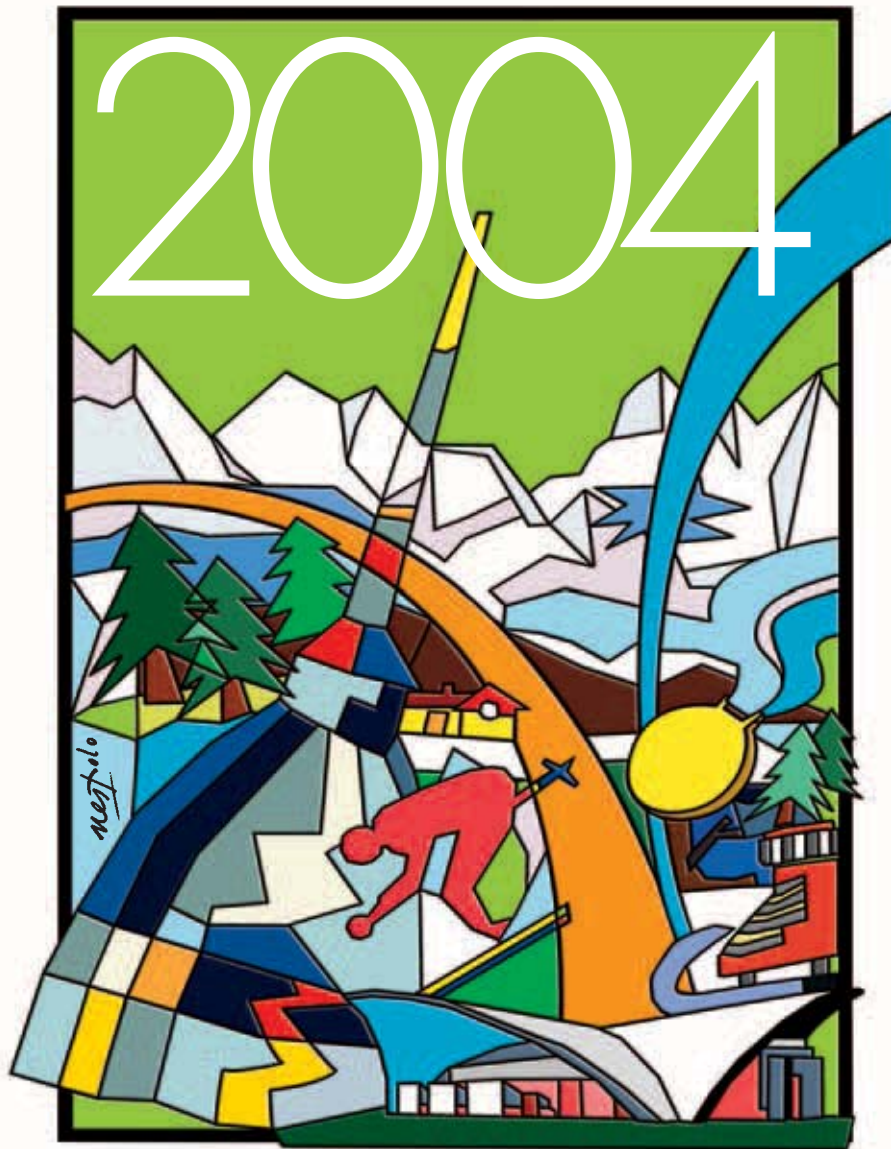


S A N P A O L O I M I



S O C I A L R E P O R T

**SANPAOLO IMI GROUP**





# 2004 Social Report

---

## SANPAOLO IMI

---

REGISTERED OFFICE: PIAZZA SAN CARLO 156 TURIN, ITALY

SECONDARY OFFICES:

- VIALE DELL'ARTE 25, ROME, ITALY

- VIA FARINI 22, BOLOGNA, ITALY

COMPANY REGISTER OF TURIN N. 06210280019

SHARE CAPITAL 5,217,679,140.80 EURO FULLY PAID

---

PARENT BANK OF THE SANPAOLO IMI BANKING GROUP

MEMBER OF THE INTERBANK DEPOSIT GUARANTEE FUND

---



	Luigi Arcuti	<i>Honorary Chairman</i>
<b>Board of Directors</b>	Enrico Salza*	<i>Chairman</i>
	Maurizio Barracco	<i>Director</i>
	Pio Bussolotto*	<i>Director</i>
	Giuseppe Fontana	<i>Director</i>
	Ettore Gotti Tedeschi*	<i>Director</i>
	Alfonso Iozzo*	<i>Managing Director</i>
	Virgilio Marrone	<i>Director</i>
	Iti Mihalich	<i>Director</i>
	Anthony Orsatelli	<i>Director</i>
	Emilio Ottolenghi*	<i>Director</i>
	Orazio Rossi*	<i>Deputy Chairman</i>
	Gian Guido Sacchi Morsiani*	<i>Director</i>
	Alfredo Saenz Abad	<i>Director</i>
	Mario Sarcinelli	<i>Director</i>
	Leone Sibani	<i>Director</i>
	Alberto Tazzetti	<i>Director</i>
	Josè Manuel Varela*	<i>Director</i>
	<i>(*) Members of the Executive Committee</i>	

<b>Board of Statutory Auditors</b>	Mario Paolillo	<i>Chairman</i>
	Aureliano Benedetti	<i>Auditor</i>
	Maurizio Dallochio	<i>Auditor</i>
	Paolo Mazzi	<i>Auditor</i>
	Enrico Vitali	<i>Auditor</i>
	Stefania Bortoletti	<i>Supplementary Auditor</i>
	Gian Luca Galletti	<i>Supplementary Auditor</i>

<b>Ethical Committee</b>	Anthony Orsatelli	<i>Chairman</i>
	Maurizio Barracco	<i>Member</i>
	Leone Sibani	<i>Member</i>

<b>Independent Auditors</b>	PricewaterhouseCoopers S.p.A.
-----------------------------	-------------------------------



# Contents

---

8	Introduction
<b>10</b>	<b>1. IDENTITY AND GOVERNANCE</b>
12	Group profile
21	Corporate governance
27	Corporate Social Responsibility
<b>32</b>	<b>2. THE SOCIAL STATEMENT</b>
34	Customers
38	- retail customers
52	- corporate customers
58	People
74	Shareholders
80	Community
96	Suppliers
<b>100</b>	<b>3. ENVIRONMENTAL REPORT</b>
<b>112</b>	<b>4. ECONOMIC REPORT</b>
<b>122</b>	<b>5. TABLE OF INDICATORS AND CONTENTS</b>
<b>126</b>	<b>6. BANCA FIDEURAM</b>
<b>158</b>	<b>7. IMPROVEMENT OBJECTIVES</b>
<b>162</b>	<b>8. PRICEWATERHOUSECOOPERS' OPINION</b>
<b>166</b>	<b>9. EXTERNAL VALUATIONS</b>
<b>172</b>	<b>ATTACHMENTS</b>
174	Glossary

---



## Introduction

Sanpaolo IMI presents the third edition - the second for the Group - of the Social Report, a governance instrument of social responsibility and an important means adopted by the Group to account for its approach to corporate social responsibility and for the initiatives undertaken in that respect.

Also this edition has been presented to the Ethical Committee and approved by the Board of Directors during the meeting of 22 March 2005.

The Group reporting boundaries have remained unaltered as well as the timeframe for drawing up and publishing the report, in line with that of the Annual Report. The data contained in the report cover a period of one year, relate to 2004 and are compared with those of 2003. Some qualitative information is provided taking into consideration also the first few months of 2005.

The Social Report has been drawn up in accordance with ABI (Italian Bankers' Association) principles and guidelines for the credit sector, the GBS (Gruppo Bilancio Sociale - Social Report Group) guidelines and, especially as far as the social and environmental indicators are concerned, the GRI (Global Reporting Initiative) guidelines, including the financial sector supplement. The methodological approach and the accounting policies adopted in the previous financial years have not

been changed in order to facilitate comparison.

However, the social and environmental activity is the object of continuous improvement: during the year, in order to increase the accuracy of the information provided (e.g. for the environmental data), a number of working methodologies have been put into place and new data recording systems implemented.

The main changes introduced in this edition are as follows:

- the document has been simplified, offering a more analytical style focusing on the main initiatives undertaken during the year, in order to make reading and retrieval of key data easier;
- a section on social responsibility has been introduced, which describes the control, progress and latest developments in the management of social responsibility by Sanpaolo IMI;
- additional performance indicators have been introduced and some benchmark data and sector averages included, to allow the comparison of Sanpaolo IMI's performance with that of other companies operating in the same sector, thus facilitating a critical evaluation of the published data;
- significant social responsibility objectives have set out as a restricted list of future commitments: such list has the shape of a corporate social responsibility plan and highlights the purpose of the Social Report as a tool to manage corporate social responsibility;

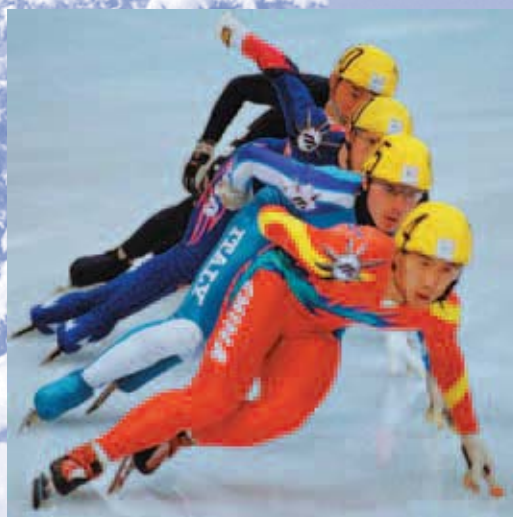
- external valuations, besides the professional opinion expressed by PricewaterhouseCoopers, have been published, to provide the readers with additional reference points even with regard to national and international best practices.

The Social Report is made up of the following sections:

- Identity and governance: this section presents the Group's identity – mission and values – and profile, from a strategic, historical, geographical, organizational and corporate point of view. Particular attention is paid to the aspects of corporate governance and to the management of corporate social responsibility. Moreover, the section identifies the main stakeholders which the social statement and the environmental report hinge upon.
- The social statement: this is dedicated to the parties which Sanpaolo IMI deals with. Each section examines, for each stakeholder, the policies, activities carried out and the results achieved compared to the objectives set out in the 2003 Social Report. The statement contains special boxes dedicated to some specialized Group companies.
- The environmental report: this presents the Group's environmental performance with regard to both direct and indirect environmental aspects. The environment is identified as one of the Group's stakeholders as Sanpaolo IMI is committed to give future generations the chance to express their views by safeguarding the environment and complying with the principles of sustainable development.
- The economic report: this section presents the Group's economic performance and the allocation of added value among the various stakeholders according to the ABI guidelines.
- Table of indicators and contents: this section highlights the indicators provided (among those identified by the reference guidelines, GRI, GBS and ABI) and where they can be found within the document.
- Improvement targets: this section shows the set of commitments planned for the stakeholders.
- Banca Fideuram: a specific section is dedicated to Banca Fideuram owing to the features which set it apart from the rest of the Group and to the fact that it is a listed company.
- The professional opinion of PricewaterhouseCoopers: this relates to the reliability, completeness as well as clarity and readability of reported information and its consistency with reference to best practices and guidelines.
- External valuations: these include the opinion by an international rating company on the aspect of corporate governance, the opinion by an ethical rating company, which concerns the Group's social responsibility policies and practices and lastly the assessment of Sanpaolo IMI's economical-financial, social and environmental accountability by the jury of the Oscar di Bilancio (Oscar of Financial Statements).



# Identity and Governance



SuperStock / Contrasto

## Group profile

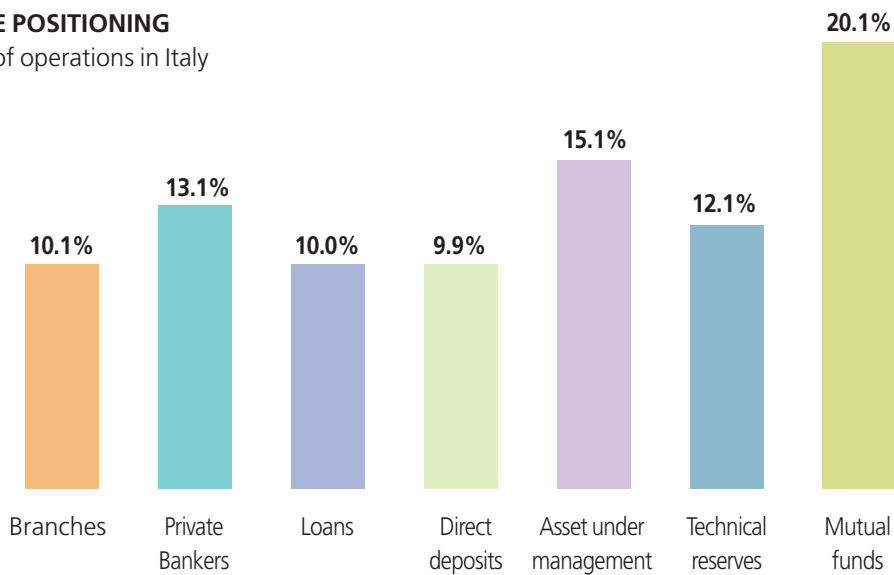
The Sanpaolo IMI Group is a leading banking and financial institution in Italy.

It can count on over 3,000 branches all across Italy, enhanced by local brands that are strongly rooted in the territory, and operates in 32 countries around the world through branches and representative offices.

The Group has 42,738 employees and a network of 4,317 private bankers, who serve nearly 7 million customers.

### COMPETITIVE POSITIONING

Market share of operations in Italy



Ranking Italy	2	1	3	3	1	1*	1
N°/bn €	3,205	4,317	119.9	135.2	144.5	40.4	98.0

\* Refers to banking groups  
Data as 31 Dec. 2004



Turin, Headquarter in Piazza San Carlo

# Mission

Sanpaolo IMI's mission is to exercise financial and lending activities through excellent services aimed at prudent management of the resources of households and a commitment to sustainable development of the entrepreneurial system, also with the aim of contributing to the country's global economic growth.

The aim of creating value for shareholders is pursued with a view to long-term sustainability and in the context of constant, responsible attention to the company's various stakeholders.



# Values

## Creation of value

The idea of value that we pursue integrates the dimension of sustainable development, meaning:

- the creation of economic wealth;
- the promotion of social cohesion;
- the defense of the environment and natural resources.

## Customer orientation

We focus on the customer, aiming at constant improvement. We intend to ensure that every single customer is served in a flexible and innovative way, to the best of our ability, adopting the same spirit of service for internal customers.

## Integrity

We guide the actions and behavior of those who operate on behalf of the Group according to criteria of integrity and honesty, in full observance of the rules of the law, the financial and lending system, and the spirit of agreements with our counterparties.

## Commitment to excellence

We intend to offer high quality services, constantly aiming at improving, at looking ahead, at anticipating challenges and at fostering innovation and creativity.

## Growth in observance of specific qualities

We intend to combine our large size with strong territorial roots; to be a bank that is capable of thinking big without losing sight of the individual.

## Responsibility in the use of resources

We aim to make attentive use of resources, encouraging behavior which avoids ostentation and waste.



## Historical evolution

The Sanpaolo IMI Group's roots go back a long way and originate from a charitable initiative dating back to the 16th century. Since then and before assuming its current structure, the Group underwent significant changes in terms of financial and credit activities and was enhanced by the integration of the various banking entities that have gradually been merged into the Group. The first addition in recent history took place with a distinctly complementary company - IMI - a leading provider of medium-long term loans, financial services for businesses and personal financial services. Subsequent operations involved banks deeply rooted in the areas of reference: first, the acquisition of Banco di Napoli (which dates back to 1539 and was an institution that lent money at very low interest rates to offer the needy an alternative to usury), then integration with the banks of the Cardine Group, created in the 19th century to encourage the general public to save and to support the economic development of their respective local communities. This process created a banking group capable of making the most of the competitive advantages of the consolidated local presence of each bank.

### Origins

#### 1563

Compagnia della Fede Cattolica sotto l'invocazione di San Paolo is founded in Turin, which then becomes Monte di Pietà, granting gratuitous loans on pledge to the poor to offer them an alternative to usury.

#### XVIII and XIX centuries

Monte di Pietà becomes a true bank in the 19th century, authorized to apply interest.

#### 1928

The bank takes the name of Istituto di San Paolo di Torino - Beneficenza e Credito.

#### 1931

To support the reconstruction of the national industrial system, Istituto Mobiliare Italiano (IMI) is founded as a public credit institution.

#### 1932

San Paolo becomes a public credit institution.

#### 1950-1990

During the 60's the Bank expands its network nationally. During the next ten years it sets up a model for territorial expansion, which includes the acquisition of local, national and foreign banks. Growth in size is accompanied by development of the range of products and services offered to customers.

### Recent history

#### 1992 - 1997

In 1992 the Bank becomes a joint-stock company and completes the privatization process in 1997.

#### 1998

Merger with IMI and subsequent denomination as Sanpaolo IMI: the resulting multi-functional Group operates in the various sectors of business through special companies or business units.

#### 2000

Sanpaolo IMI continues to grow nationally, acquiring Banco di Napoli and setting up strategic alliances with leading Italian and foreign lending companies.

#### 2002

Integration with the Cardine Group, established by the merger of the Casse Venete and Casse Emiliano Romagnole Groups and consisting of seven banks (Cassa di Risparmio di Padova e Rovigo, Cassa di Risparmio in Bologna, Cassa di Risparmio di Venezia, Cassa di Risparmio di Udine e Pordenone, Cassa di Risparmio di Gorizia, Banca Popolare dell'Adriatico and Banca Agricola di Cerea) operating in northeastern Italy and along the Adriatic coast.

#### 2003

Steps are taken to ensure the integration of Banco di Napoli and the Banks of the Northeast. To facilitate this integration process, companies operating within the same territory are combined: Banca Agricola di Cerea is therefore taken over by Cassa di Risparmio di Padova e Rovigo, while Cassa di Risparmio di Udine e Pordenone and Cassa di Risparmio di Gorizia are merged into Friulcassa. In July 2003 the spin off of Sanpaolo Banco di Napoli, operating in southern Italy, is completed.

#### 2004

Integration of all of the Group's Banks, which adopt the same organizational and commercial model and the same IT platform, is completed.

## 2004 main strategic lines

The initiatives undertaken by the Sanpaolo IMI Group during the year mainly regarded two areas: completion of the integration of the Commercial Banks and reorganization of the insurance activities and product companies.

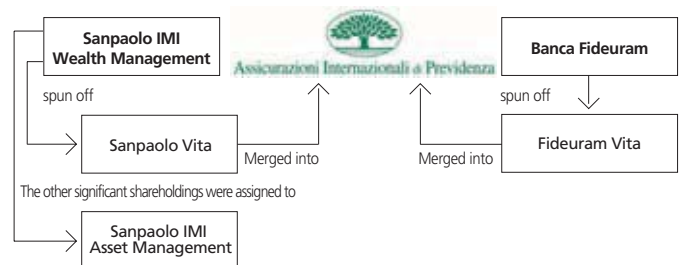
The first activity, aimed at rationalizing and strengthening the branch network's distribution capabilities, also extended the organizational model to all of the Group's Banks after IT system integration was completed. The distribution model is organized into territorial areas and Commercial Banks with light central structures that manage the respective territory and coordinate branches specialized by market segment. It combines the pursuit of efficiency, through the singularity of strategic and commercial management and common support structures, with the strengthening of customer relations due to the strong territorial roots of the Group's various historical brands. To rationalize the distribution network and exploit the local potential generated from territorial roots, 113 Sanpaolo operating points in the Triveneto and Emilia provinces were transferred to the four Banks in the Northeast while 30 Cassa di Risparmio di Padova e Rovigo and Cassa di Risparmio in Bologna operating points, located outside their respective territories, were merged into Sanpaolo.

Consistently with the Group's business model, characterized by the specialized professional know-

how of the commercial units and the product companies, the insurance activities were combined into a special company, Assicurazioni Internazionali di Previdenza (A.I.P.), and reorganization of the asset management activities was begun.

The Group's insurance companies operating in the life insurance and damage sectors, in particular Sanpaolo Vita and Fideuram Vita, were merged into A.I.P. A specialized pole was therefore created that combines an efficient production platform, which will allow for product innovation in sectors like pension and personal protection, with the Group's strong distributive capacity.

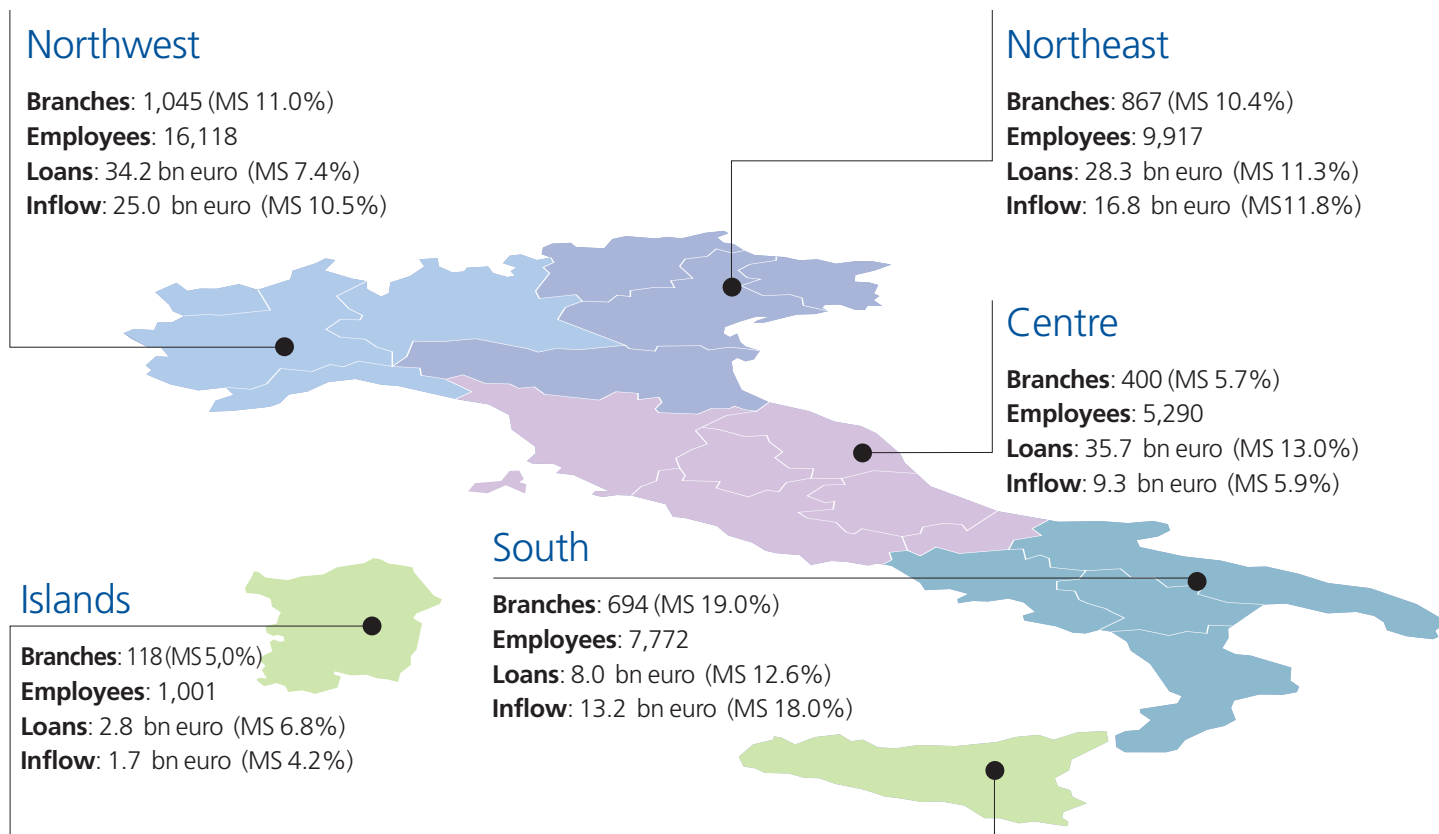
Sanpaolo IMI Wealth Management was in turn spun off – and dissolved – to the Parent Bank and to Sanpaolo IMI Asset Management SGR, to which the main asset management shareholdings were assigned.



## Geographical presence

### BREAKDOWN OF STRUCTURES AND OPERATIONS IN ITALY\*

(Figures/amounts and Market Share)\*\*



\* Data as of 31/12/2004

\*\* The market share (MS) refers to the territorial area.  
The loans are divided according to branch region. Source: Banca d'Italia.

**SANPAOLO**

**SANPAOLO  
BANCO DI NAPOLI**

**CASSA DI RISPARMIO  
DI PADOVA E ROVIGO**

**CARISBO**

**CASSA DI RISPARMIO  
DI VENEZIA**

**BANCA POPOLARE  
DELL'ADRIATICO**

**FRIULCASSA  
CASSA DI RISPARMIO REGIONALE**

**INTERNATIONAL PRESENCE**



**Europe**

**Branches**

- Madrid
- London
- Amsterdam
- Frankfurt
- Munch
- Wien
- Athens

**Representative Offices**

- Barcellona
- Paris
- Bruxelles
- Prague
- Warsaw
- Moscow
- Stockholm
- Zagreb
- Istanbul

**Bank**

- Banka Koper
- Inter-Europa Bank
- Sanpaolo IMI Bank Ireland
- Sanpaolo Bank, Luxembourg
- Sanpaolo IMI Bank Romania
- Sanpaolo Bank Suisse

**Rest of the World**

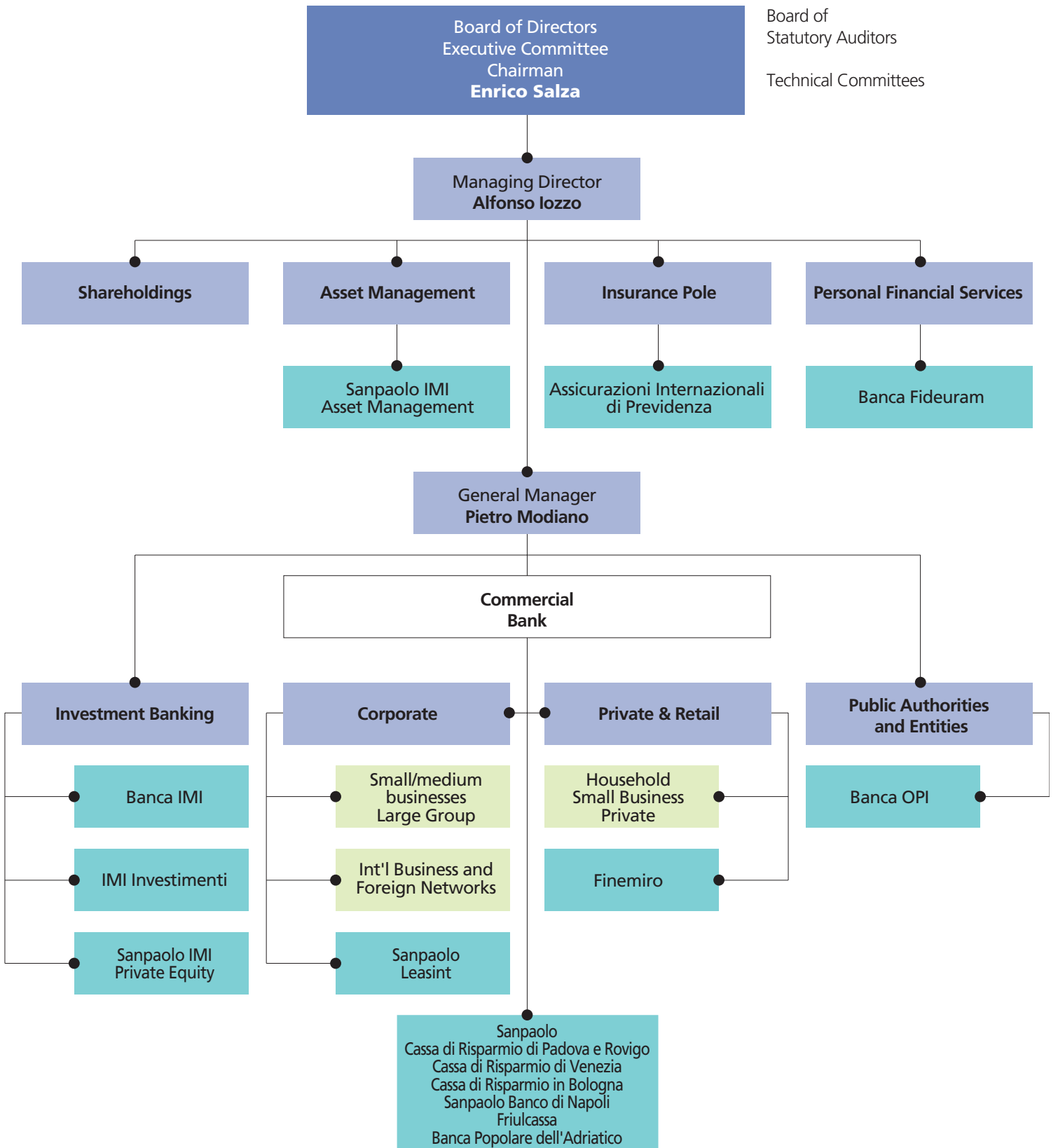
**Branches**

- New York
- Nassau
- Singapore
- Hong Kong
- Shanghai
- Tokyo

**Representative Offices**

- Los Angeles
- Mexico City
- San Paolo
- Santiago
- Buenos Aires
- Casablanca
- Dubai
- Bombay
- Bangkok
- Beijing

## Organization



## Corporate governance

Sanpaolo IMI's corporate governance model is in line with the best practices of the market, as shown by Standard & Poor's positive rating (7/10) in July 2004 (for more information see External Valuations, page 168). The complex matter of corporate governance is briefly summarized hereafter: for more information see the Corporate Governance Report (available on the website or in printed edition) and the Shareholders section on page 74, which provides information on the shareholders' structure and Shareholders' Meetings.

## Regulations and transparency

Sanpaolo IMI has complied with the aims and guidelines of the Code of Conduct for Listed Companies ever since it was issued. Furthermore, as a company registered with the U.S. Securities and Exchange Commission (SEC) and an issuer of listed financial instruments on the NYSE, Sanpaolo IMI's governance system is in line with U.S. provisions on the matter. The company prepares Form 20-F, providing reconciliation between national and US GAAP principles, for greater transparency on the Anglo-Saxon and US market.

Therefore, as required by the Sarbanes-Oxley Act, a special Disclosures Committee was set up consisting of managers of certain Central Functions of the Bank, chaired by the Manager of the Finance and Administration Department as Chief Financial Officer, that expresses a technical opinion on disclosure controls and procedures to ensure the accuracy and promptness of information made public according to Italian and US regulations and supervises preparation of the main accounting documents.

## Company management structure

Sanpaolo IMI's corporate governance model aims at guaranteeing adequate sharing of responsibilities and powers with a correct balancing of management and control.



## WEB

Access to information and its transparency are a priority of Sanpaolo IMI, proven by the company's site - [www.grupposanpaoloimi.com](http://www.grupposanpaoloimi.com) - which is continuously updated and implemented with financial data, press releases, and special sections on corporate governance and social responsibility in Italian and English. Some of the available documents:

- Corporate Governance Report
- Ethical Code
- Articles of Association
- Regulation of the Shareholders' Meeting
- Documents approved at Shareholders' Meetings
- Code of behavior of relevant persons (internal dealing)
- The Patriot Act
- Annual reports and consolidated financial statements, interim and quarterly reports, social reports
- Form 20-F

## Board of Directors

<b>Functions</b>	It performs strategic tasks and holds all powers for managing the Bank. It approves, among others, significant transactions with related parties, after examination by the Audit Technical Committee.
<b>Composition</b>	17 directors, 1 of which executive and 8 independent
<b>Nomination</b>	The Directors are nominated on the basis of proposals presented by shareholders at Shareholders' Meetings. According to regulations concerning the respectability and professionalism required of bank directors, nominee presentation implies adequate checks of the personal and professional characteristics of candidates by those presenting them. The Board has 30 days from the date of nomination to check that the above-mentioned requirements exist, in accordance with the regulations issued by the Bank of Italy. Due to the vigilant and active participation of shareholders at meetings and their presentation of suitable candidates, Sanpaolo IMI does not currently have a committee for director nomination proposals.
<b>Meetings in 2004</b>	17, participation equal to 90%
<b>Expiry</b>	At the time of approval of the 2006 Annual Report

## Executive Committee

<b>Functions</b>	It exercises powers regarding strategies, policies, and plans laid out by the Board of Directors and must report to the Board quarterly on its activities. It can undertake urgent measures, in the interests of the Bank, reporting them to the Board at the next meeting.
<b>Composition</b>	8 directors, 1 of which executive and 4 independent
<b>Meetings in 2004</b>	22, participation equal to 98%

The Board of Directors is supported in its institutional functions by 3 technical committees formed by its members, with advisory, guidance, and management functions.

## Audit Technical Committee

<b>Functions</b>	It has the responsibility of analyzing significant problems and practices related to internal control system evaluation and can request specific analyses on matters deemed in need of in-depth research. It considers corrective measures for improving audits, both internal ones and those performed by independent auditors. It also acts as a supervisory body, in compliance with D. Lgs. 231/2001 on corporate management responsibility.
<b>Composition</b>	3 directors, 1 of which is independent
<b>Meetings in 2004</b>	17, participation equal to 100%

## Remuneration and Personnel Policies Technical Committee

<b>Functions</b>	It has the task of evaluating, in agreement with the Chairman of the Board of Statutory Auditors, the remuneration of the directors that hold special offices, examining the remuneration structure for directors, and investigating issues concerning top management remuneration policies and approval and modification of the general regulations regarding employer/employee relations.
<b>Composition</b>	3 directors, 1 of which is independent
<b>Meetings in 2004</b>	7, participation equal to 100%

## Ethical Committee

<b>Functions</b>	It has the task of examining and evaluating principles to be submitted to the Board of Directors for determining a corporate ethical-environmental policy, monitoring the level of implementation of the chosen principles within the company and supervising publication of the Social Report and the guidelines for communicating corporate policy outside the company.
<b>Composition</b>	3 directors, 1 of which is independent
<b>Meetings in 2004</b>	2, participation equal to 79%



Overview of Director offices and requirements and their membership in Committees:

### BOARD OF DIRECTORS\*

	Office	Executive	Non-Executive	Independent	Executive Committee	Technical Committee	Remuneration and Personnel Policies Technical Committee	Ethical Committee
Enrico Salza	Chairman		●	●	●			
Maurizio Barracco	Director		●	●				●
Pio Bussolotto	Director		●		●			
Giuseppe Fontana	Director		●	●		●		
Ettore Gotti Tedeschi	Director		●		●			
Alfonso Iozzo	Managing Director	●			●			
Virgilio Marrone	Director		●			●		
Iti Mihalich	Director		●				●	
Anthony Orsatelli	Director		●					●
Emilio Ottolenghi	Director		●	●	●			
Orazio Rossi	Deputy Chairman		●	●	●			
Gian Guido Sacchi Morsiani	Director		●	●	●			
Alfredo Saenz Abad	Director		●				●	
Mario Sarcinelli	Director		●	●		●		
Leone Sibani	Director		●					●
Alberto Tazzetti	Director		●	●			●	
Josè Manuel Varela	Director		●		●			

\* Brief biographies are posted on the Group's website ([www.grupposanpaoloimi.com](http://www.grupposanpaoloimi.com)).

### Role of the Chairman, Deputy Chairman, Managing Director and General Manager

The Chairman of the Board of Directors, who is not assigned operational powers of attorney and is therefore considered non-executive, is responsible for coordinating company activities and is its legal representative.

Furthermore, he or she has the power to take any urgent measures, as agreed with the Managing Director or in his or her absence the General Manager, notifying the Board of Directors or Executive Committee about them at the next meeting.

The Deputy Chairman is not assigned operational powers of attorney and is assigned all of the Chairman's powers in the case of his or her absence or impediment.

The Board of Directors nominated a Managing Director and a General Manager, defining the respective areas of operation and powers.

The Managing Director is responsible for the global coordination of Group activities according to the policies formulated by the Board of Directors. In particular, he or she must define the strategic, governance, and control activities of the Bank and the Group, supervising Group planning, consistent development of plans and budgets and central management of risks. The Managing Director also supervises the activities of the insurance sector (Assicurazioni Internazionali di Previdenza), the private bankers networks (Banca Fideuram) and asset management (Sanpaolo IMI Asset Management) as well as the management of shareholdings in general.

All commercial bank functions, with the relative governance and support structures, as well as domestic and transnational banking networks and specialist companies managing specific markets, territories and businesses such as public bodies (Banca Opi), investment banking (Banca IMI), private equity (Sanpaolo IMI Private Equity), consumer credit (Finemiro Banca), leasing (Sanpaolo Leasint) and tax collection (Gest Line) all report to the General Manager, who is head of the operating and executive structure.

The Managing Director, on the basis of the powers assigned, and the General Manager, on matters that are his or her responsibility, formulate proposals to be voted on by the Board of Directors and the Executive Committee.

### Remuneration

The remuneration system for Directors<sup>1</sup>, as members of the Board of Directors and the Executive Committee, is decided upon at Shareholders' Meetings: as decided at the Shareholders' Meeting in April 2004, it consists of a fixed annual part, a variable part on the basis of achieved results, and a fixed sum that includes an allowance for participation in Board meetings.

For 2004, as proposed by the Remuneration and Personnel Policies Technical Committee and sanctioned by the Board of Statutory Auditors, the Board of Directors has established:

- fixed remuneration for the Chairman and Deputy Chairman;
- fixed remuneration and additional compensation that varies according to achieved profitability ratios and share performance targets, related to the management by objectives model (MBO), for the Managing Director and General Manager.

Customized remuneration systems are used for high-level executives and management. The current MBO model, closely linked to the strategic goals of the industrial plan, requires that the variable component be paid upon achievement of a global business target related to the Group's 2004 gross income before extraordinary items.

## THE PATRIOT ACT

Sanpaolo IMI issued a written declaration of its observance of the American law entitled "Uniting and Strengthening America by providing appropriate tools to intercept and obstruct terrorism", the so called Patriot Act, in December 2002 and again in 2004.

The Group's other Commercial Banks also signed a similar declaration.

<sup>1</sup>. For more information please see part D of the Explanatory Notes to the Annual Report.

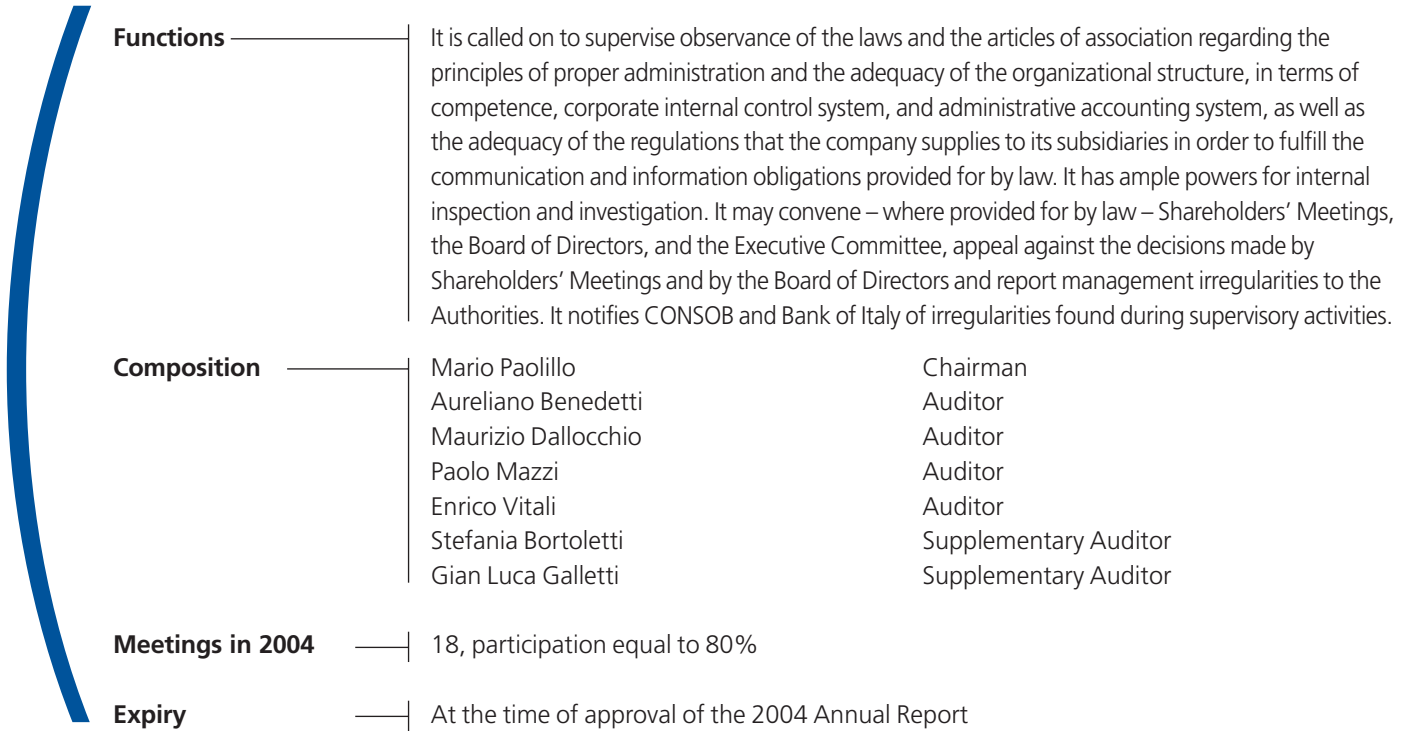
**The control system**

The internal control system, based on the rules and regulations of the Bank of Italy, supervises risks common to corporate activities and monitors the economic and financial position. It

consists of three levels: Board of Statutory Auditors, Audit Technical Committee, and Audit Management.

The Board of Statutory Auditors represents the company’s main internal supervisory body and is regulated by Art. 2397- 2409 of the Civil Code.

**Board of Statutory Auditors**



The Audit Technical Committee<sup>2</sup>, set up within the Board of Directors, plays an advisory and monitoring role.

The Audit Management reports directly to the Managing Director and is sufficiently independent so as to have access to company data, files, and assets. It evaluates the functionality of the Group’s global system of internal controls, verifies operational regularity, risk management performance, and observance of procedures and regulations defined by the Bank and subsidiaries, and presents suggestions for improving risk management levels to top management and the Board of Directors.

These three bodies closely interact. The Audit Management notifies quarterly the Board of Directors and the Audit Technical Committee of its activities, supplies any clarifications needed, and gathers any feedback. The Board of Statutory Auditors is also kept continuously

informed and collaborates through participation of the Chairman of the Board to Audit Technical Committee meetings and through periodic reports presented by the Manager of the Audit Management to the Board of Statutory Auditors.

Proper operation of the control processes is also supported by the “Sanpaolo IMI Group internal audit activity regulations” and a tool for evaluating risk to determine the operation level of the company’s internal control system.

The auditing firm appointed to audit the Annual Report and consolidated financial statements for the 2004-2005-2006 financial years is PricewaterhouseCoopers.

<sup>2</sup>. Described in detail on page 23.

## Corporate Social Responsibility

In Sanpaolo IMI, business is organized in order to create long-term value for shareholders. It is well understood that this goal can only be achieved by strengthening the relationships of trust with all stakeholders; that is, fostering relations with customers, exploiting the people that work for the Group, promoting development of the local communities where it operates and safeguarding the environment. This dynamic balance that we are trying to keep is expressed both in the great strategic choices and in the management of daily business.

### Supervision

#### Ethical Committee

The Ethical Committee, a body within the Board of Directors, directs and supervises ethical, social and environmental matters. It carries out the following duties:

- exploring and evaluating principles to present to the Board of Directors for the identification and development of ethical-environmental policies;
- introducing the definition of codes of conduct and examining compliance with declarations of principles and sector organizations;
- monitoring the level of implementation of the Group's target principles within the corporate structure;
- supervising the publication of the Social Report and guidelines for communicating the corporate policy outside the company.

During the most recent meetings, the Ethical Committee examined various matters including developments concerning the social micro-credit project, training on social responsibility and the social report for Group employees, placement of the 'Blue Profits' ethical policy, activities regarding the interbank PattiChiari (Clear Deals) initiative and the environmental management system. The Committee is also periodically provided information on SRI investor activities (Socially Responsible Investors), on inclusion in ethical indices and external assessments of the Group's corporate governance and social responsibility.

#### Social Responsibility Unit

The structure that directly manages the Group's ethical, social and environmental matters is the Social Responsibility Unit, under the Managing Director.

The unit has the following tasks:

- monitoring the various topics included in the Social Report;
- defining action plans for donations to make them more useful to the social objectives of Sanpaolo IMI;
- acting as secretariat of the Ethical Committee.



## History

Sanpaolo IMI is continuously and progressively committed to directing strategies and management according to the principles of social responsibility.

### 1997

- Creation of Ethical funds

### 2001

- Formation of the Ethical Committee

### 2002

- Signing of the UNEP Declaration for financial institutions
- Creation, together with EIB, of a European Forum for disseminating environmental policies and practices
- Participation in the Forum for Sustainable Finance

### 2003

- Endorsement of UN Global Compact
- Publication of the Parent Bank's first Social Report, referring to 2002
- Approval of the Ethical Code by the Board of Directors
- Formation of the Social Responsibility Unit
- Introduction of policies for managing customer relations: the investment policy for managing assets of retail customers and the commercial policy for business customers
- The social micro-credit project promoted by Compagnia di San Paolo gets underway

### 2004

- Implementation of the Ethical Code
- Presentation of the Group's 2003 Social Report, its second, at the Shareholders' Meeting
- Training course for personnel on corporate social responsibility and the Social Report
- Launch of the first ethical policy

### 2005

- Training course for personnel on corporate management responsibility and the Ethical Code
- Publication of the Group's 2004 Social Report

## 2004 Initiatives

### Ethical Code

The Ethical Code clearly expresses the group of ethical principles and rules of conduct that Sanpaolo IMI recognizes, accepts and upholds. It also satisfies the requirements of the US Sarbanes-Oxley Act and completes the framework of initiatives connected with the implementation of law decree 231/2001 on corporate management responsibility. The Ethical Committee is the reference body indicated in the Ethical Code. All reports of violations of Ethical Code principles and provisions by directors, employees, or partners must be reported to this body.

During 2004 and the first months of 2005 the following Ethical Code initiatives were carried out:

- The document was distributed to all employees, private bankers and newly hired personnel (in English for all foreign personnel). Each employee must acknowledge its contents, actively contribute in its implementation and report shortcomings and instances of non-observance.
- As regards training, an online course for personnel was set up on "Corporate management responsibility and the Ethical Code". Based on current provisions of law and regulations, the course aims at providing basic information on corporate management responsibility, on the Ethical Code and "sensitive" company activities in the course of which the offences provided for in Law Decree 231/01 could be committed. Approximately 5,700 people participated to the course during the first three months of the initiative.
- Primary suppliers were asked to view the Ethical Code and observe the principles and standards therein.
- A special procedure is being developed for managing reports by shareholders, employees (anonymously received and handled) and third parties (customers and otherwise) regarding omissions, serious negligence and falsification of accounts and/or accounting records documentation.

### Training initiatives on social responsibility and Group identity and values

Sanpaolo IMI has set up an initiative that specifically trains all personnel on corporate social responsibility: since December employees have been provided an online training course on corporate social responsibility and the Social Report. Created in-house in order to comply as much as possible with Sanpaolo IMI's specific aspects, the course was provided by the Social Responsibility Unit in collaboration with the Training Center to supply basic information and create awareness on these matters and in particular on the strategies and related actions set up by the Group.

## ONLINE COURSE ON CORPORATE SOCIAL RESPONSIBILITY AND THE SOCIAL REPORT

### Part 1. Introduction

1. Purpose of the course
2. What is corporate social responsibility?
3. Benefits of corporate social responsibility
4. The CSR process: a flexible model
5. CSR in Europe and in Italy

### Part 2. Sanpaolo IMI Group CSR and the Social Report

1. Sanpaolo IMI Group Identity
2. What does corporate social responsibility mean to Sanpaolo IMI
3. Main themes of CSR and lines of action

This lesson examines the basic features of the Group's strategic management that focuses on CSR and some of the main operating initiatives.

4. The Social Report

The course was created for the first time using audio multimedia, experimented at a group of pilot branches that were provided with the necessary equipment (individual headphones) and logistical methods for ideal use. For personnel not included in the pilot phase, the course was provided in the usual manner (video only). During the first three months approximately 8,000 people took the online training course (approximately 24% of personnel of the Commercial Banks and the Corporate Centre). Workshops were also run throughout the year in various areas of the Group that focused on the values within the integration and reorganization process:

- "Sharing values", for all branch directors and Corporate Centre managers of Cassa di

Risparmio di Udine e Pordenone and Cassa di Risparmio di Gorizia, to facilitate the merger into the new Friulcassa. The initiative promoted the sharing of Group values by encouraging a feeling of integration, creating an area for mutual listening and interaction and for experiencing change as an evolution and an opportunity for managerial development. At the end the participants prepared posters representing their interpretation of the Group's values. The complete series of the posters was presented in May at a convention in Udine.

- "Growing through partnerships", for the directors of Sanpaolo branches and the Commercial Banks in the North East involved in the rationalization process of the presence of branches across the territory (some Sanpaolo branches were placed under the management of the Commercial Banks in the North East and vice versa). The workshop's goal was to communicate the willingness to listen and be supportive, to help increase awareness of the new entity, identifying exciting opportunities and challenges, and define the actions and incentives for guiding the branch's team during the transition.

### The "Social Responsibility" section of the Internet site

The Group's website is an important tool for communicating with stakeholders and for disseminating the contents of the Social Report. The website's section on Social Responsibility, [www.grupposanpaoloimi.com/responsabilita\\_sociale/](http://www.grupposanpaoloimi.com/responsabilita_sociale/), created in July 2003, was therefore further enriched during 2004. In addition to the files of the Social Report, it contains main points and information on the Group's lines of action regarding corporate social responsibility, in Italian and English, as well as links to related sites. Finally, feedback on the Social Report and requests for a hardcopy may be sent to: [bilanciosociale@sanpaoloimi.com](mailto:bilanciosociale@sanpaoloimi.com).

## Partnerships

### UNEP – Financial Institutions

Sanpaolo IMI participates in the United Nations Environment Programme Finance Initiative (UNEP FI), a partnership between the United Nations and the financial services industry that promotes interaction between economic development and financial performance, environmental protection and sustainable development. In 2004, in particular, Sanpaolo IMI Asset Management was the only Italian representative that participated in the international survey and publication of the UNEP dossier, “The materiality of Social, Environmental and Corporate Governance Issues to Equity Pricing”.

### UN Global Compact

Sanpaolo IMI participates in the UN Global Compact, an international agreement between businesses, United Nations agencies, trade unions and societies that aims at sharing and promoting the observance of 10 principles on human rights, labor rights, protection of the environment and transparency.

### Forum for Sustainable Finance

Sanpaolo IMI collaborates in the Forum for Sustainable Finance, a multistakeholder association aimed at spreading knowledge about sustainable development within the financial community; it is also the Italian representative of the European Forum for Sustainable and Responsible Investments (EuroSIF). In 2004 Sanpaolo IMI Institutional AM sgr (asset management company for institutional customers) contributed to formulating a document, promoted by the Forum, that provides theoretical organization and practical aid for pension funds as a socially responsible investment.

### ABI

Sanpaolo IMI is a member of the ABI working group on social responsibility of banking institutions.

### Sodalitas

Sanpaolo IMI participates in study groups and benchmarking activities promoted and organized by Sodalitas, an association for third sector development and for spreading corporate social responsibility.

## THE 10 PRINCIPLES OF THE UN GLOBAL COMPACT

### HUMAN RIGHTS

1. We are committed to supporting and respecting the protection of internationally proclaimed human rights within their spheres of influence; and
2. making sure they are not complicit in human rights abuses.

### LABOR

3. We are committed to upholding the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labor;
5. the effective abolition of child labor; and
6. the elimination of discrimination in respect of employment and occupation.

### ENVIRONMENT

7. We are committed to supporting a precautionary approach to environmental challenges;
8. undertaking initiatives to promote greater environmental responsibility; and
9. encouraging the development and diffusion of environmentally friendly technologies.

### ANTI-CORRUPTION

10. We are committed to working against all forms of corruption, including extortion and bribery.



THE GLOBAL COMPACT

## Major stakeholders

### CUSTOMERS



Relations with customers (totaling nearly 7 million among households, businesses and public bodies) is the focus of Sanpaolo IMI activities. The Group offers products and services designed to satisfy their expectations and demands and places particular attention on special needs (for example young people, senior citizens, immigrants, people who have difficulty accessing banking services).

### PEOPLE



Over 47,000 people, including employees and private bankers, work within the Group. Sanpaolo IMI makes the most of each person's individual skills, exploiting professionalism, emphasizing and awarding distinctive qualifications, acknowledging fundamental contributions to the company's resources and the achievement of shared goals.

### SHAREHOLDERS



There are over 240,000 Sanpaolo IMI shareholders in Italy and abroad. Relations with private and business shareholders and in general with the financial community focus on maximum transparency and professionalism.

### COMMUNITY



Sanpaolo IMI interacts with the community at all levels, in all of Italy's regions and cities of all sizes, encouraging the development of the territory and social communities. It considers territorial public bodies, non-profit organizations, associations and foundations, universities and research centers and in general the network of people that participate in society and local economies as its stakeholders.

### ENVIRONMENT



The environment and future generations are stakeholders to whom a chance will be given to express their views by observing the principles of sustainable development. Therefore, besides complying with important international commitments (UNEP and UN Global Compact), Sanpaolo IMI also focuses on reducing environmental impacts and supports initiatives aimed at environmental protection.

### SUPPLIERS



The Group cultivates relationships with its suppliers - 16,000 in 2004 - based upon principles of reciprocal transparency and fairness, starting with selection processes that reward expertise and competitiveness.





# The Social Statement



SuperStock / Contrasto



# Customers

VALUE

## Creation of value

### Value in detail

Our work aims at producing a real benefit for customers and is directed at producing results that are - and are perceived as being - coherent with the customers' expectations and corresponding to the economic return expected.

## Customer orientation

We want our customers to feel cared for by showing that our work is organized so as to keep actual needs in mind, being open to the dialogue and displaying a good ability to listen.

## Integrity

We believe that, in the long term, loyalty and transparency in dealing with customers will translate into further sources of benefit for the entire organization.

## Commitment to excellence

We want to offer our customers easily-accessible, quality products and services by combining "tradition" with the handiness and abundance of information offered by IT tools, through the Branches Network and the virtual channels.

## Growth in observance of specific qualities

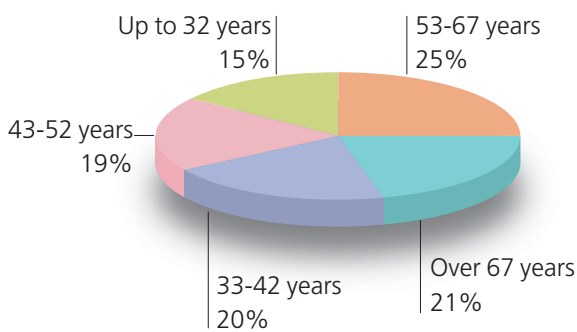
We always strive to pay the highest attention to the individual customer and in particular to the needs of specific customer categories.

## Responsibility in the use of resources

We aim at making a responsible use of financial resources by matching, in our daily work, the typical family need to protect savings and to reward deposits, with the financing need of the entrepreneurial world.

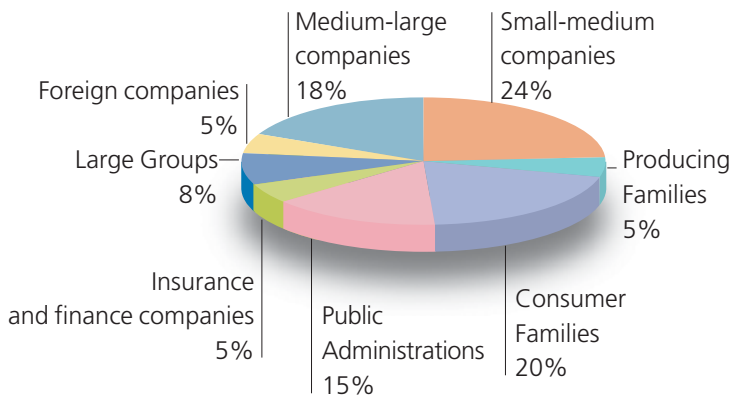
The Commercial Banks serve more than 6 million customers, whose centrality is reiterated also in the Group’s fundamental values. These include approximately 5,400,000 private customers, 83,000 companies (of these 2,600 are foreign), around 300,000 small entrepreneurs, whereas the customers of the foreign banks are approximately 250,000.

**BREAKDOWN OF RETAIL CUSTOMERS BY AGE**

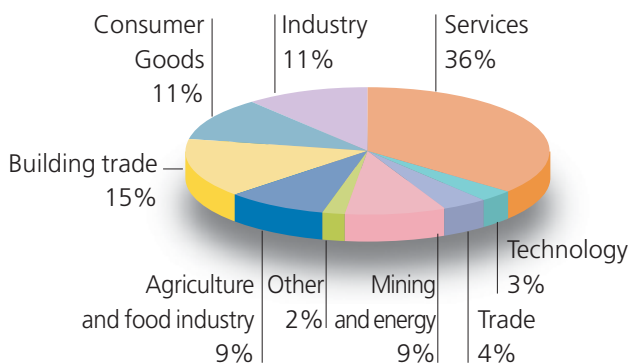


**BREAKDOWN OF LOANS BY TARGET CATEGORY**

Total amount: 127 billion euro (cash, guarantees and derivatives)



**BREAKDOWN OF LOANS TO COMPANIES\* AND FAMILY BUSINESSES BY SECTOR**



\* Excluding foreign companies and Large Groups.



## Specialization and proximity to customers

Sanpaolo IMI Group has adopted a model which matches closeness to customers, thanks to branches located throughout the national territory and strong local roots, with specialization, with the aim of offering a specialized service to the different customer categories. In 2004 the model, based on the specialization of branches, has been extended nationwide and in particular to the Banks in Northeast Italy.

## The policies

In 2003, two “charters of values” were issued to the personnel of Commercial Banks with the objective of strengthening the trust relationship with customers and asserting the importance of operating in the interest and for the satisfaction of customers, the commitment to offer competence and professionalism as well as compliance with ethical principles recognized at Group level. These charters contain the guidelines relating to the provision of investment services to private customers (Investment Policy) and the granting of credit to companies (Commercial Policy). 2004 was an eventful year, with the implementation of policies by issuing or updating specific IT tools, the organization of ad hoc training initiatives and the production of paper-based supporting documentation: these actions are described in more detail in the respective sections dedicated to retail and corporate customers.

### TERRITORIAL DISTRIBUTION\*

- 2,772 Retail branches and small business
- 175 Corporate branches
- 104 Corporate teams on secondment
- 46 Private banking
- Other 382 branches\*\*

### North West

- Retail branches and small business:** 861
- Corporate branches:** 86
- Corporate teams on secondment:** 38
- Private banking:** 18

### North East

- Retail branches and small business:** 805
- Corporate branches:** 36
- Corporate teams on secondment:** 31
- Private banking:** 14

### Centre

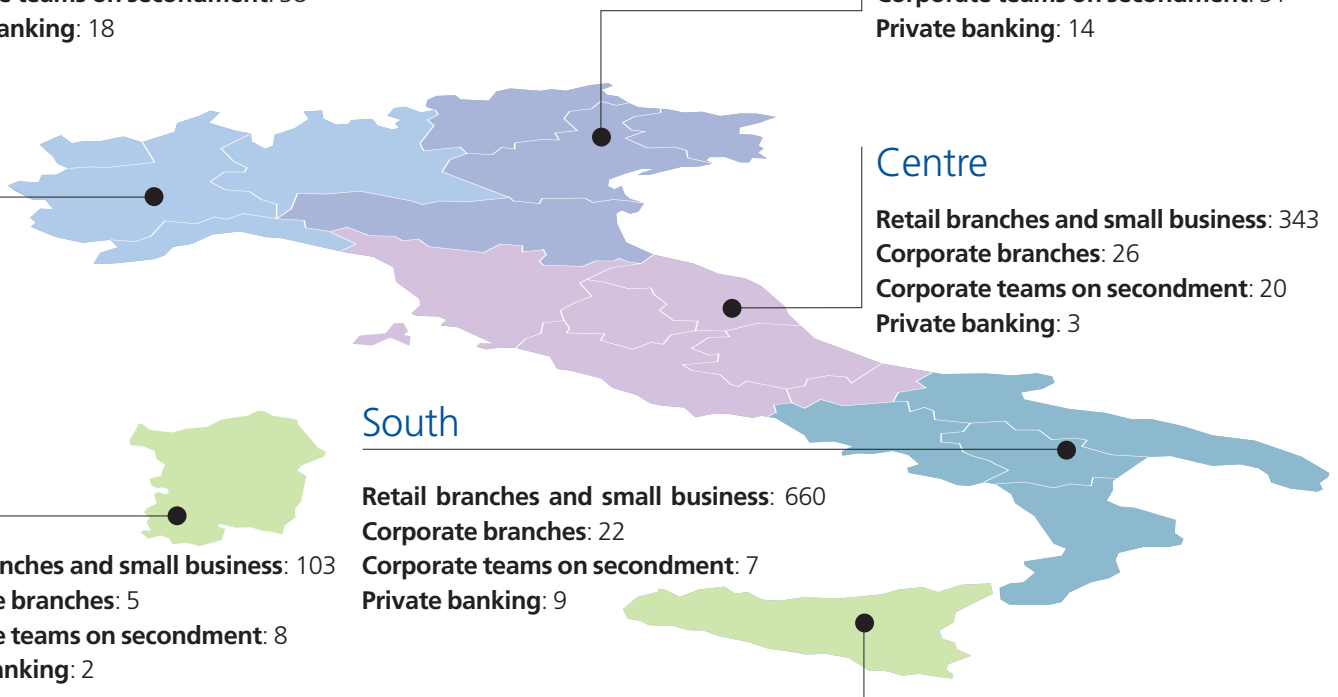
- Retail branches and small business:** 343
- Corporate branches:** 26
- Corporate teams on secondment:** 20
- Private banking:** 3

### South

- Retail branches and small business:** 660
- Corporate branches:** 22
- Corporate teams on secondment:** 7
- Private banking:** 9

### Islands

- Retail branches and small business:** 103
- Corporate branches:** 5
- Corporate teams on secondment:** 8
- Private banking:** 2



\* Data as of 31/12/2004

\*\* Branches on secondment, consultancy points, Domus centres, treasury branches.

## More comparable and easy-to-understand banking services: the “Pattichiari” (Clear Deals) interbanking initiative

The “Pattichiari” interbanking initiative intends to improve the relationship between banks and society by providing customers with actual and simple tools capable of making understanding and comparison of banking products a much easier task.

Sanpaolo IMI Group has given its full support to the initiative: the Commercial Banks have implemented all of the eight projects (Banca Popolare dell’Adriatico is lagging behind because the IT migration has not yet been completed); given its peculiarities, Banca IMI has supported only the initiative relating to the structured and subordinated bank bonds, whereas Banca Fideuram has, so far, supported the FARO and ‘Certainty on date at which deposits of checks become available’ initiatives.

Taking part in the initiatives means that the Bank will undergo a verification process involving regular checks to ensure that the guaranteed service levels are maintained over time and for Sanpaolo IMI Group this verification is carried out by Det Norske Veritas, an accredited certification company. The initial inspection was completed in July 2004 and the second round of verifications started in January 2005. These will lead to the certification of the eight projects for the Group’s Commercial Banks and those singled out for Banca IMI and Banca Fideuram. The first round of verifications involved 104 Group branches and the second one, which is still under way, 142.

The certification marks have been given different colors in order to help customers and operators to better understand their meaning: yellow for the banking services initiatives, blue for the credit and red for the savings.



### THE EIGHT “PATTICHIARI” PROJECTS

**FARO** (on line working ATM signal): a service which enables customers to locate either via telephone or Internet, the nearest fully operational ATM.

**List of low-risk, low-return bonds:** a tool to make customers better aware that higher yields correspond to higher risk.

**Clear information on structured and subordinated bank bonds:** an information tool devised to help investors understand complex securities and make them aware of the risks associated with this type of financial investments.

**Evaluation criteria for assessing SME’s credit worthiness:** a manifesto giving a clear and simple indication of the criteria which the banks use to evaluate loan applications by small- and medium-sized companies

**Current accounts compared:** a clear and readily understandable “ID card” displaying the features, services and prices of current accounts

**Basic banking services:** a product which offers all the basic banking services, making them readily accessible, thanks to their simplicity and low cost, to all those without a current account, from young people to retired people.

**Average response time on SME credit applications:** a communication aimed at allowing SMEs to know in advance the number of days the bank takes, on average, to respond (either positively or negatively) to a loan application.

**Certainty on date at which deposits of checks become available:** a communication regarding the time taken by checks deposited to become legally available on one’s current account.

# Retail Customers

## OBJECTIVES FOR 2004

Improvement of the quality of service with specific actions aimed at different customer segments by:

- 1) refining and extending the information technology tools to support operations and training initiatives so that competencies can be further developed;
- 2) offering operating points or dedicated resources located throughout the territory;
- 3) expanding and evolving the range of specialized products and services offered.

New process to assist customers with investments to become fully operational on the Sanpaolo Network, and dissemination of the model to all the Group's Bank Networks, in line with the IT migration plans.

In particular:

- 1) completion of the training activity with refresher courses;
- 2) integration of the new IT tools into the process to evaluate the adequacy of investments provided for by the Consob regulation, by carrying out some improvements;
- 3) launch of initiatives and channels to enhance the communication of the Bank Networks on issues relating to customer service with regard to investments.

Implementation of the range of asset management products with the creation of an ethical insurance product for retail customers.

Further development of the direct banking activity (internet, phone and mobile banking), with growth in the number of multichannel customers and expansion of direct channels:

- 1) extending to the Banks of North East Italy (with an objective of about 800,000 contracts in total on all the Group Networks by the end of 2004);
- 2) redesigning the websites dedicated to customers in view of the increasing personalization of the service based on reference targets (households, investors, young people);
- 3) developing functionalities to enable customers to view and analyze their financial position;
- 4) further development of the range of investment, payment and banking services offered and distribution of insurance products

## ACTIONS TAKEN AND RESULTS ACHIEVED

- ✓ exploiting the staff in charge of the initial contact with customers, refining and improving the skills of consultants and managers of Commercial Banks;
- ✓ strengthening of the network of specialized control units and extending the Sanpaolo service model to all the North East Banks (50 new Private control units);
- ✓ widening the range of customer service products and tools.

- ✓ 13,100 training days provided to consultants and managers of the Sanpaolo and Sanpaolo Banco di Napoli Networks with the aim of disseminating the principles of the Investment Policy and the Client Financial Planning, allowing the managers to get used to the new WorkStation;
- ✓ training 40 new trainers in the North East Banks by providing courses to more than 1,000 consultants and managers;
- ✓ issuing the new Retail WorkStation, which incorporates the logics of the "Modello Sanpaolo per gli Investimenti" (Sanpaolo's Investment Model) defined in the Investment Policy;
- ✓ creating and updating paper-based documents to support consultants/managers in carrying out the commercial process in accordance with the logics formalized by the Investment Policy;
- ✓ launching a customer external communication plan aimed at making customers aware of the issues relating to the "Modello Sanpaolo per gli investimenti".

- ✓ launching of the index-linked 'Blue Profits Solidarietà', an ethical insurance policy.

- ✓ achieving a total of 799,400 contracts, aligning all the Group's Banks to the multi-channel offer;
- ✓ launch of the new Personal Finance website, aimed at assisting and training retail customers on investments and social security issues;
- ✓ new information functionalities relating to the financial adequacy of investments with regard to operations made through direct channels;
- ✓ developing new payment functionalities (e.g. payment of ICI - Municipal Property Tax - and university taxes) and services for the purchase of third party liability car insurance policies issued by Egida insurance company.



## Customer satisfaction

This year, customer satisfaction measurement was a key element of the Group’s policy, being viewed as the yardstick to gauge the progress made by the Banks in their relationships with the customers but also as a working tool required to manage critical areas and improve daily routine work.

The activity is carried out at two different levels: a macro level, capable of restoring the position of all the Group Banks within the system (2,100 telephone interviews carried out as part of the ABI-Eurisko 2004 survey) and a micro level, capable of providing an analysis of customers by segment and related territorial area.

The latter survey - which has been carried out during 2004 on a sample of 5,600 customers - confirms the satisfaction levels recorded by the previous one (more than 50% of interviewed customers stated that they were satisfied with the services provided by the Bank and gave an overall score of 8, on a scale of 1 to 10) and shows once again that the service level provided by bank personnel is greatly appreciated by the customers: the courtesy and helpfulness of the personnel working at the branches appear to be highly appreciated by almost 80% of the interviewed sample.

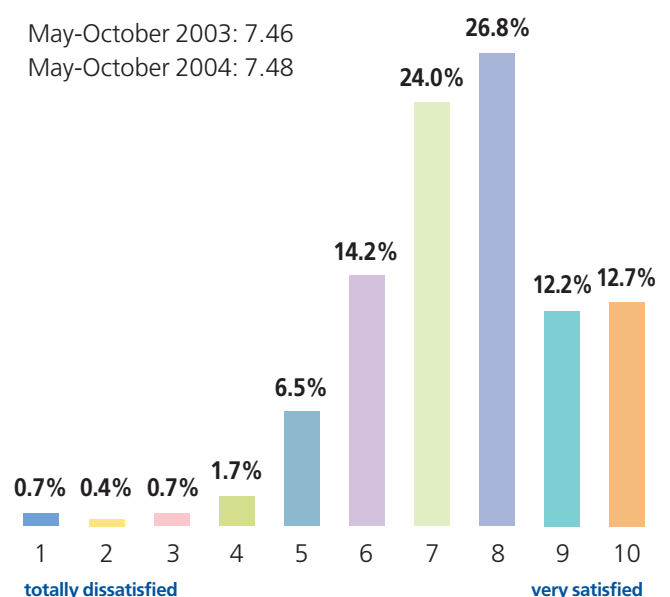
The observation perspective has widened thanks to

<sup>1</sup>The Bank’s Personal Segment includes that part of retail customers characterized by a medium-high, economical and socio-cultural profile, who are dynamic and seek innovative, functional and efficient products.

further surveys which analyzed a sample of newly acquired customers (of both Group and competitor Banks) and the reason for their choices, and verified the satisfaction level of the holders of Domus mortgage loans and of a sample of customers of the Personal segment<sup>1</sup> on the new relationship model concerning the management of investments.

### LEVEL OF SATISFACTION

May-October 2003: 7.46  
 May-October 2004: 7.48





## Assistance to investments

The attention paid by Sanpaolo IMI to the provision of assistance to investments is proven by the fact that since 2002 the Board of Directors has approved the 'Guidelines on the sale/placement of asset management products with the public and risk management' and the introduction, since 2003, of the Investment Policy, a document which includes the lines of

conduct to be followed by the operators with regard to assistance to investments and the commitment by Sanpaolo IMI to develop supports, commercial logics and products in line with these principles. In accordance with the integration processes under way, the tools, training and communication initiatives, which draw on the principles mentioned above, have been gradually extended to all the Commercial Banks within the Group.

In particular, the new Retail WorkStation was issued in 2004: it is an IT tool which incorporates the logics of the "Modello Sanpaolo per gli Investimenti" defined in the investment policy and it provides a number of tools aimed at safeguarding the needs communicated by the customers. Moreover, this application represents a tool to analyze and assess the risk of the customers' portfolios and a tool to verify that the latter are coherent with the customers' objectives and their ability to tolerate risk. The resulting database will allow to define an overall picture of the nature of the customers' portfolios, by identifying high-risk situations and monitoring how portfolios react to movements in the financial market. The new functionalities got added to those issued in 2003, which allowed to systematize all economic, financial and product information required by consultants and managers in their daily work, enabling the speedy retrieval of high-quality information and the improvement of meetings with customers by providing added value. The Bank has also undertaken to put a huge effort in making the commercial process of providing investment and assistance services more and more consistent with the customer protection objectives. To this end, the Bank has also adopted organizational solutions which make converge, within the recently set-up Asset Management and Protection Structure, the control over asset products and services portfolio, the financial planning process (Client Financial Planning) and the control unit in charge of the regulations governing the provision of investment services.

### THE 'SANPAOLO MEETS' INITIATIVE AND "OUR COMMITMENT AT YOUR SERVICE" BROCHURE



In the second half of 2004, a customer communication plan was launched to make customers aware of the issues relating to the "Modello Sanpaolo per gli investimenti" and the risks connected with financial instruments.

The plan entailed the organization of events, called "Sanpaolo Meets", during which a number of considerations were discussed with the customers with regard to their investment behavior and in particular to the various risks connected with the choices made. The first meeting was held in Catania on 16 June. From 16 September to mid-December 2004 further 11 meetings have been held on the territory.

At year end, in parallel, a brochure called "Our commitment at your service" was produced which is meant to be the manifesto of the Bank's commitment to improve its service with regard to every customer need, with a particular focus on assistance to investments. The booklet, personally hand delivered to customers by the consultants/manager, informs on what the Bank is doing to provide them with top quality service.

## Understanding the Customer's needs

### Current accounts

In an attempt to pay more and more attention to the needs expressed by the customers with regard to bank charges, the Group has made a commitment not to increase until June 2006, the quarterly charges on the Benefit and Multibenefit accounts dedicated to households. In order to ensure that the above decision would be adequately circulated, it was advertised through brochures displayed at branches and on the website.

### Youth program

Esprit is a relationship program dedicated to youngsters between 18 and 30 years of age, and it can be joined at no charge. Six months after the initiative was launched, approximately 75,000 youngsters had joined the program (period June-December 2004).

The Esprit program was developed as a result of a number of surveys conducted on young people's expectations with regard to banking products. The findings led to the development of a program covering three main activity areas:

- a banking offer dedicated to those joining the program (a current account at no charge for youngsters under 26, a credit card with repayment in installments and easy-terms financing);
- a number of extra-banking benefits in collaboration with external partners offering services in the youngsters' areas of interest (music, internet, games, travels, films, cinema),
- University Network which, in collaboration with the Consorzio Interuniversitario Alma Laurea, provides those joining the program with information on training and on how to access the job market; in this area, a Business Game is being developed which will give the opportunity to win, among other things, the enrolment fee for a post-graduate Master degree course.

In an attempt to be closer to the needs expressed by customers between 18 and 30 years of age, especially the young university students, a bank desk called "Punto Ateneo" (University Point) has been set up at the University of Turin for the students attending.



### Protection products



In the light of the general trend to reduce the services offered by the Welfare State in constitutionally guaranteed areas such as public health and social security, and continuing along the path taken in 2003 aimed at satisfying new customers' needs, the Group has created a specific offer range called "Sanpaolo Tutela" ("Sanpaolo Protection") which includes all the insurance and social security solutions for individuals, families and their assets.

In this perspective the range of products has been widened by introducing new solutions characterized by a balanced and careful ratio between costs borne by the customers and the quality of the service received.

In order to improve the quality of customer service in the social security area, a retirement check-up software called Previsanpaolo (a tool available to branches), was enhanced with a new functionality which uses the data contained in the Social Security Statement sent by INPS (The Italian Social Security Institution).

### Loans and mortgages

The activities carried out by the Sanpaolo Network aimed at introducing a Quality Management System and at obtaining the certification, according to the international regulation UNI EN ISO 9001, for the "Retail loans distribution process" were completed in March 2005. This certification widens and completes the one the Bank has already obtained for the "Design of Financial projects, planning of loan granting processes and planning assistance to the sales network", thus confirming to the customers its ability to provide high-quality

products and services with regard to the financing of the so-called "housing needs". Particular attention has been paid to the housing needs of young families as proven by the offer of specific products dedicated to this customer segment which in the 2004 financial year generated loans amounting to 180 million euro.



### Payment services

In 2004, initiatives were carried out in the payment services area in order to offer a better quality of service, variety and transparency, in particular by enhancing the range of debit cards (e.g. the Olympic Sanpaolo Card Si C&R/Esprit and the Sanpaolo Card 2006).

Other solutions were also developed such as mobile payments, which provided customers with a number of advantages: increased protection, convenience and reduced paperwork, cashflow rationalization, reduced risk of robberies/frauds committed in connection with the use of cash. These initiatives were launched together with the Taxi drivers Associations of Turin and Naples, Trenitalia (the State Railway) and some Universities.

Moreover, the ATM network is undergoing a major overhaul in order to widen the range of services offered such as providing the customers' credit card balance. This falls within the plan of significant investments undertaken to refine the ATM points of Commercial Banks from the technological and operational point of view, by adopting new and complex operating systems which will improve and facilitate use by customers.

As regards Pos (Points of sale) the charges have been revised by taking into account the needs of shopkeepers and paying more attention to both the level of service and after-sales activities. In 2004 the service called Dynamic Currency Conversion was launched. This offers the holders of Visa and MasterCard credit cards issued in non-European countries, the possibility of paying with their own currency with immediate conversion to euro. The service was conceived for shopkeepers whose shops are located at tourist resorts, art and business cities.

The quality certification, according to the UNI EN ISO 9001:2000 regulation, was confirmed also for 2004 with regard to the planning and provision of EU and international payment services<sup>2</sup>.

2. In particular, the certification concerns the design, realization and provision of the services of Financial and Commercial Clearing Euro and the connected customer service and of end-to-end money transfer services for payments from the Single European Payment Area (SEPA) and cross border.

### Multi-channeling

During 2004, the possibility of operating in multichanneling mode was gradually extended to all the Group's Commercial Banks. In 2004, the planning activities related to multichanneling have been especially aimed at widening the functionalities and the range of services offered to customers as well as at revising the technological infrastructures, in an attempt to improve response speed, service continuity and the quality of processes.

At the end of 2004 the Commercial Banks had totaled 799,400 contracts. The growth in contracts and the increased number of online activities carried out by customers have led to an increasingly higher percentage of bank transfers and sale/purchase transactions of securities, with significant bank transfers, in terms of both operational efficiency of branches and costs incurred by customers.

Furthermore, during the year, the technical architecture and the Internet Banking application procedures have been revised thus achieving a significant reduction in the average page loading time (more than 50% in some cases) and a more efficient and faster update of communication to customers.

### CONTRACTS IN PLACE

	2003	2004	Change
<b>Number</b>	655,000	799,400	+22%

During 2004, the websites of the Commercial Banks have been redesigned by following some of the recommendations of the World Wide Web Consortium (W3C)<sup>3</sup>, in order to make them easier to navigate also for differently-able users: the main navigation links can be activated also by pressing a combination of keys (the so-called "shortcut keys"), instead of using the mouse. In addition, the possibility of using the Internet has been extended to make payments (for example to pay ICI - Municipal Property tax - and University taxes) and to purchase products (such as third-party liability insurance policies issued by the Egida Group insurance company), and a new 'Personal Finance' website has been launched to provide assistance and training to retail customers about investments as well as pensions and social security products and to develop awareness of the investment policy.

The IT security of the Internet Banking service offered to customers was certified according to the BSS 7799 standard by Det Norske Veritas.

As regards the Call Center, the Multibank Platform strategic project was completed. This project aims at managing efficiently the telephone traffic generated by the Commercial Banks and improving the quality of customer service in terms of quick response (at present, 97% of calls are answered within five seconds). During the year, the Call Center was awarded two prizes, namely "Le Corone del Marketing" award by Azienda Banca and "Innovazione Award" by MF.

<sup>3</sup> The World Wide Web Consortium (W3C) is an organization committed to activities aimed at developing Internet technologies and standards. Among its objectives, the organization strives to make the Web accessible to all, by promoting technologies which foster the integration of differently able people.

## Products and Services with Ethical and Social Implications

### Under 18

The offer of products for customers 'Under 18' has been recently revised and updated (a restyling which contributed to obtaining "Le corone del Marketing" award - granted by Azienda Banca in collaboration with Value Consulting - awarded to the Benefit Cadò and Benefit Under 18 products as they were judged far superior to other similar products offered by competitor banks). The initiatives launched by the Group have been oriented especially towards ethical and social issues:

- upon opening a 'Benefit Under 18' account, the option for new account holder to contribute to a Charity Program was eventually turned by the Bank into an ongoing contribution program totally sponsored by the Bank and its commercial partner. In particular, the Charity Program helped support an initiative promoted by MAGIS<sup>4</sup>, called "Five wells at Dissin" (a village located in Burkina Faso and considered as one of the areas most exposed to the risk of being displaced by desertification), as well as training a number of people capable of running and maintaining the wells thereafter;  
As the initiative was well received by the customers, the water wells could be completed through a financial contribution of 30,000 euro (of which 50% was contributed by the Group and the remainder by external partners);
- at Christmas, Unicef seasons greetings cards were sent to around 52,000 'Benefit Cadò' and 'Benefit Under 18' holders to wish them Christmas greetings and to communicate the social initiatives undertaken by the Group.

Within the specific initiatives aimed at young people, worthy of notice is the "Carta di Credito Formativo" Program ("Educational Training Credit Card") promoted by the Campania Region as a tool to disseminate IT knowledge and to raise the employment rate. Through this initiative, the Group intends to offer lower interest rate financing for the purchase of hardware, software and e-learning, by using an ad hoc account at extremely advantageous terms.

<sup>4</sup> MAGIS (Movimento e Azione dei Gesuiti Italiani per lo Sviluppo – Movement and Action for Development of the Italian Jesuits) is a non profit non governmental organization which, since 1988 has been deeply involved in humanitarian projects in some of the poorest areas of the world.



### Senior citizens

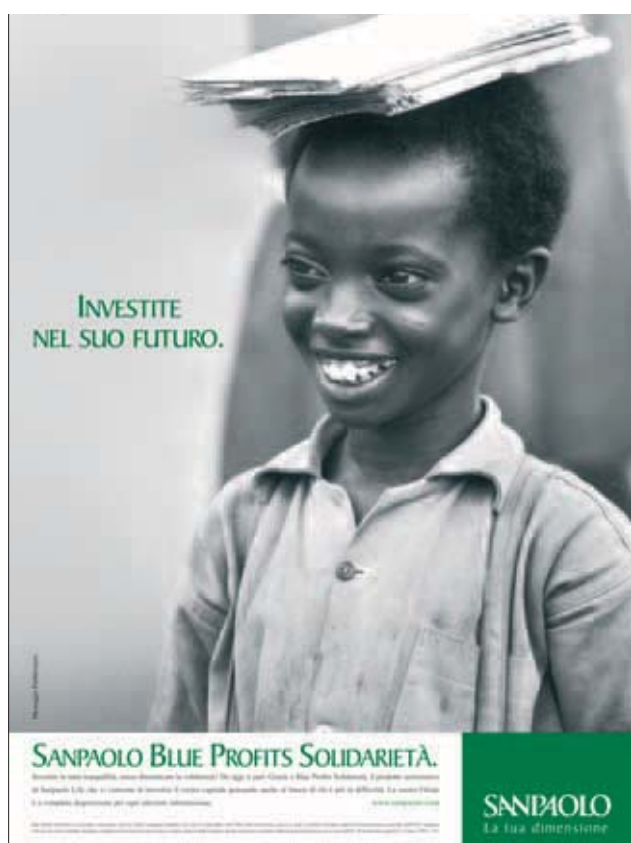
During the campaign against frauds on the elderly, promoted in December by the Piedmont Region, in collaboration with the INPS Regional Head offices, Poste Italiane, the Associazione Bancaria Italiana (Italian Bankers' Association) and the Police, Sanpaolo has circulated the awareness message through:

- a dedicated section on its website;
- bills displayed at branches;
- a message on the bank statement.

Furthermore, the Bank has distributed the kit prepared by the Piedmont Region (containing a sort of handbook of "anti-fraud" precautions), adding some recommendations on how to prevent and limit damages arising from theft, robbery and bag-

snatching: having the pension credited directly on the current account, using credit cards, subscribing to banking products associated with health and safety insurance products. A similar initiative was sponsored by Cassa di Risparmio di Padova e Rovigo, in collaboration with the Padua police headquarters.





### Executive Program

Executive is an initiative aimed at the Sanpaolo Network's customers who hold a MultiBenefit account. The program allows those who join to earn and accumulate points by purchasing products or services offered by the Bank. The holders can then redeem points for rewards or donations to non profit organizations. During 2004, the donations made upon redemption of points by Executive holders exceeded 33,000 euro, analyzed as follows:

	Number	Amount (in euro)
100 euro AIRC*	148	14,800
300 euro AIRC	9	2,700
500 euro AIRC	13	6,500
100 euro FAI**	15	1,500
500 euro FAI	1	500
100 euro Save the Children	39	3,900
300 euro Save the Children	11	3,300
<b>TOTAL</b>	<b>236</b>	<b>33,200</b>

\* Associazione Italiana per la ricerca sul Cancro (Italian Cancer Research Association);  
 \*\*Fondo per l'Ambiente Italiano (Italian Environment Fund)

### The 'Blue Profits Solidarietà' policy

The index-linked 'Blue Profits Solidarietà' insurance policy was conceived to complete the offer of ethical asset management products and it has been sold between June and July 2004. The total amount subscribed was equal to 946 million euro.

One of the first innovative elements of the policy was that the Group assigned part of the 'Blue Profits Solidarietà' subscription proceeds as a donation: more specifically, Sanpaolo IMI Group allocated a total amount of 800,000 euro in favor of 3 national and international initiatives promoted by three different non profit organizations.

The three projects, which are under way, are the following:

- purchase of drugs for Emergency hospital structures in war zones;
- the construction of a school in Burkina Faso and the setting up of a workshop for the construction of solar cookers in Ciad (Magis initiative);
- the restoration of premises to house the patients being cured at the Haematology Center of the University of Rome 'La Sapienza' and a domestic care support for the patients of the haematology centers in Italy (initiative by AIL- Association against leukemia, lymphoma and myeloma).

The second important innovative element is that 'Blue profits Solidarietà' is linked to a basket of socially responsible securities (40 international stocks with the highest capitalization making up the "Ethical Index Global").

# SANPAOLO AM

## ASSET MANAGEMENT

Sanpaolo IMI Asset Management SGR is the company of Sanpaolo IMI Group which, together with Sanpaolo IMI Institutional SGR, Sanpaolo IMI Alternative Investments SGR and Sanpaolo IMI Asset Management Luxembourg, manages assets totaling 113 billion euro, with a 12.6% and a 9% market share of mutual funds and portfolio management respectively (data as of 31 December 2004). As usual, during the whole 2004, Sanpaolo IMI Asset Management SGR has played an active role in the organization of conventions and conferences, as well as of many initiatives and projects in the area of socially responsible investments, some of which at international level:

- taking part in the shareholders meetings of various quoted, highly-capitalized companies with the aim of promoting the participation by representatives of minority lists to the Boards of Directors and the Boards of Statutory Auditors;
- taking part in the UNEP FI Asset Management working group (under the aegis of the United Nations) as the only Italian representative, together with primary European assets managers. Among the activities carried out with regard to this project, worthy of notice is the study on "the materiality of social, environmental and corporate governance issues to equity pricing. In particular, the main brokerage houses were contacted with the objective of stimulating an analytical approach on their part, asking to contribute with a study on a particular sector, in the light of the importance of the socio-environmental impact on evaluations of companies;
- contributing to a working group managed by EUROSIF (European Sustainable and Responsible Investment Forum, a network of various European organizations, the objective of which is to promote and develop socially responsible investment), in drawing up transparency guidelines with regard to socially responsible investment, dedicated to retail investment funds, especially SRI funds;
- taking part, as an institutional investor, to the Carbon Disclosure Project (CDP), a joint initiative undertaken by various institutional investors, aimed at making the management of the main quoted companies aware of how their activities affect climatic changes. The project aims at obtaining information on the degree of initiatives they plan to take in that respect.

Moreover, Sanpaolo IMI Asset Management SGR has received the following awards:

- "Alto Rendimento" award by 'Il Sole 24 Ore' newspaper for the Banco di Napoli Iniziativa Sud
- "Milano Finanza Global Awards 2005" award for Sanpaolo Soluzione 2, Sanpaolo Soluzione 3, Sanpaolo Soluzione 4 and SPIF Obiettivo Energia & Materie Prime R;
- "Standard & Poor's Fund Awards" award by Epta Mid Cap Italia.

## The Ethical System

### The Funds

The Ethical System comprises 3 funds: Azionario Internazionale Etico, Obbligazionario Etico (which in November 2004, merged with the Fondo Obbligazionario Estero Etico after the subscribers expressed their interest in investments denominated mostly in euro) and Etico Venezia Serenissima. At the end of December 2004 their total assets amounted to 759 million euro (1.5% of the total funds under Italian law managed by Sanpaolo IMI Asset Management SGR).

The investment process of funds of the Ethical System of Sanpaolo IMI Asset Management SGR provides for the selection of investments using both positive (inclusion principle) and negative (exclusion principle) criteria. The positive criteria are used to identify ethical features in the companies or organizations analyzed, the negative ones identify areas of activity which are in conflict with the ethical principles declared by the funds.

The above selection criteria are used along with the

FUND	Asset as of 31/12/04 (million euro)	2004 Yield
Azionario Internazionale Etico	361.6	-0.3%
Obbligazionario Etico	383.4	5.0%
Etico Venezia Serenissima	14.0	2.8%

“best in class” principle which enables to combine the positive and negative selection criteria with the aim of identifying companies which, within specific risk markets (e.g. the oil sector) stand out, anyway, for awards received in the socio-environmental field.

During 2004, the application of the aforesaid criteria has modified the basket of allowed investments by including or excluding some companies/issuers from the funds portfolio.

As regards the part invested in Government bonds, the exclusion of both UK and Australia, which had been excluded in 2003 because of their involvement in the Iraqi war without the aegis of the United Nations, was reconfirmed. The United States which would have been excluded for the above reason, had been already banned from the portfolio due to the death penalty being applied in some of their member states.

Among the US federal agencies, the mortgage giant Fannie Mae was excluded due to accounting irregularities in its financial statements.

As regards companies, the changes recorded are due to variations in the benchmark composition: American International Group Inc., Marsh & McLennan and Unilever Cert were excluded from the benchmark, and hence from the portfolios. The first two were accused of alleged fraud against customers, whereas Unilever Cert was excluded as it was suspected of exploiting child labor. For the same reason SBC Communications, Allianz and Texas Instruments were instead included in the group of allowed investments, hence of the portfolio.

In order to ensure that management choices are in line with the ethical principles declared by the funds, the ex-post control of investments is carried out by an Ethical Committee independent of the management company (in this case an association called “Ethica - association for a socially responsible finance), chaired by Cardinal Ersilio Tonini.

The indices used as the benchmark of the Ethical System are, in the majority of cases, managed by E. Capital Partners, a consulting company operating in the field of socially responsible investment.

### The devolutions

According to the regulations of the ‘Obbligazionario Etico’ and ‘Azionario Internazionale Etico’ funds, Sanpaolo IMI Asset Management SGR undertakes to finance humanitarian projects and initiatives by devolving 0.01% of the average daily net assets of the Ethical System funds. Moreover, further ad hoc devolutions were resolved by the Board of Directors.

The devolved funds – which in 2004 amounted to 111,500 euro – were partly allocated to 18 accredited associations (selected by the subscribers of the Fondo Obbligazionario Etico) and partly to specific projects recommended by the Ethical Committee, some of which related to third world countries:

- Building houses for a village for the Batwa people (Burundi);
- ‘Sezione Pontificio Istituto Giovanni Paolo II’ project (Zambia);
- Saint Biagio Center (Senegal);
- Group-house for poor children at Campina (Rumania);
- Obra Social PP. Dominicos, San Juan de Letran (La Habana);
- Houses for orphan children in Bosnia;
- “Let’s save 100,000 children of the world. Israel: education and training – Multiethnic School”
- “ARS – Association for Research on Schizophrenia” (for the mental health of children and youngsters in the family environment as well as for research funds and scholarships).

Lastly, as regards the Etico Venezia Serenissima fund, the contributions collected through the new subscriptions which have been made during 2004 amount in total to 23,950 euro. The ‘Fondazione di Venezia’ has donated those contributions to support the activities of the following institutions:

- Fondazione Teatro la Fenice di Venezia;
- Fondazione per gli Alti Studi sull’Arte.



## The Activity of Sanpaolo IMI Institutional Sgr and the Offer of Pension Funds

Sanpaolo IMI Institutional SGR, a company dedicated solely to institutional customers, has been the first asset management company to implement an SRI financial management in 2000, on behalf of Previambiente, the closed ('collectively agreed') pension fund; this kind of management satisfies ethical-social-environmental criteria, with regard to that part of the portfolio invested in equities.

Since then, the newly set-up pension funds which have adopted SRI policies have been four: Previambiente (environmental workers), Fondo Fon.te (trade sector), Fondo Eurofer (FFSS – Italian State Railway) and Fondo Famiglia (housewives) for a total of approximately 74,000 members (data as of 30 September 2004, source: Covip). Sanpaolo IMI Institutional SGR manages, for these Pension Funds, 18 million euro, equal to approximately one-third of total managed funds.

Following the social security reform which has been recently approved by the Parliament, all the supplementary pension schemes must now provide a statement of the social,

environmental and ethical criteria used in their investment and voting rights policies (Article 1, subsection 2, letter l of Law No. 243 of 23 August 2004). As a result of this new important legal requirement which introduces a principle already in force in various European countries, the Forum for Sustainable Finance (a multi-stakeholder association of which the Sanpaolo IMI Group is a member) intended to promote, with the conceptual and material help of Sanpaolo IMI Institutional SGR, a document (aimed, above all, at Italian social security investors) which, flexibly drawn up and shared by various subjects called to play active and/or representative roles, aims at combining two different and yet complementary needs: on the one hand, the need to design a coherent and comprehensive theoretical framework; on the other hand, the need to give actual answers to the main operational and functional problems which the various stakeholders (Boards of Directors of closed ('collectively agreed') pension funds, Social security entities, sponsors of open funds and Fip (Forme Pensionistiche Individuali - Individual Pension Schemes), social and sector representatives, regulators, fund managers and other operators) of the Italian welfare system – whether supplementary or not – may have to face.



## Managing the Relationship with Customers

During 2004, worthy of notice is the massive number of complaints presented by customers holding defaulting bonds (in particular, the phenomenon related to the Cirio, Parmalat and Argentina cases). In October 2003, following the default by Cirio, the Board of Directors of Sanpaolo IMI approved a set of guidelines for the assessment of complaints received from the customers holding such bonds, inspired – more than in the past – to the principles of fairness, transparency and rigor. Specific criteria were developed to manage those claims based on the above premise which, during 2004, have been applied to other cases, after making appropriate amendments. In 2004, the criteria and methodologies underlying this verification were extended to all the Group's Banks in order to ensure that the cases pointed out by the customers would be managed by applying a set of coherent principles.

### Managing the complaints by customers holding defaulting bonds

Sanpaolo IMI has opted for an operational approach which entails the examination of the exposure of each investor, on a "case-by-case" basis. Firstly, the work performed by the operators involved is verified to check that the transaction carried out was in line with the customer's risk profile, by taking into account the composition of the entire portfolio at the time of the investment.

After checking that the transaction was consistent, a verification is performed on the completeness and accuracy of the related documentation. If material or formal shortcomings and/or irregularities are found, then negotiations are held in order to find a settlement solution with the customer. The settlement procedure with the customer is conducted by the relevant branches and the Area structures.

The increase in the number of complaints recorded in 2004 is due, above all, to the number of complaints received with regard to Cirio, Parmalat and Argentina (in the last three years a total of approximately 6,000 complaints were

### COMPLAINTS

(Sanpaolo IMI Group)

	2002	2003	2004
Current accounts and deposits	1,389	1,747	2,175
Investments	1,589	1,596	6,131
Loans	1,157	1,031	1,233
Payment system	1,529	1,221	1,566
Anatocism	47	67	1,864
Other	847	375	617
<b>TOTAL</b>	<b>6,558</b>	<b>6,037</b>	<b>13,586</b>

received). In those cases where the investment transaction was considered inappropriate (4% of cases), settlement procedures were initiated with customers amounting in total to 8 million euro. Of these, a number of settlements were reached, at Group level, with payouts of approximately 3.8 million euro.

There has been also a significant increase in the number of complaints about the alleged illegal quarterly compounding of interest payable (anatocism) which can be basically explained by the judgment issued by the Supreme Court in joint sessions in November 2004, which reiterated its opposition to the Bank's stance which it had already expressed in its previous ruling on the matter. Usually, the Bank rebuts claims submitted by customers highlighting how, using arguments not yet dealt with by the Supreme Court but often agreed upon by part of the judiciary, it is possible to uphold the legitimacy of the behavior adopted also with regard to periods preceding the 2000 legal reform.

The claims submitted to the Banking Ombudsman by dissatisfied customers were 203 in total.

### **Committee To Defend Sanpaolo Imi Group Parmalat Bondholders**

On 2 February 2004, the “COMMITTEE TO DEFEND SANPAOLO IMI GROUP PARMALAT BONDHOLDERS” (hereinafter the “Sanpaolo IMI Parmalat Bondholders Committee”) was set up in Turin. The Committee was established upon the initiative of some Sanpaolo IMI Group customers holding bonds issued by companies of the Parmalat Group which became insolvent in the last days of December 2003. It is a non profit committee and its objective is to defend and uphold the rights of Sanpaolo IMI Group customers holding bonds deposited with Group Banks and Companies. Joining the Committee is free, just as it is free to cancel membership and those who join do not incur any costs. The assistance from the logistic and organizational point of view as well as the financial support required to carry out the activity, including the assistance by external legal advisors, accountants and tax experts are guaranteed by Sanpaolo IMI on the basis of a special agreement. The Committee is chaired by Prof. Renato Laschena, former first president of the Council of State, who replaced Prof. Paolo Vercellone in October 2004. With regard to the special management procedures of the Parmalat Group, the Committee has filed motions at the Court of Parma asking to include customers to the list of creditors of the issuing companies and guarantors of the bonds held by the Committee members. The motions presented relate to bonds amounting in total to over 510 million euro, registered with approximately 24,000 deposits managed by the Sanpaolo IMI Group’s Banks. All the claims presented by the Committee in the name and on behalf of its members have been accepted.

Moreover, the Committee has submitted to the Consob a number of observations to help with the drawing up of the informative document relating to the proposal of an arrangement presented by the Extraordinary Commissioner with regard to the companies representing the core business of the Parmalat Group. In order to guarantee the defense and representation of the members in possible future judgments relating to arrangements with creditors or compensation for damages in criminal or civil proceedings, necessary or appropriate in order to protect their rights, in November 2004 the Committee started collecting special powers

of attorney for litigations, certified by a Notary. The Committee finished collecting powers of attorney in January 2005 with the collection of more than 32,000 names. The Committee was therefore able to start its first judicial action in the interest of its members, by filing a plaintiff’s civil action in the criminal judgment before the Court of Milan against the former auditors Grant Thornton, claiming for damages suffered and appointing, as attorney, Prof. Carlo Federico Grosso, tenured professor of Criminal Law at the Faculty of Law of the University of Turin. Further initiatives along the same lines might be undertaken in pending criminal proceedings in Milan and Parma, if the judgments reach a stage which allows to do so.





### **Exchange offer of the Argentinean bonds**

At the end of 2004, the Argentinean Government presented a proposal to restructure its debt (the so-called Global Offer) aimed at holders of Argentinean Government bonds presently in circulation. Following the approval by the Consob and the market authorities of other Countries of the Informative Document connected with the Global Offer, on 14 January 2005 a Public Exchange Offer (PEO) was launched which proposed, in substance, to exchange existing bonds (in respect of which neither interest payments nor redemptions of capital have been made since 2001) with new ones. These bonds, whose yield is linked to the future development of the Gross Domestic Product (GDP) of the Republic of Argentina, bear lower interest rates and longer durations in general, respectively lower and deferred, compared to the existing ones.

Those investors who believed it would not be appropriate to subscribe the PEO have opted for one of the following alternatives:

- to continue earning no interest nor obtaining redemption value of the bonds held, maintaining the privilege to exercise their rights by initiating legal proceedings or taking part in any collective action lawsuits through membership to Italian and international associations or committees;
- to sell the bonds held on the relevant secondary market, thus eliminating any risk exposure to Argentina.

In order to inform the customers interested in the initiative, Sanpaolo IMI sent personalized letters inviting investors to examine in depth the content of the offer, by consulting the official documentation available at the branches or else by consulting the websites [www.tfargentina.it](http://www.tfargentina.it), [www.consob.it](http://www.consob.it) or the Group website.

# Corporate Customers

## OBJECTIVES FOR 2004

Extension of the distribution model based on specialization. This process will be associated with training activities and supported by the extension of the IT system to the Commercial Banks of the Group, paying particular attention to customer retention and continuity as well as to the level of service (through information to customers, supporting task forces, training programs and workshops).

Promotion of the use of telematic channels among customers.

Verification of the degree of customer satisfaction and identification of the gap to fill to guarantee a service striving for excellence, by conducting a customer satisfaction survey.

Considerable attention to supporting the growth of small and medium-sized companies, which represent the most significant and common form of enterprise in Italy, especially by furthering collaboration initiatives with the main Loans Consortia (ConSORZI Fidi) and the industrial districts throughout the country.

Strengthening the closeness of Sanpaolo IMI to small and medium-sized companies that invest in Research and Development by studying products dedicated to this market segment.

Continuation of the workshops dealing with the "Basel II Project", in order to identify the best approach to the risk profile and capital adequacy of banks before the New Capital Accord (envisaged for 2006) comes into force.

## ACTIONS TAKEN AND RESULTS ACHIEVED

- ✓ Thanks to the specialized distribution model, corporate customers can count on the service offered by 175 company branches and 105 teams on secondment (specialized units within the retail branches).
- ✓ The support provided after the migrations summed up to 4,000 man-days of joint cooperation.
- ✓ In 2004 the integration of the IT system was completed and the operational alignment was extended to all the Commercial Banks.

- ✓ During the year, the e-services provided by Sanpaolo IMI to its customers have remarkably improved by offering useful training contents but also more specialized information such as specific business topics, without neglecting the ever increasing internationalization needs of enterprises. These activities have promoted the use of virtual channels: 50% of corporate customers take advantage of these services.

- ✓ The first phase (dedicated to identifying customers' expectations) is now concluded and the second phase of a customer satisfaction project (measuring the perceived quality level) dedicated to small and medium-sized enterprises is currently under way.

- ✓ The Sanpaolo IMI Group, Banca Cassa di Risparmio di Firenze and Cassa dei Risparmi di Forlì have signed a collaboration agreement with Unionfidi Piemonte and the major industrial Loans Consortia (Confidi) of Central and Northern Italy, operating in the industry sector, which enabled them to earmark 500 million euro to finance small and medium-sized enterprises situated in the regions of Piedmont, Valle d'Aosta, Liguria, Lombardy, Veneto, Friuli Venezia Giulia, Trentino Alto Adige, Emilia Romagna and Tuscany.
- ✓ The initiative helped inject a new momentum in the relationships with Trade Associations and Loans Consortia: more than 800 applications were received for a total of over 250 million euro.

- ✓ A line of credit of 250 million euro has been made available to support innovative projects and to promote contacts between enterprises and research centers. The initiative envisages the possibility of financing the entire project through a simplified approval process. Moreover, the technical assistance service and the easy terms planned for completed projects are two absolute novelties.

- ✓ Within the Basel II Project, the Sanpaolo IMI Group has arranged all the necessary activities to opt for the Advanced IRB approach. The Group has evaluated, planned and set out all the courses of action required to implement – in terms of organization, procedures and systems – the decentralization of guidelines, operating logics, methodologies and tools in the operating context of each Bank. New operating principles have been established to assess credit rating and related management policies, exploiting the management and judgment abilities of the personnel in charge of customer relations, also through a comprehensive and exhaustive training process.

## Customer satisfaction

In collaboration with Eurisko, the leading independent market research company in Italy, the Group has launched a research project aimed at performing an in-depth verification of the level of satisfaction of customer companies, with the objective of turning it into a regular monitoring tool.

The targets of this first survey are the small-and medium-sized enterprises customers of Sanpaolo and Sanpaolo Banco di Napoli. At a later stage, the analysis will be integrated with the customers of the Banks of Northeast Italy which are involved in major change processes.

The survey is carried out in two phases:

- the “qualitative phase” - completed by now - which entailed half-day interviews with the Finance Managers of 24 customer companies, with the aim of identifying the Bank’s customers expectations and gathering useful information to draft a questionnaire to be used in the second phase;
- the “quantitative phase” - currently under way - which involves telephone interviews with over 4,000 customer companies to measure the perceived quality level.

The results of the survey conducted on the customers will be compared with those of a survey carried out, in parallel, among customers of the Bank’s competitors.



## Supporting Research & Development

Research and innovation represent the fundamental levers to develop a country's level of employment and wealth as well as to increase competitive ability. In Italy, investments in this sector stand at approximately 1% of GDP (against the European Union average of 2%, 2.8% of the USA and 3% of Japan), of which the private share amounts to less than 50% (compared with 63% of the EU, 73% of the USA, 76% of Japan).

However, despite the above mentioned data, Italy remains the leading European country with regard to the innovation indicator, which is represented by the sales quota of innovative products manufactured by enterprises: therefore there is an enormous potentiality which could be unleashed through appropriate investments in Research & Development activities.

Sanpaolo IMI's positive response to the entrepreneurial world is a credit line of 250 million euro to provide support for enterprises and to promote the optimization of investments by preferring projects geared towards increasing the technological level of products and production processes.

It is an initiative available to all enterprises – with the exception of those operating in the defense sector – the financing (which may cover up to 100% of the costs) being granted through simplified application procedures and easy terms thanks to the European Investment Bank (EIB) which partially contributed to such credit line. The projects selected are geared to increase the level of technology of products and production processes, to develop applied research programs relating to the development of technologically innovative products, production processes and services but also to the completion and improvement of existing programs. These projects may include the development of pilot plants, field testing, the production of pre-series and any other activity required to transfer results into production.

The initiative is integrated by providing a specific consulting service to customers in the assessment of the project, that is carried out by a specialized structure of Sanpaolo IMI which during its 35 years' experience in the management of public funds granted for Research & Development activities, has evaluated well over 5,000 projects corresponding to a total of 15 billion euro investments. The skills of the above structure are available, free of charge, to those customers who intend to develop R&D projects and cover a wide range of issues and application fields: from the analysis of technological

trends to critical situations to be kept under control, from the size of the hi-tech markets to the earnings required to obtain adequate returns on the investments to be granted. Moreover, other types of incentives are offered - in terms of reduced financing costs- for projects brought to completion and research programs, which have stood out for their high technological content or the significant industrial applications, will be awarded an honorable mention at special events which will be adequately advertised. The initiative, presented to entrepreneurs through a series of meetings held throughout the country (involving more than 2,000 enterprises) raised considerable interest: in six months approximately 150 potentially-financeable projects have been submitted, equal to an investment of 180 million euro.

## OUR RELATIONS WITH THE ARMAMENTS SECTOR

In accordance with the constitutional principle by which Italy rejects war as a means of offense to the freedom of other peoples and as a means of resolution of international controversies, the Sanpaolo IMI Group has decided to limit its support exclusively to the defense of the Country and the protection of its citizens, duties that the Group considers to be indispensable for a democratic State. Thus the Group has decided – by applying stringent assessment criteria to every proposed operation – to limit the financing of supplies of arms solely to operations to and from European Union countries and/or NATO, i.e. operations provided for by appropriate intergovernmental agreements, authorized pursuant to Law No. 185/90, which must not be in conflict with the Constitution, with Italy's international commitments and with the fundamental interests of State security, fight against terrorism and maintenance of good relationships with other Countries. In 2002, the Group's Credit Committee, supported by the Ethical Committee, approved an internal code of conduct which regulates this area so as to align all Group companies to the guidelines illustrated above. Each financing operation to enterprises, whether Italian or foreign, producing or selling armament material, must be submitted to the Group Credit Committee which will issue a mandatory advice with regard to the granting of the requested loan.

## Supporting internationalization

Sanpaolo IMI operates in 33 countries (18 in Europe, 6 in the Americas, 8 in Asia, 1 in Africa), thanks to 13 branches and 19 representative offices, in addition to 2 operating desks in Teheran and in Kuwait City, the Irish subsidiary and the 94 branches of its subsidiaries in Central-Eastern Europe. In 2004 two new representative offices were opened in Paris and Dubai. The Dubai office, with regional jurisdiction over the United Arab Emirates and other countries of the Gulf Cooperation Council, will be an important reference point for Italian enterprises based in the Gulf region and will provide support to both direct investment activities and the import-export trade with local counterparties as well as the promotion of relevant investments in Italy. The Casablanca representative office was inaugurated in February 2005.

The Sanpaolo IMI international network aims at fostering the internationalization of Italian enterprises with the objective of becoming the Bank acting as their Italian reference point abroad, as well as promoting and assisting the investments and activities of foreign multinationals in Italy.

“Italian desks” have been set up at each foreign branch in order to make customer service more effective. These desks are managed by bilingual specialists capable of providing assistance to Italian companies wishing to set up subsidiaries abroad or acquire shareholdings in foreign companies.

Moreover, specific operating agreements, in support of the Group's direct presence and products/services offered independently, have been signed in countries where a better service to enterprises can be guaranteed only by resorting also to a major local bank. Worthy of notice, among the numerous agreements, are the ones which have been signed with the two major Chinese banks (Industrial Bank of China and China Merchants Bank) which allow the 3 operating points of Sanpaolo IMI in China to be partnered with a local banking network of over 20,000 branches. Similar agreements have been entered into with local banks in Tunisia (Banque Internationale Arabe de Tunisie – BIAT, in which Sanpaolo IMI holds 5.6%), Morocco, United Arab Emirates (National Bank of Abu Dhabi), Central-Eastern Europe. The whole picture is completed by strategic alliances with primary international partners such as the Santander Central Hispano Group – which grants access to 4,600 operating points of the wide SCH network in Latin America – and the Caisse Nationale des Caisses d'Épargne.





## SANPAOLO IMI PRIVATE EQUITY

Sanpaolo IMI Private Equity is the company within the Group which, through investment teams distributed throughout the territory and working in close association with the Commercial Banks, promotes and manages closed-end funds which invest in the risk capital of small and medium-sized companies in order to support their development, aggregation and reorganization.

### A fund to promote risk capital in Southern Italy

The Fund which was launched at the end of 2003, with a capital of 100 million euro and managed by Sanpaolo IMI Investimenti per lo Sviluppo SGR, has already invested 20 million euro (the last transaction, completed in 2004, related to the acquisition of a stake in Conserve Mediterraneo, the new-co set up to acquire the Cirio/De Rica manufacturing complex through an investment of 10 million euro, a shareholding of 18.2% of the share capital of the new company which is 51% controlled by the industrial partner Conserve Italia). Furthermore, at the beginning of 2005, the SGR (asset management company) was accredited by Mediocredito Centrale to manage advances, pursuant to Law No. 388/2000, relating to risk capital of new and/or small and medium-sized companies operating in Southern Italy, through long-term development programs with highly innovative content and technological impact. This led to an effective collaboration with the country's Institutions thus improving the efficiency of the activity carried out to promote the economic development of southern regions, by increasing resources which could be used to invest in the capital of small-and medium-sized enterprises in Southern Italy. In fact, this activity will be carried out in parallel with the "Fondo Mezzogiorno".

### Other closed-end territorial funds

During 2004 the activities aimed at launching two new multi-regional closed-end funds have continued, namely Fondo Centro Impresa and Fondo Nord Ovest Impresa, dedicated to investments in small and medium-sized enterprises in the territories of their respective jurisdiction. The subscriptions, which were closed in February 2005, totaled 180 million euro, of which 100 million and 80 million related to Fondo Centro Impresa and Fondo Nord Ovest Impresa respectively. Evidence of the social importance of these initiatives aimed at the economic development of the territories of their respective jurisdictions is the fact that the investors also include some Bank Foundations.

## The 'Quality Agriculture' project

Italy has an eno-gastronomic patrimony which is unique in the world but which is not fully and adequately exploited.

Well aware of the importance of exploiting such patrimony, Sanpaolo IMI has launched a project called "Quality Agriculture" which identifies in the product chains (wine, oil, milk and dairies, meat, fruit and vegetables, cereals, organic farming, aquiculture, agritourism) and in the quest for quality the two fundamental elements which are at the base of an action plan centered on environmental protection and consumers' health. The aim of the project is to assist those enterprises operating in the agricultural and food industry, which is the second largest sector in Italy after engineering and symbol of excellence of the Italian image worldwide, with the important process involving the exploitation of the national eno-gastronomic patrimony. The project extends also to the areas of traceability, labeling as well as quality and environment certifications. In 2005, a specific line of credit was launched (75 million euro) to support investments by enterprises in this sector, which were required to comply with the legal regulations enforced on 1 January 2005 and whose primary objective is to protect food safety, and also initiatives aimed at strengthening the quality system even beyond the legal requirements. In particular, support will be provided to enterprises investing in the various types of quality and environment certifications as well as those enterprises which will deem it appropriate to submit a request for ethical certification.

Thus, Sanpaolo IMI is poised to support enterprise financing with regard to manufacturing businesses which pursue innovation and quality as the ultimate factors of their competitiveness and economic success. It is in this context that the Salone Internazionale del Gusto, International Food Fair, takes on the role of technical sponsor with which Sanpaolo IMI shares the same fundamental values: safeguarding quality production and the subjects involved in this process, protecting food safety and the art of food appreciation, sustainable development and environmental protection. At the Fair held in October 2004 the bank promoted a Round Table on the theme of "Innovation": a priority also for those enterprises operating in the 'quality' agriculture and food sector in order to stress that, from now on, innovation and tradition must go hand in hand.

## Virtual channels

Sanpaolo IMI offers enterprises a dedicated website - [www.sanpaoloimprese.com](http://www.sanpaoloimprese.com) – through which it disseminates continuous updates about current events to an audience made of enterprises and professionals (2,400 news and over 60 theme reports providing in-depth studies of specific subjects in 2004). In addition, a monograph called ‘E-business Vademecum’ dealing with private and public financial instruments was developed and distributed to customers to foster competitiveness among enterprises through investments in IT technologies. Furthermore, the Group widened the range of services offered to well over 80,000 customer companies using the remote banking services provided by the Group: in addition to enabling customers to operate on the current accounts held with all the banks of the Group using only a single instrument, a strategy was adopted to integrate the service by allowing customers to use



applications such as “Online Treasury Management” and “Commercial Information” by using the same Internet support. Another online service developed in partnership with D&B - DUN & Bradstreet - is also available and enables customers to carry out searches and obtain various types of information reports on their counterparts by accessing directly the database of one of the world’s market leading companies. Moreover, a wider range of online operating services has been offered to assist enterprises on how to behave on international markets (e.g. ‘EXTRA Cash’ enables enterprises to operate real-time on foreign markets through the Foreign Branches network). Finally, the channels focused on specific areas have been strengthened: “Quality Agriculture” - [www.agricoltura.sanpaoloimprese.com](http://www.agricoltura.sanpaoloimprese.com) - and “European Horizons” - [www.europa.sanpaoloimprese.com](http://www.europa.sanpaoloimprese.com). The information service relating to Community subsidized funds has been coupled with another service, free of charge, called “The expert replies” (170 questions have been dealt with and published).

## Derivative instruments

In a difficult economic and financial scenario such as the one which has characterized recent years, enterprises have had and continue to face, on a day-to-day basis, the variations in the cost of money and the volatility in exchange rate fluctuations between the euro and the other currencies. It is for this reason that enterprises are increasingly resorting to financial instruments to hedge against interest rate and exchange rate risks - the so-called “derivatives”.

Sanpaolo IMI’s offer with regard to derivatives is characterized by a proactive yet prudent approach, given the nature of these products which may also turn into higher risk instruments. Firstly, derivatives are offered to



customers with adequate rating and financial know how. Secondly, thanks to the in-depth knowledge of customers and the ongoing trend analysis, the Bank’s central structures in charge of the service and the Corporate Branches provide a careful support to the customers’ needs to operate in these financial instruments. Evidence that this stringent approach is effective is provided by the fact that less than a dozen complaints were received with regard to derivatives in 2004, a negligible number if compared to the total number of derivative transactions completed in the year (equal to 0.07%). Given the importance of the subject and the likely negative impact of a poor management in offering such products, a policy on derivatives is being developed to codify the rules of conduct to support the managers involved.



# People

## VALUES

### Creation of value

#### Value in detail

We pay attention to people and value their skills and experience because they are the key factors for generating sustainable competitive benefits and, therefore, creating value.

### Customer orientation

We pay the highest attention to all Staff members, who represent “internal customers”, providing them with support and information so that they can perform their best.

### Integrity

We want to constantly express behaviors, actions and decisions oriented toward impartiality, honesty, ethics and social responsibility.

### Commitment to excellence

We cultivate drive and innovation by following operational procedures aligned to best practices and consistent with the needs of the business; we develop a sense of responsibility through forecasted objectives while paying attention to future implications.

### Growth in observance of specific qualities

It is our intention to develop a harmonious and integrated social system within the company which, while valuing individual identity and professional skills, is a trigger for development.

### Responsibility in the use of resources

We seek efficiency and the responsible participation of staff and pay attention to each source of cost to ensure future growth.



### Composition of personnel

The Group, on 31 December 2004, included 42,738 employees, of which 35,475 in the Commercial Banks and 7,263 in the other Group structures.

Compared with the end of 2003, there has been a net reduction in the Group's staff of 727 resources (-1.7%). The initiative of staff leaving incentives continued throughout 2004, having been launched in the previous year with the activation of the Fund for staff in the banking industry, enabling the realization of rationalization and integration operations at Group level and the creation of spaces in the distribution structure for the hire of new staff, thus making an important investment for growth and future development.

#### SANPAOLO IMI GROUP

	Men			Women			Total		
	2003	2004	Change	2003	2004	Change	2003	2004	Change
Executive	761	699	-8.1%	60	74	+23.3%	821	773	-5.8%
Managers	10,078	9,498	-5.8%	3,711	3,886	+4.7%	13,789	13,384	-2.9%
Professional areas	13,216	12,417	-6.0%	15,639	16,164	+3.4%	28,855	28,581	-1.0%
<b>TOTAL</b>	<b>24,055</b>	<b>22,614</b>	<b>-6.0%</b>	<b>19,410</b>	<b>20,124</b>	<b>+3.7%</b>	<b>43,465</b>	<b>42,738</b>	<b>-1.7%</b>

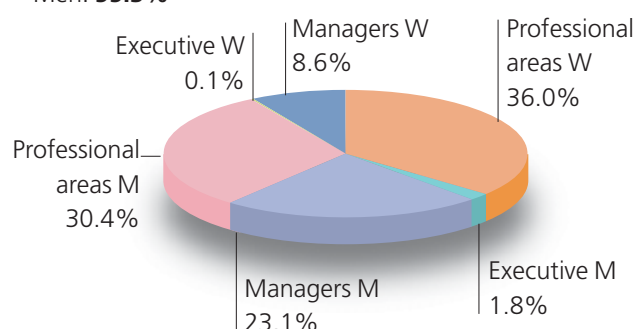
#### of which COMMERCIAL BANKS

	Men			Women			Total		
	2003	2004	Change	2003	2004	Change	2003	2004	Change
Executive	561	496	-11.6%	33	43	+30.3%	594	539	-9.3%
Managers	8,663	8,035	-7.2%	3,093	3,219	+4.1%	11,756	11,254	-4.3%
Professional areas	10,988	10,340	-5.9%	12,849	13,342	+3.8%	23,837	23,682	-0.7%
<b>TOTAL</b>	<b>20,212</b>	<b>18,871</b>	<b>-6.6%</b>	<b>15,975</b>	<b>16,604</b>	<b>+3.9%</b>	<b>36,187</b>	<b>35,475</b>	<b>-2.0%</b>

#### PERCENTAGE BREAKDOWN OF GROUP PERSONNEL

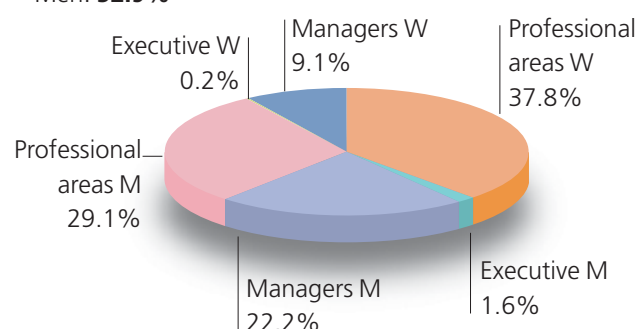
2003

Women: **44.7%**  
Men: **55.3%**



2004

Women: **47.1%**  
Men: **52.9%**



**CONTRACTUAL CATEGORY**

	Men			Women			Total		
	num.	%	Change 04/03	num.	%	Change 04/03	num.	%	Change 04/03
Open-end contracts	21,970	51.4	-7.1%	18,873	44.2	+0.5%	40,843	95.6	-3.8%
Closed-end contracts	582	1.4	+131.9%	1,173	2.7	+172.2%	1,755	4.1	+157.3%
Apprenticeships	62	0.1	-58.1%	78	0.2	-59.8%	140	0.3	-59.1%
<b>TOTAL</b>	<b>22,614</b>	<b>52.9</b>	<b>-6.0%</b>	<b>20,124</b>	<b>47.1</b>	<b>3.7%</b>	<b>42,738</b>	<b>100.0</b>	<b>-1.7%</b>

**EDUCATION**

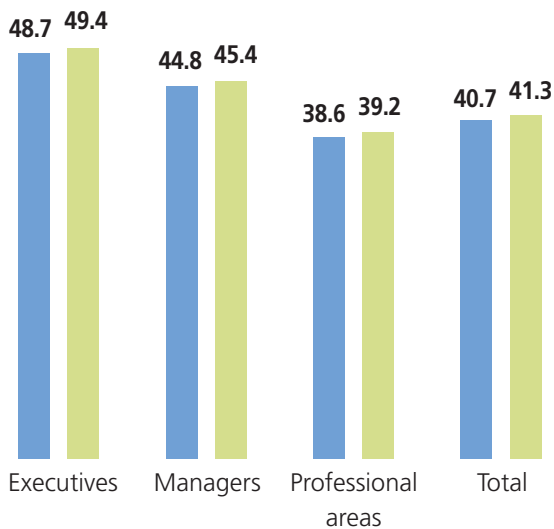
	Men			Women			Total		
	num.	%	Change 04/03	num.	%	Change 04/03	num.	%	Change 04/03
University degree	5,953	26.5%	-0.3%	5,593	28.0%	+14.5%	11,546	27.2%	+6.4%
Secondary school	14,321	63.7%	-8.5%	12,819	64.1%	-0.7%	27,140	63.9%	-5.0%
Other	2,192	9.8%	-3.8%	1,584	7.9%	+6.1%	3,776	8.9%	+0.1%

**AVERAGE AGE**

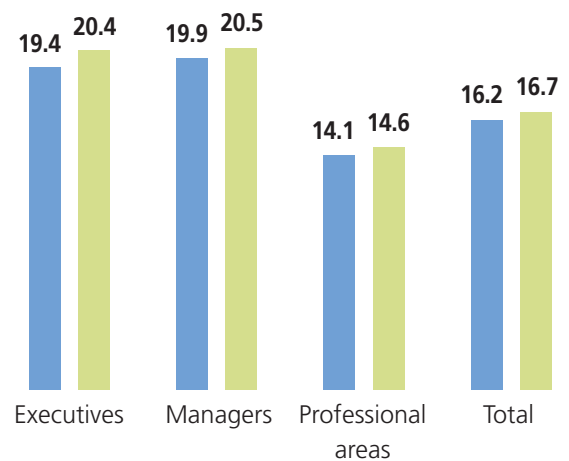
(Sanpaolo IMI Group\*)

■ 2004

■ 2003

**AVERAGE SENIORITY**

(Sanpaolo IMI Group\*)



\* The Sanpaolo IMI figures are only related to contracts in Italy



# People

## OBJECTIVES FOR 2004

Continuation of actions to improve efficiency, searching for every space to decrease the influence of costs.

## ACTIONS TAKEN AND RESULTS ACHIEVED

- ✓ 3% reduction of the average staff of the Commercial Banks, following measures to improve staff efficiency, pursued through the staff leaving incentives launched during the previous year with the activation of the Fund for staff in the banking industry.
- ✓ Repositioning of the mix by contractual category in favor of professional areas, especially following the hire of new staff (+0.5 percentage points in the Group and +0.9 percentage points in the Commercial Banks).

Development of selected innovative tools to manage and govern human resources, consistent with the business needs, and gradual extension to the Group Companies of the systems and related tools for the development of personnel defined by the Parent Bank, taking account of the specific nature of the company businesses.

- ✓ Completion of the integration of the staff IT system for the Commercial Banks
- ✓ Extension to all the Group's Commercial Banks of the system of identification of high growth potential resources ("promising employees") and the relative initiatives for developing skills
- ✓ Start on the design of a web-based environment to develop managerial skills for executives
- ✓ Completion of the IT development related to the system for the "evaluation of the contribution of Human Assets to creating value", the aim of which is to allow:
  - Management of Resources, Personnel and Organization to address the activities of pertinence and influence the value creation process;
  - the operating line and Management Control to obtain further evaluation elements for the definition, realization and control of business plans;
  - Top Management to have a periodical "management reporting" system on the value of Human Capital for guiding the main value creation factors.

Activation, for Group executives, of the system for "measuring competencies" and the "management review" system.

- ✓ Activation of the system of competencies for executives.

Consolidation of the training activities consistent with individual development needs, sectorial plans and company development plans.

- ✓ Increase in training days during working hours (+26% on 2003 and +40% on 2002) and the per-capita average of training hours (+29% on 2003 and +50% on 2002).

Extension to all those who are part of the "communities of promising resources", of initiatives to strengthen their personal capacities.

- ✓ Increase in the number of resources belonging to the communities of promising employees: + 1,827 people (from 2,714 to 4,541), with a consequent increase in the number of editions of the initiatives (+ 87) and relative classroom days (+ 794).

## OBJECTIVES FOR 2004

Continuation of the retributive flexibility policy, preferring differentiated payment systems for key segments of population and using all the total reward levers.

As regards safety and security, the extension to the North East Banks of the internal regulations and security management procedures has been scheduled, with particular focus on the self-instruction training course on "robbery risk". The following are also planned:

- 1) updating of the contents of the on line training courses with the introduction of the new evaluations on the risk from passive smoking and robbery risk to the whole Group;
- 2) completion of the radon gas monitoring campaign related to the fall-winter half year;
- 3) computerization of the Maintenance Register, carried out in the branches to guarantee the health and safety of the working environments and the functioning of safety and prevention devices.

## ACTIONS TAKEN AND RESULTS ACHIEVED

- ✓ Standardization and extension to all the different structures of the Commercial Banks of the Group incentive model.
- ✓ Increase in the percentage incidence of the variable compensation component on fixed and global compensation.

- ✓ The Security management procedures were extended during 2004 to the operating points of the North East Banks. The "robbery risk" evaluation system was also extended to these operating points.
- ✓ The self-instruction training course on "Robbery Risk" was carried out internally during the year, available online for all Group personnel during the first quarter of 2005.
  - 1) The update was made.
  - 2) The radon gas monitoring program continued and the relative figures are currently being processed.
  - 3) An application was developed on the Intranet to allow operating point emergency staff to fill in the check cards of the fire prevention services and escape routes. The replacement of the monitors in the older armored branches was also completed and this initiative will be extended to the North East commercial banks in 2005.



## Turnover

Actions to improve efficiency continued throughout 2004, consistently with the indications of the industrial plan, aimed at resizing the personnel, containing the cost of labor and generational change.

The use of the “Income, employment and re-training fund for staff in the banking industry” was terminated on 31 December 2004. The Fund, activated during the previous year, allowed a reduction in personnel, particularly in the structures subject to efficiency actions, and the introduction of new personnel, especially in the branches.

In the Commercial Banks in particular, 2,935 terminations (of which 2,175 using staff leaving incentive plans - Fund for staff in the banking industry and retirement incentives) were contrasted by the hiring of 2,153 people.

The turnover index, considered as the ratio between the employees leaving (excluding pensions and deaths) during 2004 and the total employees at the end of 2003, was 2.0% for the Commercial Banks.

Following these actions, in the Commercial Banks:

- average age and average company seniority have fallen by about six months in all contractual categories. The average age in the Group (40.7 in 2004) is lower than that registered by the major banks (43.4 in 2003 according to the ABI Report 2004 on the labor market in the financial industry);
- almost all hires are represented by the professional areas;
- women represent 61% of the hires and 25% of terminations;
- an increase of two percentage points in graduates (25%) was registered, with a high incidence of graduate people among newly employed staff (61%, up more than 12 percentage points compared with the previous year), consistently with the policy to safeguard the value of investing in new human resources, paying attention not only to the cost variable, but also to the verification of the professional level of resources in contributing to creating value. The Group has, in fact, a higher percentage of graduates than the system (27.2% in 2004 compared with a system figure of 22.6% in 2003, according to the ABI Report 2004 on the labor market in the financial industry).

### 2004 HIRES AND TERMINATIONS

(Commercial Banks )

By contractual category	New hires					Terminations				
	Men		Women		Total	Men		Women		Total
Executives	7	100.0%	0	0.0%	7	118	98.3%	2	1.7%	120
Managers	56	78.9%	15	21.1%	71	1,071	86.2%	171	13.8%	1,242
Professional areas	769	37.1%	1,306	62.9%	2,075	1,013	64.4%	560	35.6%	1,573
<b>TOTAL</b>	<b>832</b>	<b>38.6%</b>	<b>1,321</b>	<b>61.4%</b>	<b>2,153</b>	<b>2,202</b>	<b>75.0%</b>	<b>733</b>	<b>25.0%</b>	<b>2,935</b>
<b>By contractual type</b>										
Open-end contracts	205	57.4%	152	42.6%	357	2,013	79.8%	510	20.2%	2,523
Closed-end contracts	627	34.9%	1,169	65.1%	1,796	184	45.4%	221	54.6%	405
Apprenticeships	0	-	0	-	0	5	71.4%	2	28.6%	7
<b>TOTAL</b>	<b>832</b>	<b>38.6%</b>	<b>1,321</b>	<b>61.4%</b>	<b>2,153</b>	<b>2,202</b>	<b>75.0%</b>	<b>733</b>	<b>25.0%</b>	<b>2,935</b>

## Career evolution, equal opportunities and reconciling home/work

### Career evolution

The Group policy adopted with regard to professional development is also strengthened by career dynamics based on the merit-based principle. This principle is expressed through the individual recognition of three factors: "skills possessed, performance results, growth potential".

Career advances within the Commercial Banks during 2004 regarded more than 3,000 people. 68% of the interventions are made up of promotions within the professional areas and nominations to managers (with a substantial equality between men and women).

### FIXED GROSS COMPENSATION 2004\*

(Sanpaolo IMI and Sanpaolo Banco di Napoli)

	Average per category	Men	Women
Executives	108,480	109,530	97,360
Managers	46,360	47,970	42,420
Professional areas	29,850	31,260	28,710

\* Average data

### INCIDENCE OF VARIABLE COMPONENT

(Sanpaolo IMI and Sanpaolo Banco di Napoli)

	of Gross A.C.*			of Global A.C.**		
	Men	Women	Total	Men	Women	Total
Executives	36.1%	35.3%	36.1%	25.4%	25.5%	25.4%
Managers	16.2%	15.0%	15.9%	13.6%	12.8%	13.4%
Professional areas	10.5%	10.6%	10.5%	9.3%	9.4%	9.4%

\* Gross Annual Compensation (the fixed compensation component)

\*\*Global Annual Compensation (the sum of the fixed and variable compensation components)

### PROMOTIONS 2004

(Commercial Banks)

	Men	Women	Total
To Executive	45	11	56
Within the Management category	659	263	922
Non-management to Manager	407	292	699
Within professional areas	628	718	1,346
<b>TOTAL</b>	<b>1,739</b>	<b>1,284</b>	<b>3,023</b>
<i>% of total promotions</i>	<i>57.5%</i>	<i>42.5%</i>	<i>100.0%</i>
<i>% promotions of total human resources</i>	<i>9.2%</i>	<i>7.7%</i>	<i>8.5%</i>

### Flexibility and compensation efficacy

The average compensation data by contractual category are substantially in line with the average of the system, as shown by the comparison with the compensation survey carried out by the ABI in 2004.

The different compensation between men and women, with regard to average compensation, originates principally from the higher incidence of part time contracts in women and lower duration in service compared with that of men.

The variable compensation is superior to the system average. This phenomenon is due to an internal compensation policy aimed at an ever greater involvement of people in achieving the company and Group aims, also favoring greater flexibility in the total cost component. The incidence of the variable part of the compensation grows with the growth of the responsibilities assigned for the achievement of the objectives.

### Equal opportunities and reconciling home/work

The Bank's commitment has always been addressed toward the actual achievement of the objectives of equal opportunities for working women, the introduction of the disabled into the working environments and the defense of minorities.

The female presence in the Group is of 20,124 human resources, equaling 47.1% of the whole personnel, an incidence somewhat superior to the average of the major Italian banks (37.3% in 2003, according to the ABI Report 2004 on the labor market in the financial industry). Women in the managerial personnel category are 3,960 (3,886

managers and 74 executives), they registered a sustained growth in 2004 (+5.0%, with a 23.3% increase for the "executives" category alone) and constitute 9.3% of the total work force of the Group, with a higher percentage incidence in specialized sectors. The percentage of female graduates in the Group (28%) is higher than the male percentage by 1.5 percentage points.

The Group has 3,228 women in part-time employment (16% of the female presence) and they represent 95% of the total part-time human resources. The percentage of women in part-time employment in the Commercial Banks rises to 17.6% of the total women.

### PART-TIME

	Men		Women		Total	
	num.	Part time on total	num.	Part time on total	num.	Part time on total
Sanpaolo IMI Group	189	0.8%	3,228	16.0%	3,417	8.0%
of which Commercial Banks	163	0.9%	2,920	17.6%	3,083	8.7%



## Investment in training

Training activities, created and carried out in accordance with the needs for individual development, with sectorial needs and with company development plans, were developed along three macro axes, continuing and perfecting the planning and didactic set-up of previous years.

- development of specialized know-how,
- support for organizational and commercial development,
- support for policies and actions for the management and development of key resources and management.

2004 was characterized by:

- an extensive training plan to support the procedural and organizational integration of the North East Banks (with 51,000 training days issued to support the integration of IT systems);
- the dissemination of the same training platform to all the Group's Commercial Banks, enabled by the standardization of the distribution and organizational models;
- a further increase in the training days and the average number of per capita training hours, a trend in constant development in the last five year period.

Furthermore, specific support training was aimed at 546 people involved in professional re-training programs, of which 387 already gained reallocation in branches in 2004.

### TRAINING

(Commercial Banks)

	2003	2004	Change 04-03	Change 04-02
Days training (in working hours)	192,556	242,506	+26%	+40%
Average training hours per capita	40.2	51.7	+29%	+50%
Days training (out of working hours)	3,449	41,000		

### DIVISION BY CONTRACTUAL CATEGORY

(Commercial Banks)

	Executives	Managers	Professional areas	Total
Training days	2,938	87,093	152,475	242,506
%	1.2%	35.9%	62.9%	100.0%

The other main Group companies operating in Italy (excluding the Banca Fideuram Group) delivered 9,000 more training days.

The training activities are developed through several training channels:

- internal training. For this type, in addition to the use of qualified independent trainers, more than 800 people from the Group were involved as

### DIVISION OF COURSES INTO WORKING HOURS BY TYPE

(Commercial Banks)

Internal	E-Learning	Language	Intercompany (external)
70%	27%	1%	2%

“internal teachers”, plus a significant number of tutors for on the job training activities;

- distance training through an e-learning platform (called Campus Sanpaolo) which has been completely revised to serve a population of more than 35,000 people;
- intercompany specialized training courses, organized and held outside the company.

## Management by community

2004 was characterized by the increase in the number of members of the communities of people who represent the relevant population segments of the Group (“newly hired employees” – first 24 months with the company; “promising young employees” – human resources aged 32 and under; “promising employees” – human resources aged 33 and over – and executives) in relation to application in all the Commercial Banks of the management systems and methods for identifying such resources. As of 31 December 2004 the consistency of the “communities” of the Group’s Commercial Banks is of 4,541 human resources, with a growth of 1,827 units compared with the previous year.

The management integration process activated in 2004 in the Commercial Banks generated greater involvement of the people in the “newly hired employees” community, as many of them had not taken part in the initiatives of pertinence in the previous two-year period.

On the contrary, the decrease in the editions and participations

in programs for the “executives” community is attributable to the considerable acceleration of the policies and programs for infra company integration activated in the previous year towards this category. Consequently 2004 was characterized by a “return to normality in the programs”, also activating a new program (Leadership workshop) directed at executives recently introduced into the community, aimed at consolidating a managerial culture addressed toward the vision, strategies and values of the Group.

Also with regard to executives, the system for measuring management competencies was activated, involving 35 people in the first part of the program.

As regards the other population segments (“promising young employees” and “promising employees”), the management of which represents the main instrument for governing managerial needs, also in the medium term, there are no substantial changes in terms of number of initiatives and human resources involved compared with the previous year.

### PEOPLE OF THE COMMUNITIES

(Commercial Banks)

Segment	characteristics	2003	2004	%of staff	absolute var. 2004
New hires	first 24 months with Company	1,149	2,793	7.9%	1,644
Promising young	Under age 32	516	530	1.5%	14
Promising employees	Over age 32	455	679	1.9%	224
Executives		594	539	1.5%	-55
<b>Total</b>		<b>2,714</b>	<b>4,541</b>	<b>12.8%</b>	<b>1,827</b>

### EDITIONS AND PARTICIPATION IN PROGRAMS DEDICATED TO PEOPLE IN COMMUNITY

	2003			2004		
	n° edition	people	days/class	n° edition	people	days/class
Programs for new employees	82	1,020	1,020	134	1,692	1,692
Programs for promising young	46	490	970	41	446	988
Programs for promising employees	28	184	782	23	221	987
Programs for Executives	13	156	1,248	10	108	558
Other trasversal programs				39	494	589
<b>TOTAL</b>	<b>160</b>	<b>1,850</b>	<b>4,020</b>	<b>247</b>	<b>2,961</b>	<b>4,814</b>

## Industrial relations

In Sanpaolo IMI all the rights guaranteed to employees by the legal systems of western countries are fully and unconditionally implemented.

### Relations with Trade Unions

The rate of unionization is approximately 78%, in line with the national averages of the sector. During 2004 a total of 14 days of strike at provincial, regional or national level was proclaimed. The absences which involved the whole Group were related to negotiations for the renewal of the national labor contract or fell within the global context of general strikes which were not linked with problems specific to the sector; local agitation was related to general employment problems in individual territorial areas. In conjunction with the adoption of a single

organizational model for all the Commercial Banks, the regulations of employer/employee relations are gradually being standardized. Interventions to rationalize and reduce personnel involved use of the ordinary and extraordinary instruments envisaged by the sector, prioritizing the voluntary aspect.

### Labor litigation

The labor litigation underway with Commercial Bank employees at the end of 2004 is comprised of 206 cases, while there are 107 disciplinary provisions (corresponding to 0.3% of personnel).

### Protected categories

In the Commercial Banks 2,594 people, 7.3% of the total personnel, belong to protected categories (invalids, disabled, etc.).

## LABOR LAW CONTENTIOUS ACTION UNDERWAY WITH EMPLOYEES

Litigation type	Litigation number
Termination of working relationship	5
Constitution and performance of working relationship	48
Duties and qualifications	77
Pensions and health-care	5
Remuneration	50
Behaviors in contrast with trade unions pursuant to art. 28	5
Active (taken for various reasons by the Group Banks against their own employees)	4
Various	12
<b>TOTAL</b>	<b>206</b>

## DISCIPLINARY MEASURE

Disciplinary measure type	Embezzlement misappropriation managed money	Irregularities in disbursement and management	Irregularities in investments management	Operational irregularities and behaviors and malpractice	Total
Written blame and reprimand (spoken or written)	-	13	2	29	<b>44</b>
Reduction of remuneration (up to 4 hours)	-	-	-	11	<b>11</b>
Suspension from the office with interruption of remuneration (from 1 to 10 days)	-	8	3	20	<b>31</b>
Dismissal for cause	7	5	-	9	<b>21</b>
<b>Total of disciplinary measures</b>	<b>7</b>	<b>26</b>	<b>5</b>	<b>69</b>	<b>107</b>



## Health-care, pensions and benefits for employees

Sanpaolo IMI integrated negotiation provisions offer personnel much better protection and guarantees than those provided for by law and the national labor contract. In greater detail:

- diverse forms of company contribution in favor of personnel have been envisaged: a supplementary pension fund, supported by company contributions of 3% of the base salary; assistance fund for personnel on pension and in service, also extendable to the family, with a user basin of about 85,000 beneficiaries; insurance policies for professional and private injury; assignment of scholarships and graduation awards to employees and their children attending junior or senior high school or university courses; an annual provision for the employee's husband or wife and each child for which the employee is fiscally responsible, who suffers from serious physical or mental disability;
- a vast range of lending facilitations has been set up in favor of personnel (including facilitated loans for disabled employees);
- there is a Company Recreation Club, which operates directly and/or through structures located throughout Italy. In addition to a vast range of conventions, the Club offers nationally disseminated activities (e.g.: travel conventions, summer camps for the children of employees; children's summer camps, with play and sporting activities, inclusive of daily transport service, aimed at children aged 6 to 14) and locally-based activities (e.g.: social trips and visits to exhibitions and museums);
- the complete new regulation regarding hours of leave to assist children, serious infirmities and justified personal reasons has been extended, improving the situation on the whole with regard to the similar provisions pursuant to law 53/2000 and D. Lgs 151/2001;
- in the event of death of an employee during service, the company regulation intervenes in favor of the husband or wife and children, envisaging the possibility of hiring them.

## Internal communication

To improve the quality of internal communication, a training plan aimed at 4,000 people within the Group (branch directors and head office managers) was drawn up during 2004, addressed at:

- improving the capacity to manage communication tools and processes, promptly and effectively;
- favoring the dissemination of company values, translating them into behaviors and actions;
- improving knowledge of strategies and plans from which products, services and customer relations ensue;
- motivating cooperators, making them fully aware of the activities consistent with the role held.

The course began full-scale operation at the beginning of 2005.

Five conventions to support the integration of the North East Banks were held in 2004. The conventions were focused on the aspects most directly linked with the integration and on the promotion and dissemination of common business values.

In 2004 about forty Internal Communication reporters were identified in all the Territorial Areas, Banks and Companies of the Group, with the aim of guaranteeing the correct operation of the internal communication system at territorial level and in specialized contexts. On the one hand they perform the function of listening to needs and exploiting the various specific aspects, and on the other, they support the dissemination of Group plans, policies and values.

As regards communication tools, the Internal communication Portal (Green Village) was enhanced with new service functionalities and new thematic sections (“730 on line”, “Public Bodies and Companies”, “Incentive Systems”, “Investor Relations”, “Clear deals”, “Torino 2006” and “Organizational Structures”) and its usability was extended, with the processes of IT migration, to all the Group’s Commercial Banks. Average daily logons increased from 6,000 in 2003 to more than 20,000 at the end of 2004.





## Safety

### Prevention and Protection Service

The Prevention and Protection Service (SPP) is composed of resources allocated both at the Safety Office, and at the Technical Structure (Central and Territorial). The SPP is present on the territory in which the Group operates, uses internal company experts as well as external advisors and collaborates with the Security Representatives for Workers – also distributed within the various territorial areas - and with the Supervisory Bodies.

The Safety Office has the objective of overseeing and finding solutions to problems related to workstation ergonomics, exposure to microclimates and environmental factors and handling emergencies.

### INJURIES

(Commercial Banks)	2003	2004	Change
Number of injuries	388	376	- 3%
Frequency of injuries*	1.67	1.61	-4%
Level of injury**	0.04	0.05	+25%

\*Ratio between injuries and the number of working days in the year  
 \*\*Ratio between injuries and the number of working days absence.

There are plans to extend the internal regulations and operating procedures on the matter of prevention and protection to all the Group's Commercial Banks. In particular, the following are underway:

- the updating of risk assessment in all operating points;
- the nomination of emergency staff (fire prevention and first aid);
- the extension of information and training courses on safety to all the people who work for the Group.

### Radon gas monitoring

The radon gas monitoring program continued in 2004. Radon gas emits radioactive particles and its concentration in the air, beyond certain limits, can create a risk factor for human health. Radon gas spreads through the air from the ground and penetrates buildings through cracks and small holes in the cellars and semi-basement floors. The monitoring program has been extended to all the Group's operating points with basement floors: the figures are currently being processed and during the year, in conjunction with the qualified expert for ionized rations, to be legally nominated, corrective technical measures will be taken where necessary.

Contrasto



## Security

The Operational Security Unit is entrusted with identifying and implementing the most appropriate security measures to offer adequate protection against physical risks ensuing from fraudulent facts to which employees and customers may be exposed during ordinary activity.

A considerable commitment continues to be aimed at overseeing the robbery risk to which the branches are exposed. The internal procedure to analyze the problem, which allows to measure interventions to strengthen security measures for

branch protection, was extended in 2004 to the operating points of the North East Banks. The internal self-instruction training course on the “Robbery Risk” was also carried out, available online for all Group personnel during the first quarter of 2005.

A general increase in bank robberies was registered during 2004. As regards Sanpaolo IMI, the increase in the number of robberies and thefts is attributable to the higher presence of branches in areas where the crime rate is higher.

### ROBBERIES

	No. of robberies			No. of robberies/100 branches		
	2003	2004	Change	2003	2004	Change
Sanpaolo IMI (Commercial Banks)	230	263	+14%	7.8	8.7	+12%
System	2,427	2,684	+11%	8.0	8.7	+9%

ROBBERY: crime committed by person taking possession of cash or mobile goods from the rightful holder by violence or threat.

### THEFTS

	No. of thefts			No. of thefts/100 branches		
	2003	2004	Change	2003	2004	Change
Sanpaolo IMI (Commercial Banks)	18	30	+67%	0.6	1.0	+67%
System	272	245	-10%	0.9	0.8	-11%

THEFT: taking possession of mobile goods from the rightful holder without threat.



# Shareholders

VALUE

## Creation of value

### Value in detail

We intend to guarantee, in the medium and long term, an adequate return on the capital invested by shareholders whether by dividend distribution or by increasing the market value of the shares on the Stock Exchange.

## Customer orientation

We believe that attending the interest of our customers in the best possible way is a pre-eminent condition for the growth of the Group and for the appreciation of the shareholders' capital.

## Integrity

We must ensure that the Group's business is constantly conducted in accordance with the principles of honesty, fairness and transparency.

## Commitment to excellence

We set ambitious profitability and performance goals, in line with the best European levels, developing a sense of responsibility in each member in the pursuit of this objective.

## Growth in observance of specific qualities

We want to treat every single shareholder with the same respect and consideration we reserve to large investors.

## Responsibility in the use of resources

We are well aware of the fact that the Bank's capital is made up of the resources of our shareholders and that it is our foremost duty to use them with respect, as their future depends on our care and attention.

Sanpaolo IMI is listed on both the Italian and the New York Stock Exchange (in the latter one as American Depositary Shares (ADS), the ratio being 2 ordinary shares/1 ADS) and thanks to its size it can be included in the most important European indexes.

Sanpaolo IMI's share capital amounts to 5,217,679,140.80 euro fully paid, and is divided into 1,475,122,818 registered ordinary shares and 388,334,018 preference shares.

The preference shares held by Compagnia di San Paolo, Fondazione Cassa di Risparmio di Padova e Rovigo and by Fondazione Cassa di Risparmio in Bologna have the right to vote only at Extraordinary Meetings and enjoy a 'privilege' which consists in:

- a pre-emptive right in the event of capital repayment;
- the right to receive a share of reported net profits equal to 5% of the nominal value of the shares;
- the right to accumulate uncollected dividends with those matured in the following two fiscal years.

The first eleven shareholders own, based on currently

available information, 44.0% of the ordinary shares and 55.7% of the total share capital of Sanpaolo IMI.

The following shareholder agreements are currently in force:

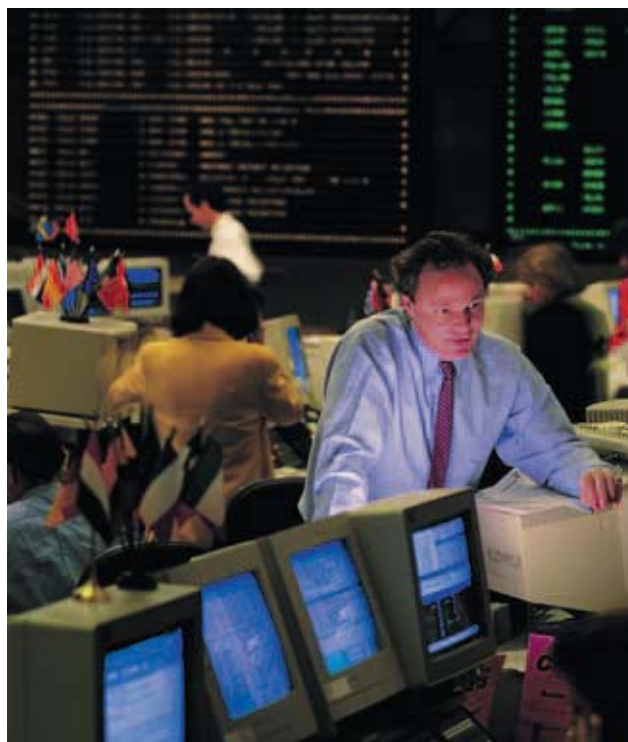
- a Convention, known as "Patto di unità d'intenti" (Unity of Intent Agreement), signed on 19 April 2004 between Compagnia di San Paolo, Fondazione Cassa di Risparmio di Padova e Rovigo and Fondazione Cassa di Risparmio in Bologna; this agreement involves 14.73% of the ordinary share capital;
- an "Agreement", finalized on 21 April 2004 by the aforesaid Fondazioni, Banco Santander Central Hispano S.A. and Italia Holding S.A. (Groupe Caisse d'Epargne), which will automatically expire 15 days before the first call of the Bank's Shareholders' Meeting held to approve the 2006 Financial statements. In total, 27.35% of the ordinary share capital is bound.

According to the abovementioned Agreements, the parties have agreed to consult each other about the status of their respective interests and to refrain from dealing in the bank's shares as well as the rights attached thereto.

#### MAIN SHAREHOLDERS (percent)

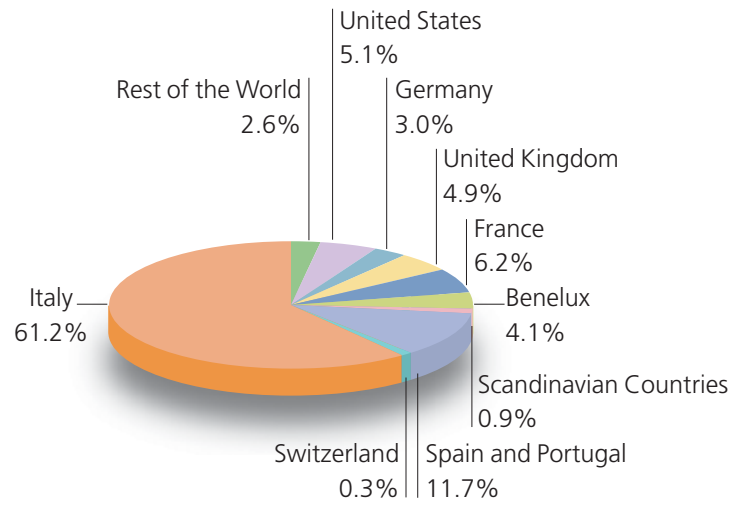
	% of share capital	
	Total (1,863,456,836 shares)	Ordinary (1,475,122,818 shares)
Compagnia di San Paolo	14.3	7.4
Fondazione CR Padova e Rovigo	10.6	4.3
Santander Central Hispano	8.5	10.7
Fondazione CR Bologna	7.6	3.1
Giovanni Agnelli & C.	4.9	6.3
Mediobanca	1.9	2.5
Fondazione Cariplo	1.7	2.2
Società Reale Mutua Assicurazioni	1.5	1.9
Groupe Caisse d'Epargne	1.5	1.9
Ente Cassa di Risparmio di Firenze	1.5	1.9
Fondazione di Venezia	1.5	1.9

As of 31/03/2005



On the basis of the Shareholders' Register and of the information available, the shareholders of Sanpaolo IMI are approximately 240,000. Natural persons represent more than 98% of total shareholders, whereas about 90% of the ordinary share capital is held by legal persons. From the geographical point of view, 61% of the ordinary share capital is held by Italian shareholders, the remaining 39% is held mainly in Europe (31%) and in the USA (5%).

**GEOGRAPHICAL DISTRIBUTION OF ORDINARY SHARE CAPITAL**



## Shareholders' Meeting

<b>Functions</b>	A body which voices shareholders will and represents a privileged opportunity for directors and shareholders to exchange opinions.
<b>Meetings convened in 2004 and points on the agenda</b>	<p>29 April 2004 (Ordinary):</p> <ol style="list-style-type: none"> <li>1. approval of the 2003 Financial Statements,</li> <li>2. appointment of the Board of Directors and the Chairman for the years 2004/2005/2006,</li> <li>3. appointment of the independent auditors for the years 2004/2005/2006,</li> <li>4. authorization to purchase and sell own shares;</li> <li>5. appointment of a Supplementary Auditor pursuant to Art. no. 2401 of the Italian Civil Code</li> </ol> <p>30 June 2004 (Extraordinary):</p> <ol style="list-style-type: none"> <li>1. amendments to the Articles of Association,</li> <li>2. partial spin off of Banca Fideuram, as part of the project for the reorganization of the insurance pole.</li> </ol>
<b>Attendance</b>	Attendance at the meeting of 29 April was 51.8% of the ordinary share capital, whereas at the meeting held on 30 June it was 55.3% of total share capital. To encourage attendance, the shareholders are no longer required to deposit their shares before the meetings are held. In addition, the shareholders can appoint a proxy to exercise their rights (proxy voting).
<b>Voting system</b>	Each share gives the right to one vote. Preference shares give no right to vote at Ordinary Meetings.

# Shareholders

## OBJECTIVES FOR 2004

Pursuing the objectives defined in the 2003-2005 Strategic Plan, according to the lines set out therein.

The following, in particular have been confirmed:

- 1) ROE expected to increase to 15% in 2005;
- 2) reduction in Cost/Income to 55% in 2005.

## ACTIONS TAKEN AND RESULTS ACHIEVED

- ✓ During the year, more actions were taken to rationalize the Group and strengthen its distribution ability as illustrated on page 17.
- ✓ The objectives will be revised, once the new three-year plan is ready, on the basis of the new underlying assumptions.

Maintaining a corporate governance model according to the market best practices. In particular, in terms of disclosure and transparency, the Group intends to provide its shareholders with preliminary reports about the discussions which will take place at the meetings as well as the voting results after the Meeting is held.

- ✓ The Group requested Standard & Poor's to evaluate its Corporate Governance model and the rating company expressed a positive opinion and assigned a score of 7/10.
- ✓ The Shareholders' Meeting section of the Group website has been improved by adding the documents presented at the meeting and the returns of the voting.

As regards the communication with investors, the next steps entail:

- 1) maintaining the international profile of the Group's shareholders, through events similar to those carried out in 2003, yet increasing effectiveness through better prior identification of investors (investor targeting),
- 2) continuous development of the interactive aspects of the website, especially those relating to the relations with retail investors.

- ✓ The number of events was constant, concentrating attention on the effectiveness of meetings through investor targeting activities.
- ✓ An electronic form has been added on the website to enable any interested party to request a copy of Sanpaolo IMI's annual report by post: the targets of the initiative are retail investors and in the first six months 274 requests have been received and dealt with.

## Credit rating

Sanpaolo IMI's rating is the proof of the good quality of the Bank's assets and sound financial ratios, the constant profitability of its traditional activity and the positive growth prospects connected with the Group's consolidation. In September, Fitch Ratings raised the individual rating of Sanpaolo IMI from B/C to B, confirming the ratings of the short and long term debt. In December, Standard & Poor's raised its outlook on Sanpaolo IMI's rating from stable to positive, reiterating the good valuation of the company and underlining its improved profitability achieved with an unchanged risk profile.

### DEBT RATING

Fitch	
Short-term debt	F1+
Medium to long-term debt (Senior)	AA-
Moody's Investor Service	
Short-term debt	P-1
Medium to long-term debt (Senior)	Aa3
Standard & Poor's	
Short-term debt	A-1
Medium to long-term debt (Senior)	A+

## Inclusion in ethical indexes

Ethical indexes are characterized by the selection criteria used to pick the securities which comprise the indexes. The securities making up the indexes are selected not only for their financial performance but, above all, for their corporate social responsibility. They are an important reference point for asset managers, whether their policy is to replicate the index or to adopt stock picking strategies using the index as a benchmark. Sanpaolo IMI is included in some of the main European ethical indexes:



Contrasto

Name	Provider	Country	Date of launch	Date Sanpaolo IMI was included	Notes
FTSE4Good	Eiris	UK	July 2001	March 2002	Inclusion confirmed also thanks to the expressed commitment to attain the ISO 14001 environmental certification
ASPI Eurozone	Vigeo	F	July 2001	June 2004	It is the first time that an Italian bank has been included in this index which comprises 120 European companies and represents the benchmark for the French SRI market.
Ethical Index Euro	E.Capital Partners	I	May 2002	May 2002	It includes 150 highly-capitalized companies selected on the basis of 'positive and negative' screening and of 'best in class' approach.

## Performance of the security in 2004 and dividend policy

In 2004, the price of the Sanpaolo IMI shares was positive - reporting an absolute increase of 2.5% - despite the performance was lower than the MIB bancario and the European banking index (DJ Euro Stoxx Bank). In the first months of 2005 the share price maintained a positive trend, registering a 14% increase since the beginning of the year (data as of 31/3/2005).

This year Sanpaolo IMI will distribute a dividend of € 0.47 to its shareholders, a 21% increase compared to the previous year.

	2003	2004
Dividend per share	0.39 €	0.47 €
Pay out ratio	74%	63%
Dividend yield	4.78%	4.78%

## Relations with the investors and the market

The Investor Relations department guarantees continuity, fairness and transparency of financial communication with the shareholders. The financial community - analysts, institutional investors and rating agencies - is kept abreast of Group activities, strategies and results through the Group's constantly updated website and direct contacts, in accordance with the rules relating to the disclosure of price sensitive information.

During 2004 external communication activity consisted in:

- 194 meetings with institutional investors (a total of more than 250 investors were met) with 54% attendance by management and top management;
- 16 road shows in Europe, during which investors were met in 22 different market places;
- 6 banking conferences, organized by the main international brokers;
- 3 meetings with rating agencies (attended by the Managing Director and the managers of the main business areas) and 6 conference calls on specific topics;
- 4 conference calls (each followed, on average, by approximately 100 people) to illustrate the periodic results of the Group;
- 2 seminars (Milan and London), aimed at bank analysts, to examine in depth the new European accounting standards (IFRS);
- 16 meetings with financial analysts, with management attending in 62% of the cases.

In 2004, the Investor Relations department continued to perform a proactive control on the communication initiatives aimed at the main European SRI investors.

In March, a road show was organized in France to meet a group of 8 major SRI investors.

In the last few months the IR Department has filled out 15 questionnaires received from investors, research companies and SRI analysts: the objective of such activity is to clearly depict Sanpaolo IMI's position with regard to Corporate Social Responsibility and to improve the Group's profile towards these investors.

Two particularly interesting initiatives are worthy of notice as they prove Sanpaolo IMI's willingness to confront the market and the stakeholders. The first initiative relates to the decision to engage Standard & Poor's to assign a rating to the Group's Corporate Governance, as this factor is becoming increasingly important for the choices made by institutional investors and in order to improve the relationships with all of the Bank's stakeholders. In July 2004, Standard & Poor's gave Sanpaolo IMI a Corporate Governance score of 7 on a scale of 1 to 10, which reflects the current valuation of the corporate governance processes by S&P in the light of international best practice. Sanpaolo IMI is the first Italian company asking for an independent valuation and making it publicly known.

The second initiative relates to the request for a social rating made to Avanzi SRI Research. After performing a strengths & weakness analysis which involved the main departments of the Bank, another analysis concerning the stakeholders was carried out to verify the level of satisfaction and the degree of transparency shown by the company towards them. The result of the analysis was an overall score of 65.9 out of 100 which will be the starting point to improve the Bank's relations with its stakeholders and, in particular, it will be a useful reference for the relationships with the SRI community.





## Values

### Creation of value

#### Value in detail

We want to play a responsible leading role in order to actively contribute to supporting and developing the country's economy.

### Customer orientation

We see the territory as a network of relations to serve with a spirit of service.

### Integrity

We want to take the concept of business citizenship and translate it into concrete behavior, guaranteeing maximum transparency of our action.

### Commitment to excellence

One of our most ambitious aims is to become market leader in financial services for the territory.

### Growth in observance of specific qualities

We intend to combine the dimension of an international group with territorial roots, exploiting local cultures and facilitating access to credit and basic financial services, even to marginal subjects and economies to encourage greater participation in economic and civil life.

### Responsibility in the use of resources

We devote maximum attention to the direct and indirect social consequences of the actions we perform or finance.



Gettyimages

# Community

## OBJECTIVES FOR 2004

Activation of other Consultative Committees on the local economy.

Preparation of a policy for the disbursements made by Sanpaolo IMI and Sanpaolo Banco di Napoli

Promotion of other micro-credit initiatives participated in by the Group Banks

Promotion and participation in closed-end funds by Banca OPI (through FIN.OPI), to enable private investors, including institutional investors, to embark on public-private partnership initiatives (PPP)

## ACTIONS TAKEN AND RESULTS ACHIEVED

✓ The Calabrian-Lucanian Consultative Committee was set up in October 2004

✓ The policy was prepared and adopted by both Group Banks

✓ Thanks to the promotional activities, at the beginning of 2005 a new initiative was launched in the province of Venice in collaboration with the Fondazione Venezia. The multiplier on the guarantee fund for the project created by Compagnia di San Paolo has been doubled, allowing the funds available for the microcredit to be doubled.

✓ In the context of a far-reaching relationship for cooperation with the Henderson Group, FIN.OPI is participating in the Henderson PFI Secondary Fund L.P. which invests in the risk capital of licensee companies involved in PPP projects already operating in Europe. FIN.OPI is also promoting among its institutional investors a fund aimed at developing PPP in Italy which is expected to be launched in 2005.

## The contribution to the stakeholder community

The London Benchmarking Group (LBG) model, that represents an important reference point at European level in social-environmental reporting, has been used to represent the contribution of the Group to the community in which it operates. This model identifies the contributions to the community, represented by a pyramid divided into 4 categories: at the base of the pyramid are those activities belonging mainly to the company's core business, therefore, in the case of a financial institution, loans and advisory services aimed at promoting local economies and at supporting the territory, while at the top are those activities less connected to banking, such as liberal disbursements (donations).



PhotoDisc

### Donations

- Disbursements for 2.3 million euro, of which around 17% are for social benefits.

### Investments in the community

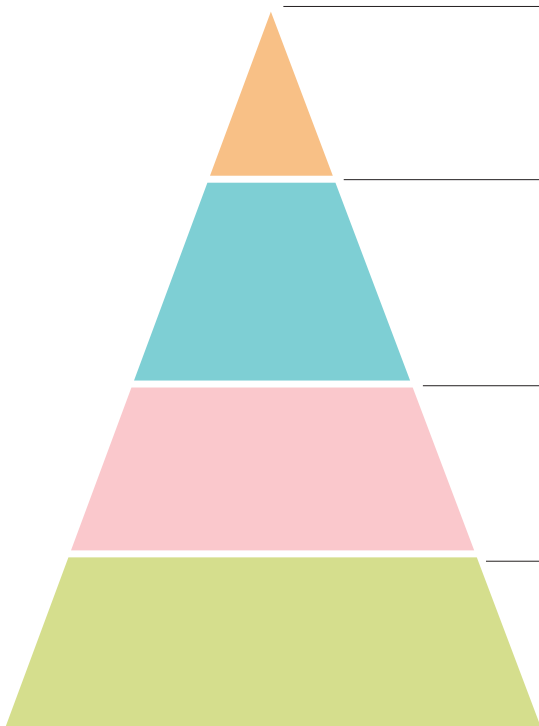
- Projects to encourage disadvantaged categories access to the bank: partnership in the Compagnia di San Paolo micro-credit project (credit line of 2 million euro, of which 1.6 for loans) and basic banking services.
- Immigrants: payment services and multi-ethnic point

### Commercial initiatives within the community

- Total sponsorship of 28.7 million euro: focus on the 2006 Winter Olympics project
- Collaboration projects, also operative, with non profit organizations

### Business basics

- Credit line of 250 million euro for the companies' R&S
- Banca OPI: 2.1 billion euro of loans for important social and environment projects
- FIN.OPI: investments in infrastructure projects, in local service companies and in environment projects for over 68 million euro



## Donations

During 2004 donations made by Group Banks within their respective territories, totaled 2.3 million euro, each of relatively modest amount.

The intense activity in social, cultural and artistic fields, carried out by Foundations present in the Sanpaolo IMI shareholding should also be remembered: Foundations from which the Groups' Banks originate and which carry out important supporting activities within their historical territory. Donations to organizations operating in the field of education and research, which in the LBG model may also be classified as investments for the community, amount to 570,000 euro.

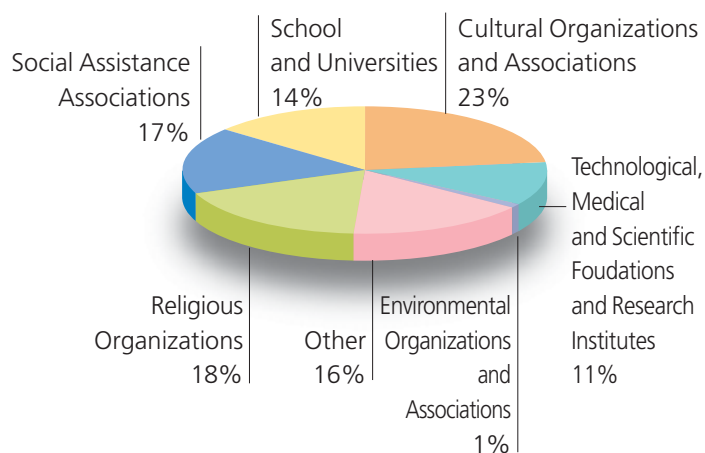
During 2004 Sanpaolo IMI and Sanpaolo Banco di Napoli developed and adopted a policy for making donations. On one side such policy disciplines the methods of dividing and attributing the donations

within the various territories. On the other side, it provides a guideline for selecting the beneficiaries of donations and the criteria relating to specific projects, identifying a principle of rotation. Lastly, it introduces mechanisms for approval, reporting and control, with particular attention to important operations.

In order to make management and monitoring of donations easier and on the basis of the needs for subsequent reporting of such donations (by way of the annual Social Report), an appropriate IT system has been developed that will be effective from the beginning of 2005.

In 2004 Sanpaolo IMI also donated to non profit organizations 749 personal computers and 33 disused printers (being equipment no longer adequate for the advanced standards of technology used by the Bank, but still useful for individual IT activities).

## DONATIONS BY TYPE OF RECEIVER



PhotoDisc

## EMERGENCY IN ASIA

The Sanpaolo IMI Group intervened to help the populations affected by the tsunami, which devastated South East Asia on 26 December 2004, by offering direct financial support and by raising funds.

A few days after the catastrophic event, the Group allocated 250,000 euro toward specific initiatives in collaboration with humanitarian and local religious organizations, for immediate needs and for the reconstruction of permanent buildings. With respect to permanent buildings, particular attention has been dedicated to a Salesian project concerning the rebuilding of two schools (elementary and secondary) in Takuapa, Thailand, which will accommodate around 350 children. The Group also promoted fund raising in collaboration with some organizations involved in providing emergency aid, by making available its network of branches and offering current accounts free of commissions, costs and charges for currency exchange for the collection of funds in favor of the victims of the catastrophe. The current accounts referred to Fondazione La Stampa – Specchio dei Tempi (the leading local newspaper), the Italian Red Cross, Caritas, VIS (International Voluntary Organization for Development) and IOM (International Organization for Migration). At the beginning of March the funds raised in these accounts totaled around 3.5 million euro.

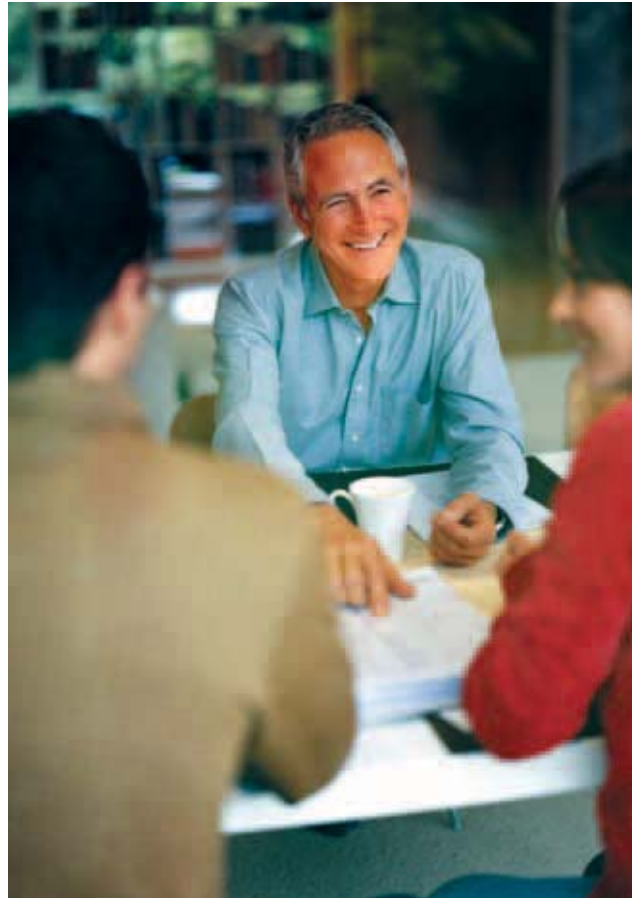
**Investments in the community**

**The Social Micro-credit project**

Compagnia di San Paolo, together with the Sanpaolo IMI Group set up the Social Micro-credit project in October 2003, the objective of which is to make it possible to grant loans (for a minimum of 1,000 euro up to 20,000 euro for individuals and up to 35,000 euro for cooperatives or partnerships) to those with difficulty in gaining access to financing, with the aim of encouraging employment or the development of business activities. The project is active in 4 areas: in the Archdiocese of Turin and in the provinces of Genoa, Rome and Naples. Given their geographical coverage, Sanpaolo and Sanpaolo Banco di Napoli are participating in the project as operating partners, offering loans at facilitated conditions (interest rate of EuroIRS + 0.50%). The innovative model adopted for this project is represented by a virtuous triangular partnership



scheme in which each participant has precise roles and responsibilities.



Contrasto

Makes available 2,085,000 euro, of which 1,600,000 for funds to guarantee loans and the balance for managing operations, monitoring and communications

**Compagnia di San Paolo Promoter**

**Sanpaolo IMI Group operating Partner**

- Sanpaolo
- Sanpaolo Banco di Napoli

Complete the application and issue loans applying special low rates. Commencing from 2005 they shall undertake a portion of the credit risk, doubling the line of credit provided by the agreement

**4 no profit Organizations**

- Fondazione Don Mario Operti emanazione dell'Arcidiocesi di Torino
- Fondazione Antiusura Santa Maria del Soccorso (Genova)
- Fondazione Risorsa Donna (Roma)
- Fondazione San Giuseppe Moscati (Napoli)

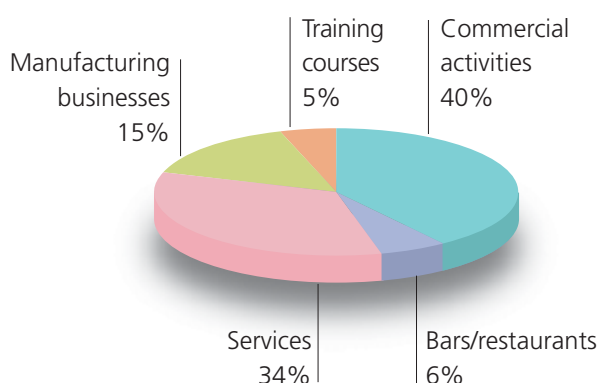
They follow the applications and accompany the applicants in the drawing up the project. In 2004 each entity had a plafond of 400,000 euro.

### Activities carried out in 2004

The figures for 2004 show that the project has already been widely and positively acknowledged: the four organizations received more than 420 requests, 91 of which have already been granted loans. The total amount loaned has reached almost 70% of the funds allocated and stands at around 1.1 million euro. The loans which have, to date, defaulted on the payment of three consecutive installments represent 6.5% of the total amount of loans granted.

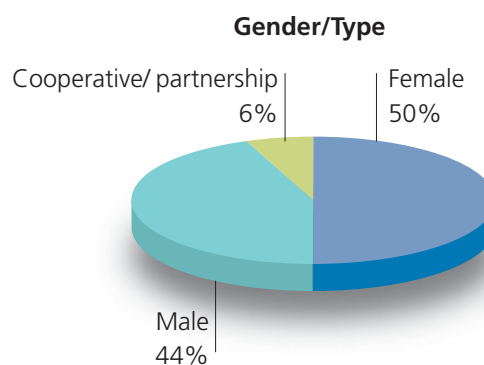
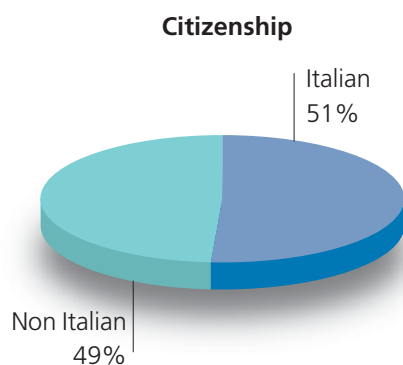
The projects financed are extremely diverse, consisting of mainly commercial businesses, while applicants are split equally in respect of type and citizenship.

### PROJECTS FINANCED BY ECONOMIC AREA



In light of the specific needs across the territory and their status, the non profit organizations, operating autonomously, have applied different principles and methods, by making use of voluntary workers with appropriate experience in the banking or industrial sectors. The Fondazione Don Mario Operti, originating in the Archdiocese of Turin (which absorbed the activities of the Ufficio Pastorale Sociale e del Lavoro) makes use of voluntary contributions from the Associazione San Paolo per la Solidarietà, a group of ex-executives and ex-directors of Sanpaolo IMI (already committed, in the past, to a project aimed at preventing usury, in collaboration with the Compagnia and the Bank), and from the Fondazione Volontariato e Lavoro (Vela), which mainly groups ex-directors of the FIAT Group. On the other hand, the Fondazione S. Maria del Soccorso makes use of collaboration from Caritas Centers and from GASU – Gruppo Aziendale Solidarietà Umana San Paolo – whose members include current and retired Sanpaolo IMI employees. In Rome the Fondazione Risorsa Donna, which identified a specific target for the initiative, consisting solely of immigrant women, makes use of a network of Associations, which function as vehicles and an initial filter: the applications for loans can be sent to the Fondazione only by way of the above Associations, which must be entities accredited by the Fondazione itself. In order to promote responsibility, the beneficiaries of the loan are required to participate toward the total cost of the project, by paying between 5 and 10%. The Fondazione San Giuseppe Moscati in Naples also chose to favor those applicants prepared to participate with their own funds to cover the total cost.

### CHARACTERISTICS OF BENEFICIARIES OF LOANS



*Latest developments*

The encouraging results confirm the central role of microcredit in modern day society and the importance of an organizational model which, with deep roots in its reference territory, facilitates dialogue between the parties. By virtue of the results achieved to date and the social value of the initiative, the Sanpaolo IMI Group has accepted the requests made by other partners to the initiative to undertake a portion of the credit risk, doubling the multiplier provided by the agreement, currently equal to one (the project initially provided for a multiplier of one, which would allow a volume of commitments approved by the Banks equal and not higher than the total amount of the guarantee reserves). This will result in the possibility to provide loans for up to double the amount of the guarantee reserve and to accept the increasing number of applications for microcredit, whilst the reimbursement of the capital gradually replenishes the guarantee reserves.

At the beginning of 2005, the “triangular” organizational model on which the Social Microcredit is based, was also implemented by Cassa di Risparmio di Venezia, thereby widening the microcredit activities within the Sanpaolo IMI Group.

The agreement signed by the parties on 21 February 2005, provides for Fondazione Venezia to release 200,000 euro as contribution to the local non profit organization “Terre in Valigia Servizi”. This sum is destined to set up a guarantee fund with Cassa di Risparmio di Venezia, who is an operating partner on the project and who, as such, will control the applications for loans selected by the organization. Cassa di Risparmio di Venezia will then, where conditions are met, grant subsidized microcredit loans. This initiative, which is especially aimed at immigrant women, confirms once again the validity and importance of an organizational model with deep roots in its reference territory and is a good start towards its widespread use.

Furthermore, with regard to promoting the microcredit initiative internationally, Sanpaolo IMI has edited the Italian version of the website of Planet Finance, the NGO international network supporting micro finance.

**Migrant Banking**

To the Bank, relationships with immigrants are becoming important from the point of view of not only developing business, but also of the Bank's social role in the integration process of immigrants. The Sanpaolo IMI Group's migrant banking initiatives are inspired by the principle of equal opportunities with Italian citizens and can be grouped into four main areas: microcredit (as revealed above, 48% of the recipients of the credit project are not Italian citizens), a foreign transfer service through agreements with Banks in the countries of origin of the immigrant population, dedicated reception areas in branches (Multiethnic Points) and the employment of immigrant staff.

As far as the foreign transfer service is concerned, all the operating points of the Commercial Banks belonging to the Group started this service in 2004, called GETMONEY TO FAMILY. Within this context, agreements were signed in 2004 with foreign financial institutions outside of the EU (in particular Morocco – Banque Marocaine du Commerce Exterieur, Bulgaria – DSK Bank, Mali – Banque De l'Habitat du Mali, Peru – Banco Continental, Rumania – Sanpaolo Imi Bank Romania), with the aim of increasing the number of countries in which such service is available, to cover all the geographical areas with significant immigrant flows to Italy.

The aim of the agreements is to offer immigrants a service to transfer funds at competitive prices and in a limited timescale.

In June 2004 the first Multiethnic Point was opened in Turin, a reception area within the branches especially for foreign citizens and which not only has commercial value but also aims to provide support in terms of social and economic integration. For the success of this initiative the Bank collaborated with Public Institutions, cultural intermediaries and with “The Gate”, an association active in immigration issues with the local authorities. Employed in the branch are consultants with knowledge of Arabic, Chinese, French and English. The aim of the multiethnic point is to act as a transition, given that, by achieving the objective for integration, it is expected that foreign customers will gradually make use of the standard branch counters.

This experience was repeated at the end of March 2005 in a branch in Padua of Cassa di Risparmio di Padova e Rovigo. This branch, the customers of

which are currently for 35% - 40% composed by immigrants, employs English, French and Chinese speaking personnel. Other two initiatives are being defined in collaboration with Cassa di Risparmio di Padova and Rovigo, with the Padua Council's Office for Social Services, for first time mortgages to be granted to immigrants under particular conditions and for job grants (of 30,000 euro) for unaccompanied under-age foreigners. Lastly, in collaboration with the women's intercultural center Almamater, Sanpaolo repeated a project already realized in 2001, aimed at integrating immigrant women within the workforce. Ten people participated to the training course, five of whom were employed.





### Basic banking service

Benefit Start, a basic banking service, was launched in February 2004. This product was created within the scope of the PattiChiari (Clear Deal) initiative promoted by ABI (Italian Bankers' Association), with the aim of approaching customers without current accounts by offering a package of instruments and services at low costs, in order to satisfy basic banking and financial needs.

This account was initially made available to Sanpaolo and Sanpaolo Banco di Napoli customers and, given its success (over a period of 10 months more than 5,500 accounts were opened) it was subsequently extended to the other Commercial Banks of the Group.

Furthermore, agreements were drawn up with some associations (such as ANFFAS, Associazione Nazionale Famiglie di Fanciulli e Adulti Subnormali, ANDI, Associazione Nazionale Disabili Italiana, the Unione Nazionale Ciechi, some international adoption associations, Amici di Don Bosco and Amici dei Bambini) which offer the associates subsidized personal loans.

Agreements were also drawn up with some Institutions committed in the fight against usury, with the aim of providing loans to individuals identified and guaranteed by the Institutions themselves.

### Commercial initiatives within the community

Among the commercial initiatives for the community are included sponsorships and collaboration with non profit organizations whose aims are to provide social benefits, assistance and research.

#### Sponsorship

During 2004 sponsorship activities towards different kind of events and promoted both at central level and at territorial structure level, in the perspective of constant attention to local realities, continued.

Sponsorships performed by the Commercial Banks in 2004 totaled 28.7 million euro. More than half of this amount were aimed at supporting sporting events, referring in particular to the commitment of Sanpaolo IMI as the Principal Sponsor of the Turin 2006 XX Winter Olympics, (that will be held from 10 to 26 February 2006), as well as the IX edition of the Winter Para-Olympics for disabled athletes (to be held from 10 to 19 March 2006). The Group's involvement is consistent with the choice to support projects and initiatives able to generate new growth and fully complies with the universal values of commitment, dedication, professionalism, dynamism, competitiveness and solidarity, values also shared by the Olympics.

The event will be supported through an articulated program comprising commercial and advertising campaigns, with the dual purpose of exploiting the role of Olympic Sponsor across all customer segments and toward the general public and by contributing to promoting the event in the period prior to its start.

Among other things, at the end of 2004 all the Italian retail branches of the Group's Banks, in agreement with TOROC (the Olympic Games Organization Committee), provided customers and non-customers a Ticketing service which, in its initial stage, consists of booking tickets for the Olympic events. At this stage, a total of around 14,500 tickets for a value in the region of 1.8 million euro were booked through the branches.

Sanpaolo IMI's role as Principal Sponsor of the Olympic Games has also included that of Sponsor to the Italian Olympic and Para-Olympic Teams at the Athens 2004 Olympics. An advertising campaign was realized for this purpose, centered on the values of the Games and on supporting the Italian athletes; particular emphasis was placed on the Para-Olympic sports. Sanpaolo IMI has also contributed to the Casa Torino, the seat of the Italian Teams at the Athens Para-Olympic Games.

At the beginning of June 2004, Sanpaolo IMI also contributed toward the realization of the Para-Olympic Day held in Turin in the presence of numerous Para-Olympic athletes from the different disciplines.



### Collaboration with non profit organizations for social initiatives

The various Group companies collaborate on a number of initiatives with bodies operating in social, artistic, cultural, scientific and sporting fields. Some of these are expressions of the origins of the diverse local areas in which they operate, whereas others are international. Within the second category is the collaboration with the United Nations High Commission for Refugees (UNHCR), which provides international protection and material assistance to refugees and follows long-term solutions to ease their dramatic conditions. The support (made possible by making donations with Automatic Bank Tellers - ATMs) and the widespread campaign for the project resulted in Sanpaolo and Sanpaolo Banco di Napoli gathering donations for around 208,000 euro in 2004. Furthermore, in 2004 Sanpaolo IMI renewed the invitation to its customers to support the UNICEF projects in favor of children at Christmas, through the purchase of greeting cards and small gift items (this initiative collected around 562,000 euro).

### Business basics

The Sanpaolo IMI Group believes its commitment to promoting local economies to be a priority, and takes care to pursue the growth of competition of the Italian system over the long-term and to support the public sector. Widespread confirmation has been met with regard to the first instance in the sector dedicated to businesses and, for example, is evident in the availability of a line of credit and the presence of technical consultants for research and development. Within the public sector, the Group operates through Banca OPI, the specially dedicated Group company (providing finance and advisory services), focused especially on infrastructures, and through its subsidiary FIN.OPI (which acts as investor with direct capital).



During 2004 Banca OPI pursued its strong commitment to become reference stakeholder to local and territorial Bodies, Regions, Provinces and Councils of all sizes, as well as to Public Service Management and Businesses operating within the territory. In this respect, Banca OPI has strengthened its activity to support the economic and social development of Southern Italy, which began in 2003 with the opening of the Naples head office. Banca OPI has become a primary reference point in Southern Italy, through the significant financial resources and projects channeled in favor of both large and small investments in infrastructures across the territory. Also worth noting is the advice given by Banca OPI to a number of local Bodies for restructuring debts. During 2004 Banca OPI channeled financing of 1,390 million euro toward Southern Italy and the Islands, equal to around 29% of the total across Italy, excluding multi-regional loans. Among the main initiatives in favor of Southern Italy is the start up of the "Mezzogiorno Tirrenico" (Campania Region) and "Sud-Orientale" (Apulia and Basilicata Regions) Foundations in collaboration with local industrial unions and chambers of commerce, to support research and feasibility studies on infrastructures and integrated territorial systems ("Structures for promoting projects").

In 2004 loans granted for developing social-environmental projects within the territory reached almost 30% of the total (2.1 billion euro on a total of 7.2 billion euro), remaining substantially in line with the previous year.

The most significant portion of loans granted in 2004 by Banca OPI referred to the urban transport, urban

redevelopment, social construction and the Salerno-Reggio Calabria highway, for a total of 1,139 million euro. The other important projects financed referred to safeguarding and developing the territory and, especially, supporting decontamination consortia (222 million euro), renovating infrastructure damaged by natural disasters (276 million euro) and services strictly related to the environment (integrated recycling of waste and water, for 165 million euro). In addition to financing, in 2004 Banca OPI continued its financial advisory

services aimed at developing infrastructure projects for the territory against investments totaling 4.2 billion euro. Within these projects, the most significant portion referred to the transport and logistic sectors and the management of water resources and waste, for which advisory services concerned investments totaling more than 3,253 million euro. Among the sectors in which Banca OPI performed its advisory services it is worth noting those concerning parking, social construction and urban redevelopment, where the single value of the numerous

projects is more limited, totaling around 967 million euro. During 2004 Banca OPI worked considerably on advising on the realization of integrated systems for recycling solid urban waste and the purification of water in certain regions of Southern Italy characterized by environmental emergency situations: detail of these activities is given in the Environmental Report. The same section also shows the initiatives to support renewable sources of energy.

**LOANS GRANTED IN 2004**

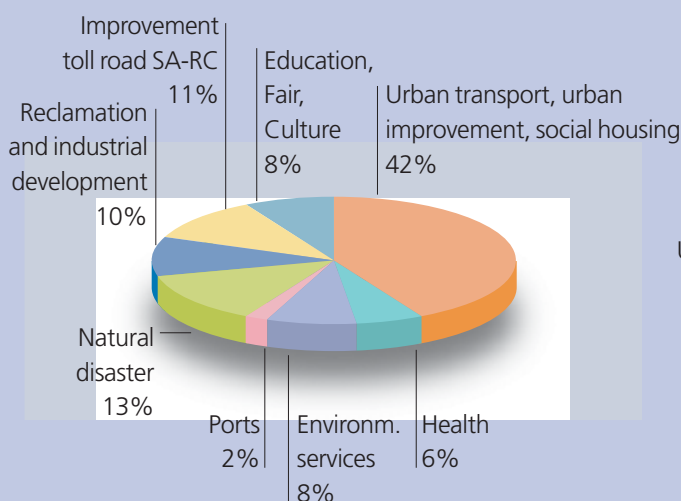
	Amount (euro/mil)	%
Piedmont	1,238	25.5
Rest of North	1,355	27.9
Center	875	18.0
South and Islands	1,390	28.6
<b>Total by Area</b>	<b>4,859</b>	<b>100.0</b>
Multi-regional	2,065	
Abroad	238	
<b>Total</b>	<b>7,162</b>	

**Turin-Lyon**

It is worth noting the monitoring of the development of the High Speed/High Capacity Turin-Lyon rail link, which is part of the Lyon-Triest-Lubiana-Kiev Corridor 5 project and a fundamental element for reducing pollution by road transport. This project, which has already seen the advance of the consensual procedures with the approval of the Preliminary Project on both the Italian and French sides, is also proceeding from a legal-financial point of view, with the publication in January 2005 of the tender bids for the selection of a group of advisors by Lyon Turin Railway (LTF), for which Banca OPI will participate with IXIS CIB.

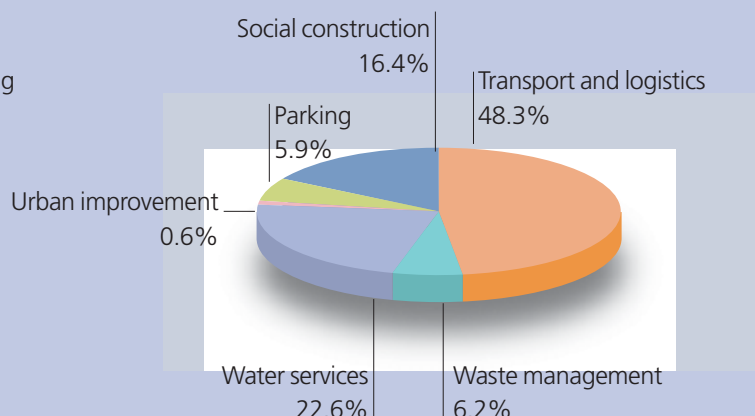
**SOCIAL AND ENVIRONMENTAL FINANCING**

(% total amount: 2.1 billion euro)



**DESTINATION OF INVESTMENTS OBJECT OF CONSULTANCY**

(Total investments 4.2 billion euro)



# FIN.OPI

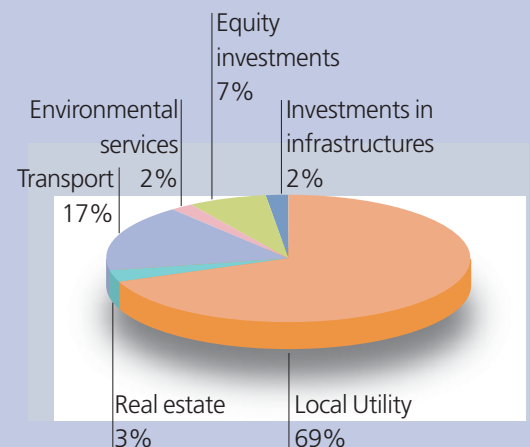
Within the Sanpaolo IMI Group, the role of FIN.OPI (a Banca OPI subsidiary) is that of equity investor in the public sector. The investments in capital risk are realized with both direct purchase of shares and with the setting up of specialized closed-end funds subscribed by third parties. The main sectors in which FIN.OPI participates are:

**1. Projects to develop infrastructure managed by public-private partnerships (PPP).** In this context FIN.OPI participates in the Henderson PFI Secondary Fund L.P. which invests in the risk capital of licensee companies involved in PPP projects already operating in Europe. FIN.OPI is also promoting to its institutional investors a fund aimed at developing PPP in Italy which is expected to be launched some time in 2005.

**2. Local public service companies** In this context, the investment portfolio of FIN.OPI includes shareholdings in AEM Torino S.p.A. (primary private shareholder with a 4.93% stake), in Hera S.p.A. (1%) an Emilian multi-utility company, and in AMA International S.p.A. (around 15%) a company involved in grants for projects and the management of the integrated collection, transportation and disposal of domestic and industrial waste in countries outside of Europe.

**3. Initiatives relating to the environment** In order to operate at its best in a complex and innovative environment, often lacking in adequate sources of finance, FIN.OPI has established a unit based in Milan, specialized in analyzing and financing projects in the field of the environment.

Within the scope of the Kyoto protocol, this unit has collaborated in the structuring of an investment fund promoted by Caisse des Dépôts et Consignations, specialized in trading of shares of pollution emissions. In 2004 new FIN.OPI investments totaled around 20 million euro. At year-end the portfolio held 10 shareholding investments for a total value of 68.4 million euro, subdivided into the following areas of business:



**S I N L O C**

Sistema Iniziative Locali S.p.A.

Banca OPI also holds, with FIN.OPI, a shareholding in SINLOC - Sistema Iniziative Locali S.p.A., an equity financing and advisory service whose activities are focused on local development and initiatives to re-launch the territory - also in agreement with the shareholders of banking Foundations and other institutions. By proposing to bring together public and private interests in

respect of efficiency and profitability, SINLOC offers local bodies and businesses operating in public utilities financial, technical and legal advice in the following specific sectors:

- local public transport and infrastructure for the territory;
- urban redevelopment aimed at recovering run-down or disused areas;

- residential and specialized social buildings (health and university residences).
- The main projects followed by SINLOC in 2004 under the profile of advisory activities referred to recovery and redevelopment for the public and social services at Monfalcone (the former Albergo Impiegati), Bologna (the Nuova Cittadella Giudiziaria complex), Padua (Houses for S. Massimo Hospital) and Rivoli (Villa Mater).

## Research and exchanges with the community

The exchange and sharing activities with the territory are the basis of local roots and allow the Group to adapt its activities according to the different local needs. In the first place these are carried out by those people that work in the Group whilst performing their daily duties. Furthermore, specific bodies for advice and research on the territory have been set up (the Committees on local economies and Associations for Study and Research in Southern Italy); thank to their location and objectives, they are the proof of the attention the Group pays to the South of Italy. The media play an important part in the exchange and communication process with the community.

### Consultative committees on the local economy

The Consultative Committees on the local economy are instruments aimed at developing the knowledge of the economy of the reference territory and the trends in the evolution of the demand for and offer of financial services for businesses and retail customers. They take advantage of the professionalism and experience of local prominent personalities in entrepreneurial, cultural and professional fields and work in collaboration with the Bank's Territorial Direction. At the end of 2004 there were two Committees: one established in October to cover the Calabrian-Lucanian area and the other set up in 2003 to cover Apulia. Following the first presentation meeting, meetings are held on issues of interest proposed by the members of the Committee itself (the second meeting with the Committee for Apulia focused on the issue of Research and Development).

### The Association of Studies and Research for Southern Italy

The Association of Studies and Research for Southern Italy ([www.srmezzogiorno.it](http://www.srmezzogiorno.it)), composed of Sanpaolo IMI Group companies and Foundations connected to it, completed in 2004 a number of researches and organized various conferences and seminars related to the following areas of research:

1. infrastructure (such as research on coastal motorways and a conference on the southern water system);



2. territorial public bodies and local public service agencies (focusing on, in particular, public finance in Southern Italy) ;
3. dynamics and structure of the productive activities within Southern Italy and the policies for development in the territory (such as research in the agricultural/food sector in Southern Italy);
4. solidarity and the world of non profit organizations.

The Association also publishes some journals (the Economic Review, the European Union Dossier and Southern Italy Focus – a quarterly report on regional economies) and broadcasts the results of its Observatory on project finance in the South. In the context of cultural activity within the territory, monthly meetings of the Focus Group are also held at the headquarters of the Association. The principal research and study centers from the Campania region participate in these meetings.

## Media Relations

The interlocutor with the media is the External Relations office, which is responsible for providing information on the activities, strategic choices, reorganization processes and the economic results on the basis of criteria of transparency, precision, clarity and punctuality. The External Relations office also holds the role of supporting different Group companies in those relations with the media which are not directly managed by the Parent Bank. To ensure the quality of information provided to both the media and the financial community, this activity is carried out in full observance of current regulations in respect of the dissemination on the markets of price sensitive information.

External communications include press releases, press conferences and meetings with journalists, interviews granted by top management and official announcements. The institutional activity is accompanied by constant work to support journalists, who are punctually and exhaustively supplied with documents about the activities and products of the Group: this way the journalists' work is made easier and, as far as possible, it is unlikely for incorrect information to be published about the Group.

Another efficient instrument for external communication is the Group's website ([www.grupposanpaoloimi.com](http://www.grupposanpaoloimi.com)): in 2004 the "Media Relations" section was redesigned by way of a series of analyses and links (the financial statements, agenda, shareholders, etc.), the aim of which is to render it easier to research and consult important information about the Group. Within the website it is possible to research all press releases dating from 2000, which are classified by year and by subject. It is also possible to subscribe to a mailing list to receive press releases and to download directly photographs of the top management and of the branches of the Group.

During 2004 the External Relations official communication activity was expressed through the following operations:



Contrasto

<b>Press releases</b>	<b>84</b>
of which related to the periodic results of the Group	5
of which to the composition of the Board of Directors and the Appointment of the General Manager	3
of which related to the reorganization of the Group's activities	5
<b>Press conferences and meetings</b>	<b>19</b>
of which related to the presentation of the new Assicurazioni Internazionali di Previdenza	1
<b>Interviews</b>	<b>18</b>
<b>Official announcements</b>	<b>84</b>

### The artistic heritage

The Sanpaolo IMI Group boasts a particularly prestigious artistic heritage. In managing its collections it aims not only at their safekeeping and exploitation, but also at making them available for public viewing on appropriate occasions, in order to widen knowledge and enjoyment by specialists, enthusiasts and ordinary citizens: one of these occasions is “Invito a Palazzo” (Invite to the Palace), an initiative promoted by ABI (Italian Bankers’ Association) which, in 2004, took place on 2 October and at which Sanpaolo IMI took part yet again. This initiative offers the public the occasion to visit, free of charge, some historical palaces of particular artistic and cultural importance and which are otherwise difficult to admire since they are buildings in which the Bank normally performs its business. Within the Sanpaolo IMI Group, 18 buildings (palaces and branches) in 16 different cities were opened to the public and visited by around 12,600 people (an increase of 51% of visitors when compared to last year’s edition).

Remaining within the context of the enjoyment of the Group’s artistic heritage also by the public, is the series of monographs dedicated to it. Each Christmas Sanpaolo IMI produces a monograph on various artistic themes and in 2003 it inaugurated a series dedicated to the Group’s artistic heritage: after the publication in 2003 of the Parent Bank’s heritage, 2004 was the turn of that of Sanpaolo Banco di Napoli. The choice of the works of art, the editing and coordination of the content of the volume was assigned to the Artistic Director of the Borghese Gallery.







# Suppliers

## VALUES

### Creation of value

#### Value in detail

We want to establish an efficient system of relationships with our commercial partners and external collaborators that allows translation into a common perspective of growth and economic benefit.

### Customer orientation

We choose our partners on the basis of the quality level that they are able to guarantee, privileging those that can ensure the greatest effectiveness and reliability to us and our customers.

### Integrity

We base our relationships with suppliers on principles of reciprocal transparency and fairness, ensuring that the work of our external collaborators follows the same criteria of integrity and honesty to which we aspire.

### Commitment to excellence

We choose our suppliers on the basis of performance levels and supplied guarantees, seeking more innovative and reciprocally profitable solutions through their collaboration.

### Growth in observance of specific qualities

We maintain supplier relationships across the country while valuing the socio-cultural context of each region as much as possible and respecting the negotiating needs of each stakeholder.

### Responsibility in the use of resources

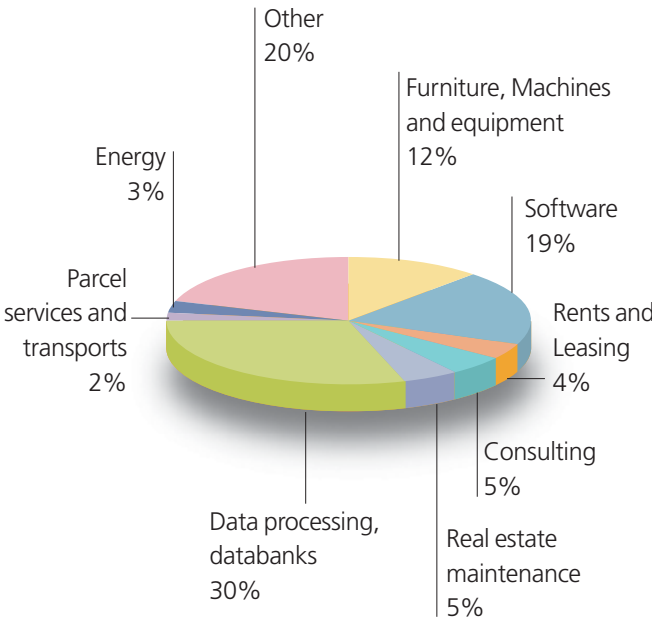
We contribute to the overall results of the bank through the implementation of initiatives directed towards cost and waste reduction.



PhotoDisc

During 2004 Sanpaolo IMI held business relations with about 14,000 suppliers for a total turnover of about 1,300 million euro.

**BREAKDOWN OF LARGE SUPPLIERS BY SECTOR**  
(Commercial Banks)



## Suppliers

### OBJECTIVES FOR 2004

Introduction of environmental parameters to the process of supplier selection.



### ACTIONS TAKEN AND RESULTS ACHIEVED

This objective has not yet been achieved.

Launch of the update of the contractual standards signed by suppliers for the closing of supply contracts, also providing for the sharing - on their part - of the Ethical Code principles.



✓ Suppliers with contracts in course in 2004 were invited to share the Ethical Code principles and norms. The General Conditions to be signed by suppliers managed by the Purchase Function have also been integrated.

Relations with commercial partners are handled by the Purchase Function which defines purchasing policies that are reflected throughout all the phases of the relationship. Purchases are centrally managed for the whole Group by means of access to the best conditions practiced in the various reference markets.

### Group Suppliers Register

During 2004 it was possible to lay the foundations for the current Register of Group Suppliers thanks to the conclusion of the integration process of the North East Commercial Banks, the adoption of a Group purchasing model and the systematic calculation and valuation, during market comparison, of existing suppliers in their respective markets.

### Sharing the Ethical Code

In 2004, suppliers were asked to share the contents of the Ethical Code, the tool that explains the combination of ethical principles and rules of conduct that Sanpaolo IMI recognizes and shares.

To this end, about 1,000 suppliers were sent information illustrating the Ethical Code contents and any consequences of failure to respect them. In particular, the supplier must consider any deviation of behavior from that indicated as a serious violation of the contractual obligations undertaken. At the same time the General Conditions, that suppliers managed by the Purchase Function have to sign, have been integrated with a provision which states that, in execution of the contractual activities, Sanpaolo IMI Ethical Code principles, of which the supplier declares knowledge, must be respected. These contractual conditions also state that Sanpaolo IMI may terminate the contract in the case of behavior that violates the principles expressed in the same Code. The Supply Markets Office - which manages the Register of Suppliers - receives indications of any anomalies and/or omissions found in this context.

### Litigations

There were four legal controversies during the year, all of which are still underway, for a total value of 242,970 euro.



Contrasto



Contrasto



# Environmental Report



SuperStock



# Environment

## Values

### Creation of value

#### Value in detail

We deem it indispensable to consider environment protection as an opportunity for the Group and its customers, above all those belonging to the corporate sector

### Customer orientation

We must look to the future in the knowledge that the quality of the environment can depend even on the methods we use to provide our products and services to customers

### Integrity

We are aware of the direct and indirect consequences of operations which we promote or finance: in order to realize this we must also take into account environmental issues for future generations

### Commitment to excellence

We want to align our objectives to international best practice

### Growth in observance of specific qualities

It is our intention to carry out our role as economic player at national level in a responsible and sensitive manner, taking care to respect the environmental heritage of each territory in which we operate

### Responsibility in the use of resources

We want to avoid all forms of waste and - in relation to the technologies available and in terms of costs/benefits - to actively promote initiatives aimed at saving energy and natural resources

# Environment

## OBJECTIVES FOR 2004

Extension to all operating points of the Bank Networks of the energy management procedures used by Sanpaolo IMI and Sanpaolo Banco di Napoli, with progressive application (during restructuring and/or new installations) of the most efficient energy solutions.

Continuous pursuit of energy saving and to search for solutions to drastically reduce the consumption of electricity; the following actions in particular are accounted for:

- extension, compatibly with the market offer, of electricity from renewable sources for the Bank's operating points;
- replacement of about 2,600 traditional monitors with LCD monitors.

Updating and/or integrating IT procedures for the management of expenses and of the main energy consumption, thereby improving monitoring and optimization activities.

Extension of the integrated system for waste management used by Sanpaolo IMI and Sanpaolo Banco di Napoli to the North East Banks.

Increase of the activities of Banca OPI in sectors of considerable environmental value, with particular reference to

- advisory activities for the realization of integrated systems for the management of the solid urban waste cycle and the purification of water in certain regions of Southern Italy characterized by environmental emergency situations;
- studying the creation in Italy of a Fund to support renewable energies like that launched together with CDC IXIS in France.

## ACTIONS TAKEN AND RESULTS ACHIEVED

✓ The energy management procedures have been extended to all Commercial Banks. The most efficient energy solutions have been applied during restructuring and in new installations. For the bank networks these actions involved surfaces totaling about 50,000 m<sup>2</sup>.

- ✓ annual consumption of hydroelectric energy has increased from 99.4 million KWh to 149.8 million KWh (+51%).
- ✓ 3,730 traditional monitors have been replaced with LCD monitors (including those used at new branches)

✓ The IT and real estate management systems (used to gather data on energy consumption) have been updated. In particular, data on the real estate of the North East Commercial Banks has been input into the system. Furthermore, the system has been set up to gather data on the energy consumption of the operating points of these Banks.

✓ A single contract with the same operating methods has been agreed for all the Commercial Banks.

✓ Banca OPI has continued providing advisory services in the tender bids for the appointment of an integrated waste disposal system and for the selection of companies to manage integrated water services. It performed 5 operations in these areas during 2004.

✓ The study for the creation of the Fund has been started. In particular, the Ministry for the Environment has been contacted for the creation of a fund to finance renewable energies in the South of the Mediterranean.



## Sanpaolo IMI's commitment to the environment

As for any other business, Sanpaolo IMI is interested in its direct and indirect impact on the environment.

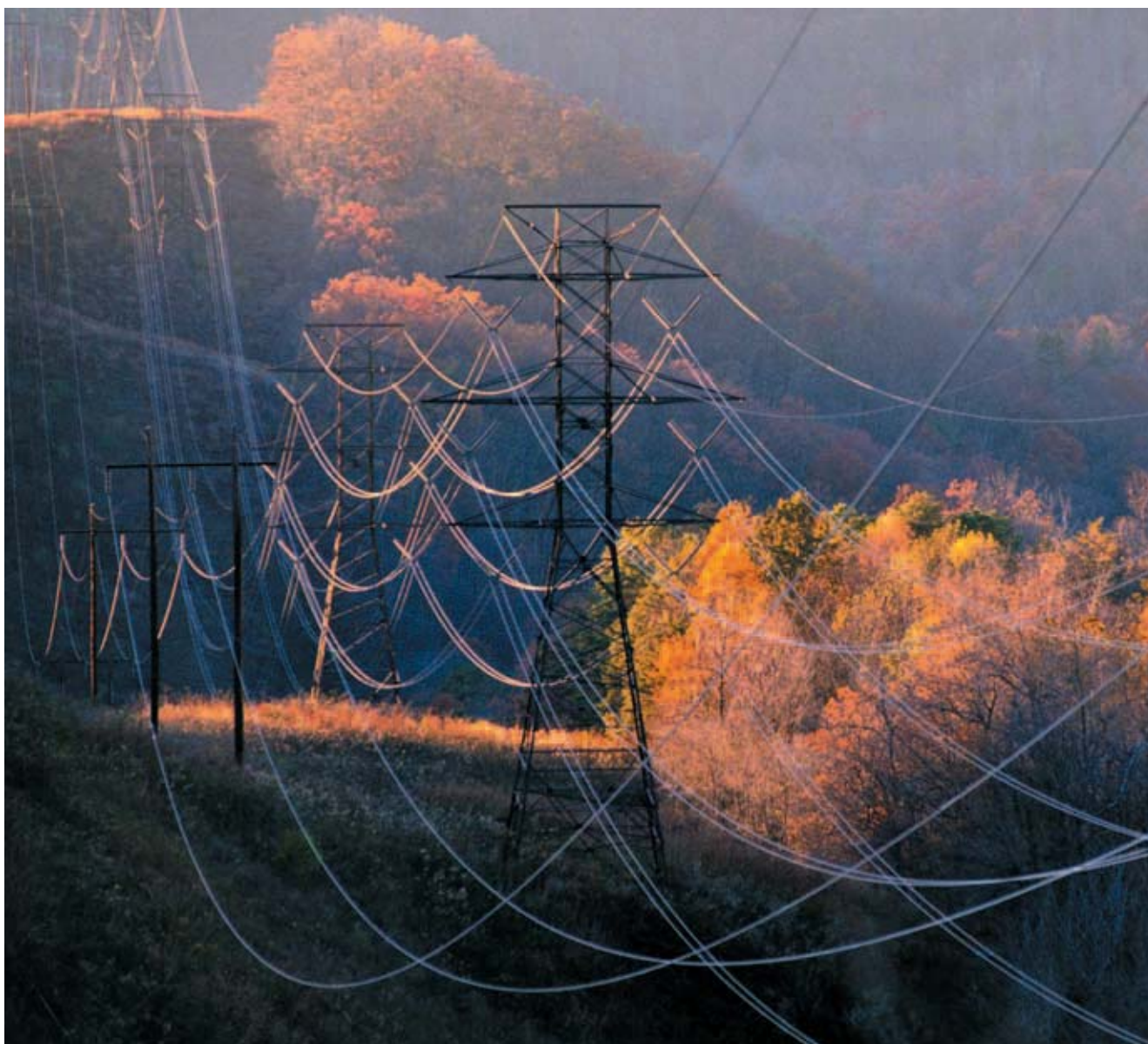
The consumption of electricity and paper are among the significant aspects whereby the Group has a direct effect on the environment, whereas the production of waste from the use of consumer goods, the emission of gases and the consumption of water have minor effects.

The indirect aspects are those connected to the Group's relations with third party organizations (such as corporate customers). As a matter of fact,

while performing its activities and through services and products offered, Sanpaolo IMI can influence the behavior of its stakeholders in respect of the environment.

In 2002 Sanpaolo IMI adhered to the UNEP Declaration for financial institutions in respect of the environment and sustainable development, declaring its commitment to adopt policies which sustain and respect the environment across all of its operations.

These commitments led to the realization of a series of projects and initiatives started by the Group.



## THE UNEP DECLARATION

### 1. Commitment to sustainable development

“We consider sustainable development an essential component for businesses to be run successfully.”

### 2. Management of the environment and financial institutions

“We aim to use the best environmental management methods.”

“We aim to take into account the environmental needs in respect of all our activities, in asset management and other business decisions across all markets.”

“We shall encourage the financial services industry to develop products and services in favor of protecting the environment.”

### 3. Public opinion and communication

“We hope that the financial institutions prepare and publish a declaration of their environmental policy and that they regularly communicate the measures they have adopted to promote the integration of environmental needs in respect of their activities.”

“We are committed to opening up and speaking of environmental issues.”

## SANPAOLO IMI'S COMMITMENT

The commitment to sustainable development is included in our mission and is part of the system of values of Sanpaolo IMI.

Direct environmental aspects:

- at the end of 2004 activities commenced on implementing an Environmental Management System in compliance with the international regulation UNI EN ISO 14001:2004;
- Group policy is aimed at progressively reducing and monitoring the consumption of energy and the emission of gases, at gradually increasing the supply of renewable sources of energy and at the correct management of waste products by operating units spread across the country.

Indirect environmental aspects:

- the Ethical System investment funds provide for environmental criteria when selecting investments;
- a company's attention to environmental problems represents one of the fields of inquiry taken into consideration when an application for a loan is made, above all for medium- long-term loans and for project financing in the sector of infrastructure;
- financing of measures taken to safeguard and develop the territory and financial advisory activities in the environmental services sector (Banca OPI) and analysis and development of projects in the environmental field (FIN.OPI)

In its Social Report Sanpaolo IMI regularly publishes its policies, procedures and measures adopted to promote the integration of environmental needs in respect of its activities.

Sanpaolo IMI has made its expertise accessible by way of relations with customers and via e-channels. It also participates in multi-stakeholder projects on environmental issues (UNEP and the Carbon Disclosure Program).

## Direct environmental aspects

### Organizational structure

The direct environmental aspects are supervised by the Technical organizational structure. In particular, as far as energy consumption is concerned, management of this aspect is entrusted to an Energy Manager. The Group policies and procedures in relation to energy management provide for:

- the progressive application across the entire national territory of standard equipment solutions for the use of highly efficient electrical facilities (with particular attention to office machinery, data-processing centers, lighting and refrigeration equipment);
- the absence of noxious substances and, where possible, the replacement of products harmful to the atmosphere (ozone layer) with other products less harmful to the environment;
- the regular maintenance of all equipment to ensure the maximum efficiency of energy;
- where possible, the gradual increase in the supply of renewable sources of energy (Sanpaolo IMI has been part of a leading consortium which co-produces energy generated by hydroelectric plants since 2002);
- the monitoring of energy consumption.

### Environmental certification

At the end of 2004 activities commenced on implementing an Environmental Management System, for which it will be required a certification of compliance with UNI EN ISO 14001:2004 – the latest version of the international rule regulating such issues. The ISO 14001 standard, a voluntary agreement, specifies the requisites

for Environmental Management in order to allow an organization to develop an environmental policy, to establish objectives and processes to achieve the commitments expressed in the policy and to take the action necessary to improve performance. It has initially been decided to apply it to the management of environmental aspects for about 80 selected operating units. The activities for the implementation will take around one year, with the assistance of a specialized advisor; they include an environmental analysis of the locations identified, an assessment of compliance with the law, the preparation of documents describing the System, training of personnel involved, the application of the Environmental Management System (especially the procedures) and internal controls to ensure that such procedures are applied correctly. After that, certification will be requested before the end of 2005.

### The reporting boundaries

The following data refers to the Group structure in Italy, except for Banca Fideuram. In order to calculate the environmental performance ratios reference has been made, for the year 2004, to a net surface area of 1,870,000 m<sup>2</sup> (+2% on 2003) and to a workforce (number of employees, net of staff absent over the long-term, staff on secondment to other companies and temporary staff) of 38,002 people (-3% on 2003). Working personnel total 39,645 considering the presence of other external operators/companies working in the buildings under examination.

### Energy consumption

Energy consumption refers principally to:

- fuel used for heating and re-circulating air during the winter months;
- electricity, used for office machinery and data-processing centers, air conditioning and refrigeration systems and, where the winter climate is milder, heat pump heating systems, an alternative to the traditional fuel systems.

For some Group companies the value is estimated on the basis of the costs incurred.

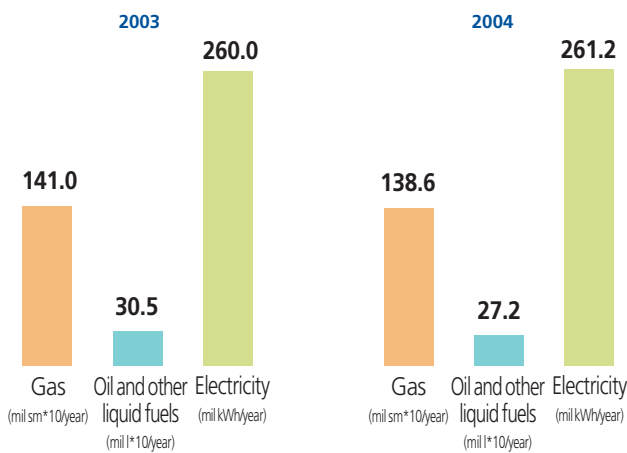


Contrasto

### ENERGY CONSUMPTION

Toe*10 <sup>-3</sup> /year	2003	2004	Change
Thermal energy	14,362	13,865	-3.5%
- gas	11,564	11,364	-1.7%
- oil and other liquid fuels	2,798	2,501	-10.6%
Electricity	64,995	65,309	+0.5%

### ANNUAL CONSUMPTION BY TYPE OF ENERGY SOURCE



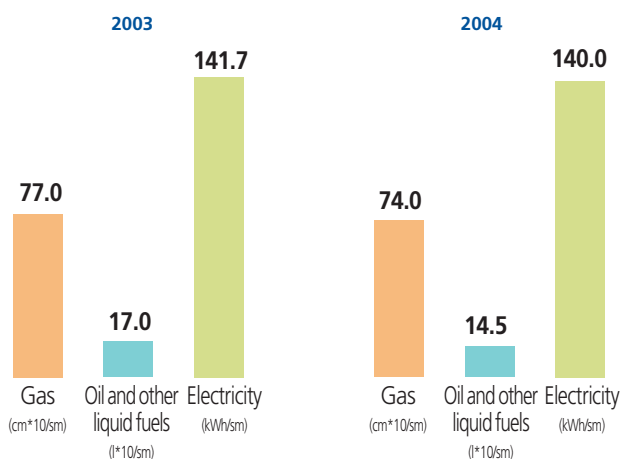
The consumption of electricity by work station was 6,589 KWh/employee, down 0.7% on 2003. A recent study by ABIENERGIA of large national banking groups showed the average to be 6,650 KWh/employee.

Compared to 2003 the use of hydroelectric energy has risen by 51%, increasing from 38% to 57% of the total amount of electricity consumed.

### ENERGY PERFORMANCE INDICATORS

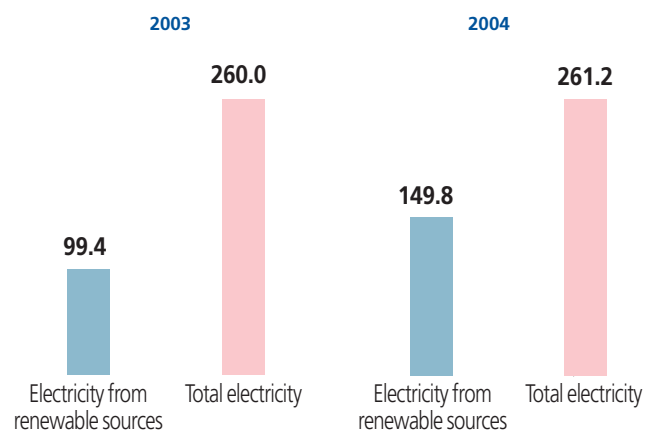
Toe*10 <sup>-3</sup> /sm	2003	2004	Change
Thermal energy	7.8	7.4	-5.1%
- gas	6.3	6.1	-3.2%
- oil	1.5	1.3	-13.3%
Electricity	35.4	35	-1.1%

### ANNUAL CONSUMPTION PER UNIT BY TYPE OF ENERGY SOURCE



### SUPPLY BY RENEWABLE SOURCES

(kWh millions/year)



### LCD monitors

The experimental program to replace traditional cathode ray tube monitors with LCD monitors ended in 2004 with the replacement of 3,730 monitors. Against the considerable costs incurred for the replacement, the reduction in the relative electricity consumed is around 45%. This operation also produces savings in the consumption of energy for air conditioning and will, in the future, reduce the quantity of dangerous waste produced by the Group (by way of eliminating the traditional CRT monitors).

### Consumption of paper

#### CONSUMPTION OF PAPER BY TYPE\*

	2003		2004		Change
Rolls for large printers (t/year)	893	22%	1,207	24%	+ 35%
Paper for photocopiers letters (t/year)	2,791	68%	3,400	67%	+ 22%
Other (t/year)	441	10%	481	9%	+ 9%
Total	4,124		5,088		+ 23%

\* Excluding forms

#### PERFORMANCE INDICATORS\*

	2003	2004	Change
Consumption of paper per employee (kg/year)	108	127	+18%
Consumption of A3 and A4 sizes per employee			
-kg/year	85	113	+ 33%
- no. /day**	68	79	+ 16%

\*Excluding forms

\*\* Data refers to 250 working days/year

### Improvements in gathering and analyzing environmental data

In order to facilitate the management and monitoring of energy consumption, in 2004 the IT procedures were updated and integrated. In particular, the method of gathering and analyzing the environmental data was extended to include all the Commercial Banks, thereby unifying the relevant energetic/environmental management and accounting methods. Furthermore, a new IT procedure was made available, rendering the majority of energetic and environmental accounting methods automatic.

## ABIENERGIA

Sanpaolo IMI has sustained and collaborated in the setting up of the ABIENERGIA consortium, established in December 2003 from an initiative of the Italian Banking Association and 20 banks, the objectives of which include:

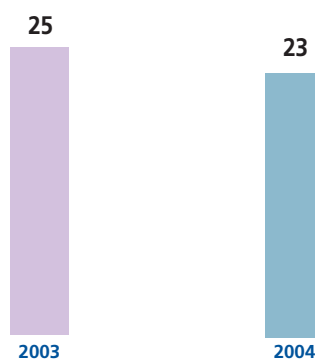
- to identify energetic-plant solutions for use by the banking sector, characterized by improved efficiency and less harmfulness to the environment;
- to create IT solutions allowing banks to improve the management and monitoring of energy.

### Consumption of water

Water consumption refers almost entirely to sanitary use and has dropped by 7.6% on 2003.

#### AVERAGE CONSUMPTION PER UNIT\*

(cm/year per employee)



\* Calculated on a sample basis

## Waste

The entire waste management process is carried out through an integrated system at national level for all the Commercial Banks. The quantity of dangerous waste is

not significant and mainly consists of CRT monitors (the increase in 2004 is due to the project to replace these with LCD monitors) and a small quantity of used batteries.

### WASTE PRODUCTS

	t/year		Change	% recycled	
	2003	2004		2003	2004
Total waste	5,382	5,139	- 5%	-	-
- paper	3,425	2,727	- 20%	99%	99%
- paper and cardboard	761	785	+ 3%	0%	0%
- packaging	757	874	+15%	60%	60%
- cartridges, tapes and film	67	104	+ 56%	Toner 50% Film 20%	40%*
- dangerous waste	43	104	+ 143%	0%	0%
- office machinery	211	246	+ 16%	30%	15%
- other	118	299	+ 153%	0%	0%

\* Toner and film

### PERFORMANCE INDICATORS

	2003	2004	Change
Waste per employee (kg/year)	145	139	-4.1%



### Atmospheric emissions

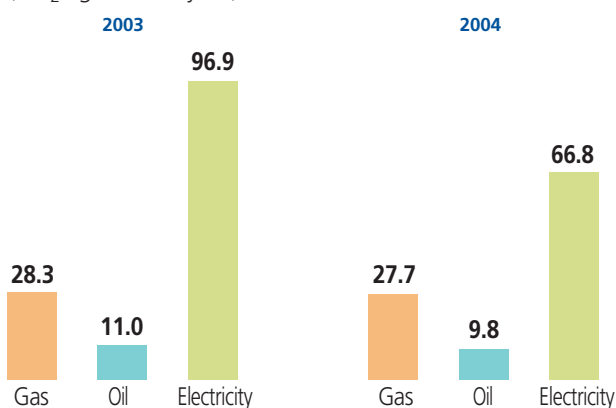
Atmospheric emissions are reduced thanks to the following actions:

- by using hydroelectric energy, which does not generate any greenhouse gases;

- by mainly using natural gas, which generates lower atmospheric emissions when compared to other fuels;
- by using, at data-processing centers, plants to recycle the heat produced by the data processing equipment;
- using heat pumps at operating points, where weather conditions allow.

### ATMOSPHERIC EMISSIONS

(CO<sub>2</sub> kg millions/year)



Emissions of CO<sub>2</sub> generated by the plants of real estate owned by the Group (from heating systems) and by the use of electricity produced by thermoelectric plants are quantified. Reference is made to CO<sub>2</sub>, since it is the principal greenhouse gas emitted by the types of plants in use.

Against a substantial stability in the total amount of energy consumed when compared to 2003, there has been a considerable reduction in emissions in respect of electricity, thanks to the supply of hydroelectric energy mentioned earlier.

Within the Group there are no fire-extinguisher devices which use gases harmful to the environment.

### PERFORMANCE INDICATORS

	2003	2004	Change
Thermal energy by surface (kg/year of CO <sub>2</sub> per m <sup>2</sup> )	21	20	-5%
Electricity by surface (kg/year of CO <sub>2</sub> per m <sup>2</sup> )	53	36	-32%



### THE GREEN LIGHT PROGRAM

Improvements to lighting systems can contribute significantly toward energy saving, with a consequent reduction in the emission of greenhouse gases, as well as an increase in the quality of light to the benefit of employees.

In 2003 Sanpaolo IMI participated in the European Green Light Program which is based on voluntary agreements that large scale users of lighting such as service industries, public administrations and industries enter into with the European Commission, committing themselves to upgrade the technologies and methods of lighting in their premises. In 2004 the program was extended to 115 operating points, spread across the national territory. For the results achieved in 2004, Sanpaolo IMI has been rewarded by the European Commission as the winner of the Greenlight Award for Partner. The intention is to continue to support the project by further extending the plants to be included in the Program.

## Indirect environmental aspects

### Supporting renewable energy

The public/private investment fund of 45 million euro called "FIDEME", promoted by IXIS CIB, Banca OPI and ADEME to support renewable energy, has started the first significant investments in 2004.

Exploiting the experience acquired with FIDEME, Banca OPI intends to repeat the public private partnership structure, adapting it to different economic and legal frameworks. As a matter of fact, contacts are underway with the Ministry for the Environment for the creation of a fund to finance renewable energies in the South of the Mediterranean.

### The loans of Cassa di Risparmio di Padova e Rovigo for the environment and renewable energies

Cassa di Risparmio di Padova e Rovigo and Unione Provinciale Artigiani (Provincial Union of Artisans - UPA) of Padua signed an agreement in favor of the environment and energy saving, supporting individual and artisan businesses associated to the UPA of Padua which invest in technologies of low impact on the environment and/or of high savings in energy.

The agreement provides for two pilot projects:

- "Utilization of renewable energy", which provides financing to private customers who refer to businesses associated to the UPA of Padua for realizing plant for sources of renewable energy (such as solar panels and photovoltaic plant for producing electricity). The amount financed may vary from 2,500 euro to a maximum of 25,000 for each housing unit;
- "Environment and security", a project offering special loans in favor of artisan businesses associated with UPA of Padua, supports investments aimed at improving business structures in respect of the environment and safety at work. Financing may cover up to 100% of the investments documented up to a maximum of 250,000 euro.

### "Prevention and management of emergencies caused by environmental pollution" project

In December 2004 the Padua Council Office for Mobility launched a project with the Cassa di Risparmio di Padova e Rovigo, the main business Associations and the Consortium of Automobile Dealers for the Province of Padua, to replace in 2005 those commercial vehicles which do not comply with European regulations on environmental issues. Within this project, which includes both credit and commercial initiatives with different parties, Cassa di Risparmio di Padova e Rovigo will grant businesses and other operators in the Veneto region, loans at particularly favorable conditions to replace environmentally unfriendly commercial vehicles. Financing may cover up to 90% of the cost of replacement up to a maximum of 250,000 euro.

## THE EVALUATION OF THE ENVIRONMENTAL RISK CONNECTED TO THE LOAN

The environmental impact on banking activities can occur through two main channels. On one side, it can have a direct influence on repayment ability of the counterparties (for example, scarce attention to the environmental friendliness of products and production processes by a company can represent a source of risk of failure and economic loss which the bank may find difficult to sustain). On the other side, scant attention by banks to environmental values during the process of lending and evaluating counterparties – even small ones – may represent a negative element for the bank's reputation, thereby reducing the value of the bank's assets. Inadequate attention to environmental evaluations in lending may damage the relationship of trust with customers, investors and the market.

Since 2003 the environmental risk of the loan portfolio of Sanpaolo IMI has been measured by way of an indicator representing the percentage of loans issued to companies operating in sectors with a high environmental risk (calculated on the basis of figures on production activities supplied by the European Bank for Reconstruction and Development in its manual for the management of environmental risk). At the end of 2004, activities classified as highly potential environmental risk represented 6.3% of the loan portfolio of the Commercial Banks belonging to the Group, a drop compared to the end of 2003 (7.7%).

Attention to environmental problems by companies represents one of the areas of investigation taken into consideration by the credit review, especially for medium and long-term loans and project financing for infrastructures. Banca OPI, the Group company specialized in providing loans for public works and infrastructure, pays particular attention to the environmental impacts of any project proposed. A positive evaluation conducted by external consultants and a comparison with an official evaluation by the regional or national bodies in charge, of the impact on the environment generated by the realization of an infrastructure on a case by case basis, represents one of the fundamental conditions for financing such an infrastructure.





# Economic Report

---



SuperStock / Contrasto

## Financial and economic performance in 2004

The following pages introduce the two main reclassified statements making up the Consolidated Financial Statements, i.e. the Balance Sheet and the Statement of

Income, integrated with the key Group figures. The data has been taken from the consolidated financial statements as of 31 December 2004.

### RECLASSIFIED CONSOLIDATED BALANCE SHEET

	31-12-2004	31-12-2003
<b>ASSETS</b>	(€/mil)	(€/mil)
Cash and deposits with central banks and post offices	1,348	1,474
Loans	145,684	146,877
- due from banks	23,777	22,278
- loans to customers	121,907	124,599
Dealing securities	26,125	22,357
Fixed assets	9,815	9,822
- investment securities	3,219	2,935
- equity investments	4,503	4,572
- intangible fixed assets	289	343
- tangible fixed assets	1,804	1,972
Differences arising on consolidation and on application of the equity method	769	959
Other assets	27,416	21,091
<b>Total assets</b>	<b>211,157</b>	<b>202,580</b>
<b>LIABILITIES</b>		
Payables	163,400	160,255
- due to banks	28,198	28,534
- due to customers and securities issued	135,202	131,721
Provisions	4,013	4,019
- for taxation	989	732
- for termination indemnities	886	946
- for risks and charges	1,940	2,037
- for pensions and similar	198	304
Other liabilities	24,809	20,626
Subordinated liabilities	6,955	6,414
Minority interests	176	271
Shareholders' equity	11,804	10,995
<b>Total liabilities</b>	<b>211,157</b>	<b>202,580</b>

## RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

	2004 (€/mil)	2003 (€/mil)	Change %
<b>NET INTEREST INCOME</b>	<b>3,569</b>	<b>3,716</b>	<b>-4.0%</b>
Net commissions and other net dealing revenues	3,240	3,036	6.7%
Profits and losses from financial transactions and dividends from shareholdings	432	447	-3.4%
Profits from companies carried at equity and dividends on shares	351	283	24.0%
<b>NET INTEREST AND OTHER BANKING INCOME</b>	<b>7,592</b>	<b>7,482</b>	<b>1.5%</b>
Administrative costs	-4,565	-4,610	-1.0%
- <i>personnel</i>	-2,803	-2,841	-1.3%
- <i>other administrative costs</i>	-1,510	-1,512	-0.1%
- <i>indirect duties and taxes</i>	-252	-257	-1.9%
Other operating income, net	320	329	-2.7%
Adjustments to tangible and intangible fixed assets	-457	-484	-5.6%
<b>OPERATING INCOME</b>	<b>2,890</b>	<b>2,717</b>	<b>6.4%</b>
Adjustments to goodwill and merger and consolidation differences	-199	-158	25.9%
Provisions and net adjustments to loans and financial fixed assets	-738	-859	-14.1%
- <i>provisions for risks and charges</i>	-231	-195	18.5%
- <i>net adjustments to loans and provisions for guarantees and commitments</i>	-525	-724	-27.5%
- <i>net adjustments to financial fixed assets</i>	18	60	-70.0%
<b>INCOME BEFORE EXTRAORDINARY ITEMS</b>	<b>1,953</b>	<b>1,700</b>	<b>14.9%</b>
Net extraordinary income/expense	148	-32	n.s.
<b>INCOME BEFORE TAXES</b>	<b>2,101</b>	<b>1,668</b>	<b>26.0%</b>
Income taxes for the period*	-658	-657	0.2%
Change in reserve for general banking risks	-2	9	n.s.
Income attributable to minority interests	-48	-48	0.0%
<b>NET INCOME</b>	<b>1,393</b>	<b>972</b>	<b>43.3%</b>

\* Not inclusive of re-exposure in the 2003 statement of income of tax credits on dividends from shareholdings as shown in the subsequent section on THE CALCULATION AND ALLOCATION OF ADDED VALUE.

## KEY FIGURES

	2004	2003
<b>CAPITAL RATIOS (%)</b>		
Net shareholders' equity / gross loans	9.3	8.4
Net shareholders' / direct customer deposits (excluding repos)	9.6	9.0
<b>CUSTOMER FINANCIAL ASSETS (€/mil)</b>		
Customer financial assets	377,444	368,042
- Direct deposits	135,202	131,721
- Indirect deposits	242,242	236,321
- Asset management	144,485	143,711
- Asset administration	97,757	92,610
<b>PROFITABILITY RATIOS (%)</b>		
ROE (Return on Equity)	12.2	9.0
Cost / Income ratio	63.5	65.3
Net commissions / Administrative costs	71.0	65.9
<b>CREDIT RISK RATIOS (%)</b>		
Net non-performing loans / Net loans to customers	1.0	0.9
Net problem loans and loans in restructuring / Net loans to customers	1.1	1.1
<b>SOLVENCY RATIOS (%)</b>		
Core tier 1 ratio	7.4	6.6
Tier 1 ratio	8.1	7.4
Total ratio	12.0	10.5
<b>SANPAOLO IMI SHARES</b>		
Number of shares (millions)	1,863	1,837
Quoted price per share (€)		
- average	9.826	8.158
- low	8.799	5.796
- high	11.072	11.346
Earnings / Average number of shares in circulation (€)	0.76	0.53
Dividend per share (€)	0.47	0.39
Dividend per share / Average annual price (%)	4.78	4.78
Book value per share (€)	6.35	6.00
<b>OPERATING STRUCTURE</b>		
Employees	42,738	43,465
Domestic branches	3,205	3,168
Foreign branches and representative offices	131	122
Private bankers	4,317	4,675
<b>PERSONNEL EFFICIENCY RATIOS (€/mil)</b>		
Gross loans to customers / Number of employees	3.0	3.0
Customer financial assets / Number of employees	8.8	8.5
Personnel costs / Net interest and other banking income	36.9%	38.0%
Net interest and other banking income / Number of employees	0.18	0.17
Income before taxes / Number of employees	0.05	0.04
Direct customer deposits (excluding repos) / Number of employees	2.9	2.8
Asset management / Number of employees and financial planners	3.1	3.0

Sanpaolo IMI Group operating results for 2004 show an improvement of all the main profitability and efficiency ratios and of asset quality compared with 2003. Net income reached 1,393 million euro, a growth of 43.3% compared with 2003; RoE was 12.2%, about 3 percentage points higher than the previous year. The Group also registered an improvement in the cost to income ratio, down to 63.5% from the 65.3% of 2003. The net non-performing loans/net loans ratio continued to show values of absolute excellence (1%). These performances were made possible by the favorable development of revenues, sustained by commissions and profits from companies carried at equity, by constant cost supervision, which translated into a reduction in operating costs, as well as the realization of extraordinary income, offsetting the costs booked in 2003 in relation to the staff leaving incentives. The net result achieved in the year was higher than the budget target, continuing along the growth path taken in 2003.

## The calculation and allocation of added value

### Methodology

A company's Added Value represents the earnings obtained by the business in the fiscal year, and is defined as the difference between production and consumption of goods and services. The determination of such value has a special significance, in as much as it represents the accounting reconciliation between the fiscal year financial statements and the social report. It is calculated on the basis of a different classification of the captions in the consolidated statement of income, intended to show both the process of creation of the company's added value and its allocation, expressing in monetary terms the relation between the company and the socio-economic environment with which it interacts, particularly in reference to some of the stakeholders considered:

- Shareholders
- Human resources
- State, Entities and Institutions and the Community
- Corporate system

Under the methodological profile, among the different configurations that the Added Value can take (depending on the income component aggregation level), the Global Added Value (Valore Aggiunto Globale – V.A.G.) has been adopted as a reference base, which is the one used in the ABI (Italian Bankers' Association) model for the realization of Social Reports by banks, as it takes into account the specific features of the banking sector. The statements concern the calculation and allocation of the gross



Contrasto

global added value on the basis of its destination, which highlight the share due to each stakeholder. These statements are prepared by analytically re-processing the income statement data following a different methodology.

As regards the content of the single statements, those regarding the analytical determination and allocation of the global added value referring to the comparative fiscal year, 2003, given the different purpose of such statements from those related to the comparison of the Group's economic and financial performance, were based on the official data of the balance sheet. The re-exposure of tax credit on dividends from shareholdings<sup>1</sup> was not taken into account, in fact the use of other data would have resulted in an incorrect representation of the allocation of the added value among the different categories of stakeholders.

### The determination of Added Value

The gross global Added Value produced by the Group remained largely stable compared with the previous year (from 6,215 million euro to 6,188 million euro). This stability is the result of the growth shown by the characteristic gross added value against a decline of net extraordinary income.

1. The reclassified statement of income for the year 2003 was "re-exposed" to take account of the new taxation process which envisages exemption on dividends and the elimination of related tax credits; in the statement of income as of 31 December 2003, the latter were therefore reclassified from "Profits from companies carried at equity and dividends from shareholdings" to "Income taxes for the period" for 13 million euro.

## ANALYTICAL STATEMENT OF ADDED VALUE DETERMINATION

	2004 (€/mil)	2003 (€/mil)
<b>NET PRODUCTION</b>		
Net interest income	3,569	3,716
Net commissions and other dealing revenues *	3,592	3,350
Profits and losses from financial transactions and dividends on shares	432	447
Profits from companies carried at equity and dividends from shareholdings	351	283
Other operating income, net	320	329
<b>TOTAL NET PRODUCTION</b>	<b>8,264</b>	<b>8,125</b>
<b>CONSUMPTIONS</b>		
Other administrative costs *	-1,507	-1,510
Net adjustments to loans and provisions for guarantees and commitments	-525	-724
Provisions for risks and charges	-231	-195
Net adjustments to financial fixed assets	18	60
<b>TOTAL CONSUMPTIONS</b>	<b>-2,245</b>	<b>-2,369</b>
<b>GROSS TYPICAL ADDED VALUE</b>		
Net extraordinary income/charges *	169	459
<b>GROSS GLOBAL ADDED VALUE</b>		
Adjustments to tangible and intangible fixed assets	-457	-484
Adjustments to goodwill and merger and consolidation differences	-199	-158
<b>NET GLOBAL ADDED VALUE</b>		
Cost of labor	-3,173	-3,630
- <i>personnel</i>	-2,803	-2,841
- <i>costs of the network of financial planners</i> **	-352	-314
- <i>extraordinary staff leaving incentive</i> **	-18	-475
Donations to bodies and institutions and gifts **	-3	-2
Indirect duties and taxes	-252	-257
<b>INCOME BEFORE TAXES</b>		
Income taxes for the period	-658	-657
Extraordinary expenses for tax reform **	-3	-16
Change in reserve for general banking risks	-2	9
Income attributable to minority interests	-48	-48
<b>NET INCOME</b>	<b>1,393</b>	<b>972</b>

\*The figure differs from that reported in the Reclassified Statement of Income owing to the specific recording of the caption used for the amounts referred to in note\*\*.

\*\*Data disclosed in a specific caption in the Added Value determination scheme.

## Allocation of gross global Added Value

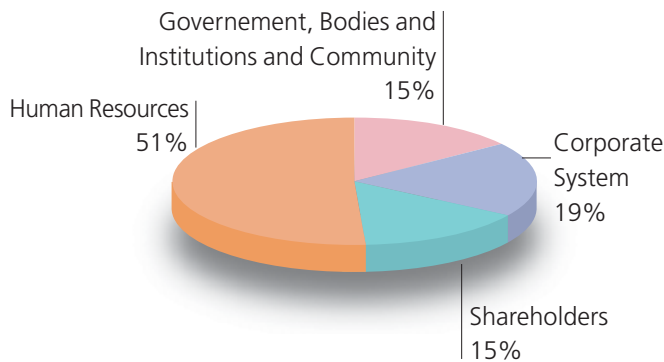
## STATEMENT ON ALLOCATION OF GROSS GLOBAL ADDED VALUE

	2004 (€/mil)	2003 (€/mil)
<b>GROSS TYPICAL ADDED VALUE</b>	<b>6,019</b>	<b>5,756</b>
Net extraordinary income/charges	169	459
<b>GROSS GLOBAL ADDED VALUE</b>	<b>6,188</b>	<b>6,215</b>
<b>Allocated to:</b>		
<b>SHAREHOLDERS*</b>	<b>919</b>	<b>759</b>
Dividends to SANPAOLOIMI S.p.A. shareholders	876	716
Minority dividends	43	43
<b>HUMAN RESOURCES</b>	<b>3,173</b>	<b>3,630</b>
Cost of labor	3,173	3,630
- <i>personnel</i>	2,803	2,841
- <i>costs for the network of financial planners</i>	352	314
- <i>extraordinary staff leaving incentive</i>	18	475
<b>STATE, BODIES AND INSTITUTIONS AND THE COMMUNITY</b>	<b>916</b>	<b>932</b>
Indirect duties and taxes	252	257
Income taxes for the period	658	657
Expenses for tax reform	3	16
Donations and gifts	3	2
<b>CORPORATE SECTOR</b>	<b>1,180</b>	<b>894</b>
Adjustments to tangible and intangible fixed assets	457	484
Adjustments to goodwill, merger and consolidation differences	199	158
Change in reserve for general banking risks	2	-9
Undistributed reserves and income to shareholders	522	261
<b>GROSS GLOBAL VALUE ADDED</b>	<b>6,188</b>	<b>6,215</b>

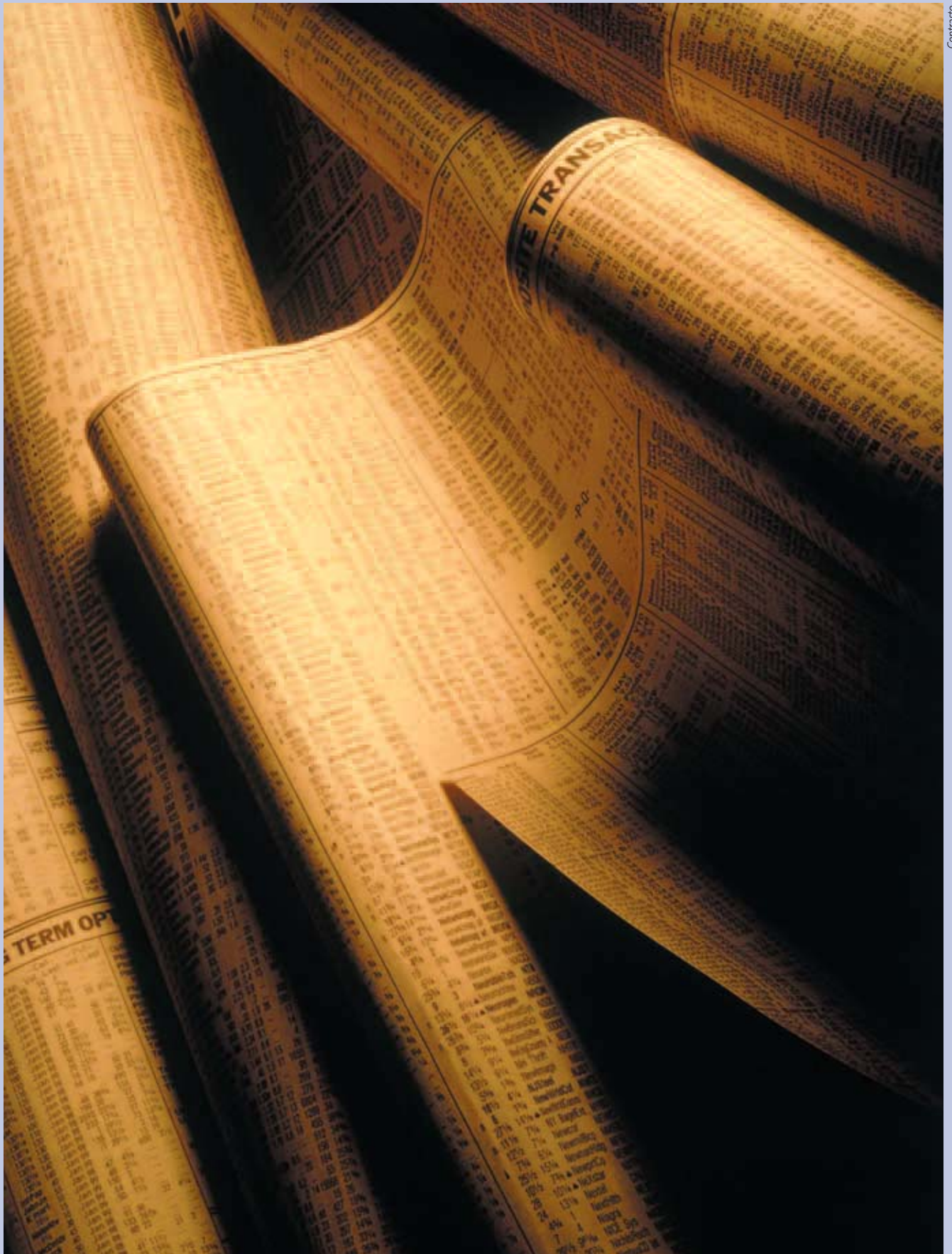
\* Based on the available information on the shareholding structure and the 0.47 euro per share dividend assessed on 2004 net income, the added value allocated to the Shareholders includes—deviating from the ABI principles—the dividends distributed by SANPAOLO IMI (291 million euro for 2003 net income and 354 million euro for 2004 net income) corresponding to Compagnia di San Paolo, Fondazione CR Padova e Rovigo, Fondazione CR in Bologna, Fondazione Cariplo, Ente CR Firenze, Fondazione Venezia, Fondazione CR Udine e Pordenone, Fondazione Monte dei Paschi di Siena, Fondazione CR Gorizia and Fondazione CR Carpi, the mission of which can be seen in their acts and actions in the social, artistic and scientific fields for the benefit of the community.



The pie chart below illustrates in detail the allocation of the Added Value among the different stakeholders:



- 51% (3,173 million euro) to Human Resources in the form of salaries, social security expenses, severance payments, pension and similar provisions, financial agent network remuneration, as well as extraordinary expenses for staff leaving incentives. The comparison with 2003 sees a decline in the share attributed to this category of stakeholder, largely for the almost zeroing of the initiatives for staff leaving incentives, mainly attributable during the past year to the implementation of the "Income, employment and re-training fund for staff in the banking industry". The "ordinary" allocation to human resources, through salaries and agent network remuneration, has, in turn, seen substantial stability, even though the resources dropped in numbers compared with the end of 2003.
- 19% to the Corporate Sector, the profit share of which passes from 894 to 1,180 million euro (+286 million euro). This amount represents, substantially, the investment made every fiscal year by the other stakeholder categories in order to maintain efficiency and allow the development of the whole company. Particularly in the case of banks, the obligation should be considered (arising from the specific minimum capital requirements imposed by Regulatory Authorities) to maintain appropriate capital endowment for the protection of depositors.
- 15% allocated to the State, Local Entities, Institutions and the Community in the form of (direct and indirect) taxes and charity. This aggregate maintains slightly lower values than 2003 (-16 million euro): the decline reflects the almost total loss of the extraordinary expense for the tax reform.
- 15% to Shareholders in the form of dividends. The increase in the allocation to Shareholders (+160 million euro) reflects the increase of Sanpaolo IMI S.p.A. dividend from 0.39 to 0.47 euro per share (+21%).





# Table of indicators and contents

---



Tips / Contrasto

The following table highlights the information and indicators included in the Social Report, that have been selected among those set out in

the GRI, ABI and GBS guidelines, to allow the contents within the document to be located easily and quickly.

GRI	ABI	GBS	Indicator	Page
<b>IDENTITY AND GOVERNANCE</b>				
<b>Company Profile</b>				
	●		History	16
●	●	●	Operating structures	18-19; 36
●	●	●	Description of the main divisions, operating companies, subsidiaries and joint ventures	20
	●		Countries in which activities are located	19
●	●	●	Nature of ownership, legal status	First page cover; 75
	●		Organization size	12
	●		List of stakeholders, main attributes and relationship with the organization	31
	●		Organization structure with respect to CSR	27
<b>Vision and strategy</b>				
	●	●	Strategic plan	17
●			Vision and strategy of the organization with regard to its contribution for sustainable development	14; 27
●	●	●	Mission and Values, codes of conduct and/or internally developed principles	14-15; 28
●			Voluntary, externally developed codes of conduct and sets of principles which the company supports	30
<b>Governance structure</b>				
●	●	●	Organization governing structure, including the main committees under the Board of Directors	21-26
	●		Percentage of Board of Directors members who are independent or non-executive directors	22
●			Board-level processes to verify the identification and management by the organization of economic, environmental and social risks and opportunities	23
	●		Relationship between executives' remuneration and achievement of both financial and non-financial organization objectives	25
	●		Mechanisms available to shareholders to provide recommendations or propose policies to the Board of Directors	76
<b>SOCIAL DIMENSION</b>				
<b>Customers</b>				
	●	●	Characteristics and analysis of customers	35
	●	●	Quality system	42
	●	●	Customer satisfaction	39;53
●	●		Presence of social responsible finance products	44-47
	●		Virtual banking: characteristics and analysis of "contacts" (existing customers, potential customers, visitors)	43; 57
	●		Security protection of Virtual banking operations	43
	●		Actions to increase awareness of Information Technology (IT)	43; 57
	●	●	Litigation	49; 57
<b>Human resources</b>				
	●	●	Recruitment policy	59; 64
●	●	●	Personnel consistency (with regard to age, sex, education, qualifications, function, seniority, territorial origin, nationality and contract type)	59-60
●	●	●	Personnel turnover and creation of jobs	64
	●		Data on job terminations (reasons, analysis by contract category)	64
	●	●	Remuneration systems	65
	●		Comparison of remuneration with the industry average	65
	●	●	Incentive schemes	65
	●	●	Equal opportunities policies	66
●			Women-to-men salary ratio	65
●			Benefits paid to employees besides those set by legal regulations	70
●	●	●	Industrial relations	69
●			Percentage of employees who are registered members of trade unions and of autonomous organizations	69
●	●	●	Training of human resources	67
●			Average yearly training hours by category of employee	67

GRI	ABI	GBS	Indicator	Page
	●	●	Internal communication	71
●	●	●	Health and safety at the workplace	72-73
●			Standard indices relating to injuries, working days lost and work accidents	72-73
	●	●	Litigation	69
<b>Shareholders</b>				
	●	●	Analysis of share capital in percentage terms, by legal status and nationality	75
	●		Shareholders' segmentation by category (social, territorial, personal data...)	76
	●	●	Return on capital invested	79
	●	●	Shareholders' participation in the company management and protection of minority shareholders	76
	●	●	Investor Relations	79
<b>Community</b>				
●	●		Donations	83
●	●	●	Value added to the community	82
	●	●	Relationship with associations and foundations	84; 90
	●	●	Description of direct contributions in the various social areas (education, sport, culture, research, social solidarity)	83
	●		Qualification of media used	94
	●		Transparency, clarity and accessibility of communication with the media	94
<b>Suppliers</b>				
	●	●	Qualification and analysis of suppliers	97
	●	●	Litigation	98
<b>ENVIRONMENTAL DIMENSION</b>				
	●	●	Environmental management systems and risk management	106; 111
	●	●	Qualifying actions	108; 110-111
	●		Environmental certifications	106
●			Energy consumption	107
●			Initiatives to use renewable energy sources and to increase energy efficiency	107
●			Total water consumption	108
●			Greenhouse gas emissions	110
●			Total amount of waste by type and destination	109
●			Production, transport or importation of any "hazardous" waste, as defined in the Basel Accord	109
	●		Environmental performance indicators	107-110
<b>ECONOMIC DIMENSION</b>				
	●	●	Report (production and distribution of added value)	118-120
<b>STAKEHOLDER ENGAGEMENT</b>				
●	●	●	Consultation of the stakeholders/ stakeholder engagement	39; 53; 79; 93
●	●	●	Improvement proposal	160-161
<b>REPORT INFORMATION</b>				
●			Contacts with regard to the report, including e-mail and web address	Second page cover
●			Reporting period (e.g.: fiscal/calendar year) of information provided	8
●			Reporting boundaries and any specific restrictions thereof	8
	●	●	Certificate of compliance with procedures (independent auditors' opinion on the Social Report)	164-165
●			Means through which external report users can obtain additional information	Third page cover



# Banca Fideuram

---



SuperStock / Contrasto

## 1. Group profile

- Mission and values
- Historical evolution
- Strategic Approach
- Key figures
- Operating and organizational structure
- Corporate governance

## 2. Social Statement

- Customers
- Private Bankers
- Employees
- Shareholders
- Community
- Environment
- Suppliers

## 3. Improvement targets



# 1. Banca Fideuram profile

## Mission

To invest wisely, based on a detailed analysis of our customers' needs, meeting those needs with a comprehensive range of solutions and identifying the most effective investment choices from them, in full transparency and in observance of the rules, has from the very outset been Banca Fideuram's mission.

## Values

We at Banca Fideuram are:

- Professionals who know how to manage all financial, banking, insurance and pension services for private customers. Providing the client, day by day, with worth and safety.
- We always give priority to the client's interest on whose trust our success is based.
- We believe in values like honesty and professional secrecy. And we apply them always.
- We want to reach beyond customer expectations. Thanks to the expertise, availability, accuracy and attention we put in our work.
- We bring our capabilities and individual competences to common realizations.
- The spirit of initiative and competition we all show improves our success.
- We are always searching for new and efficient solutions. With us, tradition means change.

## Historical Evolution

### 1968

Fideuram is formed by Istituto Mobiliare Italiano (IMI) with the aim to operate in the mutual funds business, taking on the activity of International Overseas Services (IOS). Fideuram offers Italian investors the "historic" Luxembourg-based mutual funds, Fonditalia and Interfund, using a network of approximately 300 Private Bankers.

### 1984

Fideuram begins to offer its first Italian mutual funds: Imirend and Imicapital.

### 1992

Banca Fideuram was created from the merger of two IMI Group companies: Banca Manusardi and Fideuram. The stock is then listed on Milan Stock Exchange.

### 1996

Banca Fideuram stock is included on the Italian blue chips index, MIB 30.

### 1997

For the benefit of customers, Banca Fideuram introduces a customized highly-advanced-technology financial-planning service: Personal Financial Planning.

### 1998

The subsidiary Fideuram Bank Luxembourg is founded.

### 2000

Banca Fideuram expands its business in France through the acquisition of the Wargny Group.

### 2002

Banca Fideuram acquires Sanpaolo Invest and becomes the first multichannel banking network in Italy.

### 2004

The insurance subsidiary Fideuram Vita is transferred to the new insurance pole of the Sanpaolo IMI Group with whom Banca Fideuram stipulates a distribution agreement at market conditions that will expand the range of insurance products offered to customers, which complement the core business of financial advisory services and private banking.



**Banca  
FIDEURAM**

## Strategic Approach

The year 2004 marks the end of a two-year period during which the strategy of Banca Fideuram focused on generating value of existing assets.

In particular, this strategy was implemented through an important rationalization process of the assets under management (product mix improvement), which led to the significant migration of non-discretionary savings into asset management products and, within the latter, from mutual funds to fund-based portfolio management and unit-linked policies. This action translated into concrete improvement in customer service, which progressively increased the number of professional asset management products providing superior advisory services.

The strategic focus on the product mix and the value of new products that characterized the 2003-2004 two-year period, together with a particularly negative Italian mutual fund sector in 2004 (with a net outflow of over 10 billion euro – source Assogestioni), caused Banca Fideuram's private bankers to concentrate on maintaining existing customers.

Although the activities carried out to improve the product mix caused, in addition to the already mentioned improvement in customer service, strong income results for the company (net income for 2004 – equal to 243 million euro – is the highest result ever recorded by Banca Fideuram and follows a quarterly net income that continuously rose throughout the

entire two-year period, whereas the RoE raised from approximately 14% in 2002 to over 24% in 2004), they also caused a slowdown in total net new money and dimensional growth in its entirety (in terms of assets under management).

By means of the 2005-2007 Industrial Plan briefly illustrated in the shareholders' section (page 148), Banca Fideuram intends to start growing again at low sustainable costs and to strengthen its role as Italy's leading bank in asset management for high-end customers.



Paris, Place Vendôme Headquarter, Fideuram Wargny Group

## Key figures

	2004	2003
<b>ASSETS UNDER MANAGEMENT (€/bil)</b>		
Mutual funds	16.8	17.3
Fund-based portfolio management	16.0	14.9
Insurance / Pension Funds	13.6	12.4
Securities / Current Accounts	13.1	13.5
<b>Total</b>	<b>59.5</b>	<b>58.1</b>
<b>NETWORKS (number of private bankers at period end)</b>		
Banca Fideuram	3,244	3,413
Sanpaolo Invest	1,069	1,130
<b>Total</b>	<b>4,313</b>	<b>4,543</b>
<b>MAIN PERFORMANCE INDICATORS</b>		
Net new money in managed assets (millions of euro)	434	3,559
Total net new money (millions of euro)	-798	1,203
Consolidated net income per share (euro)	0.2479	0.1791
Dividend per share (euro)	0.16	0.16
RoE (%)*	24.3	17.5
EVA (millions of euro)	187.6	114.9
Cost/Income ratio (%)*	51.1	58.9
Labor cost/Net interest and other banking income (%)	21.2	24.9
Net income/Average value of managed assets (%)	0.41	0.31
Employees (n.)	1,824	1,995
Private Bankers' offices (n.)	263	261
Bank branches (n.)	89	88
<b>BANCA FIDEURAM STOCK</b>		
Number of shares in circulation at period end (thousands)	980,291	980,291
Prices of stock **		
<i>Period end</i>	3.810	4.710
<i>High</i>	4.394	5.765
<i>Low</i>	3.029	3.333
Market capitalization (millions of euro)	3,735	4,617
Price/Net income per share	15.4	26.3
Price/Net equity per share	5.9	4.6
<b>RATING (Standard &amp; Poor's)</b>		
Long term	A+	A+
Short term	A-1	A-1
Outlook	Positive	Stable

\* The 2003 data has been modified following the adoption of different calculation models

\*\* The prices from the beginning of the year up to 29/11/2004, day prior to the actual date of the spin off of the investment in Fideuram Vita to Sanpaolo IMI, were adjusted using  $k=0.822342$ .

## Operating and Organizational Structure

Banca Fideuram, with approximately 59.5 billion euro of assets under management (as of 31 December 2004), is a leader in the Italian and European Private Banking industry. Banca Fideuram heads a group of integrated subsidiaries, located both in Italy and abroad, specialized in managing financial products, exclusively distributed by its private bankers. Alongside these products Banca Fideuram provides its customers with traditional banking facilities and trading services for securities and Group funds, which are also available online. In July 2004 Banca Fideuram further enlarged the range of products offered to customers by providing mutual funds of some leading international investment houses. Insurance and pension products are offered alongside financial products, exclusively supplied by Assicurazioni Internazionali di Previdenza (A.I.P.), the insurance company of the Sanpaolo IMI Group, into which Fideuram Vita (99.8% of which was previously held by Banca Fideuram) was merged as of 30 November 2004.

Service to a total of approximately 717,000 customers is guaranteed by 4,313 private bankers. Among those, 3,244 belong to the Banca Fideuram network and 1,069 are part of the Sanpaolo Invest network.

Through its subsidiary Financière Fideuram, Banca Fideuram is also present in France. Banca Fideuram's business model guarantees flexibility, quick decision-making and a strong adapting capability to increasingly tough and changing market conditions.

This model has an integrated platform with two distinct and autonomous networks of private bankers and a corporate center that generates strategies, allocating human and financial resources in order to implement and control them. The private banker networks, called on to maximize their own commercial and financial results, are supported by a shared infrastructure comprising two highly-automated areas: services production and processing.



## Corporate governance

### Regulations and transparency

Since 2000 Banca Fideuram has adhered to the Code of Self-discipline of Listed Companies instituted by Borsa Italiana S.p.A.

The bank annually provides detailed information on its current model of corporate governance, with particular regard to its compliance with the provisions of this Code.

This information is contained in the “Corporate Governance Report” provided to shareholders together with the documentation prepared for the Shareholders’ Meeting in which the Annual Report is approved.

More detailed information on corporate transparency is available at: [www.fideuram.it](http://www.fideuram.it)

### Company management structure

## Board of Directors

<b>Functions</b>	The Board of Directors is assigned the ordinary and extraordinary management of the Bank, except for the competencies reserved by law to the Shareholders’ Meetings.
<b>Composition</b>	9 directors, all non-executive, 5 of which fulfill the requirements of independence established by the Code of Self-discipline.
<b>Nomination</b>	The Board’s members are nominated for a period of three financial years at the company Shareholders’ Meeting, and may be re-elected. The Bank’s controlling shareholder submits the nominations proposed for the directors, along with the resumes of candidates, to the registered office at least 10 days before the meeting.
<b>No. meetings in 2004</b>	18
<b>Expiry</b>	At the time of approval of the 2005 Annual Report.

## Executive Committee

<b>Functions</b>	The Executive Committee is delegated the authority to make decisions regarding specific management policies, the structure and development of the distribution network, the granting of loans, expenditure commitments and the engagement and promotion of management personnel.
<b>Composition</b>	5 directors, all non-executive, 3 of which are independent
<b>No. meetings in 2004</b>	10

## Internal Audit Committee

<b>Functions</b>	The Internal Audit Committee plays a consultative and proactive role and has the main task of helping the Board of Directors set guidelines and periodically verify the adequacy and actual functioning of the internal control system of the Bank and its subsidiaries.
<b>Composition</b>	3 directors, all non-executive and independent. The Chairman of the Board of Statutory Auditors and the General Manager may participate in the meetings.
<b>No. meetings in 2004</b>	12

## Remuneration Committee

<b>Functions</b>	This Committee presents proposals to the Board of Directors for determining the remuneration criteria adopted for the members of the Bank's General Management and the top senior management of its subsidiaries. The Committee may make use of external consultants to this end, at the Bank's expense.
<b>Composition</b>	3 directors, all non-executive
<b>No. meetings in 2004</b>	5

## Board of Statutory Auditors

<b>Functions</b>	The Board supervises observance of the law and the company's articles of association, observance of the principles of proper administration, and in particular, the adequacy of the organizational, administrative, and accounting model used by the Bank, and its actual operation.
<b>Nomination</b>	The members of the Board of Statutory Auditors are nominated by the Shareholders' Meeting for a period of three financial years based on lists presented by the shareholders, submitted to the registered office at least ten days before the date established for the Shareholders' Meeting. Only shareholders who, alone or together with other shareholders, represent at least 1% of the shares with voting rights may present lists. The Auditors may be re-elected.
<b>Composition</b>	3 Statutory Auditors and 2 Supplementary Auditors
<b>No. meetings in 2004</b>	11
<b>Expiry</b>	At the time of approval of the 2004 Annual Report

## Audit Department

<b>Functions</b>	Without prejudice to the functions of the Board of Statutory Auditors and the Internal Audit Committee, the Audit Department is responsible for internal audits and reports to the Board of Directors, and is appointed the task of fulfilling all of the specific requirements for controlling risks and the efficiency/effectiveness of the business processes of the Bank and its subsidiaries.
------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

## Independent Audit

<b>Functions</b>	The auditing procedures are carried out by independent auditors who meet the requirements of compatibility, professionalism, and independence required by current regulations. The independent auditors hired by Banca Fideuram for auditing the statutory and consolidated financial statements for the 2004-2005-2006 financial years are Reconta Ernst & Young S.p.A.
------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

### Remuneration

The remuneration of the Directors is determined at the Shareholders' Meeting. It consists of a fixed annual part and an allowance paid each time they attend board and/or internal committee meetings (in addition to reimbursement of expenses).

For Directors who hold special positions or are members of internal committees, an additional fixed remuneration is also provided for, which is established by the Board of Directors.

The remuneration of permanent members of the Board of Statutory Auditors is determined at the Shareholders' Meeting. It consists of a fixed annual part and an allowance paid each time they attend the meetings of company bodies (with reimbursement of expenses).

The remuneration of the auditing company is approved at the Shareholders' Meeting.

### Role of Managing Director

General Management, currently consisting of the General Manager and two Vice General Managers, according to the functions assigned by the Board of Directors, implements the decisions made by the Board of Directors and the Executive Committee, manages all of the Bank's business, organizes the activities and determines the tasks and destination of personnel.

### Rights and duties of shareholders

#### *One share, one vote principle*

Banca Fideuram's Articles of association do not establish limits regarding the voting power of shareholders. Each share assigns the right of one vote to be exercised at Shareholders' Meetings.

#### *Convening Meetings and member participation in Shareholders' Meeting votes*

The Board of Directors calls Ordinary Meetings at least once a year. Meetings may also be called by at least two members of the Board of Auditors, following notification to the Chairman of the Board of Directors. Shareholders with voting rights who present the special certificate attesting to participation in the centralized system for managing shares may participate in the Shareholders' Meeting. As stated in Art. 2370 of the Civil Code, no advance depositing of shares is required for participation.

#### *Antitakeover measures*

No antitakeover measures have been implemented.



Milan, Headquarter in Corso di Porta Romana





## 2. Social Statement

### Customers

Banca Fideuram has over 700,000 customers, distributed over all age brackets and across the entire country.

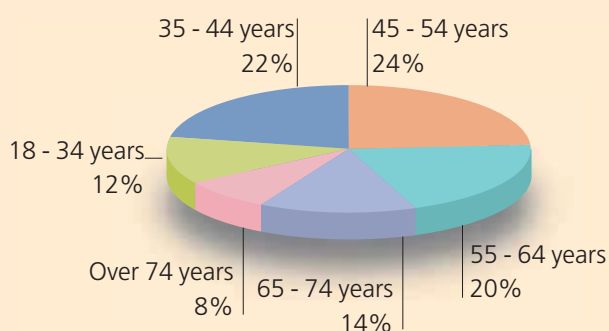
#### Customer satisfaction

Banca Fideuram has always made customer satisfaction the focus of its strategy. It is therefore constantly committed to improving the quality of communication and the services offered.

The Customer Satisfaction survey is a tool for monitoring customer satisfaction and increasing loyalty. The first analysis was completed in 2004 and involved over 1,600 Banca Fideuram customers. The results were positive: the Bank is considered to be a sound, serious and reliable entity offering full satisfaction (the customer satisfaction index is near a level of excellence). This was thanks to the professionalism of the private bankers who are acknowledged as having consultancy abilities and technical skills, and as being efficient and reliable. The evaluation of Banca Fideuram's investment solutions was also acceptable: the wide range of products and services that respond well to the investment needs of customers was highly valued.

During the year, Banca Fideuram continued to participate in the asset management market surveys organized by leading research institutes (Eurisko, Prometeia) and sector associations (ABI, IRSA). This activity is an indispensable tool for staying up-to-date and for comparison with the competition: in fact, it provides information on the needs of Italian investors and helps identify, together with leading operators in the sector, the best solutions for satisfying them.

#### BREAKDOWN OF CUSTOMERS BY AGE



#### Focus on customer relations

Assisting customers in choosing investments and making sure that these have been well-considered and truly respond to each investor's needs are the business strategy values that guide Banca Fideuram. The product range was therefore designed with the fundamental needs of customers in mind and is divided into three lines: Cash Line (designed for effectively managing liquid assets), Planning Line (created for financial planning and medium- to long-term investment) and Value Line (developed for placing resources that exceed those for financial planning into products with a higher risk/performance profile). Furthermore, to continue encouraging customer knowledge, Banca Fideuram uses indicators of the maximum probable capital loss: these tools help customers understand their risk/return profile and allow them further evaluation of the suitability of their choices. The work carried out in 2004 was consistent with the abovementioned principles, enhancing the investment solutions as well as improving the information provided to customers.

In regards to product development, the most important news concerned the introduction of Fideuram Multibrand within the Value Line. It made the Bank's funds available to over 230 sectors of leading international investment houses and was designed to guarantee customers the widest range of possibilities as well as their objectivity and independence. The range of selected funds, in fact, is very wide and ensures an even more articulated coverage of the financial markets at geographical, monetary, sectorial and management style level.

The Planning Line was also enhanced through the launching of new unit-linked Financial Age Portfolio policies. This instrument is for customers who want to take advantage of opportunities on the financial markets without giving up the benefits guaranteed by an insurance product.

As regards customer information, Banca Fideuram is committed to supporting the private bankers by providing them with specific simple and effective tools. Furthermore, more space was given to analyzing today's most relevant financial topics through the weekly publication of specific articles and studies on the company's Internet site. Worth mentioning is the in-depth analysis that started in July on the reforming of Italy's pension system, which increased customer awareness on the welfare system problem.

**PattiChiari (Clear Deals)**

During 2004 Banca Fideuram continued complying with “PattiChiari” initiatives, a project promoted by ABI (Italian Bankers’ Association) for improving communication between banks and customers.

In particular, during October the “check availability” initiative was launched which limits the time in which sums deposited by check must be made available to 7 workdays, allowing customers to easily and precisely know and compare the availability of money in their accounts.

Furthermore, Banca Fideuram was one of the first banks to obtain quality certification from Det Norske Veritas and the “PattiChiari” logo for its FARO initiative launched in 2003. This certification was introduced to guarantee the reliability of the tools envisaged by the project and provides for periodic audits by external independent certifying organizations.

**Customer complaints**

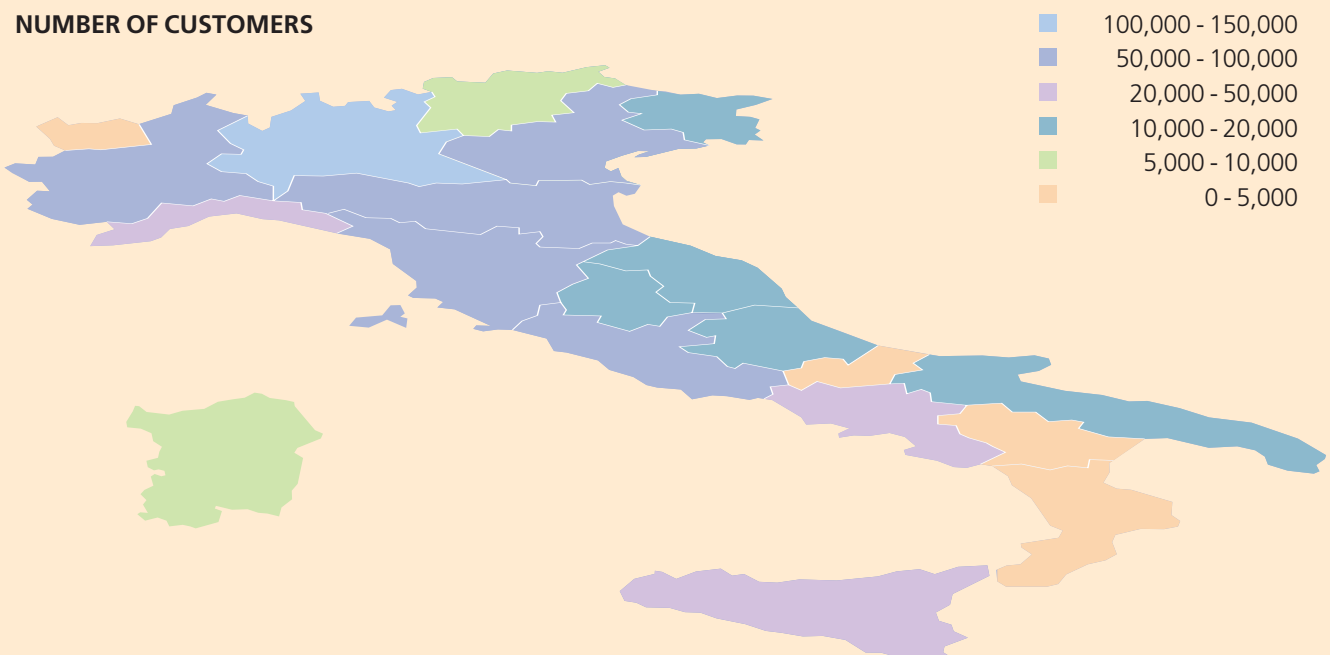
Banca Fideuram’s Customer Service Department receives notices by customers. During 2004 the department managed 6,766 complaints (equal to approximately 0.94% of total customers): approximately 10% of the requests, however, regarded the simple correction of errors that occurred during the sending of trading orders. The disputes were resolved on the average in 27 days, therefore much quicker than provided for by current regulations (90 days). The number of appeals to the Ombudsman received by Banca Fideuram in 2004 were 29.

**Online services**

Banca Fideuram integrates the assistance provided to customers by the private bankers with Fideuram Online services (www.fideuram.it). Fideuram Online is, in fact, a tool that allows customers to gain information and operate independently and comfortably from home, saving time and money. To further enhance its role as an information tool and to satisfy the operating needs of customers, the Current Accounts and Trading services of Fideuram Online were updated and expanded during 2004 with the introduction of numerous new functions including residential utility charge, checkbook request, foreign wire transfers and recurring wire transfers, and the sending of current account and securities account statements via SMS and e-mail. Furthermore, in 2004 certain activities were started for offering customers a more complete and simpler service and will be concluded in 2005. In particular, a new page is being introduced where the customer can easily and immediately view a summary of his or her assets.

Customers have shown their appreciation for Banca Fideuram’s Internet services: the number of customers of Fideuram Online at the end of the year were approximately 142,000 (+12% compared to last year). During 2004 a questionnaire for evaluating the current accounts service was added to Fideuram Online. The analysis of the responses showed that over 80% of customers were satisfied with the service in terms of facility of use, understandable content, speed and available functions. Even the graphics were appealing and helpful in finding information.

**NUMBER OF CUSTOMERS**



## Private Bankers

The private bankers are financial planners who help Banca Fideuram customers choose investments. They are professionals connected with the bank by an open-end agency agreement and are responsible for managing and developing customer relations.

### Operating and organizational structure of the network

#### Territorial division

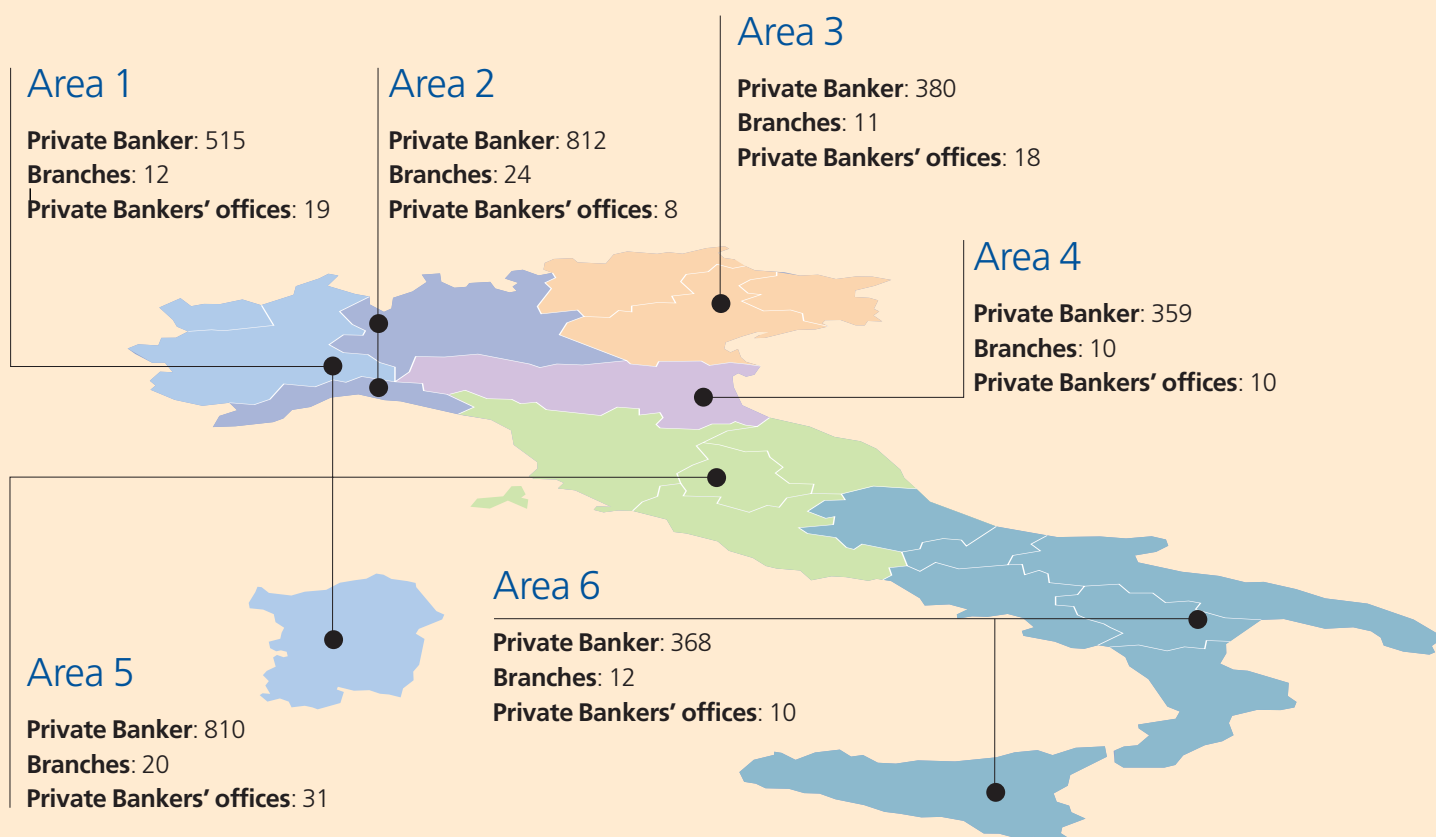
At the end of 2004, the Banca Fideuram network was organized into 6 territorial areas, each supervised by an Area Manager to whom local managers report. Each area groups together one or more regions depending on the size and commercial potential.

In 2004, the Sanpaolo Invest network concluded an important reorganization process started in 2003, which significantly modified the territorial structure bringing the areas from 5 to 3. Each area, which groups together several regions, is entrusted to an Area Manager assisted by an underlying managerial structure.

#### Organizational structure

The Banca Fideuram and Sanpaolo Invest networks are structured as a pyramid: there are three managerial levels with specific responsibilities for managing the resources on the territory.

### BANCA FIDEURAM NETWORK



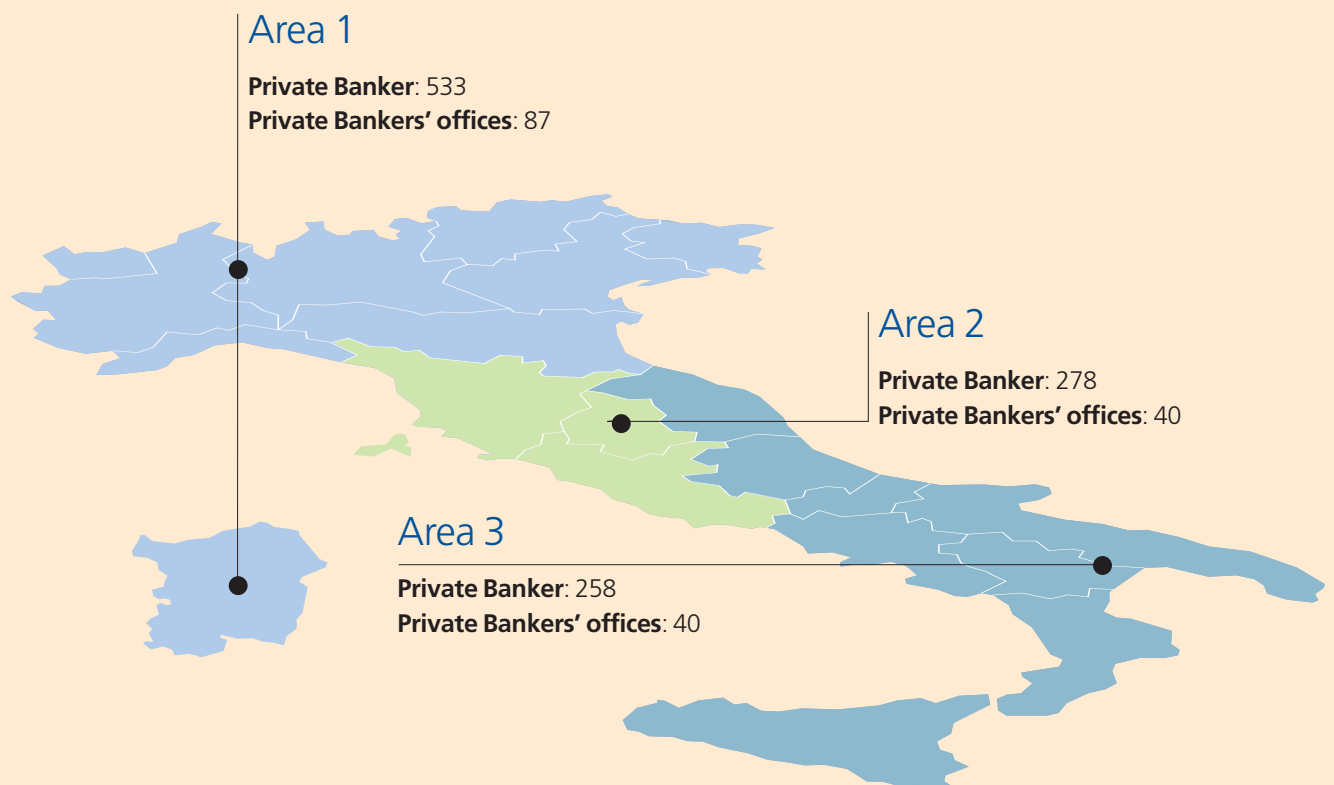
	BF	SPI	Roles and responsibilities
<b>1<sup>ST</sup> level</b>	Area Manager	Area Manager	They collaborate with the bank in defining commercial activities. They supervise the activities across their entire area of competence.
<b>2<sup>ND</sup> level</b>	Divisional Manager	Regional Manager	They guide the managers in achieving sales goals, carry out training, and participate in recruitment activities.
<b>3<sup>RD</sup> level</b>	Regional Manager	Divisional Manager	They directly supervise private bankers and help them carry out operations, and carry out recruitment activities.

**Private Banker**

The key values that Banca Fideuram requests from its private bankers are expertise, integrity and honesty, leadership, and commitment. The expertise and professionalism of the private bankers, together with the methods and instruments provided by Banca Fideuram, constitute Banca Fideuram’s value -the foundations for the trust granted by customers over the years. Recruitment focuses on people who already have specific skills and experience in the financial and insurance sector and takes place through careful selection. In 2004

recruitment experienced a qualitative turnover which was somewhat reflected in the lower total number of private bankers compared to the previous year. Banca Fideuram provides its private bankers with sophisticated tools for analysis and financial planning such as SIM Web and SIM PB Web, which provide a systematic approach to customer needs. These tools allow private bankers to obtain updated integrated data on each customer’s situation at any time. The private bankers mainly work at Financial Planners’ offices located throughout the territory, many of which are adjacent to a

**SANPAOLO INVEST NETWORK**



**PRIVATE BANKERS PROFILE**

	Banca Fideuram	Sanpaolo Invest
Average age	47 years	43 years
Seniority	10 years	7 years
Average number of customers	175	139
Average portfolio	15.6 million euro	8.1 million euro

small branch where customers can carry out normal banking transactions.

To continuously guarantee its customers advisory services with high added value, Banca Fideuram considers investment in private banker training to be especially important.

During 2004, among the initiatives aimed at the professional growth of the private bankers, an online training project was started with a special distance training platform that provides information on all Banca Fideuram products, including the new Multibrand product. Online updates on regulations that most interest the private bankers (privacy/money laundering) were also made available online.

Another investment was made in the professional growth of the private bankers with the launching of a scholarship program for European Financial Advisor qualification, a European certification issued by the EFPA (European Financial Planning Association). The EFPA is a European foundation for financial planning whose main goal is to promote high professional, training and ethical standards among European financial planning professionals. Finally, a training project for improving the quality of relations between the private bankers and customers was started during 2004.

The activities of private bankers are continuously

monitored by Banca Fideuram, especially with regard to deontological aspects and professional ethics. In 2004 a new IT system for remote monitoring of private banker activities was implemented. This system, based on a series of indicators, permits continuous monitoring of private banker operations. Checks are also carried out following reports by customers and the managerial network.

**BANCA FIDEURAM PRIVATE BANKER**

Period	Start of period	New hires	Resignations	End of period
1 Jan 2003 - 31 Dec 2003	3,520	108	215	3,413
1 Jan 2004 - 31 Dec 2004	3,413	69	238	3,244

**SANPAOLO INVEST PRIVATE BANKER**

Period	Start of period	New hires	Resignations	End of period
1 Jan 2003 - 31 Dec 2003	1,234	67	171	1,130
1 Jan 2004 - 31 Dec 2004	1,130	78	139	1,069

### Remuneration structure of the network

The remuneration of private bankers and network managers consists of two main components: commissions and bonuses. Other forms of incentives are also added to these.

#### Commissions

The commissions are divided into subscription commissions (sales) and commissions for maintaining assets (management). While the first reward the acquisition of new financial resources, the second remunerate the private banker's ability to consolidate and improve relations with the customer over time. The latter represent at present most of the remuneration of private bankers. With the dual objective of further encouraging customer retention and trust and fostering private banker loyalty, management commissions for some financial products will be further increased in 2005. The remuneration of network managers is directly connected, on the other hand, with the activities of the supervised private bankers and is based on commission percentages applied to the volume of business that the latter generate.

#### Bonuses and Incentives

Another component of remuneration, more important for managerial levels, consists of bonuses related to the achievement of business objectives. The incentives system is structured so as to increase rewards as results are achieved. The incentives system is aimed at global growth, especially in managed savings. Generally speaking, rather, no incentives related to individual products are accounted for. In addition to monetary incentives, other forms of rewards have been implemented. They are closely

integrated with the commercial budget, and allow the best private bankers of the year to participate in company events (trips, conventions).

Finally, there are forms of incentives that focus primarily on the private banker's ability to retain customers. These forms of incentives reward private bankers for maintaining assets over time and for the best commercial results achieved repeatedly over the years. These consist of various forms of provisions (in pension products) made by the Bank in favor of the private banker.

In 2004, as in 2003, Banca Fideuram implemented a stock-option plan that provides for the allocation of stock options on Banca Fideuram shares to managers and private bankers. The number of options allotted depends on the achievement of the goals provided for by the annual budget. This is another incentive mechanism for the network, providing for the participation in creating value for the company.

#### Investigation by the Public Prosecutor's Office of Florence

As regards the investigation undertaken in 2004 by the judicial authority concerning certain private bankers of the Banca Fideuram Group and employees of the subsidiary Fideuram Bank (Suisse), there have been no new significant developments.

All of the disputes, it should be noted, regard participation in illegal financial practices (consisting of unauthorized subjects offering investment services or financial products in Italy), with the exception of one private banker, no longer working, who is also charged with money laundering.

### REMUNERATION STRUCTURE OF THE NETWORK

	Private Banker	Manager
Subscription commissions	●	
Management commissions	●	
Commissions on volume of business of supervised private bankers		●
Target bonuses	●	●
Stock-option plans	●	●

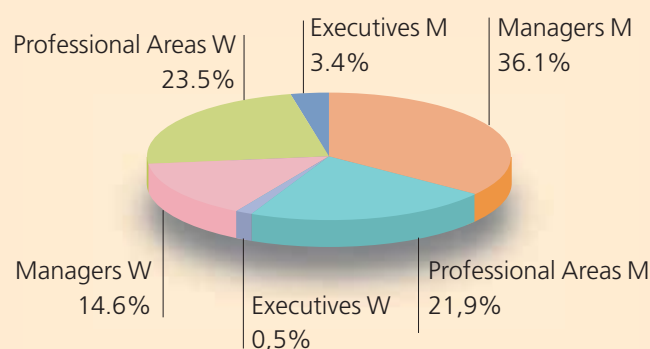
## Employees

### BANCA FIDEURAM GROUP EMPLOYEES IN ITALY AND ABROAD

	2004			2003		
	Men	Women	TOTAL	Men	Woman	TOTAL
Executives	62	9	71	63	7	70
Managers	659	266	925	652	259	911
Professional Areas	399	429	828	437	453	860
<b>TOTAL</b>	<b>1,120</b>	<b>704</b>	<b>1,824</b>	<b>1,152</b>	<b>719</b>	<b>1,871</b>

The employees of the Fideuram Vita and Fideuram Assicurazioni insurance companies are no longer included under Banca Fideuram personnel since they left the group setting following the formation of the insurance pole of the Sanpaolo IMI Group; the 2003 data were restated without the insurance sector to allow consistent comparison. Group staff operating abroad equals 19.9% (21.0% in 2003).

### PERCENTAGE BREAKDOWN OF GROUP PERSONNEL IN 2004



Women: **38.6%**

Men: **61.4%**

### BANCA FIDEURAM GROUP EMPLOYEES IN ITALY

	2004			2003		
	Men	Women	TOTAL	Men	Women	TOTAL
Executives	50	8	58	50	6	56
Managers	507	194	701	489	186	675
Professional Areas	339	363	702	369	378	747
<b>TOTAL</b>	<b>896</b>	<b>565</b>	<b>1,461</b>	<b>908</b>	<b>570</b>	<b>1,478</b>
	61.3%	38.7%	100.0%	61.4%	38.6%	100.0%

## TYPES OF PERSONNEL CONTRACTS

	No. of resources	2004		No. of resources	2003	
			of which part-time			of which part-time
Open end contracts	1,454	127	8.7%	1,467	118	8.0%
Fixed term contracts	7			9	1	11.1%
Apprenticeships				2		
<b>TOTAL</b>	<b>1,461</b>	<b>127</b>	<b>8.7%</b>	<b>1,478</b>	<b>119</b>	<b>8.1%</b>

## AVERAGE SENIORITY AND AGE

	Average Seniority	Average age
Executives	10.9	48.4
Managers	14.3	44.1
Professional Areas	10.9	37.8

127 employees have part-time job contracts, of which 94.5% are female personnel that use this type of contract in order to flexibly manage their work.



## EDUCATION

	Executives	Managers	Professional Areas	TOTAL	
University degree	45	241	180	466	31.9%
Secondary school	13	411	408	832	56.9%
Other levels of education		49	114	163	11.2%
<b>TOTAL</b>	<b>58</b>	<b>701</b>	<b>702</b>	<b>1,461</b>	<b>100%</b>



### Turnover

The new employees, 26.5% of which have open-end contracts, have an average age of 29 years and approximately 67% are college graduates.

#### INCOMING 2004

	Men	Women	TOTAL
Executives	1		1
Managers	11	1	12
Professional Areas	21	15	36
<b>TOTAL</b>	<b>33</b>	<b>16</b>	<b>49</b>

#### OUTGOING 2004

	Men	Women	TOTAL
Executives	7		7
Managers	16	7	23
Professional Areas	22	14	36
<b>TOTAL</b>	<b>45</b>	<b>21</b>	<b>66</b>

#### CAREER EVOLUTION

	Men	Women	TOTAL
Promoted to Executive	6	2	8
Promoted within Management	68	26	94
Promoted to Manager	29	16	45
Promoted within Professional areas	55	58	113
<b>TOTAL</b>	<b>158</b>	<b>102</b>	<b>260</b>

Career development is based on merit and keeps in mind achieved results, level of expertise and individual skills, consistent with the organizational model and the requirements for carrying out roles of responsibility/coordination and particularly important specialist activities.

In this regard, the process that manages and monitors personnel performance plays an especially important role and is based on:

- a system of goals for managerial and professional figures that safeguard areas with special strategic importance in the company's organization;
- an evaluation system that focuses on analyzing individual performance: achieved results, organizational conduct and explicit expertise, organized into specific leader/collaborator stages of contact.

#### Relations with Trade Unions

Trade union relations have for some time been open, fair and constructive. In this context agreements were signed and commitments were formalized during 2004 with the trade unions that allowed the bank to manage routine and structural problems, achieving efficiency in terms of human resources and business.

In particular, agreements with the trade unions were reached which permitted:

- starting, financing through the "Fund for staff in the banking industry", training programs consistent with business reorganization processes for professionally qualifying personnel;
- extending the possibility of flexibly managing a certain number of branches through temporary operation with only one teller if the other one is not present, until April 2005.

The rate of unionization is approximately 58%. The number of hours dedicated by workers to trade union activities in 2004 was equal to 7,475 and represents approximately 0.3% of theoretical working hours; absences from work because of strikes account for 11,867 hours equal to approximately 0.4% of theoretical working hours.

Company regulations provide for improved benefits compared to national contractual provisions. In particular, there are special company negotiation provisions in terms of time flexibility, shorter lunch breaks, leave for student workers, the transformation of employer/employee relations from full-time into part-time, also implemented using incentives, professional figures, pension funds and health care.

**Protected categories**

Personnel belonging to protected categories according to law 68/1999 present on 31/12/2004 are 134. During the year, 6,254 hours of leave were used by employees for serious illness or to help family members with serious pathologies.

Disabled	76
Orphans, Widows, Refugees	58
<b>TOTAL</b>	<b>134</b>

**Development of human resources**

As in 2003, Banca Fideuram prepared a classroom "Training Catalog" for all personnel, providing participation criteria aimed at developing both the professional interests of employees and the company's need to increase individual competencies.

The 2004 "Training Catalog", created through the valid contribution of a team of internal teachers specially trained on classroom management techniques, focused in particular on specialist commercial, financial, and credit topics. Ad hoc activities for developing technical, IT, and behavioral know-how were integrated in the catalog mentioned above, and included a specific plan for managerial training, as needed.

Furthermore, the e-learning platform was systematically used for distance training, mainly for courses on regulations and specialist topics (money laundering, privacy, measures for safeguarding and protecting data, Law 626) and as a teaching aid for the classroom managerial training program.

In 2004 a total of approximately 40,000 hours of classroom and distance training were provided.



Gettyimages

With regard to the training activities, the logistical and organizational needs of personnel with part-time contracts belonging to protected categories were strongly considered.

In addition, in 2004 11 internships were created for university graduates within strategic areas, offering them the possibility of integrating academic studies with concrete business experience.

## CLASSROOM TRAINING

Training Area	2004		2003		Change (2004 / 2003)	
	No. participants	Total hours	No. participants	Total hours	No. participants	Total hours
<b>Internal Training</b>						
Specialized	1,387	18,356	828	7,410	+67.5%	+147.7%
Managerial / Personal development	485	5,302	722	10,740	-32.8%	-50.6%
<b>External Training</b>						
Workshops / Conventions / Language courses	241	4,490	331	5,887	-27.2%	-23.7%
<b>TOTAL</b>	<b>20,113</b>	<b>28,148</b>	<b>1,881</b>	<b>24,037</b>	<b>+12.3%</b>	<b>+17.1%</b>

## E-LEARNING

Training Area	2004 (*)	
	No. participants	Total hours
Specialized	2,966	10,987
Managerial / Personal development	255	910
<b>TOTAL</b>	<b>3,221</b>	<b>11,897</b>

(\*) Considering the experimental nature of the e-Learning platform in 2003, a meaningful comparison with 2004 data is not feasible.

## Health care, pension fund, and services for employees

To satisfy the various needs of employees, a group of benefits and special terms has been made available to personnel for several years now, including:

- A supplementary pension fund, with company contributions of 3% of the base salary
- Insurance policies for professional and private injury
- Supplementary health care
- Facilitated part-time
- Rewards for the 25th and 35th year of seniority
- Special conditions for student workers
- Contributions for disabled family members





Contrasto

### Safety

Again in 2004, necessary attention was given to measures and initiatives aimed at making the workplace more comfortable by:

- progressively replacing video terminals and components with more functional and technologically advanced equipment;
- renovating and/or modernizing offices (approximately 10%).

In terms of preventing and reducing risk, smoking was completely and effectively banned throughout the entire bank ahead of the deadline provided by law.

Accidents in the workplace were limited to 0.5% of personnel in 2004 thanks to increased awareness about prevention provided by special training.



Contrasto

### Security

Banca Fideuram did not experience any robberies during 2004, owing to the continuous monitoring and improvement of the security measures that protect employees and customers from malicious acts as well as targeted prevention.

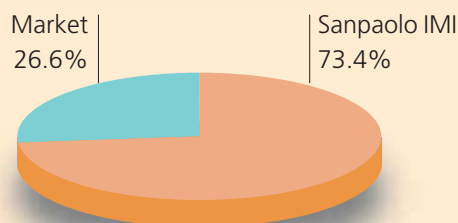
## Shareholders

Banca Fideuram's share capital consists of 980,290,564 ordinary shares. Following the spin off of the insurance companies to Sanpaolo IMI, effectively completed on 30 November 2004, for which Banca Fideuram shareholders were assigned 0.0747 Sanpaolo IMI shares for each Banca Fideuram share, the nominal value of the shares went from 0.26 euro to 0.19 euro.

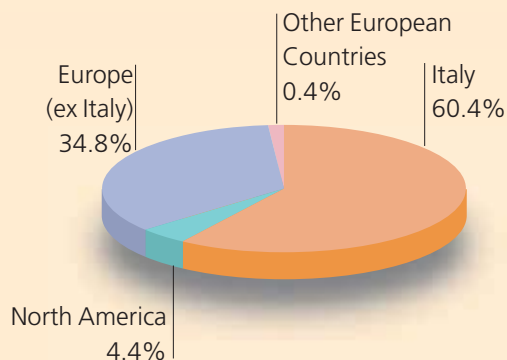
73.4% of the capital is controlled by Sanpaolo IMI and the remaining part (26.6%) is on the market. As of 31 December 2004, there are no other shareholders with shares of more than 2% who have notified CONSOB and Banca Fideuram according to the rules contained in the Italian Consolidation Act on market intermediation provisions<sup>1</sup>. With reference to the part on the market, nearly two thirds is estimated to be in the hands of institutional investors, of which

approximately 60% are Italian and 40% are foreigners. Among the latter, Europeans prevail. Banca Fideuram stock is listed on the Milan Stock Exchange and is part of the Italian "Blue Chips" index (S&P/MIB), which includes the companies that have the highest capitalization of float and liquidity in each industrial sector. In addition to being included in leading international share indices such as FTSE Eurotop 300, DJEuroStoxx 600, MSCI Europe, and S&P 350, the Banca Fideuram share is also part of certain important international "ethical" indices. In particular, it is one of the few Italian stocks included in the FTSE4Good and the Dow Jones Sustainability Index (as of 2004), considered the two most important European ethical benchmarks.

### SHAREHOLDERS



### GEOGRAPHICAL DISTRIBUTION OF BANCA FIDEURAM INSTITUTIONAL INVESTORS



### Remuneration of shareholders and rating

In line with previous years, in 2004 Banca Fideuram again distinguished itself by adopting a generous income distribution policy, with a payout ratio equal to nearly 90% of 2003 income, without wearing away the solidity of the bank's assets. This solidity is also testified by the rating it received from Standard & Poor's (A-1 short-term, A+ medium/long-term) and the improved outlook from stable to positive.

The total profitability of capital, measured by RoE, increased and exceeded 24% in 2004 (approximately 18% in 2003). Once excluded the insurance companies (spun off to Sanpaolo IMI) from consolidation, the 2004 pro forma RoE is above 30%. The performance of Banca Fideuram stock during 2004 was slightly negative (-1.6%), in spite of a strong recovery during the last 2 months of 2004 and the first few months of 2005.



### Create value and start growing again:

#### 2005-2007 Industrial Plan

Creating value for shareholders has always been a priority for Banca Fideuram.

Banca Fideuram intends to continue pursuing this objective through the 2005-2007 Industrial Plan, approved by the Board of Directors in February 2005. The plan reinforces Banca Fideuram's mission to be a specialized bank, a leader in managing the assets of high-end, Affluent and High Net Worth customers (HNW), further strengthening its position with a strategy which envisages the recovery in dimensional growth at low sustainable costs, ensuring management of operating and reputational risks.

The business model based on vertical "production-distribution" integration is also reinforced, a fundamental condition for the effectiveness of business and the quality of service to customers.

#### Business strategy

The new strategy's main theme is Banca Fideuram's specialization by customer segments with differing financial knowledge and requirements. To implement the new strategy, two distinct and specialized service models will be created for managing the two segments (HNW and Affluent).

Even though without a specialized service model until today, Banca Fideuram currently serves nearly 5,000 HNW customers with assets under management of over 12 billion euro, representing approximately 2% of the Italian HNW market, which gives Banca Fideuram a unique starting point of undisputed value for positioning itself as the leading private bank in Italy.

To seize this opportunity, Banca Fideuram will implement an innovative service model that specializes the model traditionally used for its Affluent customers and differentiates it from the model used by leading competitors by introducing new and distinctive financial advisory elements.

#### Plan Objectives

To enlarge the assets under management, Banca Fideuram will be a hub that combines distinctive asset gathering skills, a role that fits because of advantages of size, excellence in managing processes, increased value for customers and private bankers and the availability of scaleable systems that support multi-network operations. Banca Fideuram will immediately resume the recruiting of quality bank employees and private bankers with significant portfolios through the Banca Fideuram and Sanpaolo Invest networks, each dedicated and focused on its area of appeal and natural exploitation of skills.

In particular, it is estimated that Banca Fideuram will recruit approximately 500-600 private bankers with portfolios while Sanpaolo Invest will recruit approximately 450 private bankers during the three-year period.

These targets are challenging but realistic since the consolidation process of the smaller sized networks creates instability and greater mobility of private bankers: Banca Fideuram, as a leader, is in the ideal position to get ahead and start recruiting again.

Specialization by customer segment and the recruitment of a significant number of private bankers will be accompanied by another important line of action: the refocusing of private banker incentives on net new money targets. In particular, the Plan provides for annual incentives and an ad hoc incentive connected with achieving the global targets of the three-year plan. In addition, a stock-option plan is envisaged to

2. The Affluent segment includes customers who entrust Banca Fideuram with assets between 100,000 and 1 million euro; the High Net Worth segment includes customers that entrust Banca Fideuram with assets of more than 1 million euro.

correlate the targets of the networks with those of the shareholders.

The incentives system just described, together with the new range of products and the recruitment of approximately 1,000 private bankers, will be the driving force for achieving the challenging commercial targets, which are:

- net new money equal to 10 billion euro over the three-year period;
- growth of assets under management at an average annual rate between 7.5% and 8.5%, which includes performance results.

As already mentioned, the Plan's aim is to reach these commercial targets at low sustainable costs. Important economic and financial targets<sup>3</sup> were therefore also created; barring significant changes to the current reference scenario and the performance of the markets, 2007 net income per share is expected to be between 0.235 euro and 0.240 euro and RoE is expected to grow above 30% during all the years of the Plan.

### Risk management

The strategy for relaunching growth will be implemented while managing operating and reputational risks.

Banca Fideuram will therefore strengthen the risk management systems in their entirety. In particular, the types and levels of risk that the bank might assume while carrying out its mission will be defined and recorded and aligned with Group parameters.

After acceptable levels for each identified risk have been distinguished and determined, a special department made up of especially qualified personnel will be set up to manage the operating and financial risks. Business processes will likewise be strengthened and adapted so that the areas of risk can be continuously monitored. Finally, codes of conduct will be created to prevent and mitigate the arising of risk situations.

3. It should be noted that the spin off of the insurance companies (Fideuram Vita and Fideuram Assicurazioni) in favor of SanpaoloIMI was effectively completed on 30 November 2004. The Plan's targets should therefore be compared with the 2004 pro forma results.



### Relations with investors and the market

Contact with shareholders, financial analysts, and other subjects interested in understanding important factors for properly evaluating Banca Fideuram is ensured and managed by the Investor Relations Department (IR). This department guarantees prompt, accurate and continuous updates on company activities, strategies and results, in full observance of regulations on price sensitive information and in line with the principles indicated in the “Guide to the Disclosure of Information to the Market” published in 2002 by Borsa Italiana in collaboration with Aiaf, Assogestioni and Assonime. Again in 2004, in line with the standards of the Parent company Sanpaolo IMI, Banca Fideuram communicated economic and financial results on a quarterly basis. Each quarter, on the same day the Board of Directors approves the results (or at the latest the following day), a presentation for the financial community (in Milan) and/or a conference call in English were organized in order to promptly illustrate the results to Italian and foreign analysts and investors.

It should also be emphasized that Banca Fideuram is one of the few companies that provides monthly information to the financial community on its business performance (net new money, assets under management, private banker network, etc.) with detailed data on products and distribution channels through press releases sent to analysts and investors by IR. For Investor Relations, 2004 was a very special year. The spin off of the insurance companies and top management turnover inevitably caused changes to the IR activities planned at the beginning of the year. This essentially translated into a significant reduction of external IR activities (roadshows, conferences) and an intensification of in-house or routine IR activities (telephone and e-mail contact, individual conference calls, one-to-one meetings at Banca Fideuram’s registered office, etc.).

Excluding routine business, in 2004 IR activities were carried out through:

- 4 presentations for the financial community organized in Milan;
- 5 audio conferences with the financial community;

- participation in 1 sector conference organized by a leading international brokerage house;
- approximately 110 individual meetings, video conferences or audio conferences with analysts and investors, of which approximately 60% with top management participation.

To further improve communications and transparency with all concerned parties, IR continued to be further enriched with more interactive content and tools. In particular:

- a special section on social responsibility was added;
- the section on share performance was improved with the addition of a dynamic graphic;
- functions for online subscription to the Investor Relations mailing list were developed.

In 2004 the shareholder structure was monitored more frequently. The latest data was obtained in October 2004.

In addition to this, in order to focus its future efforts on key topics and to identify possible areas of improvement, the IR Department commissioned and completed a perception study in December 2004 that surveyed Italian and foreign investors and analysts. The perception study (carried out by an independent advisor) revealed that the surveyed candidates were generally satisfied with the effectiveness of Investor Relations. In fact, the financial information provided by Banca Fideuram was considered nearly unanimously to be “open, transparent, and sincere”. Various investors, however, would like to see the company in roadshows more frequently and would like to have greater access to top management. This last demand expressed by the financial community is already the focus of Investor Relations 2005 policy.



## Community

### Banca Fideuram and its new humanitarian projects

In 2004 Banca Fideuram provided financial support of approximately 200 thousand euros to various humanitarian projects. Some of the recipients are reported below.

International events led to a contribution to Médecins sans Frontières, a non-profit institution that operates in over 85 countries aiding the poor and victims of war and natural catastrophes.

The donation to the Fatebenefratelli hospital in Rome was used to purchase new blood clotting equipment for endoscopic use. A contribution was also made to San Patrignano, the community founded by Vincenzo Muccioli for accommodating marginalized people and drug addicts and aiding their recovery through professional training and productive activities as individual paths for overcoming all kinds of addictions. Lega del Filo d'Oro, an association committed to nurturing the subtle and valuable connection that allows deaf and blind individuals and people with multiple and psycho sensory disabilities to communicate with the rest of the world, also received financial assistance.

### Banca Fideuram and Emergency: current projects

The humanitarian projects created in previous years in collaboration with Emergency continued to bring relief to people affected by war in 2004. The health facility and first-aid center in Mirbachakot, Afghanistan, (2002 donation) carried out approximately 17,000 visits and emergency surgeries during 2004. Continuing in

its three-year economic commitment to cover the health care expenses for maintaining the Afghani structures, last year Banca Fideuram reinforced its collaboration with Emergency by shifting its attention to the suffering population of Iraq. In a place devastated by conflict the construction of a new hospital in Karbala, 100 km southwest of Baghdad at the center of the war, continued in spite of numerous difficulties. The companies carrying out the work could not guarantee the rate and continuity of construction for reasons of safety and therefore, unfortunately, work that should have been completed by the end of 2004 was delayed several times. Salam, the name of the hospital, is at an advanced stage of construction (approximately 50% of the work has been carried out) and will be finished as soon as minimum safety permits.

### Russkij Festival: music as a universal language

Banca Fideuram's attention to community also focused on cultural activities during 2004. Convinced that culture is also an investment, our company agreed for the first time to be the official sponsor of a very prestigious musical event, the inaugural concert of the Russkij Festival at Auditorium Parco della Musica in Rome, which witnessed the return of Maestro Valery Gergiev to Italy after several years of absence. In partnership with Centro per lo Sviluppo dei Rapporti Italia Russia, the concert was chosen to host Premio Fedeltà, the event that celebrates the best private bankers of the Fideuram network.

## MACROAREAS OF PRESS REVIEW

	2003		2004		Change
Strategies and company events	121	21%	760	36%	528%
Operating, economic and financial results and profitability ranking	95	17%	206	10%	117%
Analysis and comments on stock performance	77	14%	98	4%	27%
Approach to services and investments advisory	195	35%	608	29%	212%
Network and private bankers	74	13%	441	21%	496%
<b>Company presence in local/national and int. newspapers and magazines</b>	<b>562</b>	<b>100%</b>	<b>2,113</b>	<b>100%</b>	<b>276%</b>

**ASSESSMENT OF ENTERPRISES**

(Banking and Financial sector summary)

	Very positive	Very, quite positive	Neither pos. nor neg. no opinion	Very, quite negative	Net positive *
<b>Banca Fideuram</b>	<b>8%</b>	<b>51%</b>	<b>40%</b>	<b>9%</b>	<b>42%</b>
Average of banks assessed	9%	51%	35%	15%	36%
Average Financial sector	9%	50%	35%	14%	36%
Average 110 enterprises	7%	43%	46%	11%	32%

\* % of positive answers (very much/quite) minus % of negative answers (very much/quite)

**ASSESSMENT OF ENTERPRISES**

(Banking and Financial sector summary)

	1996	1997	1998	1999	2000	2002	2004	Trend 04-02
<b>Banca Fideuram</b>	<b>18%</b>	<b>39%</b>	<b>44%</b>	<b>48%</b>	<b>50%</b>	<b>37%</b>	<b>51%</b>	<b>14%</b>
Average of banks assessed	44%	62%	52%	55%	56%	45%	51%	14%
Average Financial sector	35%	55%	47%	52%	56%	46%	50%	11%
Average 110 enterprises	41%	51%	46%	47%	47%	40%	43%	6%

**2004, an important year for media relations**

In 2004 Banca Fideuram was again committed to placing special attention on relations with the media and the financial community. The corporate matters that brought Banca Fideuram into the news during the first few months of the year were transformed into opportunities to nurture relations of mutual awareness with journalists of many newspapers who appreciated Banca Fideuram's willingness to make clarifications by promptly responding to requests for information.

These efforts had positive results as shown in City, a survey of 65 business and financial journalists carried out by the Demoskopea Group. The survey aimed at understanding

how our bank was perceived by members of the media and their opinion of our availability and communication style in comparison with other sector and financial leaders.

The results were on the whole satisfactory: in the summary of the evaluation by journalists of banking-financial sector companies, Banca Fideuram was judged positively, in line with the sector average but clearly improving compared to the last 2002 survey. The year 2004 therefore confirmed the increasing attention by the media that began a few years ago. As the number of articles published during the year shows in the macro areas analysis, media attention primarily focused on corporate strategic decisions and the approach to service and investment advice.

## Environment

### Energy consumption

Banca Fideuram has for some time adopted a policy for using materials, which furnish branches, that fully respect the environment and the requirements of existing norms.

In 2004 air-conditioning equipment that today has become obsolete was replaced with high-efficiency systems that guarantee lower energy consumption and use gases that are more compatible with the environment.

The Engineering Department plans and implements all of the activities necessary for rational use of energy with the support of the Energy Manager (position introduced in 2001).

As of the last quarter of 2003, Banca Fideuram has stipulated supply contracts with Consorzio Idroenergia, which produces energy from renewable sources; over 70% of Fideuram's electricity currently derives from energy produced from renewable sources.

This consumption trend reflects Banca Fideuram's careful policy on monitoring the use of energy resources.

### CONSUMPTION

	2004	2003	Change
Electricity (KWh)	7,921,787	8,600,000	- 8%
Methane gas (Mc)	391,654	408,203	- 4%
Oil (L)	15,000	30,000	- 50%
Water (Mc)	39,297	36,000	+ 9%

### Other supplied and disposed items

Among the environmentally significant supplied items, paper products were purchased at the following cost:

### PAPER EXPENSES

	2004	2003	Change
Forms (euro)	680,000	610,000	+ 11%
Copier paper (euro)	74,000	69,000	+ 7%

### WASTE MATERIALS

	2004	2003	Change
Paper (t)	65	70	- 7%
Toner (t)	2	3	- 33%
Batteries (t)	1	1	-

## Suppliers

### The profile of suppliers

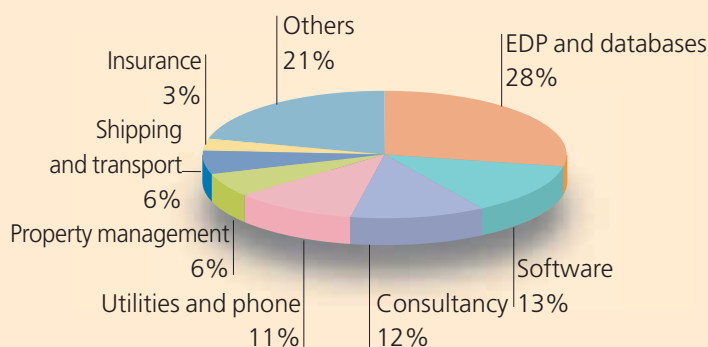
As in previous years, in 2004 Banca Fideuram continued revising and rationalizing the processes for purchasing goods and services according to and consistent with precise internal regulations on cost. During the year the Bank held business relations with about 1,600 suppliers, basically unchanged compared to the previous year, for a total turnover of 106 million euro (90.4 million euro in 2003). Among these suppliers, 112 (108 in 2003), the so-called "large suppliers", provided goods or services for an annual amount of over 155,000 euro each, altogether equaling 84 million euro (69 million euro in 2003).

### Selection policies

Aware of the role that suppliers play in creating value and certain that their services or products can contribute to improving the company's standards of quality, the Bank set up precise selection policies for identifying those with the necessary technical and reliability requirements. Selection is based on professionalism, reliability, honesty and transparency. Suppliers with recyclable products that respond to precise standards on safety are preferred for purchases of equipment and consumer goods. A supplier database was created in relation to these criteria. The database is integrated keeping in mind previous supply contracts that have been successfully fulfilled and names selected or already used by the Parent company, Sanpaolo IMI. Supply contracts that total more than 35,000 euro are normally put out to tender by inviting at least three suppliers, chosen from those in the relative database, to participate. The supply contract is therefore subsequently awarded based on the best offer presented. These criteria do not apply when several suppliers cannot be compared, when supplies are urgent, when compatibility/continuity with pre-existing situations is essential, and for supplies of the same item when estimates have already been requested in the past and there was no change in costs.

### LARGE SUPPLIERS BREAKDOWN BY BUSINESS

(annual payments above 155,000 euro)



### Management of relations

The supplier database is periodically updated, excluding the names of those for which the following occurred:

- contractual non-fulfillments
- unjustified abandoning of the supply after awarding
- non-fulfillments regarding the safeguarding and confidentiality of information.

New names deemed worthy of being considered are evaluated for introduction, even if they have not been used yet by the Bank.

No disputes or cases currently exist with used suppliers.



## 3. Improvement targets

### Improvement targets for 2004

Banca Fideuram intended to reach a certain number of goals in 2004; of particular importance, those tied to qualified inflow and those focusing on enlarging the range of products for customers as well as increasing the professional growth of the private bankers.

In 2004 the value added by the commercial activity, or rather the embedded value of the contracts written during the year, was equal to 310 million euro. Considering the negative trend of the Italian mutual fund sector in 2004, this result is more than satisfactory.

In regards to product development and diversification, the Fideuram Multibrand project began during 2004, which offers customers the possibility of accessing a structured range of funds and SICAVs (over 230 sectors) of well-known international investment houses with proven investment processes and a solid presence on leading financial markets.

Important projects were implemented in 2004 with regard to the initiatives aimed at the training and professional growth of the private bankers:

- the development of the distance training platform that offers quick and functional access to all of the information on Banca Fideuram products and updates on regulations that interest the private bankers;
- investments for €FPA certification (European Financial Planning Association) of some private bankers with the intention of promoting increasingly higher professional standards;
- the creation of special teaching units to improve the quality of relations between private bankers and their customers.

### Main improvement targets for 2005

In regards to the business objectives for 2005, the launching of a long-term industrial plan (2005-2007) is particularly important. Its main goals are the refocusing of incentive systems for the private bankers network, significant resumption of recruitment activities and further consolidation and diversification of the products.

In particular, development of the Multibrand product that began in 2004 and consolidation of the range of funds will continue in 2005. Long-term projects to improve the product range in the high-end segments of the market will also begin.

Finally, the commitment, and its possible expansion, to €FPA certification of a large number of private bankers in order to further raise the already high professionalism of the private bankers will continue.

As regards customer relations, Banca Fideuram intends to continue to contribute towards improving customer knowledge of investment choices throughout 2005. This will be done by supporting private banker activities through the development of new information tools and by providing explanatory material directly to customers.

As for suppliers, Fideuram intends to improve integration with Sanpaolo IMI regarding the selection of the suppliers themselves, with the objective of acquiring higher efficiency in terms of cost/performance ratio and taking advantage of the greater contractual power of the Parent company. Finally, on environmental policies, in 2005 Fideuram intends to extend the purchasing of electricity from Consorzio Idroenergia to as many offices as possible.





## Improvement targets

---



SuperStock/ Contrasto



## Improvement targets

### OBJECTIVE

### REFERENCE STAKEHOLDERS

Undertaking customer satisfaction initiatives aimed at developing a closer relationship with customers. In particular:

- a. completing the survey on corporate customers;
- b. qualitative and quantitative survey on how the bank's services are perceived by retail customers.



Customers

Drawing up and dissemination of the two policies containing the lines of conduct to be followed in dealing with customer companies with regard to credit (in the light of the introduction of the Basel II regulations) and derivative products, so as to guarantee consistency of behaviors and to create the opportunity to share values on the above issues.



Customers

Developing products aimed at meeting new customer needs, by providing a personalized service in the interest of customers. In particular:

- a. as regards retail customers, completing the range of account products by undertaking initiatives dedicated to specific customer segments (e.g. 'Over 65' customers) or modular products which allow to reduce the management charge depending on the frequency of transactions; developing the offer of products and services for the '18-30' segment, pursuing the relationships developed with the University world; implementing the range of insurance products of the 'claims' area (Accident and Health insurance policies, financial products coverage); revising the range of pension and annuity products.
- b. as regards corporate customers, developing a new product aimed at promoting company capitalization, in view of the Basel Accords. Moreover, a new line of credit will be created for medium-sized companies, aimed at financing investments in corporate research & development.



Customers

Widening the services available on the web. As regards retail customers, the objective is to achieve one million multi-channel contracts.



Customers








Exploiting the investments made to obtain the quality certifications and converting in improvement actions all the information obtained by managing complains and critical issues arising from the bank-customer relationship.



Customers

**OBJECTIVE**

**REFERENCE  
STAKEHOLDERS**

<p>Further development of variable remuneration systems by adopting mechanisms which emphasize the importance of exceeding the objectives which have been set.</p>	 People
<p>Launching new initiatives aimed at developing skills and exploiting competences. In particular:</p> <ul style="list-style-type: none"> <li>a. extending the management skills system to all executives;</li> <li>b. developing the professional skills system of the remaining personnel, being the base of the more complex management and development system of managers and personnel in professional areas.</li> </ul>	 People
<p>The pursuit of profitability and performance objectives to allow Sanpaolo IMI to be part of the top European financial league.</p>	 Shareholders
<p>Maintaining a corporate governance model in line with the best international standards, guaranteeing in particular maximum transparency.</p>	 Shareholders
<p>Paying continuous attention to the relationship with shareholders and the financial community by managing communication in a professional and transparent way and by updating the Group's official website on a regular basis.</p>	 Shareholders
<p>ISO 14001 environmental certification</p>	 Environment
<p>Continuous effort in achieving maximum energy efficiency by adopting measures such as extending the Green Light project, replacing the old monitors of all branches with flat-screen ones and by closely monitoring fuel consumption of large office buildings.</p>	 Environment

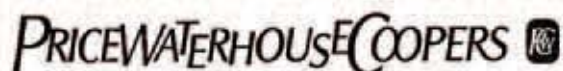


# PricewaterhouseCoopers' opinion

---



PhotoDisc / Contrasto



PricewaterhouseCoopers SpA

## REPORT OF FACTUAL FINDINGS ON THE "2004 SOCIAL REPORT"

To the Shareholders of  
Sanpaolo IMI SpA

We have performed the agreed-upon verification procedures on the 2004 Social Report of Sanpaolo IMI Group (the "Social Report") with respect to:

- The reliability of the data reported therein.
- The completeness and clarity of expression of the data and the information disclosed therein.

Our engagement was carried out by performing the agreed-upon procedures summarized below:

1. Evaluation and analysis of internal procedures used to manage and collect the information and the data included in the Social Report.
2. Testing, on a sample basis, of the correspondence of the economic and financial data reported in the Social Report with the data disclosed in the consolidated financial statements to be presented in the Shareholders' Meeting and of the correspondence of other data and information with management reports or other supporting documentation.
3. Evaluation of the completeness and clarity of the Social Report compared to the information generally included in the social reports already published and to the identified stakeholders.

This report, therefore, refers to the results of the application of the aforementioned procedures and we cannot exclude that, had we performed additional procedures, other matters might have come to our attention that should have been disclosed in addition to those already reported in the following paragraphs.

The results of the application of the agreed-upon procedures are:

1. The existing internal procedures to manage and collect the information and the data included in the Social Report are consistent with the objective of the Social Report itself.
2. The economic and financial data included in the Social Report correspond to those included in the consolidated financial statements to be presented in the Shareholders' Meeting and that the other data and information disclosed in the Social Report are adequately documented by internal management reports or other supporting documentation.



3. Regarding the evaluation of the completeness and clarity of the Social Report, the results reported below are based on our experience, on the benchmarking of national and international best practices and on PricewaterhouseCoopers guidelines developed on the basis of the information requirements deriving from:

- Sustainability Reporting Guidelines (Global Reporting Initiative).
- ABI Guidelines (Modello di redazione del Bilancio Sociale per il settore del credito).
- GBS Guidelines (Gruppo di studio per il Bilancio Sociale).

In this respect, the Social Report is complete and well-structured compared to the best social reports published to date and the data and the information are clearly stated. As a result of our analysis we report the following considerations:

- a. Chapter 6 of the Social Report provides a summary of data and information regarding the Banca Fideuram Group. This has been done with the aim of providing the Group stakeholders with adequate information;
- b. we confirm that there is the opportunity to complete and develop the use of performance indicators by which performance trends could be measured and communicated. This could be done through the adoption of precise principles on the preparation of the Social Report and through stakeholders' consultation.

Turin, 8 April 2005

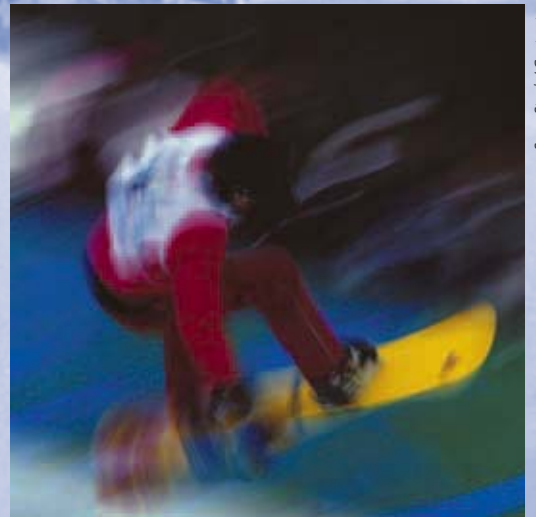
PricewaterhouseCoopers SpA

Sergio Duca  
(Partner)

This report has been translated from the original, which was issued in Italian. We have not performed any control on the 2004 Social Report translation.



## External Valuations



SuperStock / Contrasto



In 2004 Sanpaolo IMI made a request to Standard & Poor's for a Corporate Governance rating, which was made public in July and is summarized below. At the beginning of 2005 Avanzi Sri Research also provided an ethical rating on the

Group's policies and practices concerning social responsibility. Finally, the report by the "Oscar di Bilancio" jury that awarded Sanpaolo IMI for best report in the "Banking, Financial, and Insurance Institutions" category.

## Opinion of Standard & Poor's

### CORPORATE GOVERNANCE SCORE

July 2004

<b>Corporate Governance score (CGS)</b>	7/10
<b>Component score:</b>	
Ownership structure and external influence	Strong
Shareholders rights and stakeholder relations	Moderate
Transparency, disclosure and audit	Moderate/Strong
Board structure and effectiveness	Moderate/Strong

### Executive Summary

Governance practices at Sanpaolo IMI, Italy's second-largest bank by assets, are assessed as moderate to strong and improving rapidly. For a financial institution that has grown quickly by acquisition, the bank has a strong internal culture of control and a board that, although comprised of a number of new members, appears to provide strong oversight of management.

A shareholder pact allowing a consortium of holders to control the company with approximately thirty percent of the bank's shares has recently changed. The Spanish banking group, Banco Santander appears to have significant influence on the board, but this is balanced by other signatories to the pact. While the ownership structure brings with it certain weaknesses in shareholder rights, it also provides long-term stability, encourages tighter control over management, and allows for a comparatively more active board.

As well, recent changes to the bank's leadership have reduced the number of Chief Executive Officers and have created a more credible Chairman/Chief Executive Officer combination than existed before.

At the same time, there is evidence that the bank's active shareholders guard against inappropriate concentrations of management power.

## Opinion of Avanzi Sri Research

**TOTAL SCORE:** **65,9/100**  
 (0 min. – 100 max)  
 Issued on 15 March 2005



	Rating
Transparency	65
Principles	68
Stakeholder governance	63
Stakeholder relations	67

### Opinion

The level of social responsibility of Sanpaolo IMI analyzed according to our evaluation model is good. Sanpaolo IMI has started to create its own system for organizing and managing social responsibility from the strong values that have always permeated the entire Bank. These values were respected during the merger which, on the whole, did not negatively affect employee satisfaction nor industrial relations. The translation of the values into specific aspects through policies that guide the various departments of the Bank is still underway.

The first step took place in 1997 with the launching of the ethical funds by asset management and continued at the Bank level with the formation of the Ethical Committee in 2001, and is continuously evolving. Today Sanpaolo IMI has a good level of transparency in general and with the social report achieved likewise good results regarding the more specific aspects of social responsibility. Disclosure of the long-term social responsibility strategies could be improved and internal communication and training could be strengthened to make the structure better coincide with the decisions of the Bank. The governance system of stakeholders is good, consisting of an Ethical Committee composed of members of the Board of Directors and a Social Responsibility Unit directly under the Managing Director. In this case as well there are margins of improvement in terms of better regulation of relations between the various structures managing social responsibility topics.

The strong commitment shown through the definition of values is, however, voluntarily limited within a self-contained system which is not very open to sharing decision-making on strategies and various other topics with stakeholders. This shortcoming is critical to our evaluation model because we believe that, although Sanpaolo IMI is not part of particular disputes, this type of conduct does not ensure the ability to promptly react to ethical, social and environmental criticalities that could arise. Relations with the various stakeholders are good, however, and show only minor criticalities, in particular regarding the little consideration given to the indirect ethical, environmental and social effects of issuing loans.

The work method was developed by Avanzi SRI Research based on an analysis model prepared by Siri Company. It translates the multi-stakeholder approach into a matrix that analyzes four aspects of company behavior towards the various stakeholders: transparency, principles, management systems and relations with stakeholders.

Siri Company analyzes corporate social responsibility worldwide and has 11 social rating companies as members that mutually define a common method for evaluating companies.



**“Oscar di Bilancio” for Banking, Financial and Insurance Institutions (listed and unlisted): SANPAOLO IMI**

Every aspect of Sanpaolo IMI’s report is clear and thorough. The information on segment reports and Group integration operations are particularly exhaustive and transparent. The Social Report is excellent, especially concerning relations with stakeholders and objectives by stakeholder category. The rich and well-organized information available online is easy-to-use and exhaustive.

**Banking, Financial, Insurance Institutions Jury**

TEAM LEADER: Paolo Gnes, President of Centrale dei Bilanci  
 Vincenzo Favale - CENTRALE DEI BILANCI, Lorenzo Magrassi - CONSIGLIO NAZIONALE DOTTORI COMMERCIALISTI, Massimiliano La Greca - BORSA ITALIANA, Luigi Matta – ANDAF, Fausto Vittucci – AIRE, Daniela Carosio – AIAF, Mario Rodriguez – FERPI.







# Attachments

---



SuperStock / Contrasto

---

## GLOSSARY

---

## Glossary

**ABI:** Associazione Bancaria Italiana (Italian Bankers' Association)

**ADS (American Depositary Share):** shares in a non-US company deposited with a trustee which can circulate on the United States capitals markets. This makes it possible for United States investors to buy shares through the bank, which will hold them at the branch where the investment takes place.

**Banking Ombudsman:** board founded in 1993 and promoted by the Italian Bankers' Association to settle controversies between banks and customers for values not exceeding 10,000 euro and for which no solution was found at the bank's complaint offices.

**Basel Committee:** committee of the International Regulations Bank and the G10 Nations, responsible for guaranteeing the international stability of the banking system, the safety of depositors, banks, shareholders and the whole economy, and for setting univocal rules for all banks.

**Benchmark:** objective reference parameter of financial investment which can also be represented by the most well known indexes (MIB30, Dow Jones, etc.) or by other indexes considered representative of the investment's risk/performance profile.

**Confidi** (Consozi di Garanzia Collettiva Fidi): Loan Collective Guarantee Consortia.

**Consob:** (Commissione nazionale per le Società e la Borsa): Italian commission for Companies and the Stock Exchange.

**Corporate governance:** the combination of criteria and processes used to govern a company.

**Corporate Social Responsibility:** The Green Book of the European Commission "Promoting a European framework for Corporate Social Responsibility" defines corporate social responsibility as the "voluntary integration of corporate social and environmental concerns in their commercial operations and in their relations with the parties concerned. [...] To be socially responsible - the Green Book states - does not only mean fully meeting applicable juridical obligations but also to go beyond this point by investing in human capital, in the environment and in relations with the other parties concerned".

**Direct environmental impact:** environmental change, partly or fully deriving directly from the organization's activity, products or services.

**Disclosure:** the revelation of a fact or a condition in a report or other financial document. The same term is used to indicate banking confidentiality under certain circumstances established by law.

**Downgrade:** downward adjustment of the rating (see caption).

**Environmental impact:** any environmental change, positive or negative, partly or fully deriving from the organization's activity, products or services.

**Ethical fund:** an investment fund which invests according to SRI criteria.

**Ftse4Good:** set of benchmark and commercial indexes for socially responsible investments.

**Holding:** financial or limited company which owns the majority of the shares of other companies or is part of another company and controls its board of directors.

**Indirect environmental impact:** environmental change deriving from the activities of third party organizations directly related to the main organization. In the case of a bank, for example, reference is made to the impact of customer companies performing activities financed with resources lent by the bank.

**Internet banking:** banking service for retail customers and corporate customers through an Internet connection between the user and the bank.

**Investment banking:** dealing in the sale and purchase of financial instruments and portfolio management, either jointly or separately.

**ISO (International Organization for Standardization):** world federation of organizations setting national technical standards. The main reference standards issues include ISO 14001 (related to environmental management systems) and ISO 9000 (related to quality systems).

**Mib bancario:** stock exchange index grouping the banks listed on the Milan Stock Exchange.

**Microcredit:** programs granting small, easy-terms loans to enterprises which are usually excluded from the banking circuits and aimed at job creation and entrepreneurship.

**Multi-channeling:** offer of retail banking products and services through both traditional channels (tellers) and telecommunications channels. This definition refers both to the types of distribution channels through which these services are offered (closed networks or open networks like the Internet) and to the methods to access these channels by customers (Pos terminals, ATMs, telephones, personal computers and micro-circuit cards).

**NYSE:** New York Stock Exchange

**Pay out ratio:** percentage of income distributed to the shareholders by means of dividends.

**Private banker:** financial planner.

**Private equity:** investments in the venture capital of non-listed companies, usually small- and medium-sized.

**Project finance:** financing method in which the lender mainly examines the profitability of one single project both as a source of reimbursement and as a guarantee of the loan. This type of loan is generally destined to big, complex and expensive infrastructure projects, for example in the energy, chemical, mining, transport, environmental and telecommunication sectors.

**Kyoto Protocol:** protocol applying the United Nations Conference Framework Convention on Climate Change. The Protocol imposes industrialized countries and transition economies countries the objectives of reducing their greenhouse gas emissions, on the basis of “mutual but differentiated responsibilities”, to be achieved between 2008-2012 to obtain a global reduction of 3.8% of their emissions compared to 1990 values.

**Rating:** assessment of the creditworthiness of a counterparty or possible counterparty to be made by quantifying the probability of insolvency of the same.

**Retail banking:** retail market mainly including private customers, small companies and households.

**Risk management:** organizational structure for the determination of methodologies, measurement and management criteria as well as control tools on credit, financial and operating risks in order to ensure the exposure to such risks is properly managed.

**Roadshow:** series of meetings with institutional investors taking place in international financial markets.

**ROE (Return on equity):** net income/average net equity, one of the main profitability ratios.

**Sarbanes-Oxley Act:** United States law passed in July 2002 containing further regulations on the financial information of companies in order to protect the public. In particular, the new law requires greater accuracy and reliability of the financial statements.

**SEC:** Securities Exchange Commission, the American Regulatory Authority.

**SMEs:** small- and medium-sized enterprises.

**SRI (Socially Responsible Investment):** asset management activity carried out according to environmental and social criteria. Usually, three different approaches exist: portfolio selection (securities are included or excluded depending on the environmental or social responsibility profile adopted by the issuing companies); active shareholding (the exercise of rights such as the right to vote at meetings, resulting from the ownership of shares to influence the company's social responsibility policies); community investment (the investment of capitals in marginal economies with objectives of local development).

**Stakeholder:** holder of interest. It is a subject, private or public, individual or organization, establishing relations with the company, which may be direct or indirect, formal or informal.

**Stock option:** free granting of stocks in favor of the Company personnel, with the option to exercise it after a period of time.

**Sustainable development:** development meeting the needs of today's generations without jeopardizing the possibility for future generations to meet their needs (Brundtland Report - WCED World Commission for Economic Development - 1987).

**Toe (ton oil equivalent):** international unit of measure used when dealing with relevant quantities of energy. Every Toe equals the quantity of energy obtained by burning 1,000 kg of oil (41.8 GJ or 11.6 MWh).

**Unit linked:** insurance products which invest in insurance funds, mainly constructed to take account of the different risks.



The Social Report  
is available (in Italian and in English)  
on the website:  
*[www.grupposanpaoloimi.com](http://www.grupposanpaoloimi.com)*

For any comment,  
suggestion or query please contact:  
*[bilanciosociale@sanpaoloimi.com](mailto:bilanciosociale@sanpaoloimi.com)*

The realization of this Social Report  
was followed by an internal working group.

*Graphic project: Partners - Turin*