

# Q1 2006 RESULTS

Milan, 15<sup>th</sup> May 2006

Alfonso Iozzo  
CEO

Pietro Modiano  
General Manager

GRUPPO SANPAOLO IMI

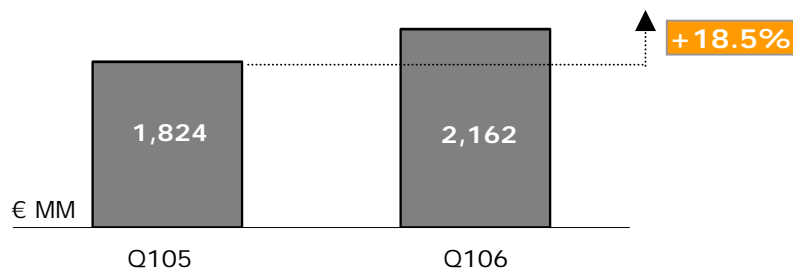
## DISCLAIMER

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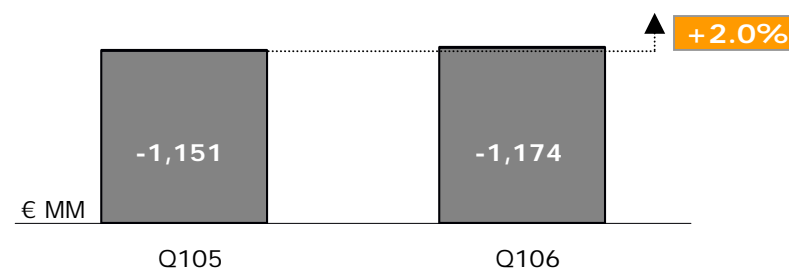
- Group overview
- Focus on Banking Activity

- Results driven by discontinuity in operating growth thanks to completion of integration process and continuity in management of asset quality, costs and balance sheet strength
- Strong trends across all lines of the P&L

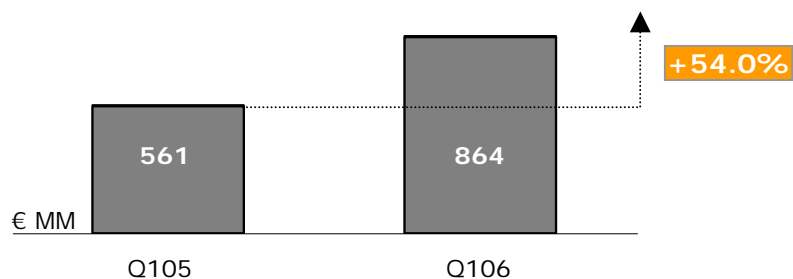
### Total operating income



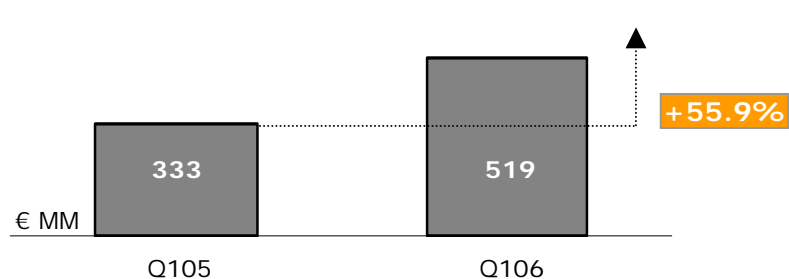
### Operating costs



### Pre-tax operating profit

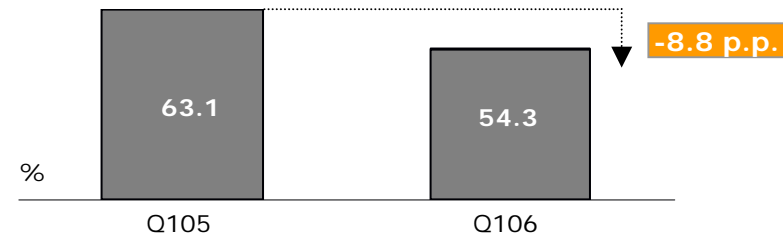


### Net profit



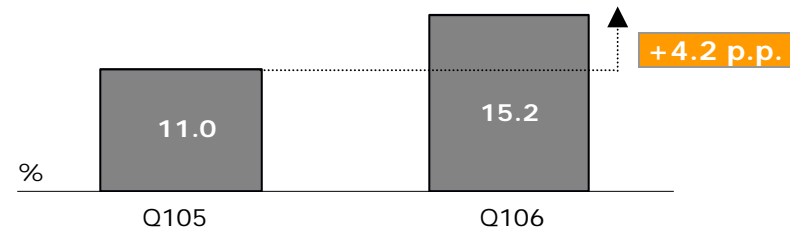
■ Improvement in cost income ratio by 8.8%, due to strong revenue growth

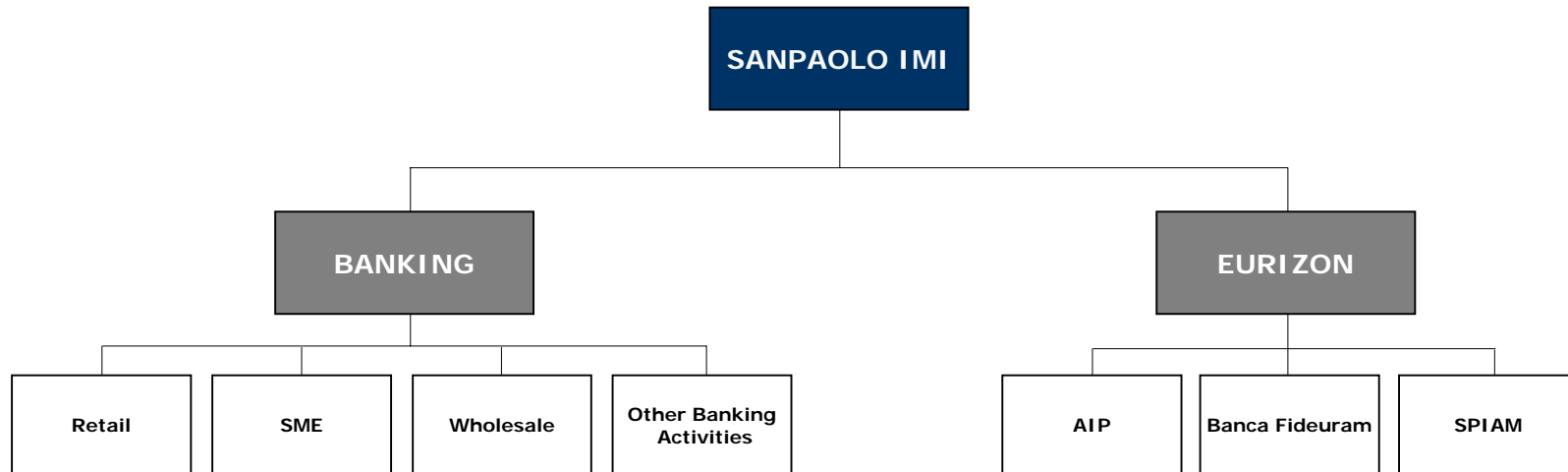
### Cost/Income ratio



■ Annualised ROE up to 15.2%

### Annualised ROE





<b>Banking Activity</b>	<b>Contribution*</b>
Total operating income	84.7%
Pre-tax operating profit	78.9%
Net income	77.1%

<b>Eurizon</b>	<b>Contribution*</b>
Total operating income	15.3%
Pre-tax operating profit	21.1%
Net income	22.9%

\* Excluding Corporate Centre

- Group overview
- Focus on Banking Activity

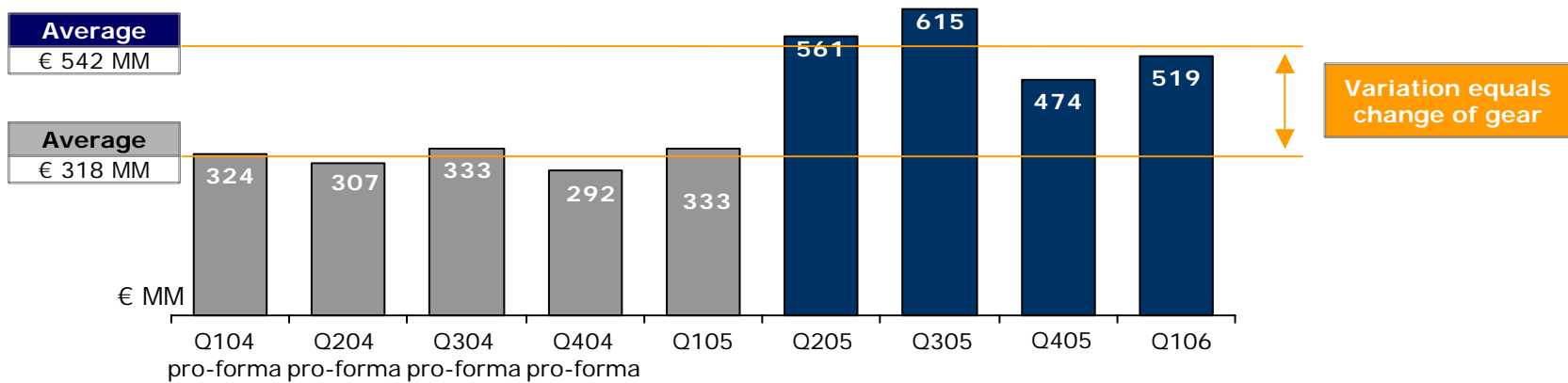
- Excellent results across the board
- Discontinuity in operating trends driving step change in bottom line results
- Sustainable character of the business drivers and results a key point
  - Loan growth not at the expense of either margins or quality
  - Revenues not being generated by exploiting shrinking customer base
  - Cost of growth negative in Commercial Banking thanks to tight control on normalised operating expenses
- Remarkably the jump in profitability still leaves the potential intact



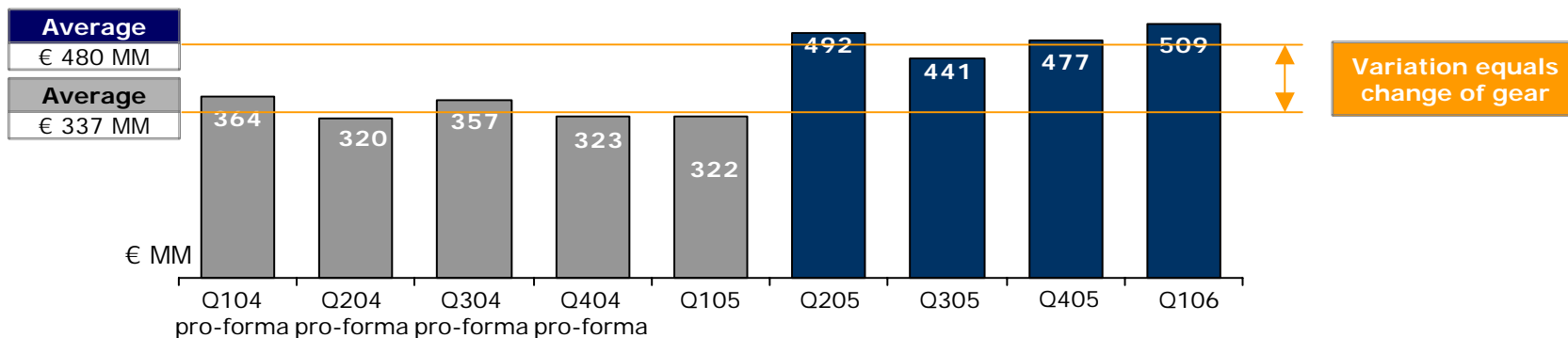
Q106	Q105	Var.	€ MM	Q405	Var.	Av Q 05	Var.
988	920	7.4%	Net interest income	977	1.1%	949	4.1%
905	772	17.2%	Net commissions	919	-1.5%	869	4.1%
10	5	100.0%	Income from credit disposals, assets held to maturity and rep. of non-hedged fin. liab.	2	n.r.	15	-33.3%
144	51	182.4%	Dividends and income from other financial assets and liabilities	102	41.2%	132	9.1%
15	12	25.0%	Profits (losses) on equity shareholdings	28	-46.4%	29	-48.3%
100	64	56.3%	Income from insurance business	129	-22.5%	108	-7.4%
<b>2,162</b>	<b>1,824</b>	<b>18.5%</b>	<b>Total operating income</b>	<b>2,157</b>	<b>0.2%</b>	<b>2,102</b>	<b>2.9%</b>
-95	-87	9.2%	Net adjustments to loans	-132	-28.0%	-122	-22.1%
0	-1	n.r.	Net adjustments to other financial assets	3	n.r.	0	n.r.
<b>2,067</b>	<b>1,736</b>	<b>19.1%</b>	<b>Net operating income</b>	<b>2,028</b>	<b>1.9%</b>	<b>1,980</b>	<b>4.4%</b>
-711	-697	2.0%	Personnel costs	-772	-7.9%	-710	0.1%
-379	-356	6.5%	Other administrative costs	-435	-12.9%	-379	0.0%
-84	-98	-14.3%	Net adjustments to tangible and intangible assets	-130	-35.4%	-109	-22.9%
-1,174	-1,151	2.0%	Operating costs	-1,337	-12.2%	-1,198	-2.0%
10	11	-9.1%	Other net income/expenses	23	-56.5%	19	-47.4%
0	0	-	Impairment of goodwill	-46	n.r.	-12	n.r.
0	0	-	Profits (losses) from disposals of investments	4	n.r.	4	n.r.
-39	-35	11.4%	Net provisions for risks and charges	-10	n.r.	-36	8.3%
<b>864</b>	<b>561</b>	<b>54.0%</b>	<b>Pre-tax operating profit</b>	<b>662</b>	<b>30.5%</b>	<b>757</b>	<b>14.1%</b>
-326	-225	44.9%	Taxes for the period	-146	123.3%	-237	37.6%
0	11	n.r.	Profits (losses) on discontinued operations	-33	n.r.	-9	n.r.
-19	-14	35.7%	Profit attributable to minority interests	-9	111.1%	-14	35.7%
<b>519</b>	<b>333</b>	<b>55.9%</b>	<b>Net profit</b>	<b>474</b>	<b>9.5%</b>	<b>497</b>	<b>4.4%</b>

# Discontinuity in operating trends driving step change in bottom line results

## Net profit



## Normalised net profit

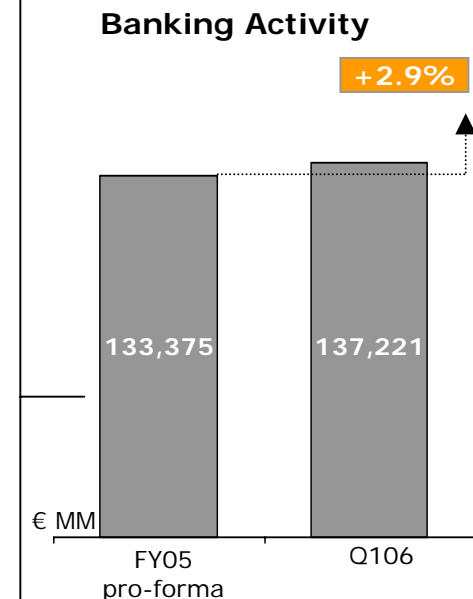
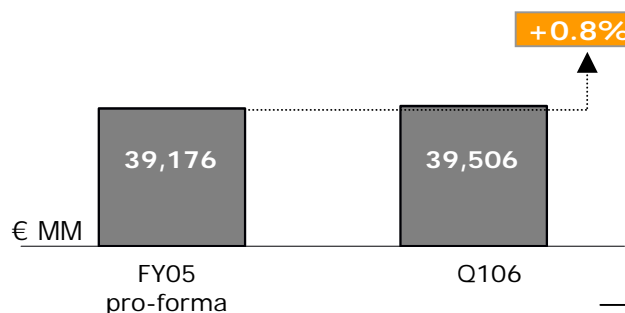
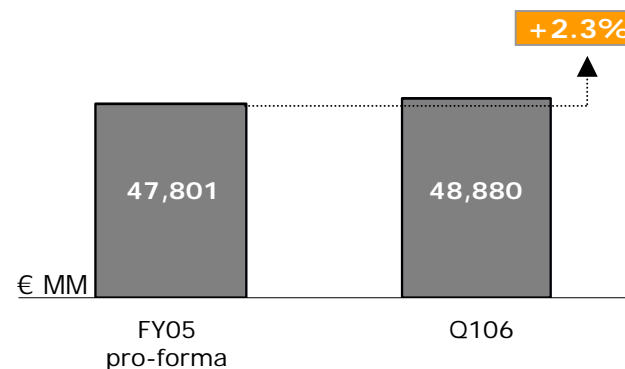
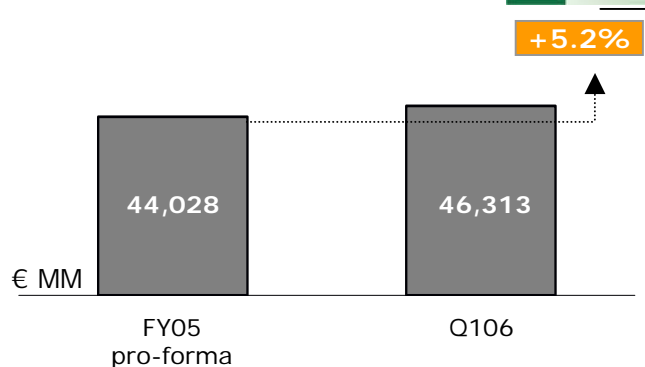


# Loan growth remains strong

Retail and Private	Q106 € MM	Var. YTD	Var. Q106/ Q105
o.w. Sanpaolo Area	21,909	+5.3%	+18.1%
o.w. Sanpaolo BdN	5,489	+6.9%	+20.2%
o.w. Cardine Areas	13,984	+4.6%	+11.0%
o.w. Neos	4,761	+4.9%	+24.9%

SMEs	Q106 € MM	Var. YTD	Var. Q106/ Q105
o.w. Sanpaolo Area	25,278	+4.4%	+23.9%
o.w. Sanpaolo BdN	3,312	+1.5%	+10.8%
o.w. Cardine Areas	14,541	-1.2%	+0.4%
o.w. Leasint	5,750	+2.5%	+10.2%

Wholesale	Q106 € MM	Var. YTD
o.w. Public Finance	21,008	+1.2%
o.w. Large Corporate	6,605	-12.8%
o.w. Internat. Bank.	8,782	+17.8%
o.w. Invest. Bank.	3,111	-8.2%



- Continued improvement in customer mark up in the key divisions relative to the system

ST mark up (bps) *	Var. YTD		Var. Y-o-Y	
	Group	System	Group	System
SMEs	+9	-6	-40	-56
Household	+5	+1	-33	-54

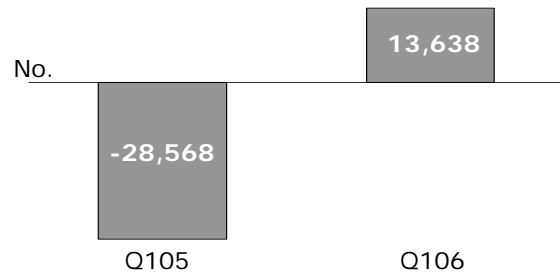
- Recalibration of portfolio model a result of full introduction of Basle II methodologies
- Marginal lending continues to improve expected loss in portfolio although offset by downgrading of large corporate positions

Expected Loss ** (bps)	Nov. 05	Recalibration Nov. 05	Feb. 06	Δ Feb. 06/ Recab. Nov. 05
Expected loss (EL)	44.3	35.2	36.5	1.3
Analysis of variation in expected loss (bps)				Δ Feb.06/Nov. 05
■ Δ initial stock rating				1.9
■ Δ collateralization (LGD)				0.6
■ Marginal cost (EAD)				-0.8
share of wallet				-0.7
market coverage				-0.1
■ other minor effects				-0.4
<b>Total</b>				<b>1.3</b>

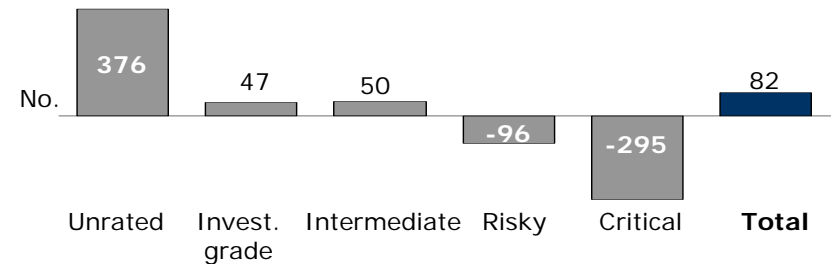
\* Source: BoI Ten Day Reports

\*\* In terms of on and off balance sheet outstanding loans

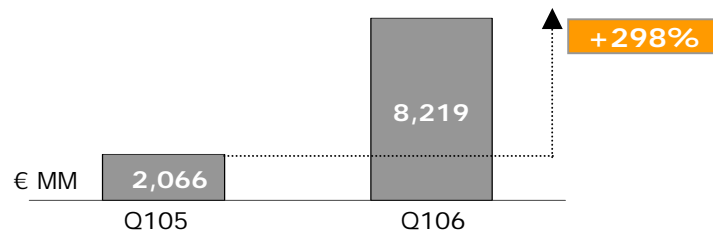
■ In Retail division turnaround in net new customer flows completed in Q106



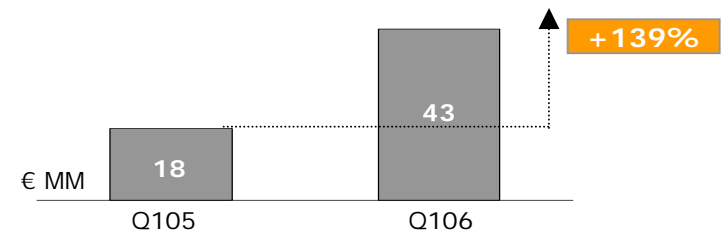
■ In Q106 positive net customer flow in the SME segment both in terms of number and of quality



■ Strong increase in flows of new net financial assets



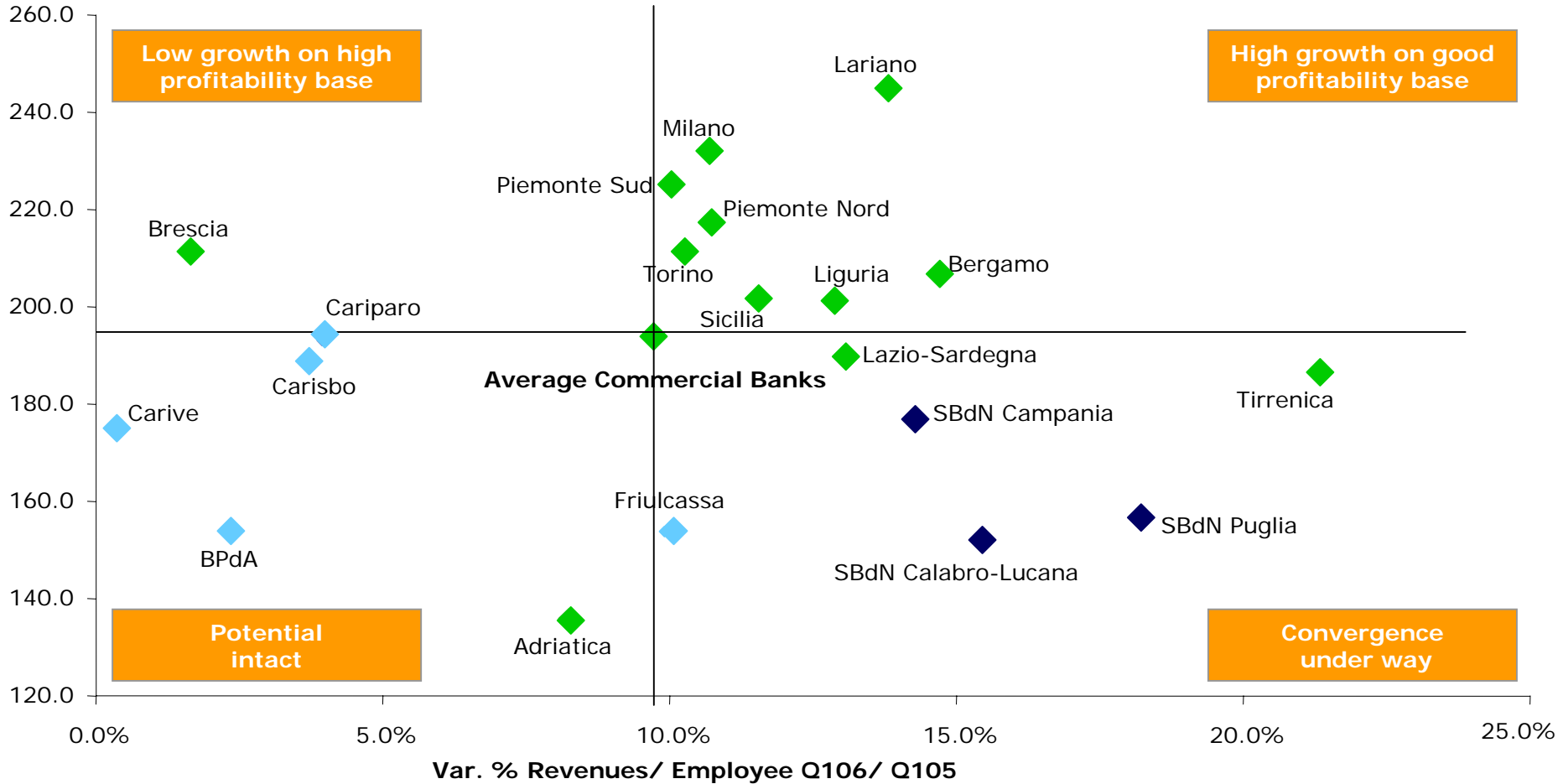
■ Derivative revenues up but average revenues per customer stable



Operating costs (net of Olympic expenses) € MM	Q105	Contribution %	Q106	Contribution %	Var. Q106/Q105 %
<b>Group</b>	<b>1,146</b>	<b>+100.0</b>	<b>1,153</b>	<b>+100.0</b>	<b>+0.6</b>
<b>Commercial Banks</b>	904	+78.9	890	+77.2	-1.5
<b>Other Companies</b>	204	+17.8	229	+19.9	+12.3
■ Banca OPI	6	+0.5	8	+0.7	+33.3
■ NEOS Banca	18	+1.6	21	+1.8	+16.7
■ Banca Fideuram	73	+6.4	78	+6.8	+6.8
■ Sanpaolo IMI Asset Management	22	+1.9	23	+2.0	+4.5
■ Banca IMI	32	+2.8	37	+3.2	+15.6
■ Gestline	32	+2.8	36	+3.1	+12.5
■ AIP	21	+1.8	26	+2.3	+23.8
<i>Other companies and consolidation effect</i>	<i>38</i>	<i>+3.3</i>	<i>34</i>	<i>+2.9</i>	<i>-10.5</i>

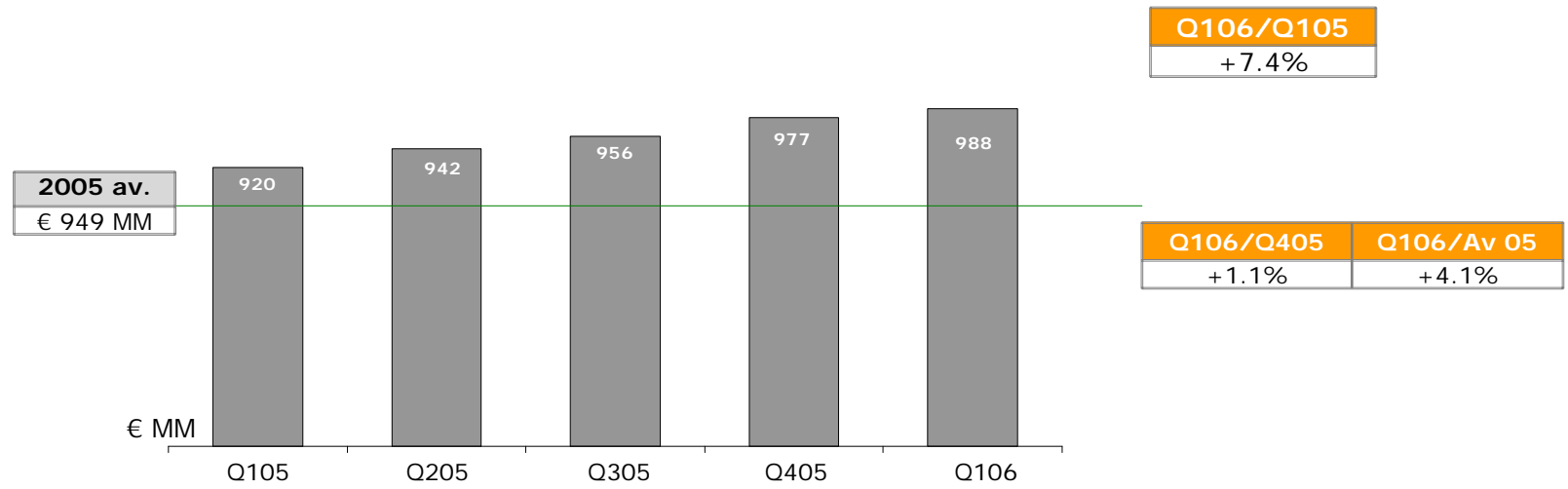
# Remarkably the jump in profitability still leaves the potential intact

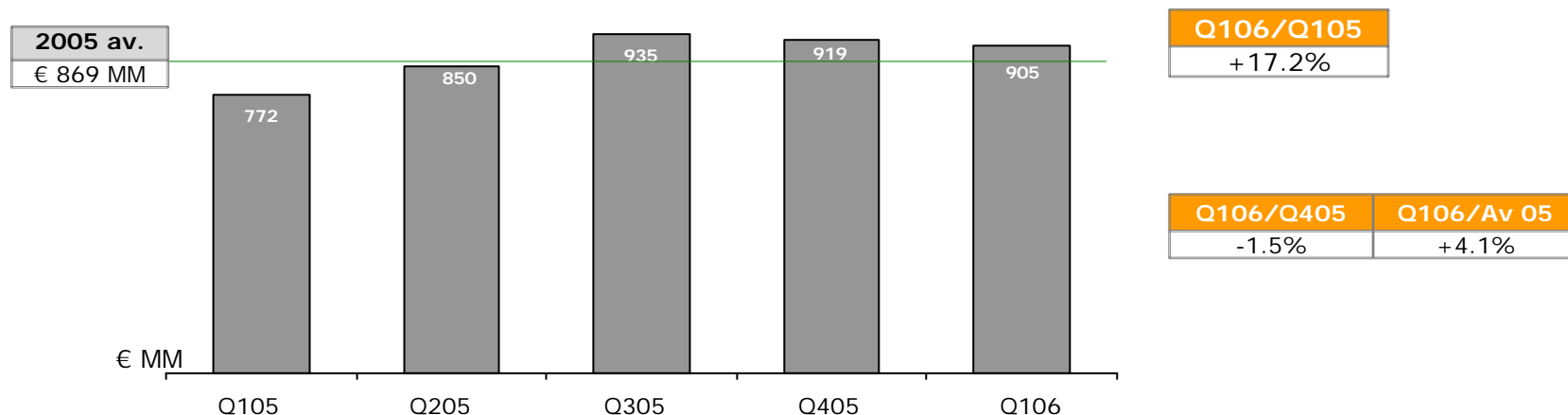
Revenues / Employee (€/000)



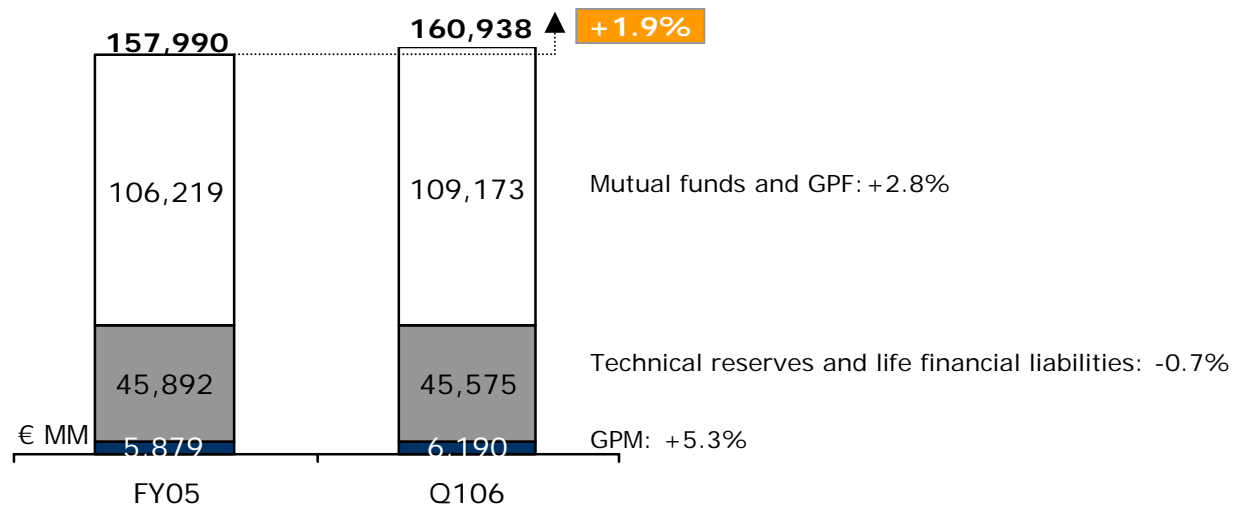
# APPENDICES







€ MM	Q105	Q405	Q106	Var. Q106/ Q105	Var. Q106/ Q405
<b>Net commissions</b>	<b>772</b>	<b>919</b>	<b>905</b>	<b>+17.2%</b>	<b>-1.5%</b>
Management, dealing and advisory services	466	541	556	+19.3%	+2.8%
■ <i>asset management</i>	425	460	489	+15.1%	+6.3%
■ <i>brokerage, custody and advisory services</i>	41	81	67	+63.4%	-17.3%
Loans and guarantees	81	90	94	+16.0%	+4.4%
Collection and payment services	62	64	64	+3.2%	-
Deposits and current accounts	122	137	119	-2.5%	-13.1%
Other services	41	87	72	+75.6%	-17.2%



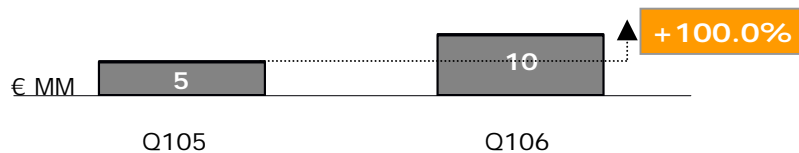
€ MM	Q106 Net flows				Q106 Stock	
	Mutual funds + GPF	GPM	Life assurance	Total	Total	Var. Q106/Q105
<b>Sanpaolo *</b>	964	259	-126	<b>1,097</b>	<b>88,814</b>	<b>+8.2%</b>
<b>North East Network</b>	461	30	41	<b>532</b>	<b>16,379</b>	<b>+16.7%</b>
<b>Fideuram</b>	733	-21	-9	<b>703</b>	<b>51,261</b>	<b>+10.2%</b>
<b>Other</b>	-30	7	-10	<b>-33</b>	<b>4,484</b>	<b>-14.8%</b>
<b>Total</b>	<b>2,128</b>	<b>275</b>	<b>-104</b>	<b>2,299</b>	<b>160,938</b>	<b>+8.8%</b>

\* Includes Sanpaolo Network, Sanpaolo Banco di Napoli and BPA

\*\* Includes Sanpaolo IMI Internazionale

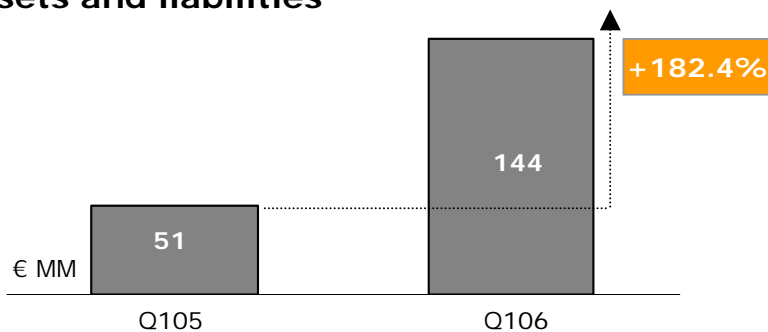
# Positive contribution to growth from all operating income lines

Income from credit disposals, assets held to maturity and rep. of non-hedged fin. liab.



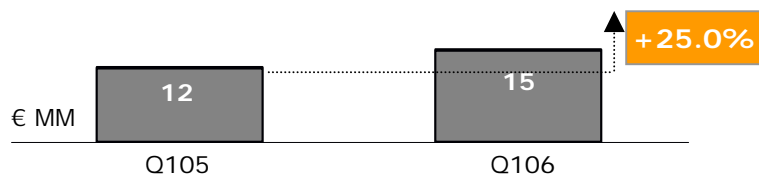
Q105 (€ MM)	Q405 (€ MM)	Q106 (€ MM)	Var.Q106/Q105	Var.Q106/Q405
5	2	10	+100.0%	n.r.

Dividends and income from other financial assets and liabilities



Q105 (€ MM)	Q405 (€ MM)	Q106 (€ MM)	Var.Q106/Q105	Var.Q106/Q405
51	102	144	+182.4%	+41.2%

Profits on equity shareholdings



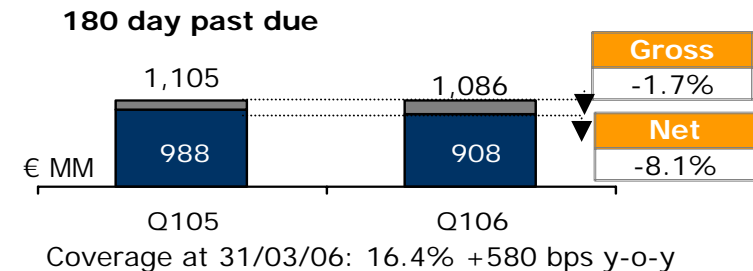
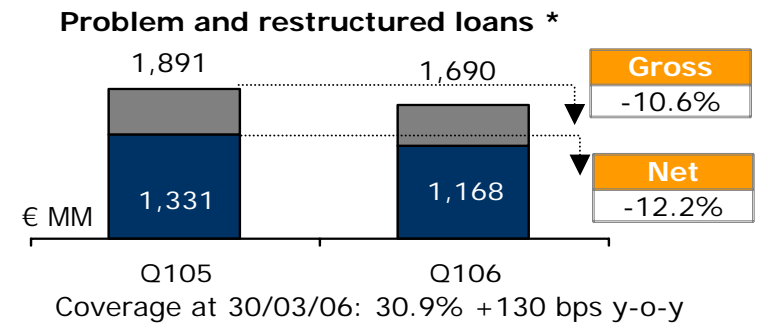
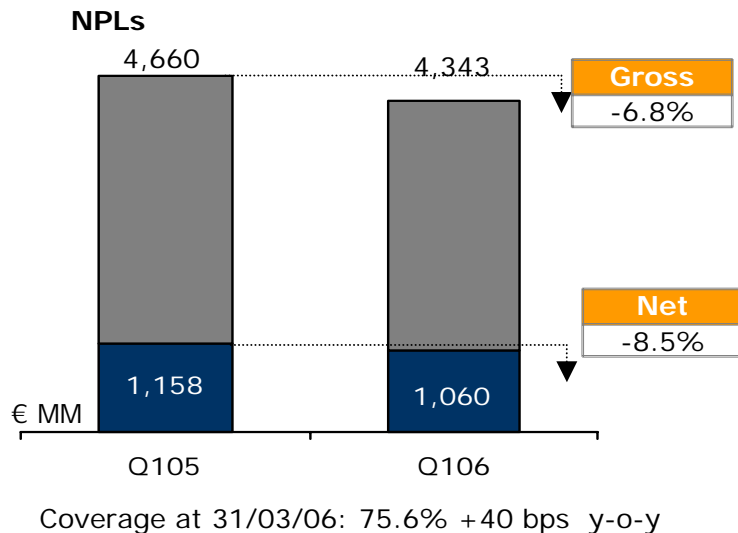
Q105 (€ MM)	Q405 (€ MM)	Q106 (€ MM)	Var.Q106/Q105	Var.Q106/Q405
12	28	15	+25.0%	-46.4%

€ MM	Q105	Q405	Q106	Var.Q106/ Q105	Var.Q106/ Q405
Income from insurance business	64	129	100	+56.3%	-22.5%

€ MM	FY05 stock	Q106 stock	Var. Q106/Q105
<b>Total</b>	<b>45,892</b>	<b>45,575</b>	<b>-0.7%</b>
■ Technical reserves	22,087	21,850	-1.1%
■ Financial based products	22,402	22,424	+0.1%
■ <i>Unit linked</i>	11,617	11,518	-0.9%
■ <i>Index linked</i>	10,785	10,906	+1.1%
■ Third party products	1,403	1,301	-7.3%

€ MM	Q105	Q405	Q106	Var.Q106/ Q105	Var.Q106/ Q405
Net adjustments to loans	-87	-132	-95	+9.2%	-28.0%
Net adjustment to other financial assets	-1	3	0	n.r.	n.r.

- Specific adjustments to credits only 37 mln up 23.3% from 30 mln in Q105
- Further generic provision of 58 mln up from 57 mln in Q105 charged to take annualised cost of risk to 27 bps
- Increase in generic reserve to 1,124 million or around 2x the average cost of risk of the performing loan portfolio
- NPL ratio down to 0.7% from 0.8% in FY05



\*i.e. Finanziamenti incagliati e ristrutturati

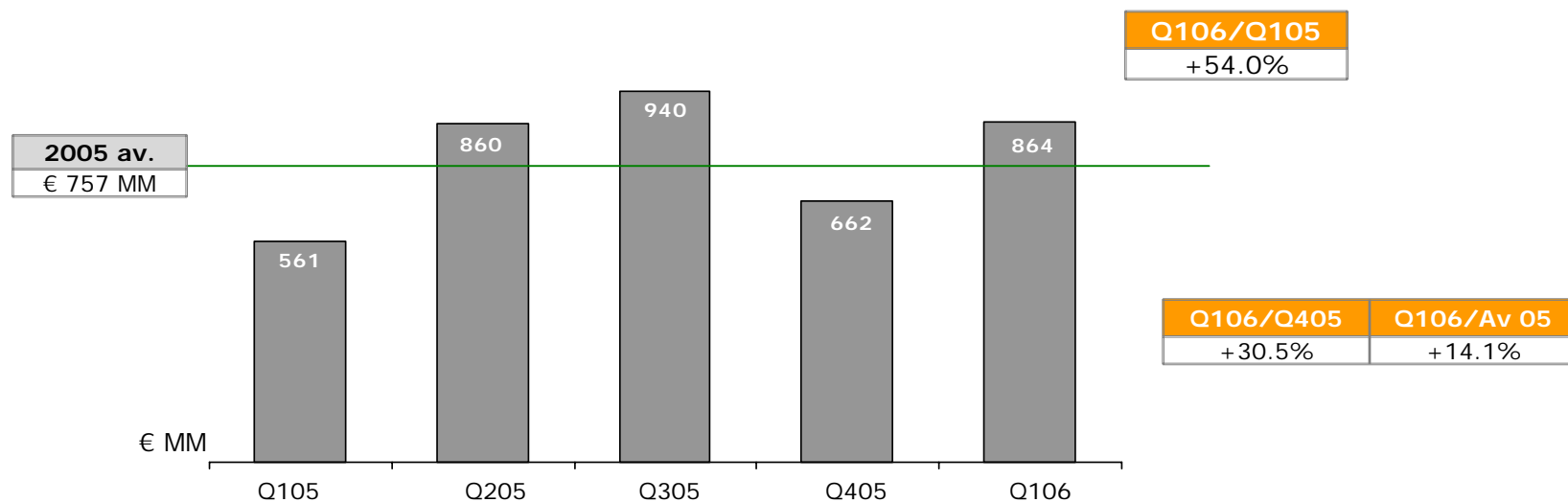
€ MM	Q1 2006							
	Gross exposure	Var. Q106/Q105	Var. Q106/FY05	Total adjust.	Net exposure	Var. Q106/Q105	Var. Q106/FY05	Coverage
<b>Doubtful loans</b>	7,140	-6.7%	-2.2%	3,990	3,150	-9.4%	-5.4%	55.9%
■ <b>Non-performing loans</b>	4,343	-6.8%	+0.5%	3,283	1,060	-8.5%	-1.9%	75.6%
■ <b>Problem and restruct. loans</b>	1,690	-10.6%	-0.6%	522	1,168	-12.2%	-	30.9%
■ <b>Loans to countries at risk</b>	21	n.r.	-16.0%	7	14	n.r.	-17.6%	33.3%
■ <b>180 day past due loans</b>	1,086	-1.7%	-13.3%	178	908	-8.1%	-14.8%	16.4%
■ <b>Non performing securities</b>	-	n.r.	n.r.	-	-	n.r.	n.r.	n.r.
<b>Performing loans</b>	140,496	+15.2%	+2.6%	1,124	139,372	+15.2%	+2.6%	0.80%
<b>Perf. debt securities held in port.</b>	1,648	n.r.	n.r.	-	1,648	n.r.	n.r.	n.r.
<b>Total loans</b>	149,284	+15.2%	+3.3%	5,114	144,170	+15.9%	+3.3%	3.4%

€ MM	Q105	Q106	Var.Q106/ Q105
<b>Operating costs</b>	<b>-1,151</b>	<b>-1,174</b>	<b>+2.0%</b>
Personnel costs	-697	-711	+2.0%
Other administrative costs	-356	-379	+6.5%
■ <i>IT costs</i>	72	72	-
■ <i>Real estate costs</i>	85	91	+7.1%
■ <i>General expenses</i>	73	79	+8.2%
■ <i>Professional and insurance fees</i>	49	41	-16.3%
■ <i>Marketing expenses</i>	18	37	+105.6%
■ <i>Indirect personnel costs</i>	26	25	-3.8%
■ <i>Expenses for services for third party services</i>	20	20	-
■ <i>Indirect duties and taxes</i>	13	14	+7.7%
Net adjustments to tangible and int. assets	-98	-84	-14.3%

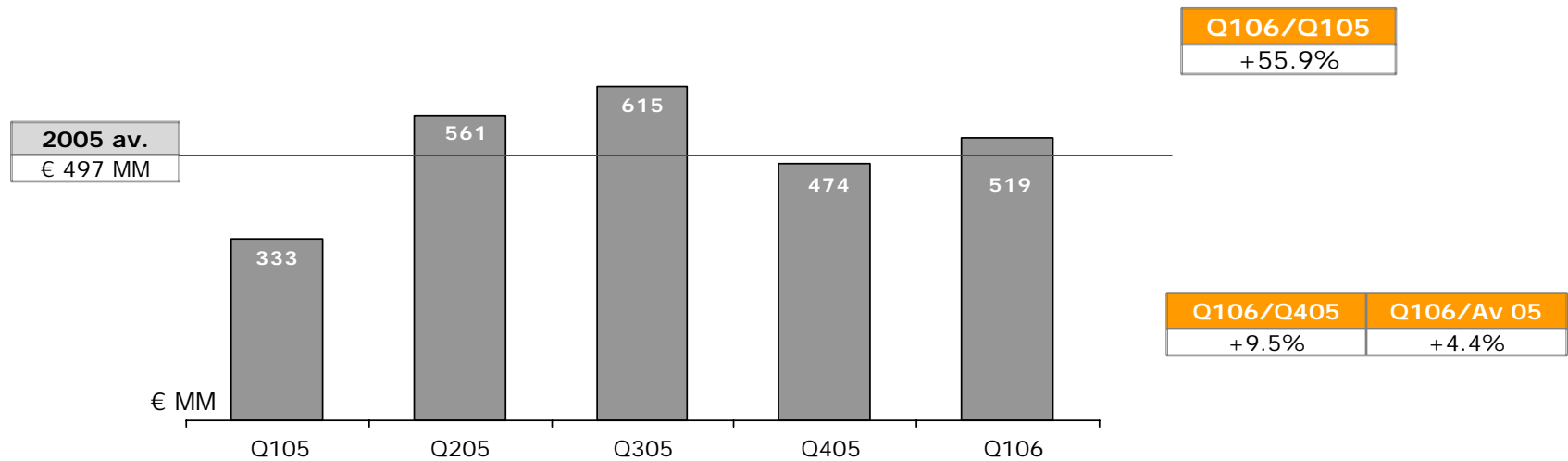


# Operating performance underlying significant improvement in pre-tax operating profit

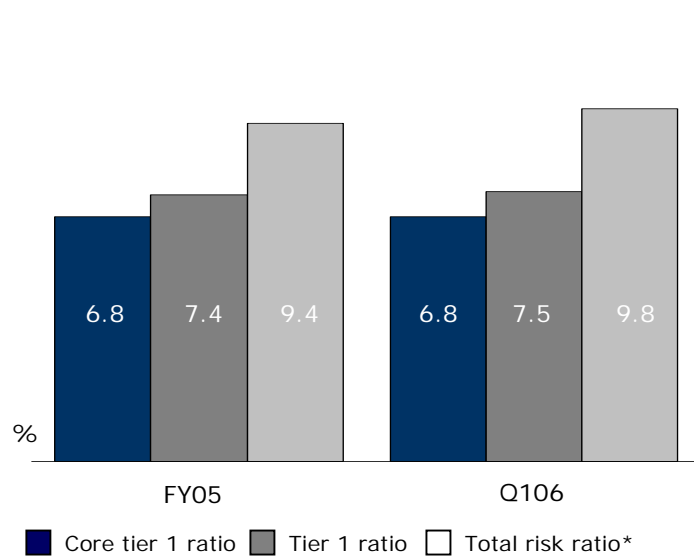
€ MM	Q105	Q405	Q106	Var.Q106/ Q105	Var.Q106/ Q405
Other net income	11	23	10	-9.1%	-56.5%
Impairment of goodwill	-	-46	-	-	n.r.
Profits from disposals of investments	-	4	-	-	n.r.
Net provisions for risks and charges	-35	-10	-39	+11.4%	n.r.



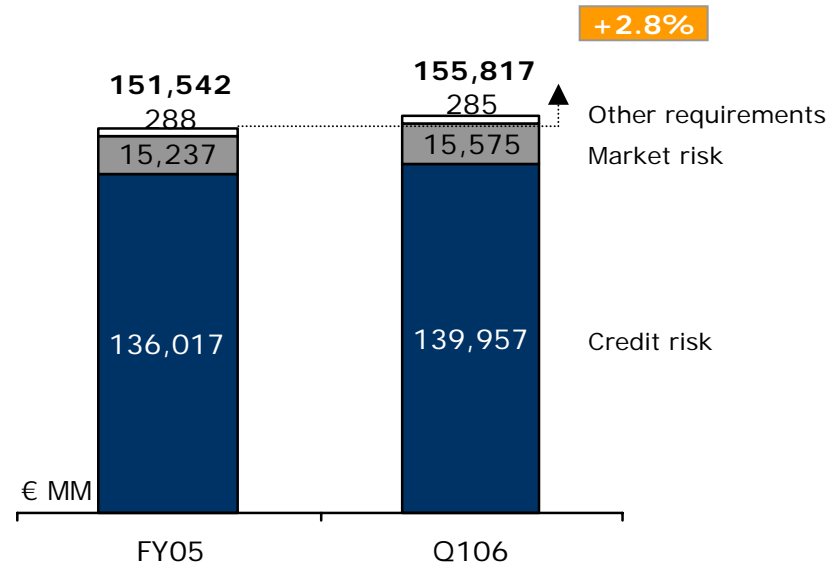
€ MM	Q105	Q405	Q106	Var.Q106/ Q105	Var.Q106/ Q405
Pre-tax operating profit	561	662	864	+54.0%	+30.5%
Taxes for the period	-225	-146	-326	+44.9%	+123.3%
Profits on discontinued operations	11	-33	-	n.r.	n.r.
Profit attributable to minority interests	-14	-9	-19	+35.7%	+111.1%
<b>Net profit</b>	333	474	519	+55.9%	+9.5%



### Capital ratios\*\*



### Risk weighted assets\*\*



\* In April 2006 the Group increased the equity capital and placed € 500 mln of subordinated debt, thus taking the total capital ratio to 10.1%.

\*\* Estimates

# Q1 2006 RESULTS

Milan, 15<sup>th</sup> May 2006

Alfonso Iozzo  
CEO

Pietro Modiano  
General Manager

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