

BANCA OPI

BANCA PER LA FINANZA ALLE OPERE PUBBLICHE E ALLE INFRASTRUTTURE - SOCIETA' PER AZIONI

REGISTERED OFFICES IN VIALE DELL'ARTE 21, ROME 00144

SECONDARY REGISTERED OFFICE IN PIAZZA MUNICIPIO 17, NAPLES 80100

CAPITAL EURO 500,000,000 FULLY PAID-IN

ROME COMPANY REGISTER AND TAX NO. 00429720584 - VAT NO. 00889821005

COMPANY UNDER THE MANAGEMENT AND COORDINATION OF ITS SOLE SHAREHOLDER

SANPAOLO IMI S.p.A. AND A MEMBER OF THE SANPAOLO IMI BANKING GROUP

ABI CODE 3147.6 - BANKING REGISTER NO. 5434

MEMBER OF THE INTERBANK DEPOSIT GUARANTEE FUND AND THE NATIONAL GUARANTEE FUND

Loans and funding

	(Euro/million)		
	31/12/04	31/12/03	31/12/02
Loans signed	4,361	6,059	7,111
Amounts disbursed:	6,625	6,855	3,748
As mortgage and other loans	3,860	5,224	3,318
As securities subscribed	2,765	1,631	430
Bonds issued	750	500	750
New funding from EU organisations (EIB, CEB, etc.)	1,063	1,362	1,738

Profitability and efficiency

	(Euro/million)		
	31/12/04	31/12/03	31/12/02
Net interest and other banking income (financial method)	163.4	162.8	123.3
Operating costs (1)	-25.0	-23.6	-18.4
Net income (financial method) (2)	49.4	40.4	32.4
Net income (as per statutory accounts) (2)	50.1	42.4	33.3
Operational ROE (2)	9.6%	11.3%	13.2%
Cost/income ratio	15,3%	14,5%	14,8%

(1) administrative costs and adjustments to fixed assets

(2) the figure at 31 December 2004 excludes the effect of reallocating provisions made for fiscal purposes in previous years and which caused net income to rise by Euro 138.5 million

Balance sheet highlights

	(Euro/million)		
	31/12/04	31/12/03	31/12/02
Loans to customers (financial method)	18,827	18,530	14,500
Guarantees	384	359	329
Securities in portfolio	4,881	2,267	598
Shareholders' equity	838	690	612
Subordinated liabilities	83	83	83
Due to banks	13,561	9,681	6,573
Due to EU organizations	5,759	4,905	3,707
Bonds	4,231	5,391	4,564

Regulatory capital and risk weighted assets

	(Euro/million)		
	31/12/04	31/12/03	31/12/02
A. Regulatory capital	959.2	801.1	717.6
Tier 1 capital	837.7	648.6	587.0
Tier 2 capital	121.5	152.5	130.6
B. Minimum regulatory requirements	584.3	445.8	280.5
C. Capital-adequacy ratios			
Tier 1 capital/risk weighted assets	10%	10%	15%
Regulatory capital/risk weighted assets	11%	13%	18%

Rating

Agency		Rating	Outlook
Moody's Investor Service	Long-term debt	Aa3	stable
	Short-term debt	P-1	
	Financial strength	B	
Standard & Poor's	Long-term debt	A+	positive
	Short-term debt	A-1	

Managing Director's Letter

Despite the rather limited growth in some European countries in 2004 and particularly in Italy, Banca OPI continued to develop its business, disbursing Euro 6.6 billion in funds to customers over the year. As a result, the Bank has consolidated its position as sector leader. The office in Naples made an important contribution, having reached full-swing operation and gaining extensive visibility in the area under its management.

The demand for public infrastructure, goods and services is likely to increase in coming years. The quantity and quality of lending to local government bodies will therefore be crucial: almost two-thirds of investment in public works in Italy is by the Regional, Provincial or Municipal authorities. These authorities are entrusted not only with improving the welfare of their citizens but also with raising local competitiveness thanks to the assistance of public-sector investment in improving private-sector productivity.

This is why, over the past five years, the Ministry of Finance has sought to encourage the creation of new financial instruments for these bodies and has kept a close eye on the fledgling products available on the market, correcting any defects or distortions in the offer by intermediaries.

As a result, local government bodies now have direct access to capital markets and a variety of different channels for funding their investment expenditure. The intervention of a specialist operator like Banca OPI is therefore vital since it can provide the government body with professional advice, using its own financial know-how and that of the entire SanpaoloIMI Group.

Not only: at the centre of Banca OPI's loan policy is the long-lasting, stable nature of the relationship with the government body, rejecting any temptation for operations of a purely opportunistic nature.

In view of the challenges facing the business and the new competitive environment, Banca OPI has recently strengthened its top management team by appointing a General Manager and a second Deputy General Manager; it has also made important organizational changes and improved its structural efficiency as well as signing an agreement for commercial partnership with the Parent Bank's branch network and that of Sanpaolo Banco di Napoli. This will be followed by the forthcoming opening of a secondary office in Padua and the start of intense co-operation with a major commercial network, being implemented by SanpaoloIMI's "Public-sector bodies and companies" unit, which is specialized in developing business with the public sector. Its aim, where possible, is to support and anticipate the needs of local authorities in their daunting task of planning investments and diligently managing their debt.

In the face of competition and the European Union's requirements to keep public debt within certain limits, the outlook for the future is not very rosy; however:

- the expected returns from stepping up promotional efforts on the domestic and international market;
- the commitment to financial innovation and introduction of new products for a demanding clientele with little exposure to debt;
- the pursuit of joint intervention involving not only public funds but also private capital, giving rise to public-private partnerships;

- the need for government authorities to pursue the vast programme of strategic works begun under the "legge obiettivo";
- the chance to create a network of ports, airports, motorways and railways in an integrated logistical context;

lead us to be optimistic and to believe that Banca OPI can continue to develop with success.

Elia COLABRARO

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Shareholders

100% SAN PAOLO IMI S.p.A.

Corporate Governance

Board of Directors

<i>Chairman</i>	Alfonso Iozzo
<i>Vice Chairman</i>	Alfredo Checchetto
<i>Vice Chairman</i>	Federico Pepe
<i>Managing Director</i>	Elia Colabraro
<i>Directors</i>	Giandomenico Di Sante
	Alessandro Musaio
	Giancarlo Sivilotti

Board of Statutory Auditors

<i>Chairman</i>	Ruggero Ragazzoni
<i>Statutory auditors</i>	Vincenzo d'Aniello
	Riccardo Ranalli
<i>Substitute Auditors</i>	Gaetano De Gregorio
	Luciano Quattrocchio

General Management

<i>General Manager</i>	Carla Patrizia Ferrari
<i>Deputy General Manager</i>	Augusto Buscaglia
<i>Deputy General Manager</i>	Antonio Manca

Independent Auditors

PricewaterhouseCoopers S.p.A.

Shareholders' meeting

The ordinary shareholders' meeting of BANCA OPI will be held in first calling on 5 April 2005 at 11.00 a.m. in the bank's registered offices in Viale dell'Arte 21, Rome and, if necessary, in second calling on 6 April 2005 at the same time and place, to discuss and resolve on the following

Agenda

1. Financial statements for the year ended 31 December 2004, reports of the Board of Directors and Statutory Auditors, allocation of net income, and related resolutions;
2. Resolutions relating to the Board of Directors;
3. Appointment of the new Board of Statutory Auditors and determination of related emoluments.

As required by article 9 of the Articles of Association, shareholders must deposit their shares with the Bank's treasurer or with Sanpaolo Imi S.p.A. in order to take part in the meeting. No specific deadline is required for the purposes of this deposit.

Roma, 24 March 2005

for THE BOARD OF DIRECTORS
The Managing Director
(Elia COLABRARO)

ANNUAL REPORT 2004

RECLASSIFIED FINANCIAL STATEMENTS

Statement of income

Balance sheet

Reclassified statement of income

	(Euro/000)		
	31/12/04	31/12/03	Change %
NET INTEREST INCOME	126,412	127,811	-1.1
Net commissions and other banking income	9,049	15,080	-40.0
Profits (losses) on financial transactions and dividends on equity investments	23,287	17,053	+36.6
NET INTEREST AND OTHER BANKING INCOME	158,748	159,944	-0.7
Administrative costs	-26,566	-26,607	-0.2
- payroll	-11,883	-12,301	-3.4
- other administrative costs	-12,542	-10,806	+16.1
- indirect taxes and similar dues	-2,141	-3,500	-38.8
Other operating income	31,664	32,072	-1.3
Adjustments to tangible and intangible fixed assets	-38,514	-23,198	+66.0
OPERATING INCOME	125,332	142,211	-11.9
Provisions to reserves for possible loan losses	-12,000	-78,000	-84.6
of which: - for possible loan losses	-12,000	-9,800	+22.4
- in application in tax rules	-	-68,200	n.s.
Net adjustments to loans and provisions for guarantees and commitments	538	1,431	-62.4
INCOME FROM ORDINARY ACTIVITIES	113,870	65,642	+73.5
Net extraordinary income (1)	190,825	2,872	n.s.
INCOME BEFORE INCOME TAXES	304,695	68,514	+344.7
Income taxes (2)	-116,000	-26,100	+344.4
NET INCOME	188,695	42,414	+344.9

(1) of which Euro 184,000 corresponding to the provisions made to the reserve for possible loan losses at 31 December 2003 in application of tax rules and released to extraordinary income under the new regulations (see "Introduction - background information on the financial statements) on the elimination of fiscal distortions.

(2) details of the effect on the statement of income and on taxation of the reallocation of provisions made for fiscal purposes reported in the explanatory notes to captions 180 and 220 contained in Part C - Statement of Income.

Reclassified balance sheet

	(Euro/000)		
	31/12/04	31/12/03	Change %
ASSETS			
Cash and deposits with central banks and post offices	77	51	+51.0
Loans	19,627,120	18,505,766	+6.1
- due from banks	958,072	117,215	+717.4
- loans to customers	18,669,048	18,388,551	+1.5
Dealing securities	4,880,958	2,267,039	+115.3
Fixed assets	393,587	395,158	-0.4
- investment securities	-	-	-
- equity investments	235,483	233,815	+0.7
- intangible fixed assets	676	1,037	-34.8
- tangible fixed assets	157,428	160,306	-1.8
Other assets	311,228	276,150	+12.7
Total assets	25,212,970	21,444,164	+17.6
LIABILITIES AND SHAREHOLDERS' EQUITY			
Payables	23,685,783	20,142,318	+17.6
- due to banks	19,320,196	14,585,362	+32.5
- due to customers and securities issued	4,365,587	5,556,956	-21.4
Provisions	127,238	33,814	+276.3
- for taxation	120,919	23,332	+418.3
- for employee termination indemnities	4,355	4,136	+5.3
- for sundry risks and charges	1,964	6,346	-69.1
- for pensions and similar obligations	-	-	-
Reserve for possible loan losses	38,877	212,028	-81.7
Other liabilities	440,101	283,435	+55.3
Subordinated liabilities	82,634	82,634	-
Shareholders' equity	838,337	689,935	+21.5
Total liabilities and shareholders' equity	25,212,970	21,444,164	+17.6
GUARANTEES AND COMMITMENTS			
Guarantees given	384,492	359,174	+7.0
Commitments	6,144,787	5,872,565	+4.5

Report on operations

General economic situation and public finance in Italy

The world's major economies experienced contrasting growth rates in 2004: the large emerging countries of China and India grew at rates of between 7% and 9%; while the USA grew by around 4% and Japan and the euro zone appeared to be blocked at 2% or less.

Europe witnessed a slow, steady worsening in the economic cycle, in which some countries nonetheless did better, like France and Spain (+2.5%), and others did worse, like Germany and Italy, with growth of around 1%. The predominant features were stagnant domestic demand and a widespread drop in industrial output.

The main economic stimulus came mostly from demand by countries outside the EU.

The weak economic situation, combined with low inflation, persuaded the ECB to adopt a policy of interest rate stabilization, even if there continued to be some worries about excess liquidity within the system.

The public deficits of the euro zone's major economies are under continuous observation, with France, Germany and Greece now persistently above the 3% limit and Italy, the Netherlands and Portugal not far off.

Italy has sought to cut its deficit in view of the level of its overall public debt, still over 100% of the gross domestic product. An essential part of this policy consists in the reduction of current spending and the increase of resources designated for investment in order to stimulate a domestic economy that is growing at a much slower pace than other countries.

The 2005 Finance Act also forms part of this strategy, with its introduction of important new ways to limit public spending: its main objective is to bring the current account back into surplus (after turning negative in 2003) and to fund only spending on the capital account with debt, thereby breaking with the trend that has seen the steady erosion of the primary surplus in recent years. The achievement of this objective largely depends on the new rule that sets a ceiling of 2% on the growth in current and capital spending by government authorities.

This rule will mostly affect expenditure on intermediate consumption, transfers, gross fixed investment and investment grants, while it excludes spending on governing bodies, interest payments, transfers to the European Union and the cost of social services.

Local authorities, public utilities and project finance in Italy

Banca OPI's customers and segments of business, represented by local authorities, public utilities and project finance, enjoyed a lively level of activity during 2004, as well as an increasing openness towards private sector investment.

Local authority debt amounted to Euro 75.2 billion in November 2004, representing 5.1% of total public sector debt and 5.5% of gross domestic product.

Over the past six years the proportion of local authority debt has grown by 1.5 percentage points both with reference to GDP and overall public sector debt.

Despite this increase, local authority debt is fairly limited and on a par with other European countries, where its growth is kept in check by rules for complying with the stability pact.

Excluding loans by Cassa Depositi e Prestiti, totalling around Euro 21 billion and for which there is no geographical breakdown, the Regional authorities account for 51% of total local debt, while the Provincial and Municipal authorities represent 38% with the remainder relating to other local bodies.

The component comprising securities has become steadily larger: it increased from 8% of total local authority debt in 1998 to over one third in 2004. At the same time, the share of traditional loans came down by almost 30 percentage points.

Local authorities used securitizations for the first time in 2003, a tendency which continued in 2004 (with a stock of Euro 2.4 billion in June 2004).

Local public-sector bodies now have direct access to capital markets and a number of different channels and instruments for financing (within legally specified limits) their investment expenditure.

The increased activity of the banking sector with local authorities is based not only on the need to finance new investment but also the opportunities provided by the legislator for restructuring debt. The introduction of the euro and the subsequent decrease in interest rates, particularly in Italy, have provided an opportunity to embark on the difficult task of restructuring the debt contracted by Municipal, Provincial and Regional authorities in periods when Italian interest rates were higher than at present.

The banking industry has been able to combine demands for restructuring such debt with many requests for improving the management of assets: this includes valuation, sale and securitization of assets, strategic management of investments in local public utilities, investment of cash balances etc.

Local public utilities, with almost Euro 20 billion in annual turnover, represent an important sector of the domestic economy and one which is still going through sweeping organizational and institutional change. In fact, local public utilities are continuing to be transformed into limited companies: the number of public limited companies exceeded the 700 mark in 2004.

However, this has not been accompanied by a parallel privatisation process. In fact, the sole or majority shareholders of the vast majority (over 96%) of such companies are still the municipalities or other local public-sector bodies.

Changes in the legislation and opportunities for territorial/sector expansion have nonetheless steadily reinforced the idea of opening up towards private capital by selling qualified interests in their capital.

On the other hand, Italy's local utilities sector is still very fragmented compared with the rest of Europe.

The process of aggregation between local enterprises seeking critical mass and hence economies of scale seems likely to continue, if not intensify, in the future.

The major national players consolidated their position in 2004, growing by external means by acquiring businesses in neighbouring areas.

The principal transactions concluded include:

- the merger of BAS Bergamo into ASM Brescia;
- the acquisitions by HERA of AGEA Ferrara, the "water services" arm of Acosea and the Ravenna Recycling Centre (for the disposal of special waste);

- the acquisition by AMGA in Genoa of 40% of ASA Livorno, the water and gas distribution company operating in the Livorno area;
- the acquisition of 67% of Società Acque Potabili S.p.A. by AMGA and SMAT in Turin.

This externally-led process of consolidation is being accompanied by a relatively new trend, which appears likely to grow: friendly mergers between large-scale operators.

The mergers between Acegas and APS Padova (in 2003) and between AMPS Parma, AGAC Reggio Emilia and Tesa Piacenza (on 1 March 2005 with the birth of ENIA S.p.A.) are being followed up by negotiations for merger between AEM Torino and AMGA and between HERA and META.

The tendency to fund infrastructure projects using **project finance and concession** formulae continued to grow in 2004: a total of 1,647 calls for bids were made within Italy worth a total of around Euro 12.7 billion. This represented a 51% increase in the number of projects on 2003 and a 52% rise in their total worth. The average size of projects was 18% larger.

Small and medium projects, meaning those worth Euro 5 million or less, continued to occupy an important place.

The sectors mainly involved in such bids in 2004 related to car parks (258 projects), urban refurbishment and parks (241 projects), sports facilities (219 projects) and networks (186 projects). There was also strong demand for healthcare facilities (69 projects).

The sectors absorbing the most funding were those of transport with around Euro 4 billion and the networks, absorbing around Euro 3.2 billion (or 32% and 26% of the total respectively). The healthcare sector also accounted for a significant proportion of the total, with around Euro 1.3 billion.

The situation in the South and Islands was generally positive compared with 2003: the number of projects was higher (+54%) as was the value of investment (+62%). The same goes for the North where the number of projects climbed by 37% with the value of investment increasing by 24%. Conversely, the Centre reported fewer projects and a sharp downturn in spending (-11% and -65% respectively).

Some difficulties were experienced in implementing the **Strategic infrastructure plan** which required additional planning and guidelines during 2004. In fact, this plan was updated in a document approved by the united State-Regional Conference in October 2004. This took account of the need for consistency with the new infrastructure and transport Master Plan (approved by the European Parliament on 21 April 2004) and the proposals made by the different Regions.

Still in the area of strategic projects, the main decisions regarding policy and methods related to the formation of a co-ordination committee within the Home Office for the high-level supervision of major projects (Ministerial Decree dated 24 June 2004) and the approval by the CIPE (Interministerial Committee for Economic Planning) (resolution 11/2004) of the format of the financial plan that must accompany applications for government funds for the construction of strategic infrastructure.

Operations

Banca OPI concentrated on improving its positioning in 2004, in a market where the restrictions on public sector borrowing are increasingly tight and where the number of banking and non-banking competitors is steadily increasing.

The Bank's commercial structure confirmed its ability to penetrate the market with a total of Euro 7.1 billion in new deals concluded. This caused the stock of loans to climb by 15% to Euro 23.8 billion at year end, an increase that has allowed the Bank to confirm its leading position in its specific sector of activity.

The sector that organizes the issue of bonds for leading names in the government authority sector was particularly active; in fact, many customers continued to appreciate the financial benefits represented by this particular instrument.

New issues amounted to Euro 2.8 billion compared with Euro 1.6 billion the year before.

A total of Euro 4.4 billion in loans were arranged compared with Euro 6.1 billion in 2003. They mostly related to national road and rail infrastructure, the public utilities sector (which continued to report strong demand for financing not only capital expenditure but also acquisitions), as well as many companies controlled by local urban transport operators and those involved in redevelopment, supporting local economic development and collecting refuse.

The past year was also an important one for the Bank's operations in the area of project finance. Banca OPI played a prime role especially in the specific segment of arranging, where it managed to build on its track record; of particular note was the arrangement of project financing for the toll collection system for heavy vehicles using Austrian motorways, in which the Bank acted as Mandated Lead Arranger together with a leading Austrian bank. The syndicate attracted the participation of 10 international banks.

Several advisory and arranging appointments were obtained, amongst which: the new offices for Bologna's Municipal authorities; the Biotechnology School in Turin; the first macro-lot of the Salerno-Reggio Calabria motorway awarded to a General Contractor under the so-called "General Policy Law"; the Pedemontana Veneta toll-paying superhighway (Sanpaolo IMI owns 5% of the company awarded the concession); the hospital in Vallata (Genoa), for which the tender for awarding the concession is in progress.

Constant assistance and monitoring was provided to new projects, for which many jobs were performed involving the swearing of proposals under article 37 bis of Law 109/94; these included: the refurbishment of the Niguarda Cà Granda hospital; the Alba-Bra hospital; the Asti-Cuneo motorway; the GRA road network in Padua; the "Maggiore della Carità" hospital in Novara.

Lastly, the Bank had a significant involvement in foreign projects, amongst which two in the motorway sector (the M5 in Hungary and the Zagreb-Macelj in Croatia), one in the water sector in Holland (Delfluent purification system) and one in the refuse sector in the United Kingdom (Allington waste-to-energy system).

In the area of advisory services to local government authorities and their companies, the Bank worked on the project for admitting private investors to AMA International SpA (owned by the City of Rome) and Rimini Fiera SpA and other assignments received from former municipal companies in the Centre and North of the country.

Equity investments

On 30 June Banca OPI subscribed to around 1% of the share capital in Rimini Fiera SpA after it increased its capital to allow the admission of private-sector shareholders.

At 31 December 2004 the portfolio of equity investments held by the subsidiary FIN.OPI amounted to Euro 68 million (Euro 64 million at 31 December 2003), with net income for the year of Euro 8.1 million.

The main transactions were completed in the first half of the year; these included the final sale of the remaining interest in Immobiliare Colonna '92, its participation in the capital increases by Nuova Romea S.p.A. and Transdev and the acquisition of an interest in Serenissima SGR, a company formed by Autostrada Brescia Padova S.p.A., which operates the Brescia-Padova motorway. FIN.OPI is focusing its activities on the selective investment in the share capital of local public utilities, the participation in environmental projects, especially in the energy sector, and participation in public-private ventures for infrastructure construction.

To this end, the investment in the multiutility company HERA S.p.A. was increased to Euro 11.4 million and in AEM Torino S.p.A. to Euro 35.2 million (equating to an interest of around 5%). A further investment was made in Henderson PFI Secondary Fund Ltd Partnership, managed by the Henderson group, the leading British asset manager. The fund invests in the capital of public-private partnerships in Europe.

Funding and operations on financial markets

As far as the raising of medium and long-term funding is concerned, there was no particular need to raise fresh amounts in the first half of the year thanks to the large sums raised in 2003. In fact, it was sufficient to issue a total of Euro 750 million in bonds in order to respect the regulatory limits on the "transformation of maturities".

Following changes in the regulatory framework, which eased the rules on the funding of long-term assets with medium-term liabilities, towards the end of the second half of the year it was necessary to raise fresh longer-term funds.

Banca OPI continued to work well with the EIB, for whom it represents an important vehicle for financing Italy's infrastructure.

This is confirmed by the fact that the two banks embarked on a new kind of relationship in 2004, involving the co-financing of certain operations.

Towards year end the Bank's treasury department was heavily involved in making the banking book's entire derivatives portfolio IAS compliant. This resulted in the unwinding of hedging derivatives for a notional sum of Euro 2.4 billion in December, followed by additional close-outs of Euro 700 million early in 2005.

Analysis of results

The results¹ presented in the table overleaf report net interest income of Euro 127.6 million, just below the corresponding figure for 2003.

1. The 2004 statement of income currently being reviewed was prepared using the financial method of lease accounting.

This decrease is partly attributable to the preliminary operations for rendering the derivatives portfolio IAS compliant. Generally speaking, the fact that this aggregate has remained stable in the face of the fierce competition emerging in 2004 is to be interpreted as evidence of the Bank's solidity.

Net commission income came to Euro 12.6 million, down from Euro 17.5 million in 2003. The reduction is partly due to the occurrence of transactions in 2003 that were not repeated this year and partly due to the indirect repercussions of cutbacks in government spending.

Profits on financial transactions were mostly generated from gains on securities marked to market (around Euro 7 million net of financial hedges) and the unwinding, in December, of a portion of the derivatives that were not IAS compliant (around Euro 4 million), with the remainder accounted for by debt restructuring services.

Overall operating costs (including amortization and depreciation of fixed assets and recharges of flat-rate tax to customers) amounted to Euro 25 million, having risen by 5.9% on 2003.

STATEMENT OF INCOME (financial method)				(Euro/000)	
	31/12/04 (a)	31/12/03 (b)	△ (a-b)	△%	
NET INTEREST INCOME	127.6	128.1	-0.5	-0.4%	
Net commissions on services and other banking income	12.6	17.5	-4.9	-28.0%	
Profits (losses) on financial transactions	15.7	17.1	-1.4	-8.2%	
Income from companies carried at net equity and dividends on equity investments	7.5	0.1	7.4	n.s.	
NET INTEREST AND OTHER BANKING INCOME	163.4	162.8	0.6	+0.4%	
Administrative costs	-24.5	-23.0	-1.5	+6.5%	
- payroll	-11.9	-12.1	0.2	-1.7%	
- other administrative costs	-12.6	-10.8	-1.8	+16.7%	
- indirect taxes and similar dues	0.0	-0.1	0.1	n.s.	
Other operating income (expenses), net	-0.1	-0.1	0.0	n.s.	
Adjustments to tangible and intangible fixed assets	-0.5	-0.6	-0.1	-16.7%	
OPERATING INCOME	138.3	139.1	-0.8	-0.6%	
Provisions against loans and fin. fixed assets	-12.0	-78.0	66.0	-84.6%	
Net adjustments to loans and fin. fixed assets	-13.7	1.4	-15.1	n.s.	
INCOME FROM ORDINARY ACTIVITIES	112.6	62.5	50.1	+80.2%	
Net extraordinary income	190.8	2.9	187.9	n.s.	
INCOME BEFORE INCOME TAXES	303.4	65.4	238.0	+363.9%	
Income taxes	-115.5	-25.0	-90.5	+362.0%	
NET INCOME	187.9	40.4	147.5	+365.1%	

After the reallocations made to conform with the new fiscal regulations, the provisions for risks refer solely to those estimated in respect of the Bank's portfolio, amounting to Euro 12 million.

Specific net adjustments of Euro 13.7 million were also made.

Extraordinary income mostly consists of Euro 184 million for recovering the reserves for possible loan losses in existence at 31 December 2003 (in compliance with the new fiscal regulations).

Current income taxes are estimated at Euro 17.7 million. Around Euro 97.8 million in net deferred taxes were also booked, mainly as a result of the above.

Net income amounted to Euro 187.9 million.

Ratios				
<i>As a result of applying the new fiscal regulations, book and "reporting" ROE became one and the same in 2004. ROE is affected by a number of prudent adjustments. Furthermore, the reduction in this ratio depends on the return on capital invested in operations at current market rates, which are now well below ROE in 2003.</i>				
	(percentage amounts)			
	31/12/04	30/06/04	31/12/03	31/12/02
"Reporting" ROE (1)	9.6%	9.9%	11.3%	13.2%
Cost-to-income ratio (2)	15.3%	15.9%	14.5%	14.8%
Net non-performing loans/net loans	0.01%	0.01%	0.02%	0.02%
Net doubtful loans/net loans	0.12%	0.12%	0.02%	0.02%
<p><i>(1) Net income/Average shareholders' equity (excluding net income for the year) adjusted for tax provisions</i> <i>(2) Administrative costs and amortization+depreciation/Net interest and other banking income</i></p> <p><i>The cost-to-income ratio (15.3%) was slightly higher mostly due to the decrease in commission income, while control over operating costs appears to have been effective, bearing in mind the investment plans carried out and in progress.</i></p>				

Risk management

The activities of control risk management are based on guidelines set by the top management of the Parent Bank to which are referred decisions relating to the management of the overall balance of the Group's risk commitments as well as the taking on of significant exposures.

Banca OPI manages its risks within the limits of autonomy allowed and carries out the related controls. Decisions regarding the acceptance of financial and credit risks are regulated by a detailed and clearly defined system of delegated authority limits.

The Bank's Risk Management Committee monitors the risks associated with the business, serving as an effective bridge between Banca OPI's risk management and the overall assessment of risk at Group level.

Measurement of financial risks

The methods used for measuring financial risks basically seek to quantify the effects of changes in financial market conditions on the fair value of the Bank's portfolio, making use of the following measures of risk:

- Shift sensitivity;
- Value-at-Risk (VaR);
- Sensitivity analysis of net interest income.

Shift sensitivity

Shift sensitivity measures the change in value of the financial portfolio resulting from adverse movements in the risk factors. In terms of interest rate risk, the adverse movement is defined as a parallel shift of 100 b.p. in the rate curve.

Value-at-Risk (VaR)

VaR is defined as the maximum potential loss, assuming a specific confidence interval and a defined holding period, caused by potential adverse movements in the market. The Bank has decided to use the combination of a 99% confidence interval and a holding period of 10 business days (trading days over a two week period), in keeping with the recommendations of the Basel Committee for Banking Supervision in the Amendment to the Agreement on Regulatory Requirements for incorporating Market Risks.

Banca OPI has opted for a parametric approach, featuring two main elements:

- risk is measured on the basis of the sensitivity of the position to changes in market factors, the volatility of the latter and the degree of correlation between these factors;
- the model depends on the assumption that the logarithmic variations in market yield factors have a normal distribution.

Sensitivity of net interest income

The sensitivity of net interest income is calculated by estimating its changes during the 12 months following the valuation date, by simulating throughout the portfolio of financial assets and liabilities (including balances due on demand) the impact of an instant, parallel shift in interest rates of +/-25 basis points.

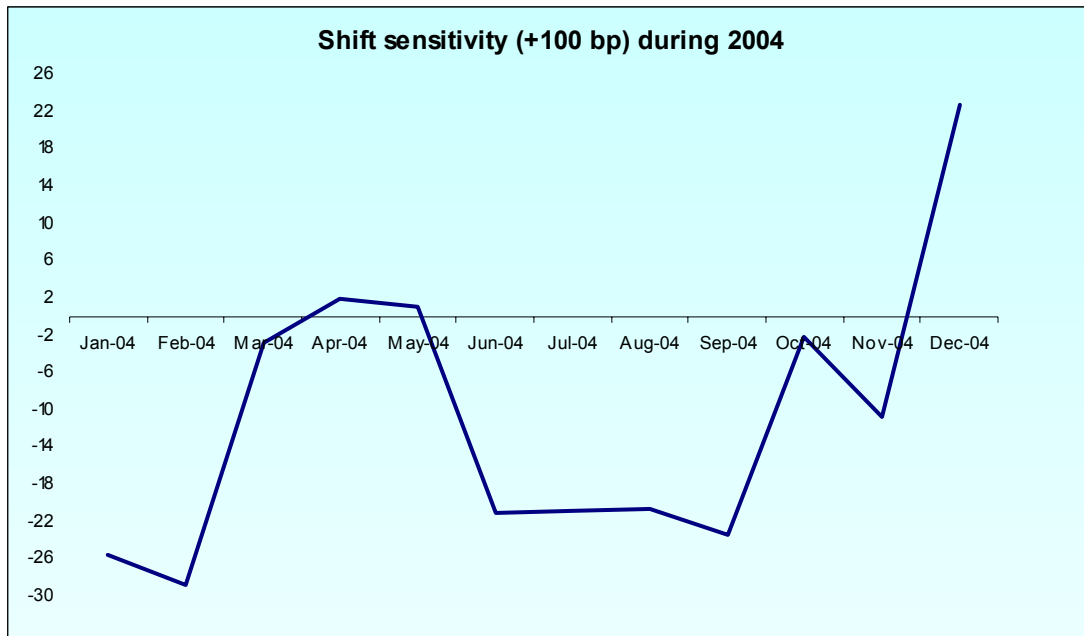
Financial risks

The average value of shift sensitivity in 2004 was Euro 15.1 million (Euro 19.6 in 2003); shift sensitivity at 31 December 2004 was Euro +22.9 million.

Shift sensitivity was negative during the early part of the year (Euro -28.6 million in February) mostly as a result of repricing floating rate assets. This trend was reversed in March after hedging fixed rate loans with IRS and floating rate loans with OIS.

The shift turned negative once more in June (Euro -21 million) as a result of half-year repricing, staying at this level until October, when the early unwinding of around Euro 500 million in cash flow hedges caused it to come down to Euro -2.8 million.

Lastly, the first steps towards IAS compliancy were taken in December as regards the derivatives portfolio, resulting in the early unwinding of around Euro 2.4 billion in transactions at notional value which produced a positive shift of over Euro 30 million. It should be pointed out, however, that implementation of the second stage in the process of IAS compliancy in January 2005 offset this change, bringing shift sensitivity back to a considerably lower level.



The average Value at Risk in the year was Euro 4.6 million (Euro 8.2 million in 2003); VaR at 31 December 2004 was Euro 5.2 million.

Detailed testing was conducted during the year on the modifications for upgrading not only the current Asset & Liability Management system, improving both its control and operating functions, but also the budgeting and financial planning systems. The new Risk Control system is expected to be fully operational in the first half of 2005.

Credit risks

The Bank's activities continue to be characterized by a fairly limited risk profile since most of its customers are public-sector bodies.

Credit risk is measured using established methods, consolidated in a specific set of regulations for the group, which allow all exposures and their related guarantees to be suitably evaluated.

The Bank continued to work on identifying and implementing measures for adopting the advanced procedures required by the New Basel Capital Accord.

These procedures require that credit risk evaluation focuses on giving each counterparty a rating based on internal statistically-based models. This evaluation must take account of any other relevant information in the Bank's possession, based on factors not reflected in the models and which might have a material impact. A statistical model for rating Municipal authorities was completed during 2004 as the result of combined efforts with the Parent Bank; the results of initial testing are encouraging and it is expected to start using the model in practice shortly.

A new organizational unit has been set up for the purposes of controlling and co-ordinating these credit rating activities, as recommended by the New Basel Accord.

Operational risks

The Bank defines operational risk in the same way as the Parent Bank.

A set of Group Operational Risk Management Regulations was issued, based on the Basel 2 rules. These regulations specify the underlying principles, the organizational structure, the objectives and tools that collectively form the general framework for the way in which the Group manages its operational risk. Banca OPI has already incorporated these regulations into its own in-house procedures.

The first stage of mapping the Bank's processes has been completed and work has begun on their refinement for the purposes of complying with the Sarbanes-Oxley rules and the Italian legislative Decree 231/2001. See page 29 for detail.

Organizational structure

Personnel

At 31 December 2004 the Bank had 158 employees (of whom 17 on secondment) as follows:

Headcount	31/12/04	31/12/03	31/12/02
Executives	15	14	12
Middle managers	75	77	58
Professional staff (1st/3rd area)	68	69	52
Total	158	160	122

The process of integrating staff operating out of both the offices of Rome and Naples was completed from a financial and legal point of view. With regard to operations of an organisational nature, a process of reorganisation and renewal was initiated and developed throughout the year, with its first effects showing in the first quarter.

There was a sharp increase in staffing needs, particularly in the credit assessment department. This was associated with developments and innovations in the product portfolio, coupled with a healthy volume of overall business.

Training activities, designed to consolidate and enhance the professional skills of all the Bank's staff, are going ahead according to plan. There was an improvement in the quality of training, both on an individual and group basis; a total of 6,000 hours of training was provided.

Information technology

During the year there were a number of important IT projects. For example the completion of the Birel II project, which changed the Bank's settlement systems with the Bank of Italy from a direct form of participation to an indirect passive one via the Parent Bank.

In the area of Regulatory Reporting, a new ten-day reporting system was installed, as were other measures for automating and/or optimizing the preparation of reports. In the second half of the year work began on an important project for completely updating the architecture of the system producing Regulatory Reports, in accordance with the Parent Bank's model. This is expected to generate considerable benefits in terms of automating the production of not only reports but also the statutory and consolidated financial statements.

This project is due to be completed in the first half of 2005.

Work continued on integrating the Management Accounting and Budgeting and Planning systems, also by creating their own specific technological platform.

In the Finance area, a new front office system was installed for dealing in derivatives, work is currently in progress on its full integration with the systems employed by back office and control, via a series of software modules. With regard to Funding activities, two new systems were launched to manage securitized and other funding.

Lastly, a start was made on implementing all the measures needed for making the IT systems IAS compliant.

Organization

Sanpaolo IMI S.p.A. (as a company listed on the NYSE) is required to comply with rules regulating the US financial market, including the Sarbanes-Oxley Act; as one of the Group's more significant equity investments, Banca OPI is also bound by these rules.

In view of this, a comprehensive project was undertaken in the organizational area with the aim of achieving full compliance with the Sarbanes-Oxley Act and of Decree 231/01 concerning the company's administrative responsibility. The point of departure was the original project that mapped processes for the purposes of controlling operational risks in preparation for Basel 2 and their active management.

During the first half of the year work commenced on the project for completely updating and integrating all the Bank's procedural documentation in accordance with the Group's standards in order to ensure validity and consistency. This project was finished in the second half of the year having achieved its objectives of completing the model of governance over the Bank's relevant processes, of producing a new manual for the related organizational procedures and of identifying a series of steps to be taken for optimizing organizational and IT processes.

A new system for managing and sharing company data was released at the time of issuing the new procedures manual.

Transactions with Group companies and related parties

The transactions carried out with "related parties" are not atypical or unusual, as defined by CONSOB; they are carried out by the Bank in the normal course of its business with the Parent Bank and other Group companies. The main types of transaction are reported below, together with their reasons, as required by article 2497 ter of the Italian Civil Code:

- a) transactions with SanpaoloIMI form part of the centralized management of cash balances and the raising of medium and long-term funding;
- b) transactions with Banca IMI relate to the hedging of interest rate risk or arrangement of derivatives for customers;
- c) outsourcing relationships, involving support services provided by the Parent Bank, seek to raise the Bank's efficiency and effectiveness in compliance with SanpaoloIMI's quality standards. More specifically, the services received relate to management of the IT platform, certain back office functions, real estate services and advisory and administrative support activities;
- d) the purchase of corporate income tax (IRPEG) credits from the Parent Bank, allowed under the tax rules, seeks to optimize the Group's tax position. During the first half of 2004 the Bank purchased Euro 26.5 million in credits, all of which were used to settle its IRPEG liability for 2003 and to make the first payment on account of IRES (Italy's new corporate income tax) for 2004.

Transactions with Group companies and related parties are generally conducted under the same terms available to the Parent Bank, which may not necessarily coincide with those that would be applied to Banca OPI on its own. These terms are applied in compliance with principles of overall fairness and always with the goal of creating value for the Group. They are nonetheless based on considerations of reciprocal economic benefit, also in accordance with the Group's procedures in this area.

The information on SanpaoloIMI (which manages and co-ordinates the Bank) required by paragraph 4, article 2497-bis of the Italian Civil Code is provided in section 2 of part D of the explanatory notes to the financial statements and related attachments.

Details of the balances and transactions with Sanpaolo IMI Spa and other Group companies during the year are found in section 3 of part B of the explanatory notes to the financial statements.

Other information

The Bank did not carry out any research and development activities during the year.

During the year Banca OPI did not purchase or sell any of its own shares or shares in Sanpaolo IMI, its parent bank, either directly or via a trust company or other third party.

Significant subsequent events

No events of significance have taken place since 31 December 2004. International Accounting Standards (IAS) will be adopted for preparing this year's half-year and annual report. These new standards will affect both the balance sheet and statement of income with effect from 1 January 2005. In summary:

- The main effects on the opening balance sheet are produced by: the valuation of securities at their full fair value; the different method of recognizing commission income and receivables for default interest; the increases and decreases in shareholders' equity mostly offset one another, ending up with a small negative balance that is still being defined;
- The main effects on the statement of income for 2005 relate to the different method of recognizing hedging derivatives and commission income.

Business outlook

Despite the poor economic outlook, business is expected to continue at a healthy level, producing satisfactory returns.

Shareholders,

The financial statements hereby submitted for your approval present a net income of Euro 188,695,052, which we propose allocating as follows:

- to the Legal reserve, 5% (art. 23 of the Articles of Association) corresponding to Euro	9,434,753
- to the ordinary reserve, the remainder of Euro	179,260,299
	<hr/>
	188,695,052

Roma, 15 March 2005

The Board of Directors

Financial statements of Banca OPI SpA

BALANCE SHEET

STATEMENT OF INCOME

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

Balance sheet

	(Euro)	
ASSETS	31/12/04	31/12/03
10. Cash and deposits with central banks and post offices	77,493	51,232
20. Treasury bills and similar bills eligible for refinancing with central banks	-	160,128,000
30. Due from banks	958,071,647	117,215,000
a) repayable on demand	740,285,696	1,029,861
b) other deposits	217,785,951	116,185,139
40. Loans to customers	18,669,048,035	18,388,551,280
<i>of which: - loans using public funds</i>	-	-
50. Bonds and other debt securities	4,880,957,808	2,106,910,943
a) public entities	1,962,216,835	748,584,985
b) banks	-	-
<i>of which: - own bonds</i>	-	-
c) financial institutions	2,794,559,278	1,358,325,958
<i>of which: - own bonds</i>	-	-
d) other issuers	124,181,695	-
70. Equity investments	5,455,358	3,786,567
80. Investments in Group companies	230,027,911	230,027,911
90. Intangible fixed assets	675,776	1,036,645
<i>of which: - start-up costs</i>	-	-
<i>- goodwill</i>	-	-
100. Tangible fixed assets	157,427,608	160,305,851
130. Other assets	146,547,785	124,580,661
140. Accrued income and prepaid expenses	164,680,676	151,569,565
a) accrued income	145,775,414	128,043,371
b) prepaid expenses	18,905,262	23,526,194
<i>of which: - discounts on bond issues</i>	-	-
Total assets	25,212,970,097	21,444,163,655

(Euro)

LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/04	31/12/03
10. Due to banks	19,320,196,193	14,585,362,366
a) repayable on demand	347,918,748	94,472,621
b) time deposits or with notice period	18,972,277,445	14,490,889,745
20. Due to customers	134,521,234	166,037,458
a) repayable on demand	-	414,323
b) time deposits or with notice period	134,521,234	165,623,135
30. Securities issued	4,231,065,848	5,390,917,829
a) bonds	4,231,065,848	5,390,917,829
b) certificates of deposit	-	-
c) other	-	-
50. Other liabilities	262,186,533	117,328,191
60. Accrued expenses and deferred income	177,915,366	166,107,151
a) accrued expenses	162,197,334	159,845,635
b) deferred income	15,718,032	6,261,516
70. Provisions for termination indemnities	4,354,568	4,135,739
80. Provisions for risks and charges	122,882,957	29,677,559
a) pensions and similar commitments	-	-
b) taxation	120,918,716	23,331,758
c) other	1,964,241	6,345,801
90. Reserve for possible loan losses	38,876,504	212,027,932
110. Subordinated liabilities	82,634,000	82,634,000
120. Capital	500,000,000	500,000,000
130. Share premium reserve	49,998,800	49,998,800
140. Reserves	99,643,042	97,522,327
a) legal reserve	11,368,939	9,248,224
b) reserve for own shares	-	-
c) statutory reserves	-	-
d) other reserves	88,274,103	88,274,103
170. Net income for the year	188,695,052	42,414,303
Total liabilities and shareholders' equity	25,212,970,097	21,444,163,655

(Euro)

GUARANTEES AND COMMITMENTS	31/12/04	31/12/03
10. Guarantees given	384,491,821	359,174,094
20. Commitments	6,144,786,781	5,872,565,129

Statement of income

	(Euro)	
	31/12/04	31/12/03
10. Interest income and similar revenues	913,474,543	853,921,719
<i>of which: - on loans to customers</i>	<i>739,156,616</i>	<i>774,835,115</i>
- on debt securities	<i>140,409,256</i>	<i>61,090,869</i>
20. Interest expense and similar charges	-787,062,755	-726,110,351
<i>of which: - on amounts due to customers</i>	<i>-3,532,768</i>	<i>-5,935,844</i>
- on securities issued	<i>-174,520,373</i>	<i>-216,734,214</i>
30. Dividends and other revenues	7,541,627	52,034
a) on shares, quotas and other equities	-	-
b) on equity investments	41,627	52,034
c) on investments in Group companies	7,500,000	-
40. Commission income	11,438,996	17,799,722
50. Commission expense	-2,389,587	-2,719,838
60. Profits/(losses) on financial transactions	15,745,080	17,000,673
70. Other operating income	32,088,509	32,633,194
80. Administrative costs	-26,566,326	-26,606,680
a) payroll	-11,883,144	-12,300,991
<i>of which: - wages and salaries</i>	<i>-8,592,018</i>	<i>-8,881,973</i>
- social security charges	-2,722,866	-2,814,339
- termination indemnities	-568,260	-604,679
b) other administrative costs	-14,683,182	-14,305,689
90. Adjustments to tangible and intangible fixed assets	-38,514,035	-23,198,143
100. Provisions for risks and charges	-	-
110. Other operating expenses	-424,841	-560,866
120. Adjustments to loans and provisions for guarantees and commitments	-	-
130. Writebacks of adjustments to loans and provisions for guarantees and commitments	537,996	1,431,030
140. Provisions to reserves for possible loan losses	-12,000,000	-78,000,000
150. Adjustments to financial fixed assets	-	-
160. Writebacks to financial fixed assets	-	-
170. Income from ordinary activities	113,869,207	65,642,494
180. Extraordinary income	192,384,450	3,831,143
190. Extraordinary expense	-1,558,605	-959,334
200. Extraordinary income, net	190,825,845	2,871,809
220. Income taxes for the year	-116,000,000	-26,100,000
230. Net income for the year	188,695,052	42,414,303

Explanatory notes to the financial statements

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Introduction - Background information on the financial statements

Form and content of financial statements

The Bank's financial statements for 2004 have been prepared pursuant to Decree 87 of 27 January 1992, which implemented EEC Directive 86/635. They also take account of the requirements contained in the Bank of Italy regulations dated 30 July 1992, and subsequent amendments. All matters not covered by specific legislation will be regulated by the provisions of the Italian Civil Code, while making reference to the accounting principles issued by the Italian Accounting Profession.

The financial statements comprise the balance sheet, the statement of income, and these explanatory notes, together with the report of the Board of Directors on the results of operations.

The financial statements are consistent with the underlying accounting records, which reflect all of the transactions carried out during the year.

These notes provide all the information required by law, including any additional data considered necessary to give a true and fair view of the financial and operating situation. The tables required by the Bank of Italy are numbered in accordance with Bank of Italy instructions or refer to the date of the related instructions.

The following schedules are attached to the financial statements:

- Statement of changes in shareholders' equity;
- Statement of cash flows;
- key figures of the Parent Bank SANPAOLO IMI for 2003 (art. 2497.4 bis of the Italian Civil Code, under the so-called Vietti reform) and consolidated key figures.

The tables in the explanatory notes are expressed in thousands of euro.

Elimination of provisions made for fiscal purposes from the financial statements

Article 7.1 of Legislative Decree 37 of 6 February 2004 revoked articles 15.3 and 39.2 of Legislative Decree 87/92, which allowed banks to record adjustments and provisions solely for fiscal purposes. Legislative Decree 6/2003 introduced a corresponding change in the Italian Civil Code (Reform of company law).

The repeal of these articles means that as from the 2004 financial statements it will no longer be possible to record adjustments and provisions solely for fiscal purposes.

At the same time, the new tax regulations state that the tax deductibility of amortization and depreciation, writedowns and provisions are no longer required to be recorded in the statement of income.

Article 4.1.h) of Legislative Decree 344/2003 also introduced specific rules which state that the elimination from the financial statements of adjustments and provisions made before 2004 solely for fiscal purposes is not relevant for tax purposes.

The Italian Accounting Board (OIC) and the Bank of Italy respectively issued principle no. 1 (published on 25 October 2004) and Letter no. 471747 of 17 May 2004 on the elimination of adjustments and provisions solely for fiscal purposes from the 2004 financial statements.

These documents recommend that:

- 1) adjustments and provisions made solely for fiscal purposes until 2003 should be eliminated in accordance with the new regulations: otherwise financial statements prepared in accordance with the new statutory rules could be affected.
- 2) the provisions made for purely fiscal reasons, eliminated under the new regulations should be booked to the statement of income (among extraordinary items), in accordance with current recommendations for applying the new rules or accounting policies (PNDC no. 29, Consob communication DAC 99016997 of 11 March 1999, Bank of Italy communication dated 3 August 1999).

Audit of the financial statements

The Bank's financial statements are audited by PriceWaterhouseCoopers S.p.A., in accordance with their appointment for the three-year period 2004-2006.

Part A - Accounting Policies

Section 1 - Description of accounting policies

The Bank's financial statements as of 31 December 2004 have been prepared using the same accounting policies as for the prior year financial statements.

Loans, guarantees and commitments

Loans

Loans, comprising principal not yet due and principal and interest due but not yet collected, are stated at their estimated realizable value, taking account of the solvency of borrowers in difficulty and any debt-servicing problems faced by individual industrial sectors. The assessment performed also takes into consideration any guarantees received. Estimated realizable value is determined following a detailed review of outstanding loans, considering the degree of risk associated with the various forms of lending. The estimated realizable value of doubtful loans (non-performing, problem and restructured loans, loans being restructured and loans to companies under observation, assessed on a case-by-case basis) takes into consideration the likelihood of recovery.

In particular:

- non-performing loans, being loans to borrowers in a state of insolvency or similar, are valued on a case-by-case basis;
- problem loans, being loans to borrowers in temporary difficulties, are valued on a case-by-case basis;
- performing loans, in other words loans to borrowers which do not present specific risks of insolvency, are stated at their face value. Nevertheless, in order to make a prudent assessment of potential risks relating to performing loans, a generic provision is made under liability caption 90. The value of the provision is determined by taking into account the counterparts' rating - and the relevant likelihood of insolvency - as well as losses in case of insolvency (loss given default), calculated on a prudent basis.

The writedowns needed to show loans at their estimated realizable value are then formally approved by the Board of Directors.

Default interest accrued during the year is eliminated from the statement of income since, for the sake of prudence, collection is considered unlikely.

Specific writedowns are made by an adjustment to reduce the value of the asset recorded in the balance sheet on the basis discussed above. The original values may be reinstated by means of write-backs, should the reasons for any writedowns cease to apply.

Repurchase agreements on securities are treated as lending (and borrowing) transactions. The cash amounts disbursed (and received) are therefore recorded as receivables (and payables). Income from lending (and cost of funding), consisting of interest accruing on securities and the differential between the spot and forward prices for such securities, are recorded on an accruals basis as interest in the statement of income.

Guarantees and commitments

Guarantees and commitments giving rise to lending risk are recorded at the total value of the exposure, while the related risk is assessed on the basis described in relation to loans. Expected losses in relation to guarantees and commitments are covered by the related provision.

Securities

Investment securities

Investment securities, due to be held long term by the Bank as stable investments, are valued at cost, determined according to the "average daily cost" method, as adjusted by accrued issue discounts and accrued dealing discounts (being the difference between the purchase cost of the securities and the related redemption price, net of issue discounts yet to mature).

Such securities are written down to reflect any lasting deterioration in the solvency of the issuers and the ability of the nations concerned to repay debt, unless there are suitable guarantees. Their original value is reinstated when the reasons for any writedowns cease to apply.

Dealing securities

Securities held for dealing and treasury purposes are stated at their average daily cost, as adjusted to reflect accrued issue discounts. Cost is determined as follows:

- securities quoted in organized markets: the official price quoted on the last trading day of the year;
- securities not quoted in organized markets: at the lower of cost or market value.

This latter value is calculated by discounting back future financial flows, using the market rates in force when valuing instruments of a similar type and issuer credit rating. Where possible, estimates are compared with the price of securities with similar financial characteristics. Their original value is reinstated when the reasons for any writedowns cease to apply.

Any transfers between the investment and dealing portfolios are made on the basis of the book value of the securities transferred at the time of the transaction; book value is determined using the method applicable to the originating portfolio. Securities transferred and still held at year-end are valued using the method applicable to the destination portfolio.

Equity investments

Equity investments are valued at cost. Cost is written down to reflect any permanent losses in value. The original value of equity investments is reinstated if the reasons for any writedowns cease to apply.

Starting from 2004, dividends of subsidiary companies are booked in the period they are earned. In order to recognize such income Consob rules require that dividends of subsidiary companies have to be approved by the respective Board of Directors and shareholders' meeting, to be held before those of the parent company.

Dividends from non-subsidiary companies and the related tax credits are recorded in the period in which they are collected.

Foreign currency assets and liabilities (including off-balance sheet transactions other than derivatives)

With the introduction of the euro, the term foreign currency refers to all currencies outside the EMU.

Assets and liabilities denominated in foreign currency

Assets and liabilities denominated in foreign currencies, or in euro indexed to foreign exchange movements, as well as financial fixed assets funded in foreign currencies, or in euro indexed to foreign exchange movements, are valued using the spot exchange rates applying at year-end. Exchange differences are booked to the statement of income, unless they are covered by specific guarantees.

Foreign currency costs and revenues are stated using the exchange rates applying at the time they arose.

Unsettled spot and forward currency transactions

Unsettled spot and forward currency transactions carried out for hedging purposes are valued in the same way as the assets and liabilities being hedged, whether they are recorded on or off the balance sheet.

Transactions not carried out for hedging purposes are valued:

- at year-end spot exchange rates, in the case of spot transactions still to be settled;
- at year-end forward exchange rates for the maturity dates concerned, in the case of forward transactions.

The effect of these valuations is debited or credited to the statement of income.

Tangible fixed assets

Tangible fixed assets are made up of: property, plant, machinery, furniture, motor vehicles, aircraft and boats that are available for financial leasing, as well as assets used for the Bank's operations.

The assets available for financial leasing include assets that are already being leased, leased assets that have been returned and assets that are waiting to be leased.

Assets under financial leasing contracts are booked at acquisition or production cost, including ancillary expenses and, in certain cases, the revaluation made pursuant to Law 413 of 30 December 1991, net of depreciation.

As regards assets purchased before 1 January 1988, ordinary depreciation is calculated at the rates permitted for tax purposes for their particular category. In the case of assets under financial lease contracts that are shorter than the estimated useful life of the asset, ordinary depreciation has been supplemented by accelerated depreciation within the limits permitted by the tax regulations. Any balance that has not been depreciated at the end of the contract is written off to the statement of income.

On assets leased out between 1 January 1988 and 31 December 1994, depreciation has been calculated on a straight-line basis over the duration of the contract, as per art. 67 of the Tax Code prior to the amendments introduced by Law 549/95.

For the assets leased out after 31 December 1994, depreciation has been charged in proportion to the amount of principal implicit in the lease instalments for the year.

Leased assets that have been returned and are now available for leasing after termination of the contract are shown in the financial statements at acquisition or production cost, including ancillary expenses, net of accumulated depreciation and any writedowns. Starting from the year after termination of the contract, however, these assets are no longer depreciated as they are no longer used, although they are still subject to deterioration. This usually gives rise to losses on disposal, unless they derive from recent short-term lease contracts and are disposed of quickly after their return, in which case they can even give rise to gains.

Assets waiting to be leased are assets for which contracts have not yet been put into effect because they represent investments still to be concluded and entered into the production cycle of the lessee. These assets are stated at acquisition or production cost, including ancillary expenses. Assets that are waiting to be leased are not depreciated.

The assets used in the Bank's own operations are booked at purchase cost, including ancillary expenses and incremental costs; they are depreciated on a straight-line basis over their estimated useful life. Tangible fixed assets are written down in cases where there is a permanent loss in value, regardless of how much depreciation has already been accumulated. The value of such assets is reinstated in future accounting periods if the reasons for any writedowns no longer apply.

Repair and maintenance expenses that do not enhance the value of the related assets are charged against income as incurred.

Intangible fixed assets

These are stated at acquisition or production cost, including ancillary expenses, and are amortized over their estimated useful life, which cannot exceed five years, except for costs related to certain financing contracts, which are amortized over the duration of the contract in relation to the residual principal.

Payables

Payables are stated at their face value. The difference between the face value of loans received, or securities placed, and the amount actually received, is recorded in the financial statements among deferrals and included in the statement of income on an accruals basis, in accordance with the repayment plan implicit in the funding transaction. Zero-coupon securities issued are stated at their issue price plus accrued interest.

Provision for employee termination indemnities

This provision covers the entire liability matured for all employees in accordance with current legislation and payroll agreements.

Provisions for risks and charges

Provisions for risks and charges cover known or likely liabilities whose timing and extent cannot be determined at period-end or at the time the financial statements are prepared.

Taxation

The provision for taxation covers corporate income taxes (IRES) and the regional tax on business activities (IRAP), as well as deferred taxation and outstanding or potential fiscal disputes.

Income taxes for the year are prudently determined on the basis of current fiscal legislation with reference to the expected taxable income.

Deferred taxation, determined according to the rules indicated in the Bank of Italy instruction dated 3 August 1999, reflects the tax effect of timing differences between the book value of assets and liabilities and their value for tax purposes, which will lead to taxable and deductible amounts in future years. To this end, "taxable timing differences" are defined as those which will give rise to taxable income in future years (deferred capital gains, for example); while "deductible timing differences" are defined as those which will give rise to deductible amounts in future years (such as provisions and costs that can be deducted for tax purposes over a period of years, e.g. general loan writedowns in excess of the fiscally deductible amount).

Deferred tax liabilities are calculated by applying the average tax rate to taxable timing differences likely to generate a tax burden. Deferred tax assets are calculated on deductible timing differences if these are likely to be recovered. Deferred tax assets and liabilities relating to the same kind of tax and reversing in the same period are offset against each other.

Other provisions

Other provisions for risks and charges cover estimated losses arising from litigation and, in particular, from repayments claimed by the receivers of bankrupt customers, as well as the writedown of the loans that are implicit to the leasing business.

Reserve for possible loan losses

This reserve reflects provisions made during the year to cover lending risks - including risks deriving from derivatives transactions; these risks are only potential, so the reserve is not offset against asset balances.

Accruals and deferrals

Accruals and deferrals are recognized in accordance with the matching principle.

Other aspects

Derivatives on currency, securities, interest rates, stockmarket indices and other assets

Derivative contracts are valued individually using the methods applicable to the portfolio concerned (hedging contracts and non-hedging contracts).

The values determined are recorded separately in the balance sheet without offsetting assets and liabilities. Agreements between the parties for offsetting reciprocal receivables and payables in the case of default by one of the counterparts (master netting agreement) is not relevant for disclosure purposes, but is taken into consideration when assessing the counterparty's lending risk.

The values determined by the contract valuation process (hedging and non-hedging) are written down on a case-by-case or a general basis, where appropriate, in order to reflect the lending risk inherent in the contracts.

Hedging contracts

These are entered into with the aim of protecting the value of individual assets or liabilities, as well as any groups of assets or liabilities, on or off the balance sheet, from the risk of market fluctuations. In

the case of off-balance sheet items, the hedging objective is achieved via the use of asset and liability management techniques. A transaction is considered to be a hedge in the presence of the following documented conditions:

- a) willingness to enter into a hedge contract;
- b) high degree of correlation between the technical and financial characteristics of the assets and liabilities hedged and those inherent in the hedging contract.

If just one of the conditions above ceases to apply, then the contract is re-qualified as "non-hedging".

Hedging derivatives are valued on a basis consistent with the assets and liabilities being hedged. The related procedures for presentation in the financial statements are summarized below:

Balance sheet: the period's portion of differentials or interest margins on contracts hedging the interest arising from interest-earning / bearing assets and liabilities is classified among "Accrued income" or "Accrued expenses". The period's portion of differentials on forward rate agreements hedging the interest arising from interest-earning / bearing assets and liabilities is classified among "Prepaid expenses" or "Deferred income". The market value of contracts hedging the risk of price fluctuations, and the effect of valuing contracts hedging the exchange risk on lending and funding activities (principal portion) using year-end spot exchange rates, are classified among "Other assets" or "Other liabilities". Contracts hedging investment securities, or total loans and deposits, are valued at cost.

Statement of income: where derivative contracts are intended to hedge the interest arising from interest-earning / bearing assets and liabilities, the related economic effect will form part of net interest income on an accruals basis. In this case, the related differentials and margins are allocated either to interest income or to interest expense, depending on their nature. If, on the other hand, the derivative contract hedges the risk of market price or exchange fluctuations (principal portion), then the revenues or costs generated are treated as "Profits (losses) on financial transactions". More specifically, differentials and margins earned on derivative contracts hedging dealing securities are treated as interest, if they relate to multiple-flow contracts (e.g. IRS) or to single-flow contracts where the duration of the underlying asset is less than one year (e.g. FRA); but as profits (losses) on financial transactions, if they relate to single-flow contracts where the duration of the underlying asset is more than one year (e.g. futures and options). Foreign currency derivative contracts: these are stated using the forward exchange rates ruling at year-end for the maturity dates of the transactions subject to valuation.

Non-hedging contracts

These are valued as follows:

Derivatives on securities, interest rates, stockmarket indices and other assets: contracts quoted in organized markets are stated at their market value. Contracts linked to reference indicators subject to official observation are stated on the basis of their financial value (replacement cost), determined with reference to the market quotations for those indicators on the last day of the year. Other contracts are valued with reference to other elements determined on an objective and consistent basis.

Foreign currency derivatives: these are stated using the forward exchange rates ruling at year-end for the maturity dates of the transactions subject to valuation.

The related procedures for presentation in the financial statements are summarized below:

Balance sheet: the amounts determined from the valuation of non-hedging contracts are classified as "Other assets" or "Other liabilities".

Statement of income: the economic effects of non-hedging derivative contracts are classified as "Profits (losses) on financial transactions". This caption is analyzed in a specific table within the explanatory notes with regard to the portfolios in which the transactions took place (securities, currency, other financial instruments) and to the nature of the income / costs arising (from valuations or otherwise).

Section 2 - Adjustments and provisions recorded for fiscal purposes

No provisions for fiscal purposes have been made during the year, following the introduction of Legislative Decree 37 of 6 February 2004, which revoked this possibility.

Part B - Balance Sheet

Section 1 - Loans

Due from banks (caption 30)

Amounts due from banks are analyzed below by type of counterparty and technical form:

	(Euro/000)		
	31/12/04	31/12/03	Change %
Due from central banks			
- compulsory reserve	-	39	n.s.
- other	-	-	-
Due from other banks			
- overdrafts	740,286	1,030	n.s.
- deposits	-	-	-
- loans	124,013	116,146	+6,8
- other	93,773	-	n.s.
Total	958,072	117,215	+717,4

Detail of caption 30 "Due from banks" (table 1.1 B.I)

	(Euro/000)	
	31/12/04	31/12/03
a) deposits with central banks	-	39
b) bills eligible for refinancing with central banks	-	-
c) repurchase agreements	93,773	-
d) securities loaned	-	-

Analysis of loans to banks

(table 1.2 B.I.)

(Euro/000)

	31/12/04			31/12/03		
	Gross value	Total adjustments	Net book value	Gross value	Total adjustments	Net book value
A. Doubtful loans						
A.1 Non-performing loans	-	-	-	-	-	-
A.2 Problem loans	-	-	-	-	-	-
A.3 Loans currently being restructured	-	-	-	-	-	-
A.4 Restructured loans	-	-	-	-	-	-
A.5 Unsecured loans exposed to country risk	-	-	-	-	-	-
B. Performing loans	958,072	-	958,072	117,215	-	117,215
Total due from banks	958,072	-	958,072	117,215	-	117,215

Loans to customers (caption 40)

Loans to customers are analyzed below, using the technical form (caption 40):

(Euro/000)

	31/12/04	31/12/03	Change %
Mortgage loans, others	18,595,466	18,308,369	+1.6
Overdue instalments receivable	65,564	71,489	-8.3
Non-performing loans	1,314	2,252	-41.7
Other loans to customers	6,704	6,441	+4.1
Total	18,669,048	18,388,551	+1.5

Almost all overdue instalments as of 31 December 2004 were collected during January 2005.

Detail of caption 40 "Loans to customers" (table 1.5 B.I)

(Euro/000)

	31/12/04	31/12/03
a) Bills eligible for refinancing with central banks	-	-
b) Repurchase agreements	-	-
c) Securities loaned	-	-

"Secured loans to customers", excluding those granted directly to Governments and other Public Sector Entities, amount to Euro 11,260,192 thousand (Euro 11,364,982 thousand as of 31.12.03). They are detailed as follows:

Secured loans to customers (table 1.6 B.I)	(Euro/000)	
	31/12/04	31/12/03
a) Mortgages	607,712	458,220
b) Pledged assets:		
1. cash deposits	-	-
2. securities	36,051	112,558
3. other instruments	-	87,990
c) Guarantees given by:		
1. Governments	1,929,047	2,902,758
2. other public entities	549,766	424,909
3. banks	2,548,195	1,103,650
4. other operators	89,406	191,595
Total	5,760,177	5,281,680

Guarantees given by banks almost entirely refer to risks transferred to the Parent Bank with a view to optimizing the absorption of equity.

"Secured loans to customers" and those granted to Governments or to other Public Sector Entities represent 91.1% of total loans to customers (90.5% as of 31.12.03).

Degree of risk in loan portfolio

The estimated realizable value of doubtful loans is obtained by applying the accounting policies illustrated above (part A of the explanatory notes to the financial statements).

Analysis of loans to customers

(table 1.7. B.I.)

(Euro/000)

	31/12/04			31/12/03		
	Gross value	Total adjustments	Net book value	Gross value	Total adjustments	Net book value
A. Doubtful loans	21,917	9,430	12,487	24,878	22,626	2,252
A.1 Non-performing loans	10,637	9,323	1,314	24,378	22,126	2,252
A.2 Problem loans	11,280	107	11,173	500	500	-
A.3 Loans currently being restructured	-	-	-	-	-	-
A.4 Restructured loans	-	-	-	-	-	-
A.5 Unsecured loans exposed to country risk	-	-	-	-	-	-
B. Performing loans	18,659,170	2,609	18,656,561	18,388,531	2,232	18,386,299
Total loans to customers	18,681,087	12,039	18,669,048	18,413,409	24,858	18,388,551

Non-performing loans concern the leasing business previously carried on by the former IMI Lease S.p.A. and include loans deriving from default on lease instalments and other loans, which have been almost completely written down. Doubtful loans also include Euro 11.1 million in new problem loans after transferring two previously performing loans into this category.

Movements during the year in gross doubtful loans to customers

(table 1.8 B.I.)

(Euro/000)

	Non-performing loans	Problem loans
A. Gross value as of 01.01.04	24,378	500
<i>A.1 of which: for default interest</i>	<i>7,880</i>	<i>153</i>
B. Increases	-	11,173
B.1 inflows from performing loans	-	11,173
B.2 default interest	-	-
B.3 transfer from other categories of doubtful loan	-	-
B.4 other increases	-	-
C. Decreases	13,741	393
C.1 outflows to performing loans	-	-
C.2 write-offs	13,203	393
C.3 collections	538	-
C.4 disposals	-	-
C.5 transfer to other categories of doubtful loan	-	-
C.6 other decreases	-	-
D. Gross value as of 31.12.04	10,637	11,280
<i>D.1 of which: for default interest</i>	<i>1,117</i>	<i>46</i>

Movements during the year in adjustments made to loans granted to customers

(table 1.9. B.I.) (Euro/000)

	Non-performing loans	Problem loans
A. Total adjustments as of 01.01.04	22,126	500
<i>A.1 of which: for default interest</i>	<i>7,880</i>	<i>153</i>
B. Increases	-	-
B.1 adjustments	-	-
<i>B.1.1 of which: for default interest</i>	-	-
B.2 use of reserves for possible loan losses	-	-
B.3 transfer from other categories of doubtful loan	-	-
B.4 other increases	-	-
C. Decreases	12,803	393
C.1 writebacks from valuations	-	-
<i>C.1.1 of which: for default interest</i>	-	-
C.2 writebacks following collections	538	-
<i>C.2.1 of which: for default interest</i>	-	-
C.3 write-offs	12,265	393
C.4 transfer to other categories of doubtful loan	-	-
C.5 other decreases	-	-
D. Total adjustments as of 31.12.04	9,323	107
<i>D.1 of which: for default interest</i>	<i>1,117</i>	<i>46</i>

Other information relating to loans

Information regarding the distribution of loans, by category of borrower, industry, geographical area, currency and maturity, is provided in part B, section 11 of these notes.

Section 2 - Securities

Securities owned by the Bank are analyzed as follows:

	(Euro/000)		
	31/12/04	31/12/03	Change %
Treasury bills and similar bills eligible for refinancing with central banks (caption 20)	-	160,128	n.s.
Bonds and other debt securities (caption 50)	4,880,958	2,106,911	+131.7
Total	4,880,958	2,267,039	+115.3
<i>of which: - investment securities</i>	-	-	-
<i>- dealing securities</i>	<i>4,880,958</i>	<i>2,267,039</i>	<i>+115.3</i>

Treasury bills have been eliminated after reaching their natural date of expiry.

"Bonds and other debt securities" include Euro 1,962,217 thousand in securities issued by public entities, Euro 2,794,559 thousand in securities issued by financial institutions and Euro 124,182 thousand in securities issued by other issuers.

Dealing securities

These securities, held for treasury and dealing purposes, amount to Euro 4,880,958 thousand, of which:

Euro 2,797,128 thousand is associated with derivative contracts¹;

Euro 2,083,830 thousand is not linked to derivative contracts.

	(Euro/000)			
	31/12/04		31/12/03	
	Book value	Market value	Book value	Market value
1. Debt securities				
1.1 Government securities				
- quoted	-	-	160,128	161,126
- unquoted	-	-	-	-
1.2 other securities				
- quoted	825,922	825,922	-	-
- unquoted	4,055,036	4,275,692	2,106,911	2,193,003
2. Equities				
- quoted	-	-	-	-
- unquoted	-	-	-	-
Total	4,880,958	5,101,614	2,267,039	2,354,129

1. Both the "Isin it 00036221460" (Infrastrutture S.p.A.) security and the hedging derivative are booked at their market value at 31.12.2004 in accordance with the Bank's accounting policies; the related effect is recorded in caption 60 of the statement of income.

Changes in dealing securities during the year (table 2.4 B.I.)		(Euro/000)	
	31/12/04	31/12/03	
A. Opening balance	2,267,039	663,440	
B. Increases			
B1. purchases			
- debt securities	-	-	
- government securities	-	-	
- other	2,765,100	1,630,550	
- equities	-	-	
B2. writebacks and revaluations	75,922	-	
B3. transfers from investment portfolio	-	-	
B4. other changes	-	-	
C. Decreases			
C1. sales and redemptions			
- debt securities			
- government securities	160,128	-	
- other	66,975	25,860	
- equities	-	-	
C2. adjustments	-	1,091	
C3. transfers to investment portfolio	-	-	
C5. other changes	-	-	
D. Closing balance	4,880,958	2,267,039	

Subcaption B4. "Increases - other changes" is detailed as follows:

B4. "Increases - other changes"		(Euro/000)	
	31/12/04	31/12/03	
Exchange differences	-	-	
Transfers from equity investment portfolio	-	-	
Capitalization of accrued interest on treasury bills (BOT) and zero coupon bonds	-	-	
Accrued issue discounts	-	-	
Other	-	-	
Total other changes	-	-	

Other information relating to securities

Information regarding the distribution of securities by geographical area, currency and maturity is provided in part B, section 11 of these notes.

Section 3 - Equity investments

Equity investments, reported in asset captions 70 and 80, are detailed below:

	(Euro/000)	
	31/12/04	31/12/03
Equity investments (caption 70)	5,455	3,787
Investments in Group companies (caption 80)	230,028	230,028
Total	235,483	233,815
<i>of which: - significant investments</i>	<i>233,787</i>	<i>233,787</i>
<i>- other holdings</i>	<i>1,696</i>	<i>28</i>

Significant investments

Significant investments held by the Bank in subsidiary companies or companies under significant influence as defined by articles 4 and 19 of Decree 87/92 are as follows:

Significant investments (table 3.1 B.I.)							(Euro/000)
Name of company	Registered offices	Business	Shareholders' equity	Net income / (loss)	% held	Book value	
FIN. OPI S.p.A. (a)	Turin	finance	237,206	8,120	100,00	230,000	
Sinloc S.p.A (b)	Turin	finance	46,126	703	8,15	3,787	
Total						233,787	

(a) Financial statements as of 31.12.2004.

(b) Financial statements as of 31.12.2003.

Other holdings

Other holdings							(Euro/000)
Name of company	Registered offices	Business	Shareholders' equity	Net income / (loss)	% held	Book value	
Consorzio Studi e Ricerche Fiscali (a)	Rome	support	258	-	5.00	13	
Ass.ne Studi e Ricerche per il Mezzogiorno	Naples	no-profit	90	-	16.67	15	
Rimini Fiera S.p.A. (b)	Rimini	other	49,919	2,260	0.99	1,668	
Total						1,696	

(a) Financial statements as of 31.12.2004.

(b) Financial statements as of 31.12.2003.

Investment portfolio

Analysis of caption 80 "Investments in Group companies" (table 3.5 B.I.) (Euro/000)

	31/12/04	31/12/03
a) in banks		
1. listed	-	-
2. unlisted	-	-
b) in financial institutions		
1. listed	-	-
2. unlisted	230,000	230,000
c) other		
1. listed	-	-
2. unlisted	28	28
Total	230,028	230,028

Analysis of caption 70 "Equity investments" (table 3.4 B.I.) (Euro/000)

	31/12/04	31/12/03
a) in banks		
1. listed	-	-
2. unlisted	-	-
b) in financial institutions		
1. listed	-	-
2. unlisted	3,787	3,787
c) other		
1. listed	-	-
2. unlisted	1,668	-
Total	5,455	3,787

Changes during the year in the equity investment portfolio

Investments in Group companies (table 3.6.1 B.I)	(Euro/000)
	31/12/04
A. Opening balance	230,028
B. Increases	
B1. purchases	-
B2. writebacks	-
B3. revaluations	-
B4. other changes	-
C. Decreases	
C1. sales	-
C2. adjustments	-
<i>of which: - permanent writedowns</i>	-
C3. other changes	-
D. Closing balance	230,028
E. Total revaluations	-
F. Total adjustments	-

Other equity investments (table 3.6.2 B.I.)	(Euro/000)
	31/12/04
A. Opening balance	3,787
B. Increases	
B1. purchases	1,668
B2. writebacks	-
B3. revaluations	-
B4. other changes	-
C. Decreases	
C1. sales	-
C2. adjustments	-
<i>of which: - permanent writedowns</i>	-
C3. other changes	-
D. Closing balance	5,455
E. Total revaluations	-
F. Total adjustments	-

During the first half of the year, Banca OPI purchased around 1% of the share capital in Rimini Fiera S.p.A. after the latter increased its capital from Euro 36 million to Euro 42.9 million by issuing 6,899,539 new shares at a price of Euro 3.89 each, of which Euro 2.89 in share premium. The Bank subscribed to 428,995 new shares at the price of Euro 3.89 each.

Inter-group assets and liabilities

Inter-group assets and liabilities as of 31 December 2004 are made up as follows:

	(Euro/000)			
Group companies	Assets	Liabilities	Income	Expenses
Sanpaolo IMI S.p.A.	842,565	13,225,279	3,391	268,750
Sanpaolo IMI Bank S.A.	-	189,512	-	3,449
Sanpaolo Banco di Napoli S.p.A.	16	-	-	-
Sanpaolo Imi Asset Management SGR S.p.A.	-	10	-	51
Banca IMI S.p.A.	175	-	175	284
FIN.OPI S.p.A.	7,500	-	7,500	-
Total	850,256	13,414,801	11,066	272,534

Inter-group assets and liabilities (table 3.2 B.I.)		(Euro/000)		
	31/12/04	31/12/03	Change %	
a) Assets				
1. amounts due from banks	842,756	1,033	n.s.	
<i>of which: - subordinated</i>				
2. due from financial institutions	-	-	-	
<i>of which: - subordinated</i>				
3. due from other customers	-	-	-	
<i>of which: - subordinated</i>				
4. bonds and other debt securities	-	-	-	
<i>of which: - subordinated</i>				
Total assets	842,756	1,033	n.s.	
b) Liabilities				
1. due to banks	13,332,157	8,654,227	+54.1	
2. due to financial institutions	10	-	n.s.	
3. due to other customers	-	-	-	
4. securities issued	-	-	-	
5. subordinated liabilities	82,634	82,634	-	
Total liabilities	13,414,801	8,736,861	+53.5	
c) Guarantees and commitments				
1. Guarantees given	-	-	-	
2. Commitments	-	-	-	
Total guarantees and commitments	-	-	-	

There are no amounts due to or from non-Group companies in which the Bank has an equity investment.

Section 4 - Tangible and intangible fixed assets

Tangible fixed assets (caption 100)

They comprise the following:

	(Euro/000)		
	31/12/04	31/12/03	Change %
a) Assets under lease	156,951	140,953	+11.3
b) Assets returned from lease	164	391	-58.1
c) Assets that are waiting to be leased	257	18,788	-98.6
c) Assets used in the business	56	174	-67.8
Total	157,428	160,306	-1.8

Changes in tangible fixed assets during the year (table 4.1 B.I.)

a) Assets under lease	(Euro/000)	
	31/12/04	31/12/03
A. Opening balance	140,953	67,304
B. Increases	68,831	97,632
B1. Purchases	14,033	97,632
B2. Reversal of value adjustments	-	-
B3. Revaluations	-	-
B4. Other changes	54,798	-
C. Decreases	-52,833	-23,983
C1. Sales	-633	-1,222
C2. Adjustments		
a) depreciation	-20,786	-21,814
b) permanent writedowns	-5,000	-
C3. Other changes	-26,414	-947
D. Closing balance	156,951	140,953
E. Total revaluations	-	-
F. Total adjustments	91,313	112,925
a) depreciation	86,313	112,925
b) permanent writedowns	5,000	-

b) Assets returned from lease		(Euro/000)	
	31/12/04	31/12/03	
A. Opening balance	391	673	
B. Increases	26,414	947	
B1. Purchases	-	-	
B2. Reversal of value adjustments	-	-	
B3. Revaluations	-	-	
B4. Other changes	26,414	947	
C. Decreases	-26,641	-1,229	
C1. Sales	-9,448	-435	
C2. Adjustments			
a) depreciation	-2,982	-791	
b) permanent writedowns	-14,211	-	
C3. Other changes	-	-3	
D. Closing balance	164	391	
E. Total revaluations	-	-	
F. Total adjustments	17,173	4,922	
a) depreciation	2,962	4,922	
b) permanent writedowns	14,211	-	

c) Assets that are waiting to be leased		(Euro/000)	
	31/12/04	31/12/03	
A. Opening balance	18,788	3,713	
B. Increases	36,267	15,075	
B1. Purchases	36,267	15,075	
B2. Reversal of value adjustments	-	-	
B3. Revaluations	-	-	
B4. Other changes	-	-	
C. Decreases	-54,798	-	
C1. Sales	-	-	
C2. Adjustments			
a) depreciation	-	-	
b) permanent writedowns	-	-	
C3. Other changes	-54,798	-	
D. Closing balance	257	18,788	
E. Total revaluations	-	-	
F. Total adjustments	-	-	
a) depreciation	-	-	
b) permanent writedowns	-	-	

d) Assets used in the business	(Euro/000)	
	31/12/04	31/12/03
A. Opening balance	174	100
B. Increases	-	125
B1. Purchases	-	125
B2. Reversal of value adjustments	-	-
B3. Revaluations	-	-
B4. Other changes	-	-
C. Decreases	-118	-51
C1. Sales	-84	-
C2. Adjustments		
a) depreciation	-34	-51
b) permanent writedowns	-	-
C3. Other changes	-	-
D. Closing balance	56	174
E. Total revaluations	-	-
F. Total adjustments	445	424
a) depreciation	445	424
b) permanent writedowns	-	-

Intangible fixed assets (caption 90)

These comprise the following:

	(Euro/000)		
	31/12/04	31/12/03	Change %
a) software	676	1,028	-34.2
b) other deferred charges	-	9	n.s.
Total	676	1,037	-34.8

Changes in intangible fixed assets during the year (table 4.2 B.I.)

	(Euro/000)	
	31/12/04	31/12/03
A. Opening balance	1,037	559
B. Increases	141	1,020
B1. Purchases	141	1,020
B2. Writebacks	-	-
B3. Revaluations	-	-
B4. Other changes	-	-
C. Decreases	-502	-542
C1. Sales	-	-
C2. Adjustments		
a) accumulated depreciation	-502	-542
b) permanent writedowns	-	-
C3. Other changes	-	-
D. Closing balance	676	1,037
E. Total revaluations	-	-
F. Total adjustments	11,350	10,848
a) accumulated depreciation	11,350	10,848
b) permanent writedowns	-	-

Caption C2 "a) accumulated depreciation" includes Euro 493 thousand in software.

Section 5 - Other assets

Other assets (caption 130)

Analysis of caption 130 "Other assets" (table 5.1 B.I.)		(Euro/000)	
	31/12/04	31/12/03	Change %
Amounts related to derivative contracts and foreign exchange transactions:	87,760	46,262	+89.7
- valuation of derivatives on interest rates and stockmarket indices	87,760	45,847	+91.4
- amounts related to currency hedges, cross-currency swaps and forex swaps	-	415	n.s.
- premiums paid on options purchased	-	-	-
Due from tax authorities:	25,910	14,524	+78.4
- prepaid current year direct taxes	23,399	12,296	+90.3
- taxes withheld during the year and tax credits on dividends	704	386	+82.4
- tax credits relating to prior years	1,456	1,456	-
- taxes paid in advance on termination indemnities (Law 662/96)	351	386	-9.1
Excess taxes paid in advance compared with income taxes due	6,492	2,498	+159.9
Other	4,310	7,168	-39.9
Amounts to be settled with other banks	13,836	51,577	-73.2
Net effect of translating funds from EU agencies using current rates, with the exchange risk borne by third parties	740	2,552	-71.0
Due from subsidiary companies for accrued dividends	7,500	-	n.s.
Items relating to securities transactions	-	-	-
Deposits with clearing-houses	-	-	-
Total	146,548	124,581	+17.6

Accrued income and prepaid expenses (caption 140)

Analysis of caption 140 "Accrued income and prepaid expenses" (table 5.2 B.I.)		(Euro/000)	
	31/12/04	31/12/03	Change %
Accrued income			
- income from derivative contracts	11,812	26,918	-56.1
- interest from loans to customers	71,406	65,044	+9.8
- interest on securities	52,802	27,049	+95.2
- other income	9,755	9,032	+8.0
Prepaid expenses			
- charges on derivative contracts	-	-	-
- commission on placement of securities and mortgage loans	16,659	22,899	-27.3
- other expenses	2,246	628	+257.6
Total	164,680	151,570	+8.6

Section 6 - Payables

Due to banks (caption 10)

Deposits taken from banks are analyzed as follows:

	(Euro/000)		
	31/12/04	31/12/03	Change %
Due to central banks			
- repurchase agreements and securities borrowed	-	711,435	n.s.
- other deposits from the Italian Exchange Office	-	-	-
- other deposits from central banks	-	-	-
Due to banks			
- deposits	10,715,521	8,216,342	+30.42
- repurchase agreements and securities borrowed	2,040,028	128,367	n.s.
- medium and long-term loans from international agencies	5,759,174	4,904,817	+17.42
- overdrafts	347,918	94,473	+268.27
- other	-	-	-
- other loans	457,555	529,928	-13.7
Total	19,320,196	14,585,362	+32.46

Detail of "Due to banks" (table 6.1 B.I.)

	(Euro/000)	
	31/12/04	31/12/03
a) Repurchase agreements	2,040,028	839.802
b) Securities borrowed	-	-

Due to customers and securities issued (captions 20 and 30)

Amounts due to customers and securities issued are made up of:

	(Euro/000)		
	31/12/04	31/12/03	Change %
Due to customers			
- overdrafts	-	414	n.s.
- repurchase agreements and securities borrowed	-	-	-
- other	134,521	165,623	-18.8
Securities issued			
- bonds	4,231,066	5,390,918	-21.5
- certificates of deposit	-	-	-
- bankers' drafts	-	-	-
- other	-	-	-
Total	4,365,587	5,556,955	-21.4

Detail of "Due to customers" (table 6.2 B.I.)

	(Euro/000)	
	31/12/04	31/12/03
a) Repurchase agreements	-	-
b) Securities borrowed	-	-

Securities issued do not include those that have already expired or have been drawn for redemption.

During the year, Banca OPI issued a total of Euro 750 million in bonds, subscribed by the Parent Bank.

There have been no issues of bonds convertible into shares of the Bank or other companies, or similar securities or dividend-bearing shares.

Other information relating to payables

Information regarding the distribution of payables by geographical area, degree of liquidity and currency is reported in Part B, Section 11 of these notes.

Section 7 - Provisions

These provisions are analyzed below:

	(Euro/000)		
	31/12/04	31/12/03	Change %
Provisions for termination indemnities (caption 70)	4,355	4,136	+5.3
Provisions for risks and charges (caption 80)			
- pensions and similar commitments (caption 80.a)	-	-	-
- taxation (caption 80.b)	120,919	23,332	+418.3
- other (caption 80.c)			
- provisions for guarantees and commitments	-	-	-
- provisions for other risks and charges	1,964	6,346	-69.1
- provisions for other personnel charges	-	-	-
Reserve for possible loan losses (caption 90)	38,877	212,028	-81.7
Total	166,115	245,842	-32.4

Provisions for termination indemnities (caption 70)

Changes in the "provisions for termination indemnities" during the year				(Euro/000)
	31/12/04	31/12/03	Change %	
Opening balance	4,136	4,210	-1.8	
Increases				
- net provisions	391	428	-8.6	
- transfers	-	-	-	
Decreases				
- advances allowed under Law 297/82	41	36	+13.9	
- indemnities to employees leaving the Bank	102	279	-63.4	
- transfers	-	162	n.s.	
- other changes	29	25	+16.0	
Closing balance	4,355	4,136	+5.3	

Taxation (caption 80.b)

Changes in "Taxation" during the year (Euro/000)

	31/12/04			31/12/03		
	Income taxes	Deferred taxes	Total	Income taxes	Deferred taxes	Total
Opening balance	23,332	-	23,332	12,946	-	12,946
Increases						
- provision for 2004 income taxes	17,743	-	17,743	23,172	-	23,172
- deferred taxes	-	102,251	102,251	-	-	-
Decreases						
- payment of income taxes	22,407	-	22,407	12,316	-	12,316
- other changes	-	-	-	470	-	470
Closing balance	18,668	102,251	120,919	23,332	-	23,332

Movements in deferred tax assets and liabilities booked to the statement of income are as follows:

Deferred tax assets credited to the statement of income (table 7.4 B.I.) at 31.12.04 (Euro/000)

1. Opening balance	2,498
2. Increases	
2.1 Deferred tax assets arising during the year	5,436
2.2 Other increases (deferred tax assets arising in previous years)	-
3. Decreases	
3.1 Deferred tax assets reversing during the year	1,442
3.2 Other decreases	-
4. Closing balance	6,492

Deferred tax liabilities charged to the statement of income (table 7.5 B.I.) at 31.12.04 (Euro/000)

1. Opening balance	-
2. Increases	
2.1 Deferred tax liabilities arising during the year	102,251
2.2 Other increases (deferred taxes arising in previous years)	-
3. Decreases	
3.1 Deferred tax liabilities reversing during the year	-
3.2 Other decreases	-
4. Closing balance	102,251

The increase in deferred tax liabilities is detailed in the comment on caption 220 of the statement of income.

Provisions for risks and charges - Other provisions (caption 80.c)

Analysis of caption 80.c "Provisions for risks and charges - Other provisions" (table 7.3 B.I.) (Euro/000)

	31/12/04				31/12/03			
	Guarantees and commitments	Risks and charges	Other personnel charges	Total	Guarantees and commitments	Risks and charges	Other personnel charges	Total
Opening balance	-	6,346	-	6,346	-	6,568	-	6,568
Increases								
- provisions	-	-	-	-	-	-	-	-
- other changes	-	-	-	-	-	-	-	-
Decreases								
- used to cover charges on settlement of disputes	-	115	-	115	-	81	-	81
- other changes	-	4,267	-	4,267	-	141	-	141
Closing balance	-	1,964	-	1,964	-	6,346	-	6,346

The provision for "risks and charges" includes Euro 1,589 thousand against estimated losses resulting from litigation and Euro 375 thousand against assets returned from leasing. "Other changes" include Euro 4,063 thousand previously provided for a legal dispute, which has been recently concluded with a settlement approved the competent court; the related provision has therefore been allocated to extraordinary income.

Reserve for possible loan losses (caption 90)

Changes during the year in "Reserves for possible loan losses" (table 7.2 B.I.) (Euro/000)

	31/12/04	31/12/03
1. Opening balance	212,028	134,925
2. Increases		
2.1 Provisions	12,000	78,000
2.2 Other changes	-	-
3. Decreases		
3.1 Utilization	1,151	897
3.2 Other changes	184,000	-
4. Closing balance	38,877	212,028

At 31 December 2003, the provision to this reserve made solely for tax purposes amounted to Euro 184.0 million.

Following the elimination of cumulative fiscal distortions from the financial statements of Banca OPI (as explained in the explanatory notes "Introduction - Background information on the financial statements), this amount has been reversed with a corresponding credit going to extraordinary income.

The provisions of Euro 12 million made in 2004 relate to the theoretical risks on loans arising during the year, calculated using Banca OPI's established method.

Section 8 - Capital, equity reserves and subordinated liabilities

Shareholders' equity is detailed below:

	(Euro/000)		
	31/12/04	31/12/03	Change %
Shareholders' equity			
- capital (caption 120)	500,000	500,000	-
- share premium reserve (caption 130)	49,999	49,999	-
- reserves (caption 140)			
a) legal reserve	11,369	9,248	+22.9
b) reserve for own shares	-	-	-
c) other reserves	88,274	88,274	-
- net income for the year	188,695	42,414	+344.9
Total shareholders' equity	838,337	689,935	+21.5
Own shares in portfolio	-	-	-
Subordinated liabilities (caption 110)	82,634	82,634	-

"Other reserves" of Euro 88.3 million entirely refer to net income accumulated in prior years.

There are no restrictions over the use and distribution of the "share premium reserve (caption 130)" and the "other reserves (caption 140 c)".

Other information

In line with Bank of Italy guidelines on disclosure of information, we provide below a breakdown of the regulatory capital as well as a description of the minimum requirements for supervisory purposes:

(table 8.1 B.I.) (Euro/000)

Category/amount	31/12/04	31/12/03
A. Regulatory capital		
A.1 Tier 1 capital	837,661	648,605
A.2 Tier 2 capital	121,510	152,521
A.3 Items to be deducted	-	-
A.4 Regulatory capital	959,171	801,126
B. Minimum regulatory requirements		
B.1 Lending risk	455,299	391,365
B.2 Market risk	125,160	50,586
<i>of which: - risks on dealing portfolio</i>	<i>125,160</i>	<i>50,586</i>
<i>- exchange risks</i>	-	-
B.3 Third-degree subordinated loans	-	-
B.4 Other minimum requirements	3,850	3,850
B.5 Total minimum requirements	584,309	445,801
C. Risk assets and capital-adequacy ratios		
C.1 Risk-weighted assets	8,347,278	6,368,579
C.2 Tier 1 capital/risk-weighted assets	10%	10%
C.3 Regulatory capital/risk-weighted assets	11%	13%

Subordinated liabilities (caption 110)

(Euro/000)

	Amount shown in the financial statements as of 31.12.2004	Amount in original currency	Interest rate	Issue date	Maturity date	Amount shown in the financial statements as of 31.12.2003
Subordinated loan in Euro	82,634	82,634	variabile	29.09.00	29.09.10	82,634

On 29 September 2000, the Bank received a subordinated loan from the Parent Bank, nominal value of Euro 82.6 million.

The main features of the loan are as follows:

- duration: 10 years, including a 5-year pre-redemption period;
- interest: indexed at 6-month Euribor +70 b.p., payable half-yearly in arrears;
- repayment: at par in 5 equal annual repayments of principal, from 29 September 2006 to 29 September 2010;
- subordination clause: in the event of liquidation of Banca OPI S.p.A., the loan will be repaid only after fulfilling the obligations towards all other non-equally subordinated creditors, but before Banca OPI's shareholders.

Section 9 - Other liabilities

Other liabilities (caption 50)

Analysis of caption 50 "Other liabilities" (table 9.1 B.I.)		(Euro/000)	
	31/12/04	31/12/03	Change %
Valuation of derivatives on interest rates and stockmarket indices	157,036	46,546	+237.4
Unprocessed transactions	41,579	13,239	+214.1
Amounts available for third parties	-	-	-
Non-liquid balances from portfolio transactions	-	-	-
Amounts due to employees	-	-	-
Due to the tax authorities	869	2,834	-69.3
Amounts payable due to settlement value date	52,130	27,350	+90.6
Deposits guaranteeing agricultural and construction loans	-	-	-
Items relating to securities transactions	-	-	-
<i>of which: - "short position"</i>	-	-	-
Premiums collected on options sold	-	-	-
Other	10,572	27,359	-61.4
Total	262,186	117,328	+123.5

Accrued expenses and deferred income (caption 60)

Analysis of caption 60 "Accrued expenses and deferred income" (table 9.2 B.I.)		(Euro/000)	
	31/12/04	31/12/03	Change %
Accrued expenses			
- charges on derivative contracts	56,639	40,129	+41.1
- interest on securities issued	52,949	70,513	-24.9
- interest on amounts due to banks	43,037	42,803	+0.5
- interest on amounts due to customers	4,316	1,079	+300.0
- payroll and other operating costs	1,905	2,070	-8.0
- other charges	3,351	3,251	+3.1
Deferred income			
- interest on discounted notes	-	-	-
- income from derivative contracts	15,188	4,075	+272.7
- other income	530	2,187	-75.8
Total	177,915	166,107	+7.1

Section 10 - Guarantees and commitments

Guarantees given (caption 10)

Analysis of caption 10 "Guarantees given" (table 10.1 B.I.) (Euro/000)

	31/12/04	31/12/03	Change %
a) Commercial guarantees	-	-	-
b) Financial guarantees	384,492	359,174	+7.0
c) Assets lodged in guarantee	-	-	-
Total	384,492	359,174	+7.0

Commitments (caption 20)

Analysis of caption 20 "Commitments" (table 10.2 B.I.) (Euro/000)

	31/12/04	31/12/03	Change %
a) Commitments to grant finance (certain to be called on)	8,912	10,990	-18.9
b) Commitments to grant finance (not certain to be called on)	6,135,875	5,861,575	+4.7
Total	6,144,787	5,872,565	+4.5

The figure as of 31 December 2004 represents the total amount to be disbursed against loans signed.

Assets lodged in guarantee of the Bank's liabilities

(table 10.3 B.I.) (Euro/000)

	31/12/04	31/12/03	Change %
Loans assigned to guarantee interbank funding	3,829,688	3,306,405	+15.8
Securities pledged to guarantee interbank funding	1,586,823	483,563	+228.2
Total	5,416,511	3,789,968	+42.9

Forward transactions

(table 10.5 B.I.)

(Euro/000)

	Hedging transactions	Dealing transactions	Other transactions	Total
1. Purchase/sale of				
1.1 Securities				
- purchases				
- sales				
1.2 Currency				
- currency against currency				
- purchases against Euro				
- sales against Euro				
2. Deposits and loans				
- to be disbursed			6,144,787	6,144,787
- to be received				
3. Derivative contracts				
3.1 With exchange of capital				
a) securities				
- purchases				
- sales				
b) currency				
- currency against currency	21,482			21,482
- purchases against Euro	28,524			28,524
- sales against Euro	13,916			13,916
c) other instruments				
- purchases				
- sales				
3.2 Without exchange of capital				
a) currency				
- currency against currency				
- purchases against Euro				
- sales against Euro				
b) other instruments				
- purchases	1,454,372	3,805,814	8,000	5,268,186
- sales	9,328,772	4,555,813		13,884,585
Total	10,847,066	8,361,627	6,152,787	25,361,480

At year-end, hedging derivative contracts show a potential net loss of Euro 486.9 million (marked to market net of accruals and the exchange effect). In accordance with the Bank's accounting policies, this value has not been included in the financial statements given the interest and exchange rate hedging function that these derivatives provide in relation to funding, lending or investment transactions: these contracts have been valued using the same methods as the transaction being hedged, recording appropriate adjustments relating to interest rate and/or exchange rate differentials accruing at the balance sheet date. Derivative contracts used to hedge the dealing portfolio total Euro 2,797 million. Caption 3.2b includes interest rate derivatives without an underlying security (eg. interest rate swaps and interest rate options) entered in the Bank's normal course of business with public-sector entities (Regions, Municipalities, Provinces, etc.) to meet their growing demand for this kind of product.

Financial information relating to derivative contracts and forward currency purchase/sale transactions

Notional amounts	(Euro/000)				
	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total
OTC trading contracts	8,281,416				8,281,416
- Forward					
- Swap	2,586,700				2,586,700
- Options purchased	2,847,358				2,847,358
- Options sold	2,847,358				2,847,358
- Other derivative contracts					
Exchange traded contracts					
- Futures purchased					
- Futures sold					
- Options purchased					
- Options sold					
- Other derivative contracts					
Total trading contracts	8,281,416				8,281,416
OTC non-trading contracts	10,253,272	63,922			10,317,194
- Forward					
- Swap	10,237,272	63,922			10,301,194
- Options purchased	8,000				8,000
- Options sold	8,000				8,000
- Other derivative contracts					
Exchange non-trading contracts					
- Futures purchased					
- Futures sold					
- Futures currency against currency					
- Options purchased					
- Options sold					
- Other derivative contracts					
Total non-trading contracts	10,253,272	63,922			10,317,194
Grand total	18,534,688	63,922			18,598,610
Forward contracts					
- Trading forward currency contracts < 2 days trading					
- Trading basis swap with exchange of indices	80,211				80,211
- Other trading derivatives with exchange of indices					
- Forward transactions on currencies < 2 days non trading					
- Non-trading basis swap with exchange of indices	537,872				537,872
- Other non-trading derivatives with exchange of indices					
- Forward transactions in securities					
- Deposits and loans					
Total	19,152,771	63,922			19,216,693

Residual maturity of notional amounts underlying OTC derivative contracts				(Euro/000)
	Up to 12 months	Between 1 and 5 years	Beyond 5 years	Total
Interest rate related	634,001	2,437,410	15,463,277	18,534,688
Exchange rate related	50,006	13,916		63,922
Stockmarket index related				
Other contracts				

Credit quality of OTC derivative contracts, by counterparty				(Euro/000)
	Positive market value	Add on	Equivalent lending risk (current value)	
Governments and central banks				
Banks *	98,877	56,191		155,068
Other operators	5,762	2,142		7,904
Total	104,639	58,333		162,972
Adjustments for clearing agreements				
Total	104,639	58,333		162,972

* includes derivatives with organizations in the national public sector (equivalent to banks)

Notional amounts of OTC transactions, related market values and add on					(Euro/000)
	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total
Notional amounts	18,534,688	63,922			18,598,610
Market value of OTC trading contracts					
- positive	72,372				72,372
- negative	-13,149				-13,149
Add on	37,605				37,605
Market value of OTC non-trading contracts					
- positive	32,267				32,267
- negative	-157,451	-6,187			-163,638
Add on	19,817	911			20,728

Section 11 - Concentration and distribution of assets and liabilities

Significant exposures

Major borrowing positions that exceed 10% of the Bank's regulatory capital and defined by the Bank of Italy as "significant exposures", are as follows:

(table 11.1 B.I.)	(Euro/000)	
	31/12/04	31/12/03
a) Amount (in thousands of euro)	3,054,748	2,797,477
b) Number	17	16

The above positions comprise all risk assets outstanding in relation to customers and groups of related customers (including banks).

Distribution of loans to customers, by category of borrower

Loans to customers, including assets under lease, show the following distribution by category of borrower:

(table 11.2 B.I.)	(Euro/000)	
	31/12/04	31/12/03
a) Governments	6,001,612	6,433,970
b) Other public entities	5,258,580	4,931,012
c) Non-financial businesses	6,923,173	7,088,384
d) Financial institutions	521,855	58,661
e) Family businesses	688	926
f) Other operators	120,091	16,551
Total	18,825,999	18,529,504

Distribution of loans to resident non-financial and family businesses

The distribution of loans to non-financial and family businesses resident in Italy is detailed below, by industry:

(table 11.3 B.I.) (Euro/000)

	31/12/04	31/12/03
a) Internal transport services	2,310,475	1,798,420
b) Energy products	1,366,036	1,518,240
c) Other services for sale	1,347,734	1,516,606
d) Communication services	600,000	1,100,000
e) Transport-related services	387,828	414,327
f) Other sectors	351,123	246,739
Total	6,363,196	6,594,332

Distribution of guarantees given, by category of counterparty

Guarantees given by the Bank are classified by category of counterparty as follows:

(table 11.4 B.I.) (Euro/000)

	31/12/04	31/12/03
a) Governments	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Non-financial businesses	384,492	359,174
e) Financial institutions	-	-
f) Family businesses	-	-
g) Other operators	-	-
Total	384,492	359,174

Geographical distribution of assets and liabilities

The geographical distribution of assets and liabilities is detailed below, by reference to the countries of residence of the counterparties concerned:

(table 11.5 B.I.)

(Euro/000)

	31/12/04				31/12/03			
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total
1. Assets								
1.1 due from banks	958,072	-	-	958,072	112,715	-	4,500	117,215
1.2 loans to customers	18,268,452	510,640	47,534	18,826,626	17,906,562	502,097	120,846	18,529,505
1.3 securities	4,740,129	130,829	10,000	4,880,958	2,126,210	130,829	10,000	2,267,039
Total	23,966,653	641,469	57,534	24,665,656	20,145,487	632,926	135,346	20,913,759
2. Liabilities								
2.1 due to banks	13,108,344	6,211,852	-	19,320,196	9,161,075	5,424,287	-	14,585,362
2.2 due to customers	134,521	-	-	134,521	166,037	-	-	166,037
2.3 securities issued	4,231,066	-	-	4,231,066	5,390,918	-	-	5,390,918
2.4 other accounts	262,186	-	-	262,186	117,328	-	-	117,328
Total	17,736,117	6,211,852	-	23,947,969	14,835,358	5,424,287	-	20,259,645
3. Guarantees and commitments								
	5,896,350	456,940	175,989	6,529,279	5,627,412	438,789	165,538	6,231,739

Loans to customers shown in tables 11.5 B.I. and 11.6 B.I. include not only the amount reported in asset caption 40 but also the value of loans implicit in lease transactions, in compliance with the Bank of Italy's instructions. The difference with table 11.2 B.I. is due to the difference between the value of loans implicit in lease transactions (financial method) and the value of assets under lease (statutory method).

This difference is not significant, especially in view of the forthcoming adoption of IAS 17.

Maturities of assets and liabilities

The residual maturities of assets and liabilities are detailed in the following table:

(table 11.6 B.I.)

(Euro/000)

	Specified maturity								Unspecified maturity	Total
	On demand	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years		Beyond 5 years				
				Fixed rate	Indexed rate	Fixed rate	Indexed rate			
1. Assets										
1.1 treasury bonds eligible for refinancing	-	-	-	-	-	-	-	-	-	-
1.2 due from banks	833,926	-	-	37,546	14,100	42,500	30,000	-	-	958,072
1.3 loans to customers	4,295	106,191	1,942,656	2,853,953	4,446,364	4,213,348	5,258,505	1,314	-	18,826,626
1.4 Bonds and other government securities	-	537,271	1,222,808	267,438	202,645	2,030,991	619,805	-	-	4,880,958
1.5 off-balance sheet transactions	-	3,113,306	13,884,316	95,500	-	1,505,487	-	-	-	18,598,609
Total assets	838,221	3,756,768	17,049,780	3,254,437	4,663,109	7,792,326	5,908,310	1,314	-	43,264,265
2. Liabilities										
2.1 due to banks	347,918	5,022,238	1,010,650	943,819	5,131,103	1,043,624	5,820,844	-	-	19,320,196
2.2 due to customers	-	-	134,521	-	-	-	-	-	-	134,521
2.3 securities issued										
- bonds	143,427	12,170	131,837	533,499	645,239	1,204,121	1,560,773	-	-	4,231,066
- certificates of deposit	-	-	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-	-	-
2.4 subordinated liabilities	-	-	-	-	49,580	-	33,054	-	-	82,634
2.5 off-balance sheet transactions	-	328,570	2,590,678	2,243,501	-	13,435,860	-	-	-	18,598,609
Total liabilities	491,345	5,362,978	3,867,686	3,720,819	5,825,922	15,683,605	7,414,671	-	-	42,367,026

Assets and liabilities denominated in foreign currencies

The Bank's assets and liabilities denominated in foreign currencies are detailed below:

(table 11.7 B.I.)

(Euro/000)

	31/12/04	31/12/03
a) Assets		
1. due from banks	-	11
2. loans to customers	208,242	211,283
3. securities	-	-
4. equity investments	-	-
5. other accounts	-	-
Total assets	208,242	211,294
b) Liabilities		
1. due to banks	243,657	248,791
2. due to customers	-	-
3. securities issued	-	-
4. other accounts	-	-
Total liabilities	243,657	248,791

Liabilities in foreign currency do not constitute a position open to exchange risk, since they have been transformed into Euro through derivative contracts (mainly CCS) which offset them against the corresponding assets in foreign currency.

The principal spot exchange rates as of 30 December 2004 used to translate the Bank's foreign currency assets and liabilities are indicated below.

	30/12/04	31/12/03
US dollar	1.3604	1.2630
Swiss franc	1.5440	1.5579
Pound sterling	0.7088	0.7048
Japanese yen	141.03	135.05
Norwegian krone	8.2435	8.4141
Danish krone	7.4381	7.4450

Securitization transactions

The Bank holds investment and dealing securities arising from third-party securitizations:

(table 11.8 B.I.) (Euro/000)

Type of underlying asset	Asset quality	Senior securities	Mezzanine securities	Junior securities	Total
Book value					
Dealing portfolio					
- health care receivable	Performing loans	399,097	-	-	399,097
- due from tax authorities	Performing loans	415,000	-	-	415,000
- other loans	Performing loans	900,711	35,000	20,000	955,711
Total		1,714,808	35,000	20,000	1,769,808

There were no adjustments to securities.

The Bank has no interest in vehicle companies and does not act as a servicer or arranger.

The securitized assets underlying junior securities total Euro 333 million and do not include any non-performing or problem loans.

Part C - Statement of Income

Section 1 - Interest

Interest income and similar revenues (caption 10)

Analysis of caption 10 "Interest income and similar revenues" (table 1.1 B.I.) (Euro/000)

	31/12/04	31/12/03	Change %
a) On amounts due from banks	33,532	17,996	+86.3
<i>of which: - deposits with central banks</i>	-	65	<i>n.s.</i>
b) On loans to customers	739,157	774,835	-4.6
<i>of which: - loans using public funds</i>	-	-	-
c) On debt securities	140,409	61,091	+129.8
d) Other interest income	377	-	<i>n.s.</i>
e) Net positive differential on hedging transactions	-	-	-
Total	913,475	853,922	+7.0

Detail of caption 10 "Interest income and similar revenues" (table 1.3 B.I.) (Euro/000)

	31/12/04	31/12/03	Change %
a) On assets denominated in foreign currency	7,217	5,998	+20.3

As already mentioned in Part A - Accounting policies, default interest accrued during the year, amounting to Euro 2,122 thousand, has been written off in full.

Interest income includes Euro 25,305 thousand in income relating to repurchase agreements (Euro 10,322 thousand in 2003).

Interest expense and similar charges (caption 20)

Detail of caption 20 "Interest expense and similar charges" (table 1.2 B.I.) (Euro/000)

	31/12/04	31/12/03	Change %
a) On amounts due to banks	417,346	365,495	+14.2
b) On amounts due to customers	3,533	5,936	-40.5
c) On securities issued	174,520	213,997	-18.4
of which: - certificates of deposit	-	-	-
d) On public funds administered	-	-	-
e) On subordinated liabilities	2,319	2,738	-15.3
f) Net negative differential on hedging transactions	189,345	137,944	+37.3
Total	787,063	726,110	+8.4

Detail of caption 20 "Interest expense and similar charges" (table 1.4 B.I.) (Euro/000)

	31/12/04	31/12/03	Change %
a) On liabilities denominated in foreign currency	6,006	4,795	+25.3

Interest expense includes Euro 486 thousand in commission pertaining to the year on the placement of bonds (Euro 695 thousand in 2003).

Interest expense includes Euro 57,093 thousand relating to repurchase agreements (Euro 26,037 thousand in 2003).

Other information relating to interest

Information concerning the interest arising on transactions with Group companies is reported in part C, section 7 of these notes.

Section 2 - Commission

Commission income (caption 40)

Analysis of caption 40 "Commission income" (table 2.1 B.1.)

(Euro/000)

	31/12/04	31/12/03	Change %
a) Guarantees given	1,594	1,323	+20.5
b) Credit derivatives	652	1,157	-43.6
c) Management, dealing and advisory services	-	-	-
1. dealing in securities	-	-	-
2. dealing in currency	-	-	-
3. portfolio management	-	-	-
4. custody and administration of securities	-	-	-
5. custodian bank	-	-	-
6. placement of securities	-	-	-
7. acceptance of instructions	-	-	-
8. advisory services	-	-	-
9. distribution of third-party services:	-	-	-
9.1 portfolio management	-	-	-
9.1.1. individual	-	-	-
9.1.2. collective	-	-	-
9.2. insurance products	-	-	-
9.3. other products	-	-	-
d) Collection and payment services	17	8	+112.5
e) Servicing of securitization transactions	-	-	-
f) Tax collection services	-	-	-
g) Other services	9,176	15,312	-40.1
Total	11,439	17,800	-35.7

Subcaption "g) Other services" is detailed as follows:

(Euro/000)

	31/12/04	31/12/03	Change %
Organization and syndication of loans	6,170	5,506	+12.1
Corporate and project advisory services	2,705	5,121	-47.2
Other services	301	4,685	-93.6

Analysis of caption 40 "Commission income" (table 2.2 B.I.) - Distribution channels of products and services (Euro/000)

	31/12/04	31/12/03	Change %
a) Own branches:	-	-	-
1. portfolio management	-	-	-
2. placement of securities	-	-	-
3. third-party products and services	-	-	-
b) Door-to-door:	-	-	-
1. portfolio management	-	-	-
2. placement of securities	-	-	-
3. third-party products and services	-	-	-

Commission expense (caption 50)

Analysis of caption 50 "Commission expense" (table 2.3 B.I.) (Euro/000)

	31/12/04	31/12/03	Change %
a) Guarantees received	1,962	1,577	+24.4
b) Credit derivatives	83	858	-90.3
c) Management and dealing services	133	83	+60.2
1. dealing in securities	-	-	-
2. dealing in currency	-	-	-
3. portfolio management	-	-	-
4. custody and administration of securities	54	-	-
5. placement of securities	-	-	-
6. door-to-door sale of securities, products and services	79	83	-4.8
d) Collection and payment services	212	202	+5.0
e) Other services	-	-	-
Total	2,390	2,720	-12.1

The amount in a) above relates to fees paid mainly to the Parent Bank for guarantees given (Euro 1,565 thousand).

Section 3 - Profits (losses) on financial transactions

Profits (losses) on financial transactions (caption 60)

Analysis of caption 60 "Profits (losses) on financial transactions" (table 3.1. B.I.) (Euro/000)

	31/12/04				31/12/03			
	Security transactions	Currency transactions	Other transactions	Total	Security transactions	Currency transactions	Other transactions	Total
A1. Revaluations	75,922	-	-	75,922	-	-	-	-
A2. Writedowns	-192	-	-	-192	-1,091	-	-	-1,091
B. Other profits and losses	-60,893	51	857	-59,985	17,813	-50	329	18,092
Total	14,837	51	857	15,745	16,722	-50	329	17,001
<i>of which: 1. on Government securities</i>	-192				-1,091			
<i>2. on other debt securities</i>	75,922				-			
<i>3. on equities</i>	-				-			
<i>4. on security derivatives</i>	-60,893				-			

The amount in subcaption "A1. Revaluations" refers to the gain on the Infrastrutture S.p.A. security (see Section 2 - Securities). The amount in subcaption B "Security transactions" is stated net of Euro 69,034 thousand as the loss on the derivative hedging the above security and includes profits of Euro 4,070 thousand arising on the unwinding of derivatives for the purposes of making the banking book's derivatives portfolio IAS compliant.

Section 4 - Administrative costs

Payroll costs (caption 80.a)

	(Euro/000)		
	31/12/04	31/12/03	Change %
Wages and salaries	8,592	8,882	-3.3
Social security charges	2,723	2,814	-3.2
Termination indemnities			
- provision for termination indemnities	568	605	-6.1
Total	11,883	12,301	-3.4

Average number of employees by category (table 4.1 B.I.)

	31/12/04	31/12/03
a) Executives	12	11
b) 3rd and 4th grade middle managers	37	46
c) Other employees	92	93
Total	141	150

Other administrative costs (caption 80.b)

	(Euro/000)		
	31/12/04	31/12/03	Change %
Computer costs	4,508	3,825	+17.9
Data processing services	4,216	3,551	+18.7
Subscription to data banks	292	274	+6.6
Property management charges	1,263	1,125	+12.3
Rented premises	1,263	1,125	+12.3
General expenses	1,973	1,248	+58.1
Postal charges	37	39	-5.1
Stationery	124	133	-6.8
Books, publications, newspapers and magazines	67	52	+28.8
Group personnel on secondment	1,493	891	+67.6
Other expenses	252	133	+89.5
Professional and insurance expenses	3,767	3,016	+24.9
Consultancy services	1,739	923	+88.4
Legal and judiciary expenses	806	963	-16.3
External audit fees (a)	300	300	-
Other professional and insurance expenses	167	125	+33.6
Expenses for corporate officers	755	705	+7.1
Promotional, advertising and marketing costs	319	621	-48.6
Advertising and entertainment	20	280	-92.9
Contributions to trade unions and professional associations	299	341	-12.3
Indirect personnel costs	711	971	-26.8
Other expenses for personnel training, travel and assignments	711	971	-26.8
Total	12,541	10,806	+16.1
Indirect duties and taxes			
- substitute tax (Pres. Decree 601/73)	2,125	3,431	-38.1
- local property taxes	2	3	-33.3
- other	15	66	-77.3
Total	2,142	3,500	-38.8
Total other administrative costs	14,683	14,306	+2.6

(a) This caption includes fees paid to PricewaterhouseCoopers S.p.A. for the following activities:

- audit of the financial statements;
- limited audit of the half-yearly report;
- ongoing supervision pursuant to art. 155 of the Financial Services Act;
- Form 20-F

Euro 2,125 thousand in substitute tax was fully recovered from customers.

Section 5 - Adjustments, writebacks and provisions

Adjustments to intangible and tangible fixed assets (caption 90)

	(Euro/000)		
	31/12/04	31/12/03	Change %
Adjustments to intangible fixed assets			
- amortization of software costs	493	399	+23.6
- amortization of other deferred charges	9	143	-93.7
Adjustments to tangible fixed assets			
- depreciation of leased assets	20,786	21,814	-4.7
- permanent writedowns	14,210	-	n.s.
- depreciation of assets in deposit	2,982	791	+277.0
- depreciation of other deferred charges	34	51	-33.3
Total	38,514	23,198	+66.0

Individual assets have been written down with reference to their remaining useful lives using, in most cases, the maximum fiscally-allowed rates.

Permanent writedowns refer to the writedown of assets under lease.

Provisions for risks and charges (caption 100)

Like in the previous year, no further additional provisions were booked this year.

Provisions to reserves for possible loan losses (caption 140)

	(Euro/000)		
	31/12/04	31/12/03	Change %
Provision	12,000	78,000	-84.6

Until 31 December 2003, these provisions were calculated with reference to the prudent criteria relating to general banking risks described in Part A of these notes, and to the tax rules. Starting from these year, provisions are made solely to cover general banking risks.

Adjustments to loans and provisions for guarantees and commitments (caption 120)

(table 5.1 B.I.)

(Euro/000)

	31/12/04	31/12/03	Change %
a) Adjustments to loans	-	-	-
<i>of which: - general adjustments for country risk</i>	-	-	-
<i>- other general adjustments</i>	-	-	-
b) Provisions for guarantees and commitments	-	-	-
<i>of which: - general provisions for country risk</i>	-	-	-
<i>- other general provisions</i>	-	-	-
Total	-	-	-

Writebacks of adjustments to loans and provisions for guarantees and commitments (caption 130)

(Euro/000)

	31/12/04	31/12/03	Change %
Writebacks of adjustments to loans	-	-	-
Surplus of provisions against future non-performing and problem leasing loans	50	650	-92.3
Collection of loans previously written down	488	781	-37.5
Total	538	1,431	-62.4

Section 6 - Other statement of income captions

Dividends and other revenues (caption 30)

	(Euro/000)		
	31/12/04	31/12/03	Change %
On equity investments			
- SINLOC SpA	42	33	+27.3
- FIN. OPI SpA	7,500	-	n.s.
Tax credits	-	19	n.s.
Total	7,542	52	n.s.

Starting from 2004, dividends of subsidiary companies are booked in the period they are earned. In order to recognize such income Consob rules require that dividends of subsidiary companies have to be approved by the respective Board of Directors and shareholders' meeting, to be held before those of the parent company.

The dates on which subsidiary company boards of directors and shareholders approved the distribution of 2004 dividends to the Bank are reported below.

dividends approved by subsidiary companies	31/12/04 (Euro/000)	Date of board meeting	Date of shareholders' meeting
FIN.OPI S.p.A.	7,500	11/03/05	04/04/05 (*)

(*) This date refers to the first calling.

Other operating income (caption 70)

(table 6.1 B.I.)	(Euro/000)		
	31/12/04	31/12/03	Change %
Expenses recovered from customers			
- other taxes	2,127	3,431	-38.0
- legal costs	-	-	-
- other recoveries	104	155	-32.9
Reimbursement of services rendered to third parties	77	74	+4.1
Income from leasing activities	29,781	28,969	+2.8
Other income	-	4	n.s.
Total	32,089	32,633	-1.7

"Income from leasing activities" includes Euro 29,630 thousand (Euro 28,924 thousand in 2003) relating to finance lease instalments.

Other operating expenses (caption 110)

(table 6.2 B.I.)	(Euro/000)		
	31/12/04	31/12/03	Change %
Expenses relating to leasing activities	156	561	-72.2
Other expenses	269	-	n.s.
Total	425	561	-24.2

This amount comprises around Euro 76 thousand (Euro 536 thousand in 2003) in losses arising on the redemption of leased assets. Other expenses include the contribution to the capital of "Fondazione Mezzogiorno Tirrenico-Napoli" for expenses incurred in 2004.

Extraordinary income (caption 180)

(table 6.3 B.I.)	(Euro/000)		
	31/12/04	31/12/03	Change %
Out-of-period income			
- out-of-period income on leasing activities	5,230	1,096	+377.2
- other out-of-period income	3,154	2,735	+15.3
- effect of "defiscalization" (1)	184,000	-	n.s.
Total	192,384	3,831	n.s.

(1) This refers to the reversal of provisions made solely for fiscal purposes in prior years from the "Reserve for possible loan losses" (caption 90).

For the purposes of a clearer understanding of the effects of applying the new fiscal regulations, the related balances at the start of the current and previous year and the associated deferred taxes are reported below. The deferred tax liabilities concerned are reported in caption 220.

	(Euro/000)		
	31/12/04	31/12/03	
	results for the year	results for the year	capital and reserves
Balance	75,075	42,414	689,935
Fiscal effects, gross of deferred taxes:			
- provisions to reserve for possible loan losses	184,000	68,000	116,000
Associated deferred taxes	-70,380	-26,010	-44,370
Total fiscal effects, net of deferred taxes	113,620	41,990	71,630
Final Balance	188,695	84,404	761,565

Extraordinary expense (caption 190)

(table 6.4 B.I.)

(Euro/000)

	31/12/04	31/12/03	Change %
Leaving incentives	500	592	-15.5
Other out-of-period expenses	1,040	367	+183.4
Amounts not collectable	19	-	n.s.
Total	1,559	959	+62.6

Income taxes for the year (caption 220)

Breakdown of caption 220 "Income taxes for the year" (table 6.5 B.I.)

(Euro/000)

	31/12/04	31/12/03	Change %
Current income taxes	17,743	23,172	-23.4
Deferred taxes	102,251	-	n.s.
<i>of which: - deferred taxes relating to :</i>	<i>70,380</i>	<i>-</i>	<i>n.s.</i>
Deferred new fiscal regulations reversing during the year	1,442	2,928	-50.8
Deferred new fiscal regulations arising in the year	-5,436	-	n.s.
Use of the taxation reserve	-	-	-
Total income taxes for the year	116,000	26,100	+344.4

Deferred tax assets arising in the year refer to the writedown of assets under lease (see Section 5, caption 90 of the statement of income). Deferred tax assets reversing in the year relate to the use of the reserve for sundry risks and charges following the settlement of the related legal dispute, as described Section 7 caption 80 c.

Deferred tax assets and liabilities and related effects

(Euro/000)

	31/12/04			31/12/03		
	temporary differences	tax effect	% rate	temporary differences	tax effect	% rate
Deferred tax assets						
- loan writedowns deducted over 7 years	-65	-25	38,25	-8,723	-3,139	36,15
- provisions for risks and charges (*)	-3,800	-1,417	37,29			
- writedowns of tangible fixed assets	14,211	5,436	38,25			
Total	10,346	3,994		-8,723	-3,139	
Deferred taxes						
- "defiscalization"	184,000	70,380	38,25			
- off-the-books provisions	83,000	31,747	38,25			
- dividends	375	124	33,00			
Total	267,375	102,251				
Change in tax rate					211	
Deferred taxes, net	257,029	98,257		8,723	2,928	

(*) Part of the reversal of timing differences is not relevant for IRAP purposes.

Section 7 - Other information regarding the statement of income

The supplementary information on the statement of income given below mainly concerns economic relationships with companies in the SANPAOLO IMI Banking Group and the effect on the financial statements of applying the financial method of lease accounting.

Income and expenses arising from transactions with Group companies

Income and expenses arising from transactions with companies in the SANPAOLO IMI Banking Group, as defined in article 4 of Decree 87/92, are detailed below:

	(Euro/000)	
	31/12/04	31/12/03
Income		
- interest income and similar revenues	3,369	3,878
- dividends and other revenues	7,500	-
- commission income	175	656
- other operating income	22	29
Total	11,066	4,563
Expenses		
- interest expense and similar charges	263,787	222,190
- commission expense	1,565	1,483
- other operating expenses	7,182	5,765
Total	272,534	229,438

The Bank's asset and liability balances in respect of Group companies at year-end are shown in Part B, Section 3, of these notes.

Geographical distribution of revenues

The geographical breakdown of revenues under captions 10, 40, 60, and 70 of the statement of income has been omitted since differences between these markets are not between significant for the Bank's organization.

Effects on the financial statements of applying the financial method of lease accounting

The financial method of lease accounting shows the "implicit loans" contained in financial lease transactions instead of the assets being leased out, making transactions similar to "loans" and leased assets similar to "guarantees".

It should be pointed out that the most important difference between the statutory and financial methods is the differences arising between the depreciation of assets booked in the statutory balance sheet (charged on a straight-line basis) and the principal portions of expired instalments relating to implicit loans (which rise over time).

The effects that would have been produced on the results for the year if the financial method of lease accounting had been applied are summarized below:

	(Euro/000)	
	31/12/04	31/12/03
Statutory income	188,695	42,414
Statutory depreciation of leased assets	23,768	22,605
Leasing instalments	-29,630	-28,924
Implicit interest in instalments	4,666	2,777
Other changes due to the different accounting method	482	1,554
Income as a result of applying the financial lease accounting method	187,981	40,426

The balance of "Other changes" mainly refers to the net effect of the various financial gains and losses with respect to the statutory ones and to the effect of a lower tax provision of Euro 500 thousand (Euro 1,900 thousand in 2003).

As for the balance sheet, the application of financial lease accounting results in a financial reserve, movements in which are shown below:

Changes in the financial reserve (net of tax)		(Euro/000)	
	31/12/04	31/12/03	
Opening financial reserve	3,712	5,701	
Difference between statutory and financial results	-714	-1,989	
Changes in the financial method	-385	-	
Closing financial reserve	2,613	3,712	
Difference in tax provision	-2,400	-1,900	
Net financial reserve	213	1,812	

Breakdown of the financial reserve		(Euro/000)	
	31/12/04	31/12/03	
(a) Gross implicit loans	162,952	143,792	
(b) Leased assets	162,115	-141,344	
(a-b)	837	2,448	
Financial accruals	-624	-642	
Advance instalments to be applied to the final months	-	6	
Closing financial reserve	213	1,812	
Difference in provision	2,400	1,900	
Total closing financial reserve	2,613	3,712	

Shareholders' equity		(Euro/000)	
	31/12/04	31/12/03	
Capital	500,000	500,000	
Reserves	149,642	147,521	
Net income for the year	188,695	42,414	
Statutory shareholders' equity	838,337	689,935	
Financial reserve, net of tax provision	2,613	3,712	
Shareholders' equity using the financial lease accounting method	840,950	693,647	

The financial reserve represents the effect of the timing difference between the statutory results and those deriving from application of the financial lease accounting method. Since assets leased out from 1 January 1988 to 31 December 1994 have been fully depreciated (depreciation was calculated on a straight-line basis over the duration of the contract), the amount of the financial reserve at 31 December 2004 is basically nil.

Part D - Other information

Section 1 - Directors and Statutory Auditors

Remuneration

The annual remuneration of the Directors and the Statutory Auditors of the Bank is reported below:

(table 1.1 B.I.)	(Euro/000)
	31/12/04
Directors	691
Statutory Auditors	64

During 2004, no loans were granted or guarantees given to Directors and Statutory Auditors.

Secton 2 - Parent Bank

Name of company

SANPAOLO IMI S.p.A.

Registered office

Piazza San Carlo, 156

10121 Turin

Secondary offices

Viale dell'Arte, 25

00144 Rome

Via Farini, 22

40124 Bologna

Registered banking group number: 1025/6

Turin Company Register no. 06210280019

Attachments

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

STATEMENT OF CASH FLOWS

KEY FIGURES OF THE PARENT BANK SANPAOLO IMI S.P.A. FOR 2003

Statement of changes in shareholders' equity

Description	Euro/000					
	Capital	Legal reserve	Share premium reserve	Ordinary reserve	Net income (loss) for the year	Shareholders' equity
BALANCE AS OF 31 DECEMBER 2001	260,000	5,986	-	76,301	31,943	374,230
Increase in share capital	190,000	-	39,999	-	-	229,999
Allocation of 2001 net income						
- legal reserve	-	1,597	-	-	-1,597	-
- ordinary reserve	-	-	-	5,346	-5,346	-
- dividends distributed	-	-	-	-	-25,000	-25,000
Net income for 2002	-	-	-	-	33,293	33,293
BALANCE AS OF 31 DECEMBER 2002	450,000	7,583	39,999	81,646	33,293	612,521
Increase in share capital	50,000	-	10,000	-	-	60,000
Allocation of 2002 net income						
- legal reserve	-	1,665	-	-	-1,665	-
- ordinary reserve	-	-	-	6,628	-6,628	-
- dividends distributed	-	-	-	-	-25,000	-25,000
Net income for 2003	-	-	-	-	42,414	42,414
BALANCE AS OF 31 DECEMBER 2003	500,000	9,248	49,999	88,274	42,414	689,935
Allocation of 2003 net income						
- legal reserve	-	2,121	-	-	-2,121	-
- ordinary reserve	-	-	-	-	-	-
- dividends distributed	-	-	-	-	-40,293	-40,293
Net income for 2004	-	-	-	-	188,695	188,695
BALANCE AS OF 31 DECEMBER 2004	500,000	11,369	49,999	88,274	188,695	838,337

Statement of cash flows

	(Euro/000)
APPLICATION OF FUNDS	
Use of funds generated by operations	252,406
Use of reserves for termination indemnities and pensions	172
Use of the taxation reserve	22,407
Use of provisions for risks and charges (other provisions)	4,382
Use of the reserve for possible loan losses	1,151
Use of provisions for risks and charges	184,000
Dividends distributed	40,294
Increase in funds applied	4,014,920
Cash and deposits with central banks	26
Due from banks	739,256
Loans to other banks	101,601
Dealing securities	2,841,022
Equity investments	1,669
Tangible fixed assets (assets under lease)	15,771
Loans to customers	280,497
Other assets	35,078
Decrease in funds taken	1,941,367
Securities issued	1,909,851
Due to customers	31,516
Total	6,208,693
SOURCES OF FUNDS	
Funds generated by operations	321,441
Net income for the year	188,695
Provision for termination indemnities	391
Provision to the taxation reserve	119,994
Provision to the reserve for possible loan losses	12,000
Adjustments to intangible fixed assets	361
Increase in funds taken	5,641,500
Due to banks	4,734,834
Securities issued	750,000
Other liabilities	156,666
Decrease in funds applied	245,752
Dealing securities	227,103
Tangible fixed assets (assets that are waiting to be leased)	18,531
Tangible fixed assets (assets used in the business)	118
Total	6,208,693

Report of the Board of Statutory Auditors

Shareholders,

We conducted the supervisory activities, required under law, during the year ended 31 December 2004.

With regard to this commitment, we confirm that:

- we took part in the meetings of the Board of Directors held over the year and, as required by article 2381.5 of the Italian Civil Code and the Bank's articles of association, we also received regular information from the directors concerning the business and the more important transactions carried out by the Bank in terms of their impact on its results, financial position and capital structure;

- we took part in all the shareholders' meetings held over the over;

- we met periodically with the independent auditors; no matters that warrant reporting emerged during these meetings;

- we obtained the information needed to evaluate the adequacy of the Bank's organizational structure and its respect for correct management principles; we did this by performing direct investigation, gathering information from the heads of the functions concerned, exchanging facts and information with the independent auditors and meeting with the head of internal audit. Based on the information obtained we did not observe any malfunctions or shortfalls such as to hinder the regular conduct of business and we are able to report that the organizational structure is suitable for satisfying the Bank's operational needs;

- we monitored how the Bank was managed, in compliance with decisions by the Board of Directors, and that the directors respected the law, the articles of association and general principles of prudence and diligence; we did this through our participation at directors' meetings and review of the documentation and timely information received on transactions undertaken by the Bank;

- we observed that the internal control and accounting and administration systems were reliable for the purposes of properly reporting the results of operations; we did this by obtaining information from heads of the respective functions and by periodically meeting and examining the work of the independent auditors;

- we observed, also through meetings with the independent auditors, that the accounting books and records are kept in compliance with legal and statutory requirements and that the Bank complies with its legal reporting obligations.

We also obtained adequate information on related-party transactions.

These transactions are adequately described in the directors' report on operations, in compliance with the provisions of articles 2428 (paragraph 2), 2497- bis (paragraph 5) and 2497-ter of the Italian Civil Code. We confirm that they were carried out in the Bank's interest and that there were no situations requiring additional observations or comments.

We checked that resolutions passed by the Board of Directors complied with the law and the Bank's articles of association, as well as best management practice relative to the size of

the Bank and its capital. More specifically, the directors' decision-making process is based on the fundamental principle of acting on the basis of full information.

We confirm that we received no claims during the year under article 2408 of the Italian Civil Code, or complaints from anyone at all.

Based on the information obtained, we confirm that no assignments were given to parties associated with the independent auditors on a continuous basis.

As far as the statutory financial statements are concerned and having already noted the adequacy of the accounting and administration system:

- we checked compliance with laws concerning the preparation and presentation of financial statements;

- we confirm that the explanatory notes to the financial statements contain the accounting policies used for preparing the financial statements and the information required by current laws and specifically the new company law introduced by Decree 6 of 17 January 2003;

- we noted that the accounting policies used were suitable and correct for the Bank's activities and operations;

- we confirm that the financial statements reflect the facts and information that we learned as a result of our attendance at board and shareholder meetings.

The independent auditors have informed us on the results of their audit for the purposes of issuing their opinion on the financial statements, as a result of which no matters worthy of reporting have emerged.

In concluding this report, we confirm that our supervisory activities were performed on a normal basis in 2004 and that no significant facts came to our attention that would require reporting to the supervisory authorities or mention in this report.

Taking account of the work described above, we are in favour of approving the financial statements for the year ended 31 December 2004 and the allocation of net income proposed by the Board of Directors, which complies with the provisions of law and the Bank's articles of association.

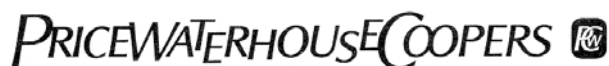
Turin, li 18 March 2005

The Board of Statutory Auditors

Ruggero RAGAZZONI

Vincenzo D'ANIELLO

Riccardo RANALLI



PricewaterhouseCoopers SpA

**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 AND WITH
ARTICLE 165 OF LAW DECREE N° 58 DATED 24 FEBRUARY 1998**

To the Shareholder of
Banca OPI SpA

- 1 We have audited the financial statements of Banca OPI SpA as of 31 December 2004. These financial statements are the responsibility of Banca OPI's directors. Our responsibility is to express an opinion of these financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to our report dated 22 March 2004.

- 3 In our opinion, the financial statements of Banca OPI SpA as of 31 December 2004 comply with the laws governing the criteria for their preparation; accordingly they give a true and fair view of the financial position and of the results of operation of the Company.

Rome, 21 March 2005

PricewaterhouseCoopers SpA

Lorenzo Pini Prato
(Partner)

**This report has been translated from the original, which was issued in
accordance with Italian legislation**

Summary of resolutions passed by the shareholders' meeting

The ordinary meeting of shareholders of "Banca per la finanza alle opere pubbliche e alle infrastrutture - Società per Azioni" (abbreviated to "Banca OPI S.p.A.") met in first calling on 5 April 2005, at 11 a.m. in its office in Viale dell'Arte 25, Rome.

The meeting approved the financial statements for the year ended 31 December 2004 and the allocation of net income in accordance with the proposal made by the Board of Directors.

The meeting also confirmed Giandomenico Di Sante as a director of Banca OPI for the remaining three-year period in progress, which expires with the approval of the financial statements for the year ended 31 December 2005; the meeting also established that the overall amount referred to in article 19 of the Bank's articles of association, should be the entire sum available for remunerating directors, including those holding particular offices.

The meeting also appointed a new Board of Statutory Auditors, nominating Mr. Paolillo as its chairman and confirming Mr. d'Aniello and Mr. Ranalli as statutory auditors, and determined the related emoluments.

Sanpaolo IMI S.p.A.

KEY FIGURES FOR 2003

- GROUP HIGHLIGHTS

- RECLASSIFIED CONSOLIDATED BALANCE SHEET

- RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

- BALANCE SHEET

- STATEMENT OF INCOME

Reclassified consolidated balance sheet

	31/12/2003 (€/mil)	31/12/2002 pro forma (1) (€/mil)	Change 31/12/03 - 31/12/02 pro forma (%)	31/12/2002 (€/mil)
ASSETS				
Cash and deposits with central banks and post offices	1,474	1,499	-1.7	1,406
Loans	146,877	145,921	+0.7	148,701
- due from banks	22,278	21,744	+2.5	22,000
- loans to customers	124,599	124,177	+0.3	126,701
Dealing securities	22,357	19,015	+17.6	19,694
Fixed assets	9,822	9,103	+7.9	9,596
- investment securities	2,935	2,391	+22.8	2,897
- equity investments	4,572	4,172	+9.6	4,064
- intangible fixed assets	343	398	-13.8	406
- tangible fixed assets	1,972	2,142	-7.9	2,229
Differences arising on consolidation and on application of the equity method	959	1,080	-11.2	1,030
Other assets	21,091	23,027	-8.4	23,346
Total assets	202,580	199,645	+1.5	203,773
LIABILITIES				
Payables	160,255	157,369	+1.8	161,505
- due to banks	28,534	24,133	+18.2	24,456
- due to customers and securities issued	131,721	133,236	-1.1	137,049
Provisions	4,019	3,889	+3.3	3,813
- for taxation	732	742	-1.3	670
- for termination indemnities	946	967	-2.2	961
- for risks and charges	2,037	1,832	+11.2	1,839
- for pensions and similar	304	348	-12.6	343
Other liabilities	20,626	20,738	-0.5	20,971
Subordinated liabilities	6,414	6,605	-2.9	6,613
Minority interests	271	342	-20.8	334
Shareholders' equity	10,995	10,702	+2.7	10,537
Total liabilities	202,580	199,645	+1.5	203,773
GUARANTEES AND COMMITMENTS				
Guarantees given	19,912	20,060	-0.7	20,483
Commitments	25,839	27,287	-5.3	27,574

(1) The pro forma figures as of 31 December 2002, which are unaudited, were prepared to enable consistent comparison with the figures as of 31 December 2003. The pro forma schedules reflect the line by line consolidation of the Inter-Europa Bank and Eptaconsors and the proportional consolidation of Cassa dei Risparmi di Forlì commencing from 1 January 2002, as well as the exclusion of Banque Sanpaolo and IW Bank from the line by line consolidation area and of Finconsumo Banca from the proportional consolidation area as of the same date.

Reclassified consolidated statement of income

	2003 (€/mil)	2002 pro forma (1) (€/mil)	Change 2003 / 2002 pro forma (%)	2002 (€/mil)
NET INTEREST INCOME	3,716	3,653	+1.7	3,773
Net commissions and other net dealing revenues	3,036	2,795	+8.6	2,809
Profits and losses from financial transactions and dividends on shares	447	304	+47.0	286
Profits from companies carried at equity and dividends from shareholdings	283	314	-9.9	292
NET INTEREST AND OTHER BANKING INCOME	7,482	7,066	+5.9	7,160
Administrative costs	-4,610	-4,578	+0.7	-4,648
- personnel	-2,841	-2,814	+1.0	-2,856
- other administrative costs	-1,512	-1,508	+0.3	-1,528
- indirect duties and taxes	-257	-256	+0.4	-264
Other operating income, net	329	354	-7.1	358
Adjustments to tangible and intangible fixed assets	-484	-508	-4.7	-510
OPERATING INCOME	2,717	2,334	+16.4	2,360
Adjustments to goodwill and merger and consolidation differences	-158	-218	-27.5	-212
Provisions and net adjustments to loans and financial fixed assets	-859	-1,412	-39.2	-1,426
- provisions for risks and charges	-195	-261	-25.3	-261
- net adjustments to loans and provisions for guarantees and commitments	-724	-590	+22.7	-604
- net adjustments to financial fixed assets	60	-561	n.s.	-561
INCOME BEFORE EXTRAORDINARY ITEMS	1,700	704	+141.5	722
Net extraordinary income/expense	-32	320	n.s.	296
INCOME BEFORE TAXES	1,668	1,024	+62.9	1,018
Income taxes for the period	-657	-443	+48.3	-450
Change in reserve for general banking risks	9	363	-97.5	364
Income attributable to minority interests	-48	-43	+11.6	-43
NET INCOME	972	901	+7.9	889

(1) The pro forma figures for 2002, which are unaudited, were prepared to enable consistent comparison with the figures for 2003. The pro forma schedules reflect the line by line consolidation of the Inter-Europa Bank and Eptaconsors and the proportional consolidation of Cassa di Risparmi di Forlì commencing from 1 January 2002, as well as the exclusion of Banque Sanpaolo and IW Bank from the line by line consolidation area and of Finconsumo Banca from the proportional consolidation area as of the same date.

Parent Bank balance sheet

(Euro)

ASSETS	31/12/2003	31/12/2002 pro forma	31/12/2002
10. Cash and deposits with central banks and post offices	741,061,563	985,719,740	985,719,740
20. Treasury bills and similar bills eligible for refinancing with central banks	2,191,213,836	1,553,698,471	1,553,698,471
30. Due from banks:	27,384,886,332	21,031,579,984	20,951,323,060
a) repayable on demand	8,930,400,397	5,001,737,282	4,921,480,358
b) other deposits	18,454,485,935	16,029,842,702	16,029,842,702
40. Loans to customers	63,982,919,330	76,806,767,958	76,158,636,358
of which:			
– loans using public funds	32,100,438	90,404,572	90,404,572
50. Bonds and other debt securities	9,047,597,319	12,165,781,481	12,813,913,081
a) public entities	2,005,491,053	4,563,621,199	4,563,621,199
b) banks	6,531,126,488	6,434,321,388	6,434,321,388
of which:			
– own bonds	768,758,229	986,187,745	986,187,745
c) financial institutions	202,412,256	487,524,975	487,524,975
of which:			
– own bonds	-	-	-
d) other issuers	308,567,522	680,313,919	1,328,445,519
60. Shares, quotas and other equities	807,678	329,736,031	329,736,031
70. Equity investments	2,013,834,465	1,669,779,042	1,619,592,372
80. Investments in Group companies	8,277,025,695	6,416,892,969	6,693,119,740
90. Intangible fixed assets	796,715,430	1,645,991,252	1,612,606,208
of which:			
– start-up costs	-	-	-
– goodwill	565,245,215	1,411,283,306	1,411,283,306
100. Tangible fixed assets	1,273,642,861	1,484,169,967	1,416,269,773
120. Own shares or quotas (nominal value 9,018,573.20 euro)	33,539,430	7	7
130. Other assets	7,460,680,759	9,002,121,539	9,044,329,784
140. Accrued income and prepaid expenses:	1,776,121,286	1,828,095,749	1,828,037,680
a) accrued income	1,447,246,271	1,451,080,451	1,451,080,451
b) prepaid expenses	328,875,015	377,015,298	376,957,229
of which:			
– discounts on bond issues	17,506,412	6,426,867	6,426,867
Total assets	124,980,045,984	134,920,334,190	135,006,982,305

The pro forma balance sheet as of 31/12/2002, unaudited, has been prepared in order to enable comparability with the balance sheet as of 31/12/2003.

(Euro)

LIABILITIES	31/12/2003	31/12/2002 pro forma	31/12/2002
10. Due to banks:	37,799,877,102	31,020,049,520	31,020,049,520
a) repayable on demand	4,336,225,692	2,661,073,661	2,661,073,661
b) time deposits or with notice period	33,463,651,410	28,358,975,859	28,358,975,859
20. Due to customers:	40,499,322,667	55,690,036,510	55,741,833,510
a) repayable on demand	30,220,655,729	40,438,544,035	40,490,341,035
b) time deposits or with notice period	10,278,666,938	15,251,492,476	15,251,492,476
30. Securities issued:	19,131,734,612	19,375,280,452	19,375,280,452
a) bonds	15,098,732,104	16,024,777,812	16,024,777,812
b) certificates of deposit	3,716,975,365	2,845,383,004	2,845,383,004
c) other	316,027,143	505,119,636	505,119,636
40. Public funds administered	32,150,975	90,528,461	90,528,461
50. Other liabilities	7,538,892,559	8,336,621,202	8,279,336,152
60. Accrued expenses and deferred income:	1,254,881,271	1,338,243,873	1,338,243,873
a) accrued expenses	1,034,662,707	1,092,277,336	1,092,277,336
b) deferred income	220,218,564	245,966,537	245,966,537
70. Provisions for employee termination indemnities	529,121,440	687,423,706	686,918,780
80. Provisions for risks and charges:	1,960,464,126	2,180,723,365	2,427,868,887
a) pensions and similar commitments	-	41,237,000	41,237,000
b) taxation	659,599,280	789,136,533	1,037,458,900
c) other	1,300,864,846	1,350,349,832	1,349,172,987
100. Reserve for general banking risks	-	-	-
110. Subordinated liabilities	5,887,492,939	6,090,475,262	6,090,475,262
120. Capital	5,144,064,800	5,144,064,800	5,144,064,800
130. Additional paid-in capital	707,767,359	707,767,359	707,767,359
140. Reserves:	3,669,966,295	3,301,641,905	3,340,535,833
a) legal reserve	1,028,812,960	1,028,812,960	1,028,812,960
b) reserve for own shares or quotas	33,539,430	7	7
c) statutory reserves	-	-	-
d) other reserves	2,607,613,905	2,272,828,938	2,311,722,866
170. Income for the period	824,309,839	918,597,775	764,079,416
Adjustments for alignment with net income	-	38,880,000	-
Total liabilities and shareholders' equity	124,980,045,984	134,920,334,190	135,006,982,305
GUARANTEES AND COMMITMENTS	31/12/2003	31/12/2002 pro forma	31/12/2002
10. Guarantees given	29,298,297,442	30,142,155,929	30,142,155,929
of which:			
- acceptances	101,812,094	129,978,307	129,978,307
- other guarantees	29,196,485,348	30,012,177,622	30,012,177,622
20. Commitments	14,056,523,002	14,180,937,609	14,180,832,609
of which:			
- for derivatives on loans	530,147,753	789,098,156	789,098,156
- for sales with obligation to repurchase	-	-	-

The pro forma balance sheet as of 31/12/2002, unaudited, has been prepared in order to enable comparability with the balance sheet as of 31/12/2003.

Parent Bank statement of income

	(Euro)		
ITEMS	2003	2002 pro forma	2002
10. Interest income and similar revenues	4,158,712,007	5,364,650,288	5,363,502,175
of which:			
– loans to customers	3,182,852,727	4,003,533,530	4,003,533,530
– debt securities	372,879,320	644,111,676	644,111,676
20. Interest expense and similar charges	-2,309,876,098	-3,260,654,484	-3,260,552,884
of which:			
– amounts due to customers	-630,426,024	-996,073,132	-996,073,132
– securities issued	-765,180,337	-1,081,949,799	-1,081,949,799
30. Dividends and other revenues	832,552,209	638,071,007	709,742,039
a) shares, quotas and other equities	291,388	9,533,702	9,533,702
b) equity investments	78,224,172	172,348,512	171,259,198
c) investments in Group companies	754,036,649	456,188,793	528,949,139
40. Commission income	1,569,038,623	1,629,967,463	1,629,952,170
50. Commission expense	-102,281,598	-118,485,513	-117,600,220
60. Profits (losses) on financial transactions	89,413,766	43,917,660	43,917,660
70. Other operating income	385,088,588	319,319,041	257,529,983
80. Administrative costs	-2,723,238,361	-2,958,984,731	-2,866,395,942
a) personnel	-1,665,091,707	-1,850,913,423	-1,823,065,521
of which:			
– wages and salaries	-1,188,535,389	-1,338,461,035	-1,311,896,430
– social security charges	-391,836,808	-416,584,878	-415,616,600
– termination indemnities	-84,719,511	-95,557,340	-95,552,491
– pensions and similar	-	-283,325	-
b) other administrative costs	-1,058,146,654	-1,108,071,308	-1,043,330,421
90. Adjustments to tangible and intangible fixed assets	-453,381,249	-555,674,041	-534,010,971
100. Provisions for risks and charges	-117,465,213	-152,227,607	-151,077,607
110. Other operating expense	-9,687,915	-5,935,063	-5,934,964
120. Adjustments to loans and provisions for guarantees and commitments	-590,568,066	-424,571,182	-424,571,182
130. Writebacks of adjustments to loans and provisions for guarantees and commitments	189,611,407	173,210,939	173,210,939
140. Provisions to the reserve for probable loan losses	-	-	-
150. Adjustments to financial fixed assets	-145,432,134	-339,376,737	-338,475,902
160. Writebacks of adjustments to financial fixed assets	84,264,640	861,243	861,243
170. Income from ordinary activities	856,750,606	354,088,284	480,096,538
180. Extraordinary income	636,391,869	608,595,985	496,084,660
190. Extraordinary expense	-403,332,366	-160,425,467	-160,241,059
200. Extraordinary net income	233,059,503	448,170,519	335,843,602
210. Change in reserve for general banking risks	-	358,369,442	358,369,442
220. Income taxes for the period	-265,500,270	-242,030,471	-410,230,167
230. Income for the period	824,309,839	918,597,775	764,079,416

Adjustment for alignment with aggregate income for 2002
(SANPAOLO IMI + Cardine Finanziaria)

38,880,000

Aggregate net income for 2002 (SANPAOLO IMI + Cardine Finanziaria) 957,477,775

The pro forma statement of income for 2002, unaudited, has been prepared in order to enable comparability with the statement of income for the year 2003.