financial liabilities	*29,579*	*29,720*	*-0.5*
- asset administration	114,292	110,763	+3.2
- netting	-3,497	-3,250	+7.6
Net asset management flows	1,654	5,534	
Net loans to customers excluding NPLs	137,221	133,375	+2.9
Total interest-earning assets (1)	152,412	146,016	+4.4
Total interest-bearing liabilities (1)	133,610	130,474	+2.4
OPERATING STRUCTURE			
Employees	35,583	35,430	+0.4
Domestic branches	3,092	3,081	+0.4
Foreign branches and representative offices	138	132	+4.5

(1) Excluding Banca IMI group.

In line with strategic initiatives, the first quarter of the year saw the introduction of a project aimed at fine-tuning the offer of services by redefining the service model in line with the market needs of the various segments.

In particular, with regard to the small business segment, a reviewed model was launched with the introduction of a new level of segmentation for small business and corporate customers. More specifically:

- the position of local small business manager for the area/Market was established, responsible for the branch area and acting as a support to the area director, in an effort to improve and optimize the proactive management of the existing customer base and, above all, supervise and protect the territory of reference in a more consistent and marked way;
- the small business manager was progressively introduced into branches, with a view to strengthening the segment in each operating point.

With regard to the personal and family segments, the area/Market structure saw:

- the introduction of a personal area officer to support customer managers in all the commercial initiatives concerning the module, in the use of instruments, and in training requirements, thereby promoting best practices and a methodology of team work;
- the basis laid for the introduction of a private banking area officer to support the directors of smaller branches in the overall management of commercial priorities.

The first three months of the year also saw the launch of a branch restyling project involving the establishment of a system to improve branch signs and window arrangements, and the layout of the branches themselves, which will guarantee strong visibility, thereby promoting more effective communication. Over the next three years, along with the introduction of the organizational model, around 650 initiatives will be launched, including new openings and the modernization of the branches in the network.

With reference to offers, the initiatives pursued over the quarter concerned: the launch of two new "absolute return" compartments for Luxembourg funds; the placement of two index-linked policies in the “Blue Profits” line; the broadening of “GP Private Solution” portfolio management through the introduction of new components; the placement of a further two series of fund-based bonds issued by Banca IMI, entitled “Strategia Dinamica”; the launch of the new “Prestito Sanpaolo” loan initiative, which offers retail banking customers new options for financial flexibility; the launch of “Domus Equity” as part of the project to broaden the credit solutions available to meet the financial needs of families not related to home buying; the launch of a new line of mortgage loans at fixed, variable, and balanced rates, with high “loan to value,” promoted under the Neos Banca trading name; the issue of special financial products for private and small business customers, designed to finance investments for the creation/installation of plant systems for the production of renewable energy; and finally, the launch of the new “Sanpaolo Card Revolving” credit card.

On the occasion of the Turin 2006 Olympic and Paralympic Winter Games, the special "Olimpico Straordinario" Desk was set up to assist customers with regard to credit and debit cards, ATMs and Points of Sale installed in areas affected by the Games, and a free help service was launched for traders participating in the Sanpaolo e-shopping service.

With a view to capitalizing on investments made over the last few years in tools and training on investment advice, customer profiling initiatives were relaunched over the first quarter of 2006. The assignment of a financial profile to customers constitutes an essential preliminary task in order to offer customers products and services tailored to their financial needs.

The foundations were laid for the introduction of new commercial procedures aimed at boosting cross-selling potential and the acquisition and retention of new customers. In particular, as regards the family and personal segments, initiatives were launched to boost “data mining” and CRM (Customer Relationship Management) capacity in central units, whilst staff numbers were increased for the telephone contact unit which was launched to support branches in contacting customers, and new tools were made available to the network. As concerns the small business segment, BWS.com, the new web portal at the service of customer managers which integrates tools supporting customer portfolio analysis, commercial growth, and risk management, was launched in the first quarter of the year.

With the definition of commercial planning strategies, involving action planning at both the local and central levels, the Commercial Plan was launched, with the initiatives earmarked for the first quarter introduced. In particular, nine central campaigns were implemented, focused on the acquisition of new customers (net customer flows at the end of March topped the 14,000 new customer mark) and the introduction of savings and loans products for private customers. Cross-selling initiatives were pursued through the notifications system and retention rates improved, with customer abandonment rates falling considerably compared to last year's average.

In order to maximize the potential effectiveness of the initiatives introduced, attention was focused on staff training, with a view to further boosting the professionalism underlying customer-oriented services and the sales capacity of network employees. Initiatives have been planned, to be implemented over the coming months of the year, targeting customer managers and the new branch officers.

Retail & Private

	First quarter 2006	First quarter 2005 pro forma	Change first quarter 2006 / First quarter 2005 pro forma (%)
STATEMENT OF INCOME (€/mil)			
Net interest income	558	513	+8.8
Net commissions	498	476	+4.6
Income from credit disposals, assets held to maturity and repurchase of non-hedged financial liabilities	3	-1	n.s.
Dividends and income from other financial assets and liabilities	10	8	+25.0
Profits (losses) on equity shareholdings	-	-	-
Income from insurance business	-	-	-
Total operating income	**1,069**	**996**	**+7.3**
Net adjustments to loans	-48	-45	+6.7
Net adjustments to other financial assets	-	-	-
Net operating income	**1,021**	**951**	**+7.4**
Personnel costs	-353	-354	-0.3
Other administrative costs	-277	-263	+5.3
Net adjustments to tangible and intangible assets	-1	-2	-50.0
Operating costs	*-631*	*-619*	*+1.9*
Other net income (expenses)	1	1	-
Impairment of goodwill	-	-	-
Profits (losses) from disposals of investments	-	-	-
Net provisions for risks and charges	-5	-6	-16.7
Pre-tax operating profit	**386**	**327**	**+18.0**
Taxes for the period	-165	-142	+16.2
Profits (losses) on groups of discontinued operations	-	-	-
Profit attributable to minority interests	-	-	-
Net profit	**221**	**185**	**+19.5**
ALLOCATED CAPITAL (€/mil)	**1,994**	**2,056**	**-3.0**
RATIOS (%)			
Annualized profitability	44.3	36.0	
Cost / Income ratio	59.0	62.1	
	31/3/2006	31/12/2005 pro forma	Change 31/3/06-31/12/05 pro forma (%)
OPERATING DATA (€/mil)			
Intermediary funds	271,778	266,342	+2.0
Customer financial assets	225,465	222,314	+1.4
- direct deposits	60,329	60,122	+0.3
- asset management	105,194	103,198	+1.9
- mutual funds and fund-based portfolio management	*70,249*	*68,425*	*+2.7*
- portfolio management	*5,366*	*5,053*	*+6.2*
- life technical reserves and financial liabilities	*29,579*	*29,720*	*-0.5*
- asset administration	59,942	58,994	+1.6
Net asset management flows	1,624	5,444	
Net loans to customers excluding NPLs	46,313	44,028	+5.2
Total interest-earning assets	47,265	44,521	+6.2
Total interest-bearing liabilities	65,088	64,704	+0.6
OPERATING STRUCTURE			
Employees	23,125	23,290	-0.7
Domestic branches	3,043	3,033	+0.3

Corporate

Corporate is the Banking business line dedicated to company customers. It comprises the Companies Division, which focuses on small and medium enterprise management, and Sanpaolo Leasint, active in the leasing compartment.

Corporate intermediary funds continued the upward trend recorded in the previous year, growing a further 1.6% in the first quarter, due entirely to loan activity (+2.3%) which compensated the downturn in funding. Driven by commercial initiatives promoting loan facilities for businesses, the trend was a hard-earned success, given the current glut in credit facility offers which has exacerbated competition levels in the reference market and reduced credit spreads.

Revenues recorded a 15% growth compared to the first quarter of 2005, thanks to the increase in commissions and the performance of other financial assets and liabilities, which benefited from the success of interest and exchange rate derivatives targeted at businesses. Net interest income rose by 6%, driven by the positive contribution of operating volumes, which effectively contrasted the erosion of the mark-up on corporate counterparties.

Net operating income, up by 17.7%, felt the effects of the moderate increase in adjustments to loans. With operating costs stable, operating profit grew to 149 million euro, compared to the 106 million recorded for the first quarter of 2005.

Net profit totaled 85 million euro, up 44.1% on the first quarter of last year.

Corporate absorbed 21% of the Group's capital, showing no change over the first quarter of 2005. In absolute values, allocated capital rose as a result of the growth in loan facilities to businesses recorded for the period. The growth in capital absorbed was, however, fully compensated by profit trends, which brought about an almost three percentage point rise in annualized profitability, as expressed in terms of RORAC. RORAC in fact rose from 9.4% to 12.1% over the first quarter of last year. The business line employs 3,929 employees, representing 9% of the Group's workforce.

Of similar significance were the improvements made in terms of efficiency, with the cost/income ratio down almost six percentage points compared to the first quarter of 2005, settling at 38.3%

In line with development strategies set out in the industrial plan, certain changes were introduced over the first quarter of 2006 to the organizational and distribution structure at the service of the corporate segment.

Beginning in January, the commercial capacity of the network was strengthened through the introduction of specialist supervisory offices, set up to support company banking branches in the sale of products with greater added value, and in the acquisition of new customers.

As a result of these changes, the company market is now covered by:
- a network of 251 branches dedicated exclusively to company customers, consisting in a front office focused on commercial activities and a back office dedicated to trading and dealing;
- 20 district offices responsible for coordinating branch operations, and to which over 200 developers and product specialists from the various areas report;
- a central structure, divided into business units.

At the same time, criteria for the identification of the customer base have been fine-tuned for the Companies Division, thus completing the standardization of the distribution model at Group level.

The customer base of the Companies network comprises businesses with a turnover of over 2.5 million euro or with total loan facilities of over one million euro. These criteria enable customer managers to focus their attention on companies with more complex financial needs, whilst reaping the greatest benefits from their physical vicinity to customers, and streamlining the decision-making process.

At present, there are 67,000 company customers.

Over the first quarter of 2006, developments in the business line were focused on achieving the objectives of the three-year Plan:
- greater penetration into the existing customer base;
- greater market coverage through initiatives aimed at acquiring new customers;
- development and promotion of products with high added-value;
- introduction of a specialized services model for customers with high growth potential.

The main initiatives introduced to back up the growth strategy included:
- strengthening and innovating loan facility offers to support corporate investments;
- further development of relations with Credit Guarantee Consortia with a view to establishing a partnership aimed at maximizing synergies with the Bank in the financial backing of SMEs;
- the introduction of a specific project for the targeting and acquisition of new customers;
- improving tools available to customer managers for the identification of commercial opportunities.

Finally, a new organizational structure was launched, aimed at developing relations with high potential customers, with a view to becoming the point of reference for all their commercial banking and investment banking needs.

Corporate

	First quarter 2006	First quarter 2005 pro forma	Change first quarter 2006 / First quarter 2005 pro forma (%)
STATEMENT OF INCOME (€/mil)			
Net interest income	246	232	+6.0
Net commissions	73	63	+15.9
Income from credit disposals, assets held to maturity and repurchase of non-hedged financial liabilities	-	-	-
Dividends and income from other financial assets and liabilities	41	18	+127.8
Profits (losses) on equity shareholdings	-	-	-
Income from insurance business	-	-	-
Total operating income	**360**	**313**	**+15.0**
Net adjustments to loans	-67	-64	+4.7
Net adjustments to other financial assets	-	-	-
Net operating income	**293**	**249**	**+17.7**
Personnel costs	-67	-69	-2.9
Other administrative costs	-71	-69	+2.9
Net adjustments to tangible and intangible assets	-	-	-
Operating costs	*-138*	*-138*	-
Other net income (expenses)	2	3	-33.3
Impairment of goodwill	-	-	-
Profits (losses) from disposals of investments	-	-	-
Net provisions for risks and charges	-8	-8	-
Pre-tax operating profit	**149**	**106**	**+40.6**
Taxes for the period	-64	-47	+36.2
Profits (losses) on groups of discontinued operations	-	-	-
Profit attributable to minority interests	-	-	-
Net profit	**85**	**59**	**+44.1**
ALLOCATED CAPITAL (€/mil)	**2,820**	**2,505**	**+12.6**
RATIOS (%)			
Annualized profitability	12.1	9.4	
Cost / Income ratio	38.3	44.1	
	31/3/2006	31/12/2005 pro forma	Change 31/3/06-31/12/05 pro forma (%)
OPERATING DATA (€/mil)			
Intermediary funds	94,729	93,198	+1.6
Direct deposits	15,421	15,829	-2.6
Net loans to customers excluding NPLs	48,880	47,801	+2.3
Total interest-earning assets	50,020	48,999	+2.1
Total interest-bearing liabilities	19,050	19,292	-1.3
OPERATING STRUCTURE			
Employees	3,929	3,822	+2.8
Domestic branches	44	43	+2.3

Wholesale

The Wholesale business line comprises: the Large Groups Division, responsible for managing relations with leading groups of national and international importance; the International Division, including the international network of the Parent Bank with regard to corporate lending activities, the Irish subsidiary Sanpaolo IMI Bank Ireland, and Sanpaolo IMI Internazionale, responsible for Group operations in Central and Eastern Europe; and the Public Authorities and Entities Division, concerned with the development of relations with government offices and institutions of reference. Also falling within the scope of these activities are Banca IMI, the Group's investment bank, and the Structured Finance unit, responsible for project financing and structured specialized lending.

Intermediary funds for the Wholesale business line recorded sustained growth over the quarter (+5.3%), underlining the recovery of business initiatives launched in 2005. This performance was driven by positive trends in international funds and repurchase agreements connected to investment banking and structured finance activities. Net loans to customers recorded a slight increase (+0.8%), resulting from the conflicting performances recorded in the different segments - significant growth in international activities, stable performance in operations with public authorities and entities, and a downturn in loans to large groups and in loans connected to investment banking activities.

Compared to the first quarter of 2005, revenues grew by 28.6%, thanks to positive trends in all the main compartments. A major contribution came from investment banking, driven by the strong performance in corporate finance and in the equity capital markets, led by Banca IMI. A positive boost to total operating income came from the international network, whilst compartments focused on public authorities and entities and on large groups remained largely in line with first quarter 2005 figures. Net operating income, up by 34.6%, was driven by the fall in adjustments to loans, down by almost one-third. In spite of the rise in operating costs (+11%), connected primarily to the growth in personnel costs, operating profit was recorded at 127 million euro, up from 81 million in the first quarter of 2005. The 1.7% growth recorded in personnel over the quarter, concentrated mainly in the foreign branches of the Parent Bank and the Eastern European banks, brought the number of employees for this business line to 3,049, representing 7% of the Group's workforce.

Net profit totaled 79 million euro, up 54.9% on the net profit recorded for the first quarter of last year.

Capital absorbed by the Wholesale line, representing 16% of the Group's capital, grew by 32.3% as a result of the growth in activities which led to an increase in credit and operating risks. Profitability, expressed in terms of annualized RORAC, recorded a two percentage point improvement, settling at 14.1% for the first quarter of 2006.

The cost/income ratio fell by six percentage points with respect to the first quarter of 2005.

Large Groups

The Large Groups Division is responsible for the supervision of larger customers.

In a market characterized by strong commercial competition, the Division focused on maintaining satisfactory profitability levels and protecting the quality of the portfolio. The most significant event concerning large groups in the first quarter of 2006 was the placement on the market of the entire capital generated by the conversion of the 400 million euro FIAT loan into ordinary shares, as described in the chapter "Action Points and Initiatives in the Quarter."

International

The International Division is responsible for the international banking activities of the Parent Bank and foreign subsidiary banks. It manages the segment relating to customers operating on foreign markets and develops services on foreign markets for national businesses, whilst promoting and managing relations with counterpart banks. Sanpaolo IMI Internazionale, controlling stake holder in the Hungarian Inter-Europa Bank (85.9%) and in Sanpaolo IMI Bank Romania (98.6%), as well as being responsible for the operational controlling of the Slovene bank Banka Koper, in which the Parent Bank holds a 63.9% share, reports directly to the Division.

The distribution network directly covers 33 countries, constituting 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, together with the 96 branches of the subsidiary banks operating in Central and Eastern Europe.

The first quarter of 2006 saw the continuation of initiatives in line with the corporate mission, focused on supporting the internationalization of Italian businesses, promoting and assisting foreign multinationals in their investments and operations in European markets (with priority given to the Italian market), maximizing the opportunities for cross-selling with the Group's product factories, operating as a "domestic bank" in new, fast growing markets, and extending relations with counterpart banks.

With the completion of formalities and having obtained the necessary authorizations from the relevant regulatory authorities, the acquisition of Banca Italo Albanese was brought to a successful close on 10 May 2006.

Public Authorities and Entities

The Public Authorities and Entities Division, operating through Banca OPI, is responsible for advisory activities and the medium- to long-term financing of public bodies and local public service agencies for the implementation of infrastructure projects.

In the first quarter of 2006, Banca OPI finalized new contracts for a total of 761 million euro, and disbursed 1.4 billion euro in financing, thereby bringing the stock of customer loans to 27 million euro as at 31 March 2006, including six billion euro in securities held in portfolio, representing a rise of 1.5% over the quarter.

The new contracts originated over the quarter on the Italian market - in the form of mortgage loans and securities - concerned the financing of investments in the public utilities sector, and certain minor loans to local bodies to support infrastructure investment. The new contracts in the first quarter brought about approximately 300 million euro in financial flows.

Wholesale

	First quarter 2006	First quarter 2005 pro forma	Change first quarter 2006 / First quarter 2005 pro forma (%)
STATEMENT OF INCOME (€/mil)			
Net interest income	116	96	+20.8
Net commissions	44	28	+57.1
Income from credit disposals, assets held to maturity and repurchase of non-hedged financial liabilities	1	-	n.s.
Dividends and income from other financial assets and liabilities	53	44	+20.5
Profits (losses) on equity shareholdings	2	-	n.s.
Income from insurance business	-	-	-
Total operating income	**216**	**168**	**+28.6**
Net adjustments to loans	-10	-15	-33.3
Net adjustments to other financial assets	-	-	-
Net operating income	**206**	**153**	**+34.6**
Personnel costs	-44	-38	+15.8
Other administrative costs	-33	-30	+10.0
Net adjustments to tangible and intangible assets	-4	-5	-20.0
Operating costs	*-81*	*-73*	*+11.0*
Other net income (expenses)	2	1	+100.0
Impairment of goodwill	-	-	-
Profits (losses) from disposals of investments	-	-	-
Net provisions for risks and charges	-	-	-
Pre-tax operating profit	**127**	**81**	**+56.8**
Taxes for the period	-48	-30	+60.0
Profits (losses) on groups of discontinued operations	-	-	-
Profit attributable to minority interests	-	-	-
Net profit	**79**	**51**	**+54.9**
ALLOCATED CAPITAL (€/mil)	**2,238**	**1,691**	**+32.3**
RATIOS (%)			
Annualized profitability	14.1	12.1	
Cost / Income ratio	37.5	43.5	
	31/3/2006	31/12/2005 pro forma	Change 31/3/06-31/12/05 pro forma (%)
OPERATING DATA (€/mil)			
Intermediary funds	67,806	64,372	+5.3
Direct deposits	21,923	19,883	+10.3
Net loans to customers excluding NPLs	39,506	39,176	+0.8
Total interest-earning assets (1)	48,205	46,939	+2.7
Total interest-bearing liabilities (1)	39,506	36,916	+7.0
OPERATING STRUCTURE			
Employees	3,049	2,998	+1.7
Domestic branches	5	5	-
Foreign branches and representative offices	137	131	+4.6

(1) Excluding Banca IMI group.

For the promotion of its own products, the bank continued to make use of the Parent Bank's "Public Authorities and Entities" network, which contributed to new contracts for approximately 120 million euro.

Financial advisory services for customers were further developed over the quarter, primarily concerning the promotion of derivative products (14 new operations). Further debt restructuring solutions were also outlined for certain primary customers, which should be brought to a close in the second quarter of the year.

As concerns project financing, the first quarter of 2006 saw considerable growth in international banking operations, as a result of the underwriting of loans relating to the privatization of French freeways. The domestic market also proved quite dynamic, with three initiatives launched in the water and healthcare sectors, in which the bank has taken on the role of mandated lead arranger for investments totaling over 400 million euro.

Internationally, over the quarter new loan facilities were disbursed for approximately 263 million euro, topping figures recorded for the first six months of last year. In particular, initiatives were pursued with new banking counterparts in markets and countries of strategic interest (including Hungary, Slovenia and Turkey).

Medium- to long-term funding and financial risk management activities focused on anticipating the progressive upward trend seen in all segments of the euro exchange rate curve.

Over the quarter, the dynamic asset management strategy was continued, aimed at seizing the opportunities offered by market appreciation of good quality "Italian risk". In particular, the partial disposal of the mortgage loan agreement with Regione Campania was concluded, leading to a capital gain of over 1% of the nominal amount disposed.

With regard to equity investments, the subsidiary FIN.OPI launched its sale of AEM Torino warrants on the market, and its purchase of AMGA shares, in the light of the announced merger between the holding AEM Torino and AMGA Genova. As a result of the merger, FIN.OPI will hold a 3% share in the new company, becoming a leading private shareholder.

In the field of public-private partnerships, formalities for the launch of the PPP Italia Fund entered their final stage with the lodging of the relevant regulations to the Bank of Italy by the management company.

In the first quarter of 2006, the static reference market (attributable to seasonal factors, national elections, and more generally, to uncertainty with regard to the future public finance policies that the new government may pursue) strongly conditioned business and heightened competition in terms of spread. Nevertheless, results proved to be substantially in line with those recorded for the first quarter of the previous year.

Banca IMI

Banca IMI, the Group's investment bank, is one of the leading Italian financial operators, with a strong presence in share and bond placements, in extraordinary financial operations, and in securities trading. The mission of the bank is to offer specialist services to company and institutional customers, and develop structured products distributed through the Group's network to retail and corporate customers.

With regard to activities on capital markets, in the first quarter of 2006, Banca IMI was the co-lead manager, lead manager and bookrunner in 23 bond issues. The bank took part in government securities issues launched by Greece, Turkey and Italy, and placed in the portfolios of Italian and foreign institutional investors bonds issued by both banks (including Cassa di Risparmio di Rimini, Banca delle Marche, SANPAOLO IMI and Banche Popolari Unite) and corporates (GE Capital, Hera, Wind/Weather). Banca IMI further acted as dealer in various structured private placements indexed to the CMS parameter.

Activities supporting the Sanpaolo network were also pursued over the quarter, concerning interest and exchange rate derivatives for corporate customers, and bonds for retail customers: in the first three months of the year, Banca IMI oversaw the issue of two new Strategia Dinamica Bonds and, with regard to life policies, the issue of two ZC Bonds.

Banca IMI confirmed its long-standing protection and control of capital issues and share placements. In particular, Banca IMI participated as part of the Management Group in the public offering issued by Ansaldo STS, and managed, as sole bookrunner, a number of private placements, including Mondo Home Entertainment and I.Net. The bank further confirmed its leadership as specialist and corporate broker on the Italian market in terms of number of mandates. Finally, Banca IMI was sole arranger, global coordinator, placement manager, sponsor, specialist and mandated broker in the Atlantic 1 Real Estate Fund placement.

With regard to corporate finance, advisory and structured finance activities, Banca IMI assisted Weather Investments in concluding its purchase of the final share of Wind, thereby completing the full disposal of the company. Banca IMI also assisted Maire Engineering in its acquisition of Tecnimont.

In relation to structured finance, in conjunction with the Parent Bank, acquisition finance deals were sealed concerning Esaote, AVR, Fl Selenia, the "Pirelli RE Fund - Raissa" and Smurfit Kappa.

In the first quarter of 2006, the bank's performance at the consolidated level proved particularly strong. Net income tripled with respect to the first quarter of 2005, thanks to market-making activities on complex interest rate and equity derivatives to support the placement of structured and exotic products, but also thanks to revenues generated from the restructuring of Weather Capital debt. Commission income from global brokerage activities also rose, driven by the upswing on stock markets.

Other Activities

On 28 February 2006, the Board of Directors of SANPAOLO IMI gave its approval to the project for the merger of Sanpaolo IMI Private

Equity, the Group's private equity arm, into IMI Investimenti, the finance company responsible for the management of large industrial equity shareholdings. The objective of the merger is to create a single specialist arm in the Group focused exclusively on the selection and management of equity investments in non-financial companies, and to build cost-saving synergies on the administrative front through the unification of central and corporate functions.

Other transactions completed by IMI Investimenti over the first quarter of 2006 included the disposal of Fincantieri shares to Fintecna, generating a capital gain, and the acquisition from the Bracco group of a 100% stake in Esaote, involving an outlay of 20 million euro.

As concerns the management of closed-end funds by asset management companies (SGR) controlled by Sanpaolo IMI Private Equity, the first quarter of the year saw the Fondo Mezzogiorno (Fund for South Italy) make a 10 million euro investment - representing a 45% share - in a company from Puglia, European leader in the production of control systems for railway networks. The Fondo Nord Ovest Impresa (North-West Italy Corporate Fund) became a shareholder in a Milanese company that manages a network of employment agencies, with its subscription of a three million euro rights issue. The Fondo Centro Impresa (Central Italy Corporate Fund) made investments to the value of approximately four million euro, representing a 45% share, in a company from Emilia, operating in the specialist fertilizer sector, through a management buy-out.

At the end of March 2006, the necessary authorizations were obtained to close the disposal by Sanpaolo IMI Private Equity of its holdings in the Cardine Impresa and Eptasviluppo funds.

Savings and Assurance

Asset gathering activities carried out by the financial planner networks of the Banca Fideuram group, targeting customers with medium to high savings potential, and the insurance activities run through Assicurazioni Internazionali di Previdenza (A.I.P.) all fall within the operating scope of Eurizon Financial Group, the subholding responsible for the Savings and Assurance sector. On 24 January 2006, the decision was made to concentrate also the asset management activities carried out by Sanpaolo IMI Asset Management in Eurizon.

In the first quarter of 2006, total operating income for Savings and Assurance rose by 24.8% over figures recorded for the first quarter of 2005, driven primarily by the greater revenues recorded by A.I.P., falling entirely within income from insurance business, and by the growth in net commissions recorded by Banca Fideuram and Sanpaolo IMI Asset Management. Operating costs grew by 12.1% in connection with Eurizon start-up costs and restructuring initiatives in A.I.P., as well as new project initiatives launched by Banca Fideuram. Net profit for the period was recorded at 121 million euro, representing a 33% rise over first quarter 2005 figures. The figure was boosted by growth in revenues and the fall in provisions allocated by Banca Fideuram for legal disputes, revocatory actions, customer claims and risks connected to defaulted securities traded in previous years.

Operating figures highlight growth over the quarter in asset management (+2%), thanks to the performance of mutual funds and portfolio management.

The Business Sector absorbed 11% of the Group's shareholders' equity, equal to 1,513 million euro, up 7.8% compared to the first quarter of 2005. Together with this figure, the increase in the contribution to net profit, representing 23% of the consolidated figure, brought about an increase in annualized profitability of 32%.

Savings and Assurance

	First quarter 2006	First quarter 2005 pro forma	Change first quarter 2006 / First quarter 2005 pro forma (%)
STATEMENT OF INCOME (€/mil)			
Net interest income	17	10	+70.0
Net commissions	209	182	+14.8
Income from credit disposals, assets held to maturity and repurchase of non-hedged financial liabilities	-	-	-
Dividends and income from other financial assets and liabilities	-3	2	n.s.
Profits (losses) on equity shareholdings	-	-	-
Income from insurance business	94	60	+56.7
Total operating income	**317**	**254**	**+24.8**
Net adjustments to loans	-	-	-
Net adjustments to other financial assets	-	-	-
Net operating income	**317**	**254**	**+24.8**
Personnel costs	-58	-52	+11.5
Other administrative costs	-65	-55	+18.2
Net adjustments to tangible and intangible assets	-7	-9	-22.2
Operating costs	*-130*	*-116*	*+12.1*
Other net income (expenses)	5	2	+150.0
Impairment of goodwill	-	-	-
Profits (losses) from disposals of investments	-	-	-
Net provisions for risks and charges	-7	-13	-46.2
Pre-tax operating profit	**185**	**127**	**+45.7**
Taxes for the period	-46	-32	+43.8
Profits (losses) on groups of discontinued operations	-	11	n.s.
Profit attributable to minority interests	-18	-15	+20.0
Net profit	**121**	**91**	**+33.0**
REVENUES FROM THE SECTOR (€/mil)	**317**	**254**	**+24.8**
INCOME FROM THE SECTOR (€/mil)	**185**	**127**	**+45.7**
ALLOCATED CAPITAL (€/mil)	**1,513**	**1,404**	**+7.8**
RATIOS (%)			
Annualized profitability	32.0	25.9	
Cost / Income ratio	41.0	45.7	
	31/3/2006	31/12/2005 pro forma	Change 31/3/06-31/12/05 pro forma (%)
OPERATING DATA (€/mil)			
Asset management	158,475	155,339	+2.0
- mutual funds and fund-based portfolio management	108,259	105,150	+3.0
- portfolio management	5,098	4,863	+4.8
- life technical reserves and financial liabilities	45,118	45,326	-0.5
Net asset management flows	2,314	7,876	
Asset administration	11,372	11,313	+0.5
Total interest-earning assets	6,607	6,460	+2.3
Total interest-bearing liabilities	5,696	5,780	-1.5
OPERATING STRUCTURE			
Employees	2,655	2,610	+1.7
Financial planners	4,160	4,150	+0.2
Domestic branches	91	91	-

Banca Fideuram

Banca Fideuram initiatives over the first quarter of 2006 were essentially focused on the rationalization of the bank's structure, also given the establishment of Eurizon, the company which took over the stake in Banca Fideuram previously held by SANPAOLO IMI.

On 16 February 2006, the Board of Directors of Banca Fideuram decided to concentrate the bank's operational and technical activities into a single body known as the Pole Operating Vehicle (MOP), with a view to building synergies within the organizational structure of Eurizon. Subsequently at the close of the quarter, MOP was transferred to Universo Servizi, a Eurizon subsidiary. With the transfer of the company branch, Universo Servizi increased its share capital through an issue of ordinary shares, the rights to which were reserved to Banca Fideuram. The transfer was further associated with the signing of a long-term outsourcing agreement between the parties, under which fees will be determined on the basis of the total costs borne by Universo Servizi.

It should be noted that, for comparative purposes, statement of income and operating captions do not include the results of the regrouping of Fideuram Wargny, accounted in compliance with IFRS 5 given the expected disposal of the group by the end of the current year. The same standard was applied, for the first quarter of 2006, to MOP, given that the transfer of the unit became effective as of the beginning of May.

Transactions in the first quarter of 2006 benefited from initiatives aimed at steering customer portfolios towards a mix of products of higher added value, as well as from the strong performance of financial markets. Assets under management grew by 1.6% over the quarter, reaching 65.3 billion euro, comprising growth in assets under management which generate recurring commissions. The 4.5% rise in total operating income compared to the first quarter of 2005 can be attributed to higher net interest income and greater commission revenues resulting from the growth in average managed volumes. Such growth in revenues, together with the fall in provisions allocated to cover exposure to legal disputes, fully compensated the increase in operating costs connected with recruitment initiatives and salary trends on the one hand, and with new project initiatives on the other. Banca Fideuram's contribution to net Group profit came to 47 million euro, up 17.5% compared to the first quarter of last year. Profitability, expressed in terms of annualized RoE, was 36.9%, compared to the 33.8% recorded for the first quarter of 2005.

The cost/income ratio improved by over two percentage points compared to the first quarter of 2005, settling at 47.6%.

Banca Fideuram

	First quarter 2006	First quarter 2005 pro forma	Change first quarter 2006 / First quarter 2005 pro forma (%)
STATEMENT OF INCOME (€/mil)			
Net interest income	16	10	+60.0
Net commissions	151	138	+9.4
Income from credit disposals, assets held to maturity and repurchase of non-hedged financial liabilities	-	-	-
Dividends and income from other financial assets and liabilities	-3	9	n.s.
Profits (losses) on equity shareholdings	-	-	-
Income from insurance business	-	-	-
Total operating income	**164**	**157**	**+4.5**
Net adjustments to loans	-	-	-
Net adjustments to other financial assets	-	-	-
Net operating income	**164**	**157**	**+4.5**
Personnel costs	-36	-32	+12.5
Other administrative costs	-37	-32	+15.6
Net adjustments to tangible and intangible assets	-5	-7	-28.6
Operating costs	*-78*	*-71*	*+9.9*
Other net income (expenses)	1	-1	n.s.
Impairment of goodwill	-	-	-
Profits (losses) from disposals of investments	-	-	-
Net provisions for risks and charges	-7	-16	-56.3
Pre-tax operating profit	**80**	**69**	**+15.9**
Taxes for the period	-16	-15	+6.7
Profits (losses) on groups of discontinued operations	-	-	-
Profit attributable to minority interests	-17	-14	+21.4
Net profit	**47**	**40**	**+17.5**
ALLOCATED CAPITAL (€/mil)	**509**	**474**	**+7.4**
RATIOS (%)			
Annualized profitability	36.9	33.8	
Cost / Income ratio	47.6	45.2	
	31/3/2006	31/12/2005	Change 31/3/06-31/12/05 (%)
OPERATING DATA (€/mil)			
Assets under management (1)	65,344	64,312	+1.6
Assets under management (net flow) (1)	547	1,222	
Asset management	51,261	50,328	+1.9
- mutual funds and fund-based portfolio management	36,677	35,600	+3.0
- portfolio management	653	662	-1.4
- life technical reserves and financial liabilities	13,931	14,066	-1.0
Net asset management flows	703	931	
Asset administration	11,372	11,313	+0.5
Total interest-earning assets	6,607	6,460	+2.3
Total interest-bearing liabilities	5,696	5,780	-1.5
OPERATING STRUCTURE			
Employees	1,691	1,681	+0.6
Financial planners	4,160	4,150	+0.2
Domestic branches	91	91	-

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

A.I.P.

First quarter initiatives for 2006 were focused on:
- the development of a new range of products;
- organizational restructuring as a result of the establishment of Eurizon and projects relating to its development.

As regards product range development, emphasis was placed on the renewal of unit-linked products for the banking networks and financial planners, and on the development of the new generation of traditional branch I products.

In terms of new product launches, the FIP pension fund was set up reserved to the financial planner networks, while a tranche of index-linked products was issued to the branch network of the Group.

At the beginning of March, the transfer of pension fund promotion activities from Sanpaolo IMI Asset Management to A.I.P. was brought to a close with the full launch of the two transferred funds.

As regards Eurizon-related activities, a number of important initiatives were introduced throughout A.I.P. and its subsidiaries over the first quarter. More specifically:
- the request for authorization was lodged with Regulatory Authorities following A.I.P.'s exercise of its call option on 50% of Egida capital previously held by Reale Mutua. With authorization obtained, on 3 May 2006, the transaction was concluded with the acquisition of total control of the company. At the same time, integration initiatives in the Company were pushed ahead, through the implementation of a new IT system and the gradual strengthening of the operating structure;
- measures were launched for the creation of the Pole Operating Vehicle for Eurizon group subsidiaries (MOP);
- the definition of the new organizational model for Eurizon was begun, which over 2006 will involve the partial restructuring of the operating models of A.I.P. and some of the subsidiaries through the centralization of certain management and coordination functions in the parent company Eurizon.

These activities fall within the program for the public listing of Eurizon, approved by the Board of Directors of SANPAOLO IMI on 24 January 2006, which will further involve resources from the insurance segment.

A.I.P.'s contribution to consolidated profit was recorded at 45 million euro, up 50% compared to the first quarter of 2005.

The growth in net profit was related to the increase in insurance business income, which rose from 60 million euro to 94 million euro, an increase of 56.7%. The result was achieved thanks to the performance of the financial component, which benefited from the capital gains recorded in the available-for-sale securities portfolio. At the end of March 2006, the valuation reserve for available-for-sale financial assets totaled 54 million euro, down against the 91 million euro recorded at the beginning of the year due to the fall in capital gains on bonds as a result of the rise in interest rates.

The growth in revenues was partially offset by the 23.8% increase recorded in operating costs, which rose from 21 million euro to 26 million euro. The upward trend in costs should be seen in relation to both the strengthening of the governance and operating structures of the Company, pursued mainly after the close of the first quarter of 2005, and the greater expenses connected to the growth in volumes.

The securities portfolio stood at 46,472 million euro, of which 59% were securities evaluated at fair value, primarily for unit- and index-linked products, and 41% were available-for-sale securities, mainly for revaluable policies. The insurance policies portfolio totaled 44,591 million euro, comprising 21,849 million euro in life technical reserves, 22,424 million in financial unit- and index-linked policies classified as deposits, 234 million in specific asset policies, and, finally, 84 million in casualty branch technical reserves.

A.I.P.

	First quarter 2006	First quarter 2005 pro forma	Change first quarter 2006 / First quarter 2005 pro forma (%)
STATEMENT OF INCOME (€/mil)			
Net interest income	-	-	-
Net commissions	-	-	-
Income from credit disposals, assets held to maturity and repurchase of non-hedged financial liabilities	-	-	-
Dividends and income from other financial assets and liabilities	-	-	-
Profits (losses) on equity shareholdings	-	-	-
Income from insurance business (1)	94	60	+56.7
Total operating income	**94**	**60**	**+56.7**
Net adjustments to loans	-	-	-
Net adjustments to other financial assets	-	-	-
Net operating income	**94**	**60**	**+56.7**
Personnel costs	-9	-7	+28.6
Other administrative costs	-16	-13	+23.1
Net adjustments to tangible and intangible assets	-1	-1	-
Operating costs	*-26*	*-21*	*+23.8*
Other net income (expenses)	3	4	-25.0
Impairment of goodwill	-	-	-
Profits (losses) from disposals of investments	-	-	-
Net provisions for risks and charges	-	-	-
Pre-tax operating profit	**71**	**43**	**+65.1**
Taxes for the period	-25	-12	+108.3
Profits (losses) on groups of discontinued operations	-	-	-
Profit attributable to minority interests	-1	-1	-
Net profit	**45**	**30**	**+50.0**
ALLOCATED CAPITAL (€/mil)	**923**	**858**	**+7.6**
RATIOS (%)			
Annualized profitability	19.5	14.0	
Cost / Income ratio	27.7	35.0	
	31/3/2006	31/12/2005	Change 31/3/06-31/12/05 (%)
OPERATING DATA (€/mil)			
Life technical reserves and financial liabilities	44,273	44,489	-0.5
- life technical reserves	21,849	22,087	-1.1
- life financial liabilities	22,424	22,402	+0.1
Life flows	1,296	8,118	
OPERATING STRUCTURE			
Employees	427	475	-10.1

(1) All operating revenues of the Company are recorded under "Income from insurance business".

Sanpaolo IMI Asset Management

Sanpaolo IMI Asset Management SGR is the Group company specialized in providing collective and individual asset management products, both to the Group's banking networks and to institutional investors. Sanpaolo IMI Asset Management Luxembourg and Sanpaolo IMI Alternative Investments, which focus on the promotion and management of, respectively, Luxembourg funds and alternative funds, are both subsidiaries of Sanpaolo IMI Asset Management.

As outlined in greater detail in the section "Action Points and Initiatives in the Quarter," on 24 January 2006, the decision was taken to concentrate the asset management operations carried out by Sanpaolo IMI Asset Management under Eurizon.

Initiatives introduced over the quarter, aimed at rationalizing and strengthening the offer range, concerned:
- with regard to mutual funds, the launch of two new "absolute return" compartments (active ABS and prudent ABS) for the Luxembourg Sanpaolo International Fund;
- the disposal, as of 1 March 2006, of open-ended pension funds to A.I.P., which at the same date received the related assets for management;
- in terms of individual portfolio management, the restyling of GP PrivateSolution products, designed to increase flexibility in response to the growing demand by investors for personally tailored investment.

At the end of March 2006, assets under management totaled 120.8 billion euro, up 1.8% over the quarter. Asset management recorded a 2.5% increase thanks to the performance of fund-based portfolio management and portfolio management. The result was further driven by strong performance in net flows, largely due to the placement of retail portfolio management.

Total operating income for the first quarter of 2006 was 59 million euro, a rise 28.3% due to the growth in commission income. The contribution to net Group profit totaled 30 million euro, up 42.9% on the 21 million recorded for the first quarter of last year. This growth was driven by an increase in revenues, as well as the stability of operating costs, which remained substantially in line with costs recorded for the first quarter of 2005.

The improvement in efficiency can be seen in the cost/income ratio, measured at 39% compared to the 47.8% recorded for the first quarter of last year.

Annualized RORAC was 148.1%, in line with the generally high values characteristic of this business line, due primarily to limited absorption of capital compared to the considerable volumes of assets managed by the company and placed by the geographically widespread banking networks of the Group. Annualized profitability also rose compared to first quarter 2005 figures, thanks to the increased contribution to Group profits.

Sanpaolo IMI Asset Management

	First quarter 2006	First quarter 2005 pro forma	Change first quarter 2006 / First quarter 2005 pro forma (%)
STATEMENT OF INCOME (€/mil)			
Net interest income	1	-	n.s.
Net commissions	58	46	+26.1
Income from credit disposals, assets held to maturity and repurchase of non-hedged financial liabilities	-	-	-
Dividends and income from other financial assets and liabilities	-	-	-
Profits (losses) on equity shareholdings	-	-	-
Income from insurance business	-	-	-
Total operating income	**59**	**46**	**+28.3**
Net adjustments to loans	-	-	-
Net adjustments to other financial assets	-	-	-
Net operating income	**59**	**46**	**+28.3**
Personnel costs	-11	-11	-
Other administrative costs	-11	-10	+10.0
Net adjustments to tangible and intangible assets	-1	-1	-
Operating costs	*-23*	*-22*	*+4.5*
Other net income (expenses)	-	1	n.s.
Impairment of goodwill	-	-	-
Profits (losses) from disposals of investments	-	-	-
Net provisions for risks and charges	-	-	-
Pre-tax operating profit	**36**	**25**	**+44.0**
Taxes for the period	-6	-4	+50.0
Profits (losses) on groups of discontinued operations	-	-	-
Profit attributable to minority interests	-	-	-
Net profit	**30**	**21**	**+42.9**
ALLOCATED CAPITAL (€/mil)	**81**	**72**	**+12.5**
RATIOS (%)			
Annualized profitability	148.1	116.7	
Cost / Income ratio	39.0	47.8	
	31/3/2006	31/12/2005 pro forma	Change 31/3/06-31/12/05 pro forma (%)
OPERATING DATA (€/mil)			
Assets under management (1)	120,832	118,752	+1.8
Asset management	80,678	78,697	+2.5
- mutual funds and fund-based portfolio management	76,189	74,437	+2.4
- portfolio management	4,489	4,260	+5.4
OPERATING STRUCTURE			
Employees	459	454	+1.1

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

Central Functions

Central Functions covers holding activities, finance, management of shareholding investments (including Group shareholdings in Cassa di Risparmio di Firenze, Cassa dei Risparmi di Forlì and Banca delle Marche), Group credit policies, and the Macchina Operativa Integrata (Integrated Operating Vehicle). Group bodies responsible for the governance, support and control of other Group Business Sectors constitute the main component of Central Functions.

Income results therefore reflect the transversal nature of Central Functions, which sustain costs using a centralized system and on behalf of other Group companies, only partially charging them back to the business units.

For the first quarter of 2006, Central Functions recorded a loss of 10 million euro, attributable essentially to the share of costs not charged back to the business units and only partially offset by revenues from financial margins on treasury stock and dividends earned on minority investments. The figure is an improvement on first quarter 2005 figures, which recorded a loss of 46 million euro, driven by financial revenues, compared to the financial losses recorded for the first quarter of 2005, and lower operating costs, in particular amortization and personnel costs.

Secondary Reporting

In accordance with the management approach and the organizational decisions of the Group, secondary reporting as required by IAS 14 is based on the disclosure of information by Geographical Sectors. The table below summarizes the main operating data relative to Italy, 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
REVENUES FROM THE SECTOR (€/mil) (1)				
First quarter 2006	1,895	245	22	2,162
First quarter 2005	1,616	196	12	1,824
Change first quarter 2006 / First quarter 2005 (%)	+17.3	+25.0	+83.3	+18.5
TOTAL INTEREST-EARNING ASSETS (€/mil) (2)				
31/3/2006	179,408	14,202	6,874	200,484
31/12/2005	167,540	11,631	6,597	185,768
Change 31/3/2006 - 31/12/2005 (%)	+7.1	+22.1	+4.2	+7.9

(1) Total operating income.
(2) Excluding Banca IMI group.

Explanatory Notes

Explanatory Notes

Accounting and valuation principles

The SANPAOLO IMI Quarterly Report as at 31 March 2006 has been prepared in compliance with international accounting standards and drawn up in the form required by Attachment 3D of Consob Regulation no. 11971 of 14 March 1999 and subsequent amendments and additions thereto (see Consob Resolution no. 14990 dated 14 April 2005). In particular, the Quarterly Report has been drawn up using the accounting standards and principles adopted for the 2005 Consolidated Financial Statements, which were prepared in compliance with IAS/IFRS.

For further details on the accounting and valuation principles, please see the 2005 Financial Statements.

Here the following should be noted:
- the quarterly accounts have been prepared using the discrete approach, whereby the term of reference is treated as an independent financial period. Under this approach, the statement of income comprises ordinary and extraordinary items of the quarter, booked on an accrual basis. In particular, income taxes recorded reflect the cost attributable to the period, taking into consideration current and deferred taxation;
- line-by-line consolidation has been based on the financial statements prepared by the subsidiaries for the quarter ending 31 March 2006, adjusted as necessary to comply with Group accounting principles;
- equity method evaluations of subsidiaries in which the bank holds a significant influence or joint control have been made on the basis of the latest financial statements available;
- only infra-group relations of the greatest financial and economic significance have been netted.

The quarterly balance sheet and statement of income are not subject to audit by the Independent Auditor.

Changes in the consolidation area

As at 31 March 2006, no significant changes had been made to the area of consolidation for the SANPAOLO IMI Group with respect to 31 December 2005.

Criteria for calculating the profitability of the Business Sectors

The statement of income for Business Sectors has been prepared in the following manner:
- for Business Sectors whose activites are carried out by both the Parent Bank and its subsidiaries, Parent Bank accounting items relating to the Business Sector of reference have been consolidated with the income statement items of the Sector's subsidiaries. More specifically, Parent Bank items have been attributed to the individual Business Sectors on the following bases:
  - net interest income was calculated using appropriate Internal Transfer Rates;
  - in addition to real commissions, also notional commissions for services rendered by one business unit to another have been quantified;
  - direct costs were calculated for each Sector, whilst costs borne by central units, other than those pertaining to holding functions, have been allocated to the same Business Sectors. More specifically, for services rendered by central units to operating business units, costs were allocated at standard prices, with any differences between costs actually borne and costs assigned being allocated to head office. The approach was taken with a view to making the central structures responsible for the recovery of efficiency;
- for those Business Sectors whose activities are wholly carried out by subsidiaries, the statements of income of the relevant companies have been reported in terms of their contribution to the consolidated results, net of minority interests and after posting the consolidation of items relative to the Sector.

Average absorbed capital was assigned to each Business Sector on the basis of current risk exposure (credit, market and operational risks), as measured on the VaR (Value at Risk) approach. Such risks are entirely covered by primary capital, with the sole exception of Banca Fideuram, which operates in the Savings and Assurance sector, where, as a quoted company, reference was made to end of period accounting net shareholders' equity (excluding profits), as is done for the Group.

It should be pointed out that during the period the evaluation model of the loan portfolio was recalibrated. In more detail, the new parameters of Loss Given Default and Exposure At Default arising from the recent estimates made under the Basel 2 Project have been used in calculating the VaR. These parameters mean a reduction in risk measurements, especially for economic capital, principally due to an analysis of recent historical experience, which reflects a greater efficiency in the recovery processes.

Business Sector profitability has been expressed in terms of RORAC (Return On Risk Adjusted Capital), expressed as the ratio of the Business Sector's contribution to net Group profits to average capital absorbed as measured on the VaR approach. For the Savings and Assurance sector, profitability has been measured as the ratio of the Sector's contribution to the Group's net profit to the sum of net shareholders' equity of Banca Fideuram and the average absorbed capital of Assicurazioni Internazionali di Previdenza and Sanpaolo IMI Asset Management.

Turin, 12 May 2006

The Board of Directors

AGES ARTI GRAFICHE - TURIN