

# H1 2006 RESULTS

12<sup>th</sup> September 2006

GRUPPO SANPAOLO IMI

### ■ **Variations to business perimeter and accounting treatment**

There have been no significant changes to the consolidated business perimeter as at June 30 since the publication of the annual report for 2005 with the exception of the inclusion of Banca Italo Albanese. It should also be noted that following the agreement reached in June regarding the sale of 70% of the tax-collection business GEST Line to Riscossione SpA the contribution from the company in the P&L is now consolidated into the line "profits and losses on discontinued operations". In accordance with IFRS 5, all P&L numbers have been re-stated to make data comparable.

- Executive summary
- P&L breakdown
- Divisional breakdown

## Strong revenue growth

- Good growth across all the main revenue lines driven by excellent operating trends
  - Net interest income +8.3% y-o-y
  - Net commissions +9.3% y-o-y
  - Dividends and income from other financial assets and liabilities +49.8% y-o-y
  - Income from insurance business +11.5% y-o-y
- Very high quality of revenues with extraordinary elements representing only approx. 1% of total revenues

Total operating income +10.3%

## Prudential provisioning

- Rigorous provisioning maintained despite sound asset quality with 40% of total provisions taken against performing loans
- Risk management strength, good asset quality, low NPL ratio and adequate coverage levels underpin balance sheet strength

Net operating income +10.9%

## Good cost control

- Increase in operating costs in line with business plan projections and lower than peer group average
- Improvement in cost/income ratio by 3.3 p.p. to 53.1% y-o-y

Operating costs +3.8%

## Excellent bottom line results

- Annualised ROE up 2.1 p.p. to 17.8% y-o-y
- Capital ratios strengthened\*:
  - Core capital 7.0% from 6.8%
  - Tier 1 capital 7.7% from 7.4%
  - Total capital 10.4% from 9.4%

Pre-tax op. profit +23.5%  
Net profit +27.5%

\* Referred to H106 and FY2005. Solvency ratios as at 31 December 2005 have been reworked compared to figures from the 2005 Financial Statements in order to take into account the introduction of definitive provisions and specific transition regulations to IAS/IFRS published by the Bank of Italy in April 2006

### Quarterly trends remain strong

- Acceleration in top line growth +8.3% after six months vs +7.4% after first three months
- Growth across all revenue lines
- Profit trend line remains very positive

### Competitive positioning further strengthened

- Improvement in key market share numbers:
  - Retail customer financial assets: up 2 bps\*
  - Customer lending: up 13 bps

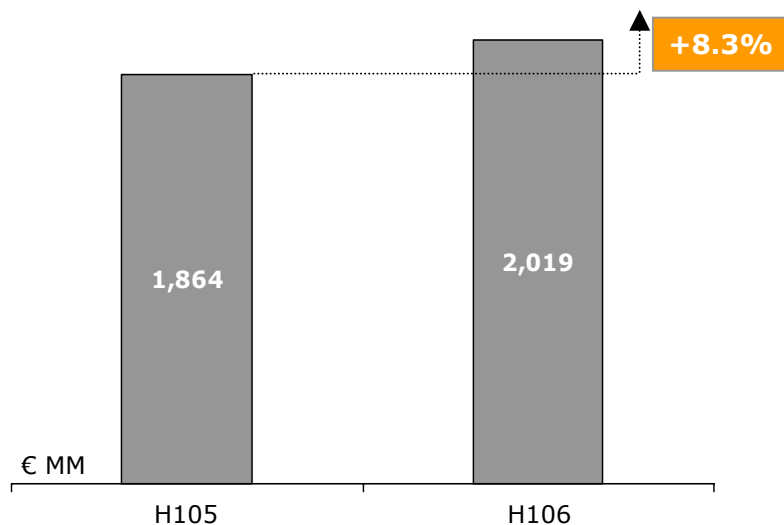
### Business plan ahead of track

- Key indicators all in line or ahead of forecast:
  - customer loans +11.4% vs 9.4% BP CAGR
  - customer financial assets +5.7% vs 6.0% BP CAGR
  - cost of risk (as measured by expected loss) flat vs +4bps BP target
  - operating costs +3.8% in line with budget and guidance
  - pre-tax profits +23.5% vs +16.5% BP CAGR
  - net profit +27.5% vs 15.0% BP CAGR
  - core capital 7.0% in line with BP target

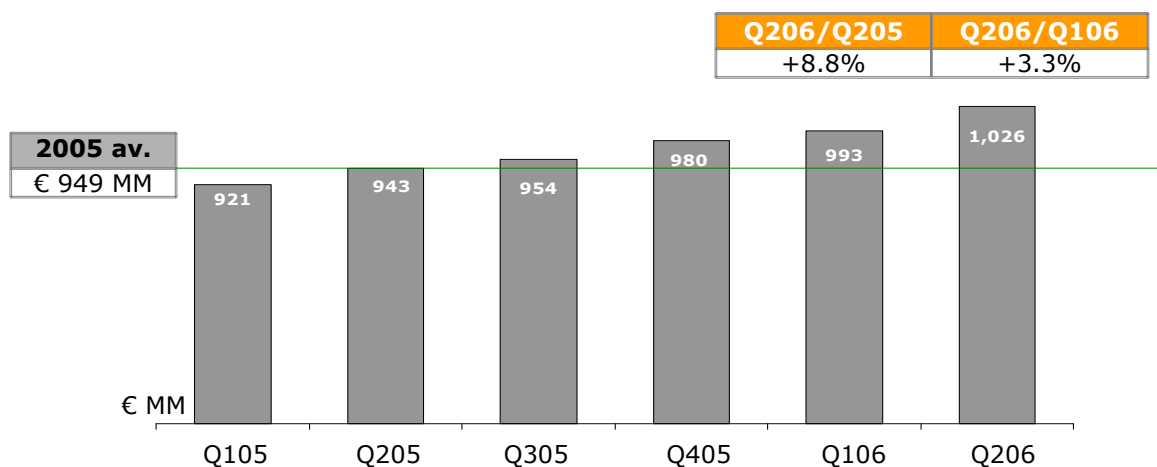
\* Latest data available: May 2006.

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# Positive trend line confirmed in net interest income



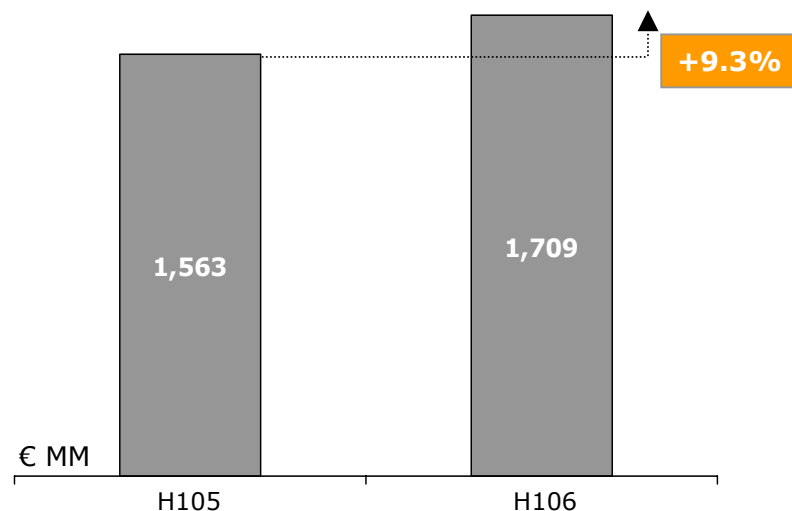
- Strong customer lending +11.4% driving growth in top line revenues
- Average spread on customer business down 16 bps y-o-y driven by margin pressure on new short term lending in part offset by the widening mark down seen as a result of rising interest rates



- Maintenance of underlying operating trends but slight acceleration in growth of net interest income in Q2

## Asset management and capital market business driving growth in net commissions

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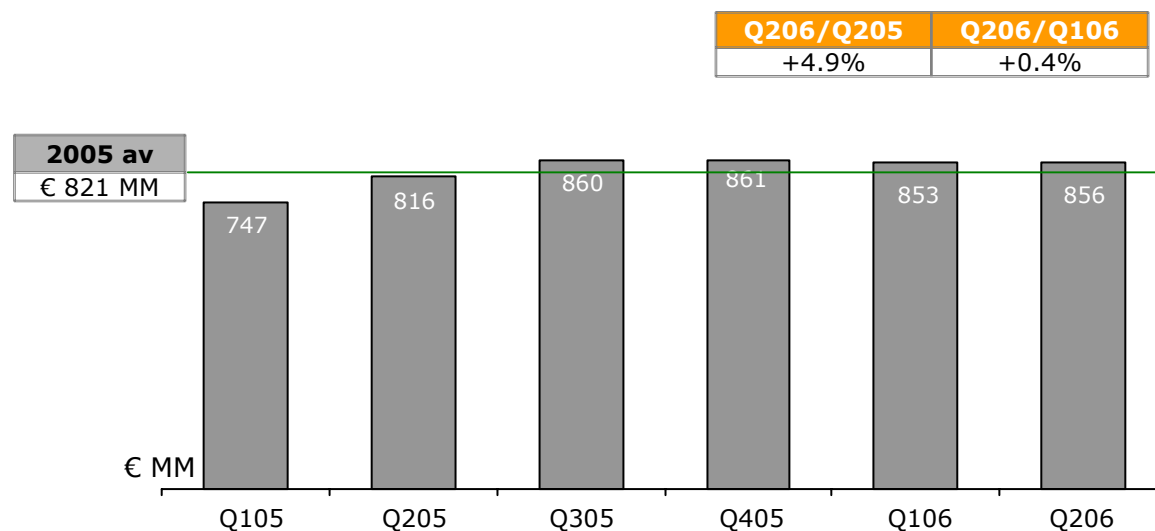
- Asset management fees up 13.4% driven by positive market performance effect and a better asset mix
- Increase in brokerage, custody and advisory fees driven by Wind operation and structured bonds
- Deposit and current accounts fees fell by 4% as a result of customer preference for bundled account products with lower charges than traditional current accounts

€ MM	H105	H106	Var.
<b>Net commissions</b>	<b>1,563</b>	<b>1,709</b>	<b>+9.3%</b>
Management, dealing and advisory services	974	1,122	+15.2%
■ <i>asset management</i>	867	983	+13.4%
■ <i>brokerage, custody and advisory services</i>	107	139	+29.9%
Loans and guarantees	188	193	+2.7%
Collection and payment services	125	123	-1.6%
Deposits and current accounts	252	242	-4.0%
Other services	24	29	+20.8%



## Quarterly trends in net commissions

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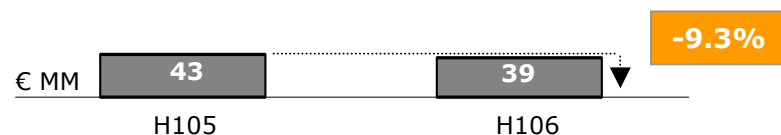


- Customer net new money flows remained good in Q2, 5.3 billion but directed away from asset management products –2.2 billion which together with negative performance slowed growth in asset management fees to +1.8%

€ MM	Q205	Q106	Q206	Var. Q206/ Q205	Var. Q206/ Q106
<b>Net commissions</b>	<b>816</b>	<b>853</b>	<b>856</b>	<b>+4.9%</b>	<b>+0.4%</b>
Management, dealing and advisory services	508	556	566	+11.4%	+1.8%
■ <i>asset management</i>	442	489	494	+11.8%	+1.0%
■ <i>brokerage, custody and advisory services</i>	66	67	72	+9.1%	+7.5%
Loans and guarantees	106	94	99	-6.6%	+5.3%
Collection and payment services	63	64	59	-6.3%	-7.8%
Deposits and current accounts	130	119	123	-5.4%	+3.4%
Other services	9	20	9	+0.0%	-55.0%

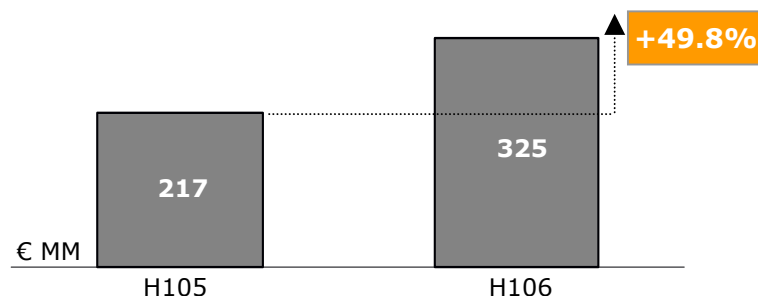
## Other income lines

### Income from credit disposals, assets held to maturity and repurchase of fin. liabilities



Q205	Q106	Q206	Var.Q206/ Q205	Var.Q206/ Q106
38	10	29	-23.7%	+190.0%

### Dividends and income from other financial assets and liabilities



- Trading gains accounted for 225 mln of the results including 78 mln for corporate derivatives. Last year the same figure was 199 mln including 38 mln corporate derivatives
- Other principle contributions were adjustments for fair value of 53 mln and 32 mln from the sale of AFS assets. Last year the same contributions were 33 mln and 4 mln respectively

Q205	Q106	Q206	Var.Q206/ Q205	Var.Q206/ Q106
166	144	181	9.0%	+25.7%

### Profits on equity shareholdings



- Principle contribution from shareholdings valued at equity of 40 mln
- Result also includes a capital gain of 19 mln on sale of equity stakes as against 44 mln for similar disposals last years

Q205	Q106	Q206	Var.Q206/ Q205	Var.Q206/ Q106
66	15	44	-33.3%	+193.3%

## Significant increase in contribution from insurance business

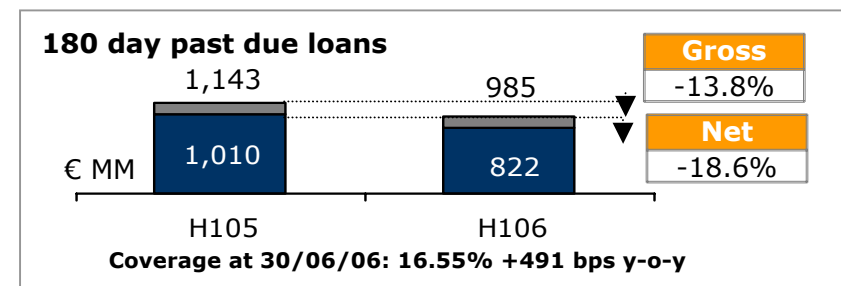
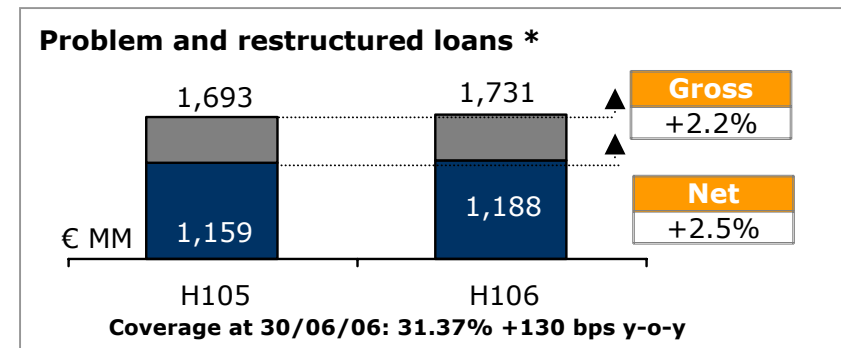
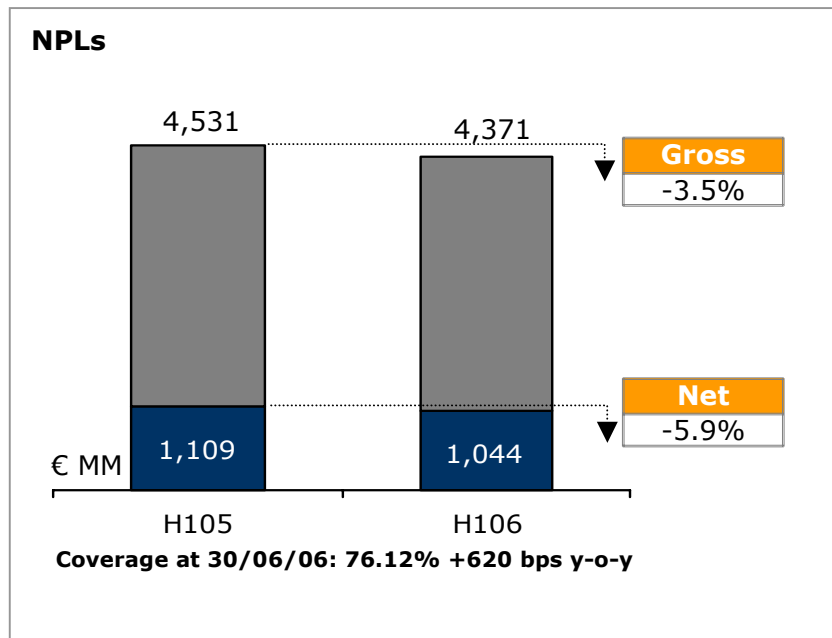
- The gross volume written by Eurizon in life business was 3.3 bln down 32% H106/H105 and new production 2.9 bln down 35% which is to be considered in relation to the re-positioning of the product portfolio with the weight of both index-linked and capital accumulation policies being downsized. The policy portfolio expanded by 4.8% from FY05 with more than 2.2 million contracts in force
- The increase in revenues is due to the higher profitability as the result of the change in asset allocation and of the lengthening of the average duration of the life assets over the last 12 months. This has meant an increase in the earnings on financial assets available for sale (from 327 million to 419 million), in the form of higher coupon interest and dividend payments. A 33 million voluntary provision was taken by the insurance company as an adjustment for the new mortality tables
- In the property and casualty business gross premia was 47 million up 55% and gross technical reserves 92 million up 33.5%

€ MM	H105			H106			Tot Var %
	Life	P&C	Total	Life	P&C	Total	
<b>Premiums and payments</b>	-356	7	<b>-349</b>	-67	12	<b>-55</b>	-84.2
■ <b>Net premiums</b>	2,228	14	<b>2,242</b>	1,489	23	<b>1,512</b>	-32.6
■ <b>Net charges for casualties</b>	-891	-6	<b>-897</b>	-1,312	-8	<b>-1,320</b>	+47.2
■ <b>Other charges for changes in technical reserves</b>	-1,693	-1	<b>-1,694</b>	-244	-3	<b>-247</b>	-85.4
<b>Net commissions</b>	34	-	<b>34</b>	29	-	<b>29</b>	-14.7
<b>Income from financial instruments and investments</b>	639	2	<b>641</b>	435	1	<b>436</b>	-32.0
■ <b>Net income from financial instruments designated as at fair value shown in the P&amp;L</b>	298	-	<b>298</b>	-66	-	<b>-66</b>	n.r.
■ <b>Other net income</b>	341	2	<b>343</b>	501	1	<b>502</b>	46.4
<b>Other income/charges from insurance business</b>	-142	-2	<b>-144</b>	-201	-6	<b>-207</b>	43.8
<b>Income from insurance business</b>	<b>175</b>	<b>7</b>	<b>182</b>	<b>196</b>	<b>7</b>	<b>203</b>	<b>11.5</b>

# Rigorous provisioning maintained despite sound asset quality and conservative coverage on all credit assets

H105	H106	Var.H106/H105	€ MM	Q205	Q106	Q206	Var.Q206/Q205	Var.Q206/Q106
-229	-233	+1.7%	Net adjustments to loans	-142	-96	-137	-3.5%	+42.7%

- Specific adjustments to credits 141 mln or 19 bps annualised cost of risk
- Further generic provision of 92 mln charged to take annualised cost of risk to 13 bps
- Increase in generic reserve to 1,171 mln or around 2x the average cost of risk of the performing loan portfolio
- NPL ratio down to 0.7% from 0.8% in H105 and all coverage levels increased



H105	H106	Var.H106/H105	€ MM	Q205	Q106	Q206	Var.Q206/Q205	Var.Q206/Q106
-3	-	n.r.	Net adjustment to other financial assets	-2	-	-	n.r.	n.r.

\*i.e. Finanziamenti incagliati e ristrutturati

- Good quality loan book as shown in all key indicators
- Best practice risk management tools, systems and culture enable healthy growth in new lending
- Cost of risk in P&L well aligned with expected loss (32 vs 36 bps) despite low specific adjustments and good coverage

<b>Expected Loss *</b> <b>(bps)</b>	<b>Q106</b>	<b>Q206</b>	<b>Δ Q206/Q106</b>
Expected loss (EL)	36.6	35.6	-1
<b>Analysis of variation in expected loss (bps)</b>			<b>Δ Q206/Q106</b>
■ Δ initial stock rating			-
■ Δ collateralization (LGD)			-0.8
■ Marginal cost (EAD)			-
share of wallet			-0.4
market coverage			+0.4
■ other minor effects			-0.2
<b>Total</b>			<b>-1</b>

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

€ MM	H105	H106	
<b>Operating costs</b>	<b>-2,228</b>	<b>-2,313</b>	<b>+3.8%</b>
Personnel costs	-1,333	-1,398	+4.9%
Other administrative costs	-694	-733	+5.6%
■ <i>IT costs</i>	-142	-143	+0.7%
■ <i>Property costs</i>	-167	-181	+8.4%
■ <i>General expenses</i>	-131	-136	+3.8%
■ <i>Professional and insurance fees</i>	-97	-93	-4.1%
■ <i>Promotion advertising and marketing expenses</i>	-48	-60	+25.0%
■ <i>Indirect personnel costs</i>	-50	-55	+10.0%
■ <i>Charges for services provided by third parties</i>	-38	-37	-2.6%
■ <i>Indirect duties and taxes</i>	-21	-28	+33.3%
Net adjustments to tangible and int. assets	-201	-182	-9.5%

- Personnel costs up 4.9% as a result of an increase in:
  - average headcount +1.3% to strengthen the banking network and the new Eurizon business
  - the national banking and company contracts as well as the bonus plan related to the business plan
- Higher other administrative costs +5.6% as a result of:
  - increased marketing expenses
  - property expenses related to the refurbishment of branches
  - higher postal charges as a result of the new legislation on transparency
- Lower depreciation charges as a result of the completion of write downs on significant software investments in Fideuram and the Parent bank

€ MM	Q205	Q106	Q206	Var.Q206/ Q205	Var.Q206/ Q106
<b>Operating costs</b>	<b>-1,109</b>	<b>-1,139</b>	<b>-1,174</b>	<b>+5.9%</b>	<b>+3.1%</b>
Personnel costs	-653	-693	-705	+8.0%	+1.7%
Other administrative costs	-353	-362	-371	+5.1%	+2.5%
Net adjustments to tangible and int. assets	-103	-84	-98	-4.9%	+16.7%

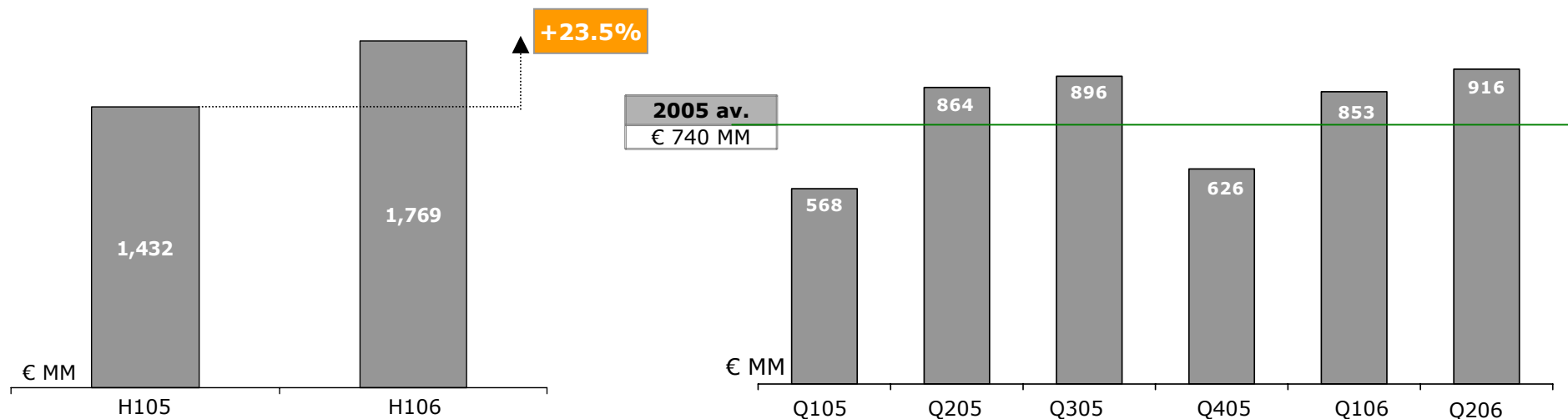
- Seasonality in quarterly comparisons exacerbated by:
  - lower personnel cost base in Q205 helped by adjustment for prior prudent provisioning of salary inflation
  - higher weight of variable personnel costs on Q206 compared to Q106

# Significant increase in pre-tax profitability

H105	H106	Var.H106/ H105	€ MM	Q205	Q106	Q206	Var.Q206/ Q205	Var.Q206/ Q106
42	26	-38.1%	Other net income	32	11	15	-53.1%	+36.4%
-	-	-	Impairment of goodwill	-	-	-	-	-
13	-	n.r.	Profits from disposals of investments	13	-	-	n.r.	-
-110	-65	-40.9%	Net provisions for risks and charges	-75	-38	-27	-64.0%	-28.9%

Q206/Q205	Q206/Q106
+6.0%	+7.4%

## Pre-tax operating profit

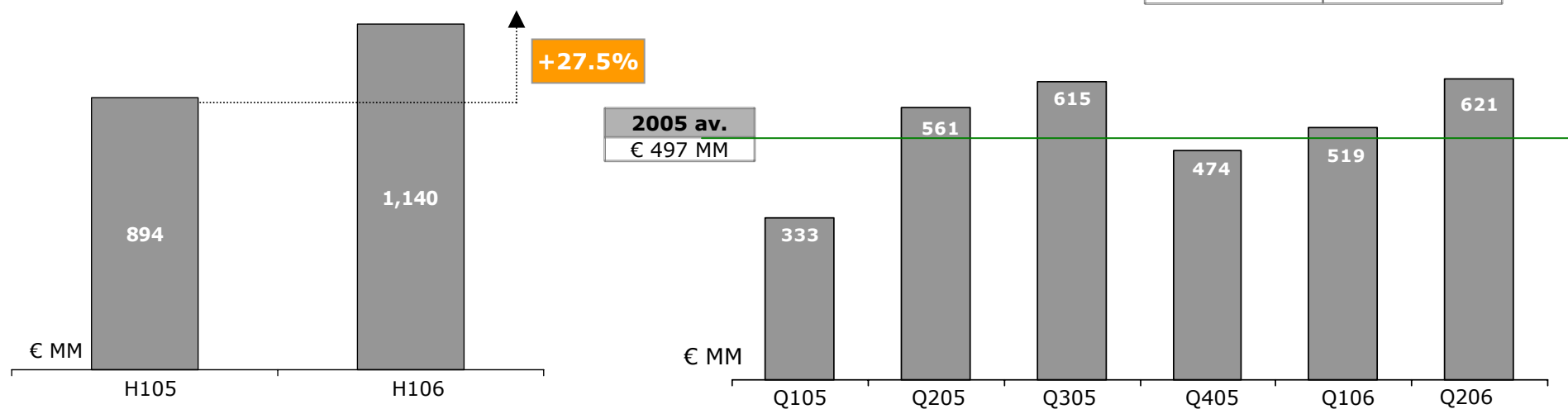


# Excellent bottom line growth

H105	H106	Var.H106/ H105	€ MM	Q205	Q106	Q206	Var.Q206/ Q205	Var.Q206/ Q106
1,432	1,769	+23.5%	Pre-tax operating profit	864	853	916	+6.0%	+7.4%
-507	-639	+26.0%	Taxes for the period	-280	-321	-318	+13.6%	-0.9%
-4	44	n.r.	Profits on discontinued operations	-10	6	38	n.r.	n.r.
-27	-34	+25.9%	Profit attributable to minority interests	-13	-19	-15	+15.4%	-21.1%
<b>894</b>	<b>1,140</b>	<b>+27.5%</b>	<b>Net profit</b>	<b>561</b>	<b>519</b>	<b>621</b>	<b>+10.7%</b>	<b>+19.7%</b>

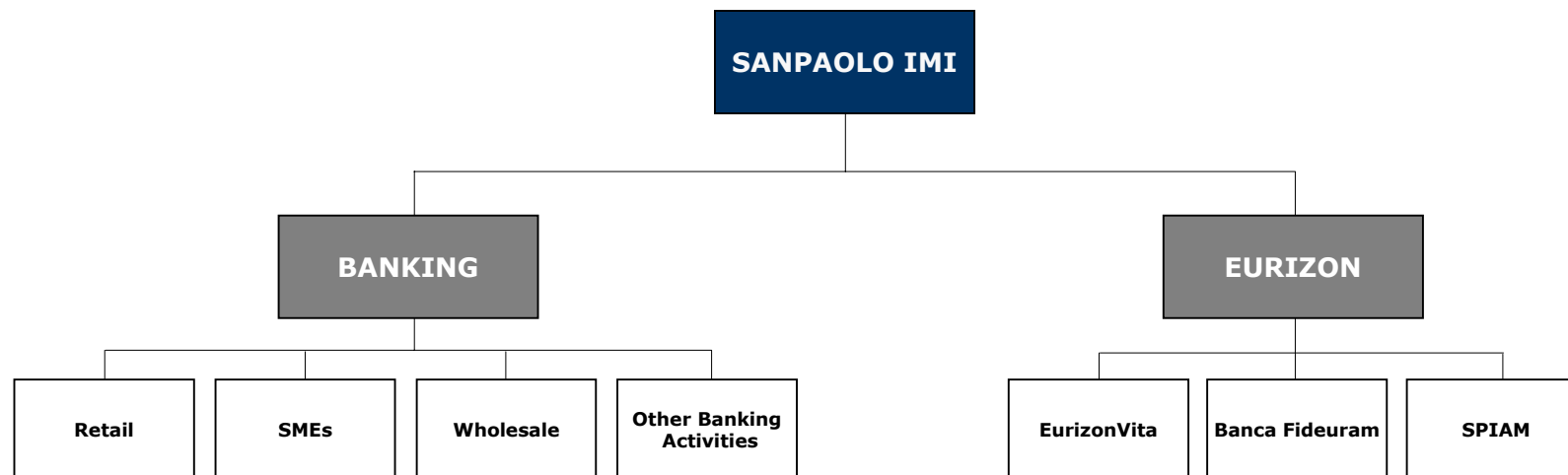
## Net profit

Q206/Q205	Q206/Q106
+10.7%	+19.7%





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<b>Banking Activity</b>	<b>Contribution*</b>
Total operating income	84.7%
Operating costs	87.2%
Pre-tax operating profit	80.3%
Net income	78.5%

<b>Eurizon</b>	<b>Contribution*</b>
Total operating income	15.3%
Operating costs	12.8%
Pre-tax operating profit	19.7%
Net income	21.5%

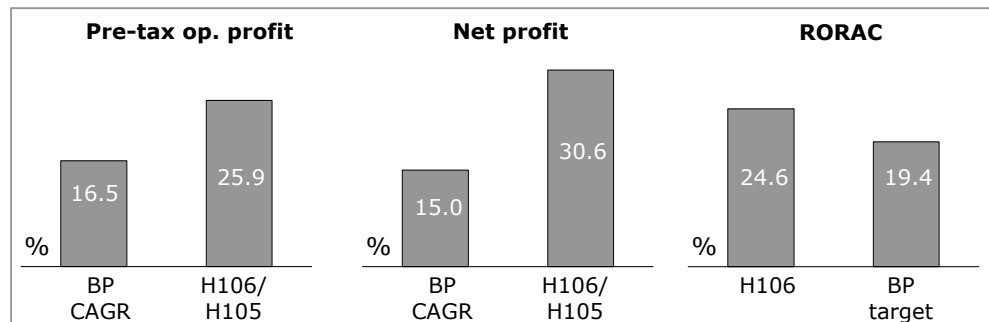
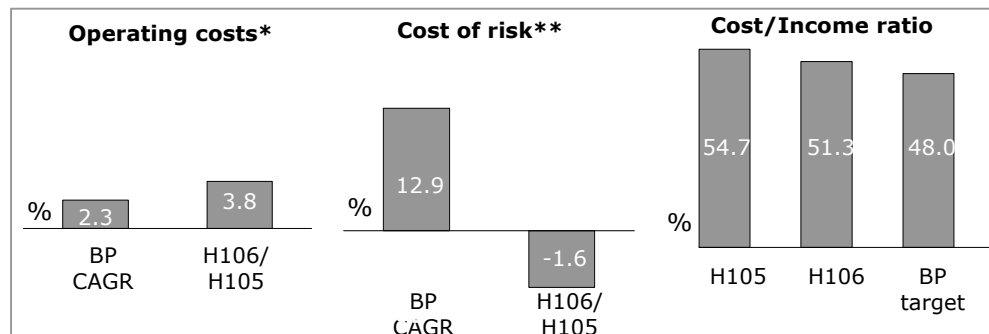
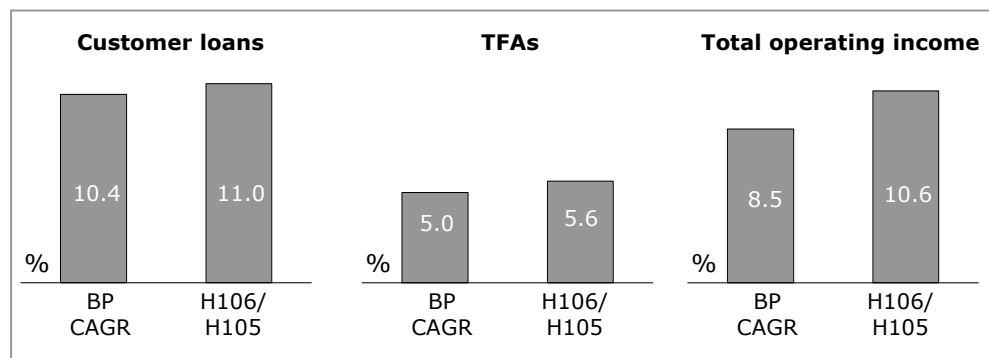
\* Excluding Corporate Centre

# Banking Activity

Banking Activity (€/MM)	H105 p.f.	H106	Var %
Net interest income	1,735	1,888	+8.8
Net commissions	1,233	1,305	+5.8
Income from credit disposals, asset held to maturity and repurchase of fin. liab.	21	28	+33.3
Dividends and income from other fin. assets and liabilities	151	279	+84.8
Profits (losses) on equity shareholdings	50	28	-44.0
<b>Total operating income</b>	<b>3,190</b>	<b>3,528</b>	<b>+10.6</b>
Net adjustments to loans	-248	-244	-1.6
Net adjustments to other financial assets	-1	-	n.r.
<b>Net operating income</b>	<b>2,941</b>	<b>3,284</b>	<b>+11.7</b>
Personnel costs	-1,031	-1,084	+5.1
Other administrative costs	-697	-715	+2.6
Net adjustments to tangible and int. assets	-16	-12	-25.0
<b>Operating costs</b>	<b>-1,744</b>	<b>-1,811</b>	<b>+3.8</b>
Other net income/expenses	20	15	-25.0
Net provisions for risks and charges	-54	-24	-55.6
<b>Pre-tax operating profit</b>	<b>1,163</b>	<b>1,464</b>	<b>+25.9</b>
Taxes for the period	-449	-589	+31.2
Profits (losses) on discontinued op.	-9	44	n.r.
Profits attributable to minority interests	-2	-1	-50.0
<b>Net profit</b>	<b>703</b>	<b>918</b>	<b>+30.6</b>
<b>Cost/Income ratio</b>	54.7%	51.3%	
<b>RORAC</b>	21.1%	24.6%	

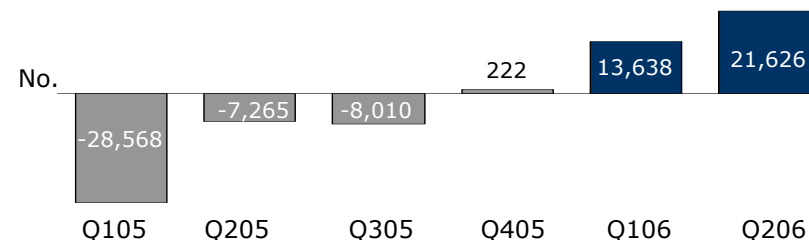
\* 3.8% in line with budget 06 and guidance  
 \*\* Credit provisioning

Very positive start to the plan thanks both to a better macro-scenario and a good performance from the network with some encouraging signals from the ex-Cardine areas in recent months

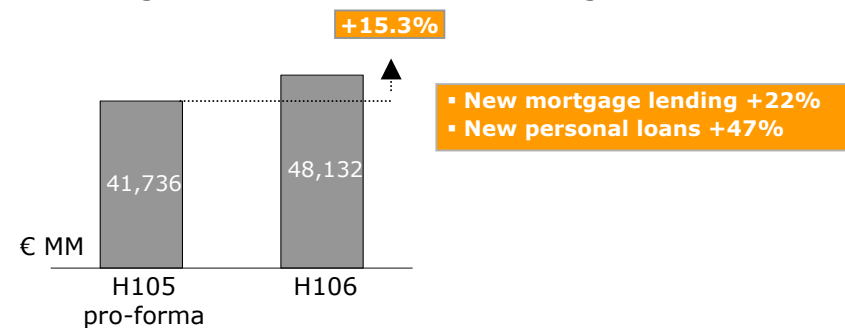


Retail Division (€/MM)	H105 p.f.	H106	Var %
Net interest income	974	1,121	+15.1
Net commissions	969	1,005	+3.7
Income from credit disposals, asset held to maturity and repurchase of fin. liabilities	2	5	+150.0
Dividends and income from other fin. assets and liabilities	17	19	+11.8
<b>Total operating income</b>	<b>1,962</b>	<b>2,150</b>	<b>+9.6</b>
Net adjustments to loans	-91	-94	+3.3
<b>Net operating income</b>	<b>1,871</b>	<b>2,056</b>	<b>+9.9</b>
Personnel costs	-680	-706	+3.8
Other administrative costs	-546	-569	+4.2
Net adjustments to tangible and int. assets	-4	-2	-50.0
<b>Operating costs</b>	<b>-1,230</b>	<b>-1,277</b>	<b>+3.8</b>
Other net income/expenses	9	2	-77.8
Net provisions for risks and charges	-17	-12	-29.4
<b>Pre-tax operating profit</b>	<b>633</b>	<b>769</b>	<b>+21.5</b>
Taxes for the period	-276	-338	+22.5
<b>Net profit</b>	<b>357</b>	<b>431</b>	<b>+20.7</b>
<b>Cost/Income ratio</b>	62.7%	59.4%	
<b>RORAC</b>	35.8%	42.7%	

## Good growth in customer base



## Strong trends in customer lending

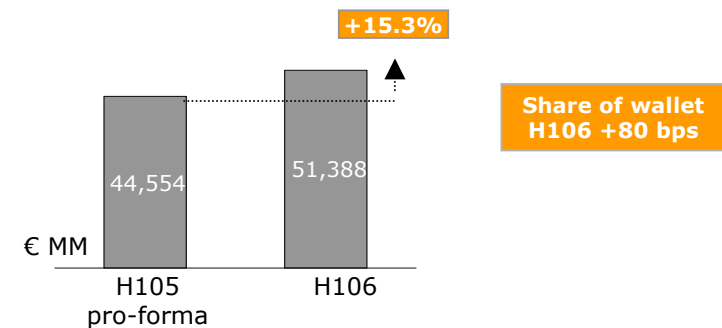


## Positive net new money flows in H106

€ MM	H105	H106	Var.
Direct deposits	35	1,393	n.r.
Asset management	3,768	830	n.r.
Asset administration	-916	2,428	n.r.
<b>TFA's</b>	<b>2,887</b>	<b>4,651</b>	<b>+61.1%</b>

SME Division (€/MM)	H105 p.f.	H106	Var %
Net interest income	468	497	+6.2
Net commissions	126	142	+12.7
Dividends and income from other fin. assets and liabilities	41	71	+73.2
<b>Total operating income</b>	<b>635</b>	<b>710</b>	<b>+11.8</b>
Net adjustments to loans	-126	-134	+6.3
<b>Net operating income</b>	<b>509</b>	<b>576</b>	<b>+13.2</b>
Personnel costs	-133	-133	-
Other administrative costs	-139	-143	+2.9
Net adjustments to tangible and int. assets	-1	-	n.r.
<b>Operating costs</b>	<b>-273</b>	<b>-276</b>	<b>+1.1</b>
Other net income/expenses	7	7	-
Net provisions for risks and charges	-20	-14	-30.0
<b>Pre-tax operating profit</b>	<b>223</b>	<b>293</b>	<b>+31.4</b>
Taxes for the period	-99	-127	+28.3
<b>Net profit</b>	<b>124</b>	<b>166</b>	<b>+33.9</b>
<b>Cost/Income ratio</b>	43.0%	38.9%	
<b>RORAC</b>	9.6%	11.4%	

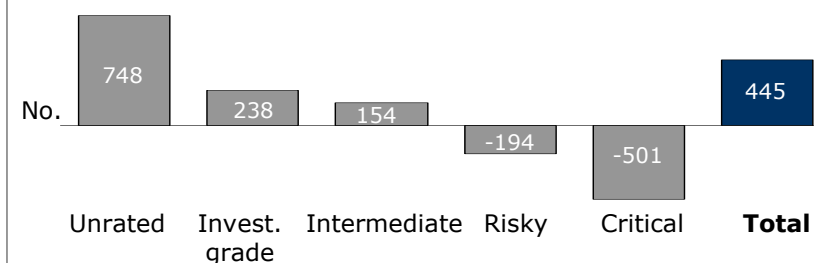
## Excellent loan growth



## Good relative performance on margins

ST mark up (bps)*	Var. YTD		Var. Y-o-Y	
	Group	System	Group	System
SME Division	-8	-24	-57	-62

## Growing and healthy customer base YTD



\* Source: Bank of Italy Ten Day Reports

Wholesale Division (€/MM)	H105 p.f.	H106	Var %
Net interest income	192	208	+8.3
Net commissions	85	92	+8.2
Income from credit disposals, asset held to maturity and repurchase of fin. liabilities	18	23	+27.8
Dividends and income from other fin. assets and liabilities	91	171	+87.9
Profits (losses) on equity shareholdings	1	20	n.r.
<b>Total operating income</b>	<b>387</b>	<b>514</b>	<b>+32.8</b>
Net adjustments to loans	-30	-15	-50.0
Net adjustments to other financial assets	-	-	-
<b>Net operating income</b>	<b>357</b>	<b>499</b>	<b>+39.8</b>
Personnel costs	-84	-99	+17.9
Other administrative costs	-63	-69	+9.5
Net adjustments to tangible and int. assets	-9	-8	-11.1
<b>Operating costs</b>	<b>-156</b>	<b>-176</b>	<b>+12.8</b>
Other net income/expenses	3	4	+33.3
Net provisions for risks and charges	1	-	n.r.
<b>Pre-tax operating profit</b>	<b>205</b>	<b>327</b>	<b>+59.5</b>
Taxes for the period	-49	-108	+120.4
Profits (losses) on discontinued operations	-	-	-
Profits attributable to minority interests	-2	-1	-50.0
<b>Net profit</b>	<b>154</b>	<b>218</b>	<b>+41.6</b>
<b>Cost/Income ratio</b>	40.3%	34.2%	
<b>RORAC</b>	18.8%	20.1%	

- The Wholesale Division is divided into:
  - Corporate and Investment Banking
  - Public Finance
  - International Activities

Corporate and Invest. Banking (€/MM)	H105 p.f.	H106	Var %
Net interest income	69	85	+23.2
Net commissions	39	47	+20.5
Dividends and income from other fin. assets and liabilities	76	137	+80.3
Profits (losses) on equity shareholdings	1	5	n.r.
<b>Total operating income</b>	<b>185</b>	<b>274</b>	<b>+48.1</b>
Net adjustments to loans	-14	-6	-57.1
<b>Net operating income</b>	<b>171</b>	<b>268</b>	<b>+56.7</b>
Personnel costs	-40	-52	+30.0
Other administrative costs	-36	-40	+11.1
Net adjustments to tangible and int. assets	-4	-3	-25.0
<b>Operating costs</b>	<b>-80</b>	<b>-95</b>	<b>+18.8</b>
<b>Pre-tax operating profit</b>	<b>91</b>	<b>173</b>	<b>+90.1</b>
Taxes for the period	-7	-65	n.r.
<b>Net profit</b>	<b>84</b>	<b>108</b>	<b>+28.6</b>
<b>Cost/Income ratio</b>	43.2%	34.7%	
<b>RORAC</b>	20.0%	19.5%	

- CIB includes the Group's investment bank Banca IMI, the structured finance unit and the business unit with responsibility for managing the large corporate clients.
- In the equity capital markets as well as in corporate finance Banca IMI was involved in a significant number of deals in the first half as well as confirming its market leadership in the domestic primary debt capital market. In structured finance 14 new operations were completed and the bank also worked with Banca OPI on debt re-structuring, with Eurizon on zero coupon issues and with the commercial bank on developing the corporate derivative business. The traditional lending business to the large corporate sector remains very competitive with high customer liquidity dampening demand and putting pressure on margins.
- All income lines showed very positive growth, well ahead of the higher operating costs related to variable personnel expenses, and despite a significantly higher tax charge bottom line growth was up 28.6%.

Public Finance (€/MM)	H105 p.f.	H106	Var %
Net interest income	64	58	-9.4
Net commissions	2	1	n.r.
Income from credit disposals, asset held to maturity and repurchase of fin. liabilities	18	13	-27.8
Dividends and income from other fin. assets and liabilities	7	18	+157.1
Profits (losses) on equity shareholdings	-	1	n.r.
<b>Total operating income</b>	<b>91</b>	<b>91</b>	-
Net adjustments to loans	-5	-	n.r.
<b>Net operating income</b>	<b>86</b>	<b>91</b>	<b>+5.8</b>
Personnel costs	-9	-11	+22.2
Other administrative costs	-6	-8	+33.3
Net adjustments to tangible and int. assets	-	-	-
<b>Operating costs</b>	<b>-15</b>	<b>-19</b>	<b>+26.7</b>
Other net income/expenses	1	-	n.r.
<b>Pre-tax operating profit</b>	<b>72</b>	<b>72</b>	-
Taxes for the period	-29	-19	-34.5
<b>Net profit</b>	<b>43</b>	<b>53</b>	<b>+23.3</b>
<b>Cost/Income ratio</b>	16.5%	20.9%	
<b>RORAC</b>	17.3%	17.2%	

- The Public Finance Division, operating principally through Banca OPI, is responsible for advisory services and medium to long term financing for public authorities, local public service agencies and infrastructure projects. Banca OPI is the leading Italian bank in this field with a domestic market share of 20.1%.
- Political uncertainty regarding the new government's policy on public financing slowed demand and there was also competitive pressure on margins. However, bonds issued were up 14.9% and the division completed 40 debt management operations as well as reducing portfolio concentration through asset sales of 420 million and increasing by over 100% new international lending (527 million). Project financing also saw a significant increase with arranged financing of 383 million against 345 million for the full year in 2005.
- Overall revenues remained stable year on year but net income was up +23% on last year thanks to the positive impact of a change in tax treatment on credit provisioning for IRAP.



International Activities (€/MM)	H105 p.f.	H106	Var %
Net interest income	59	65	+10.2
Net commissions	44	44	-
Income from credit disposals, asset held to maturity and repurchase of fin. liabilities	-	10	n.r.
Dividends and income from other fin. assets and liabilities	8	16	+100.0
Profits (losses) on equity shareholdings	-	14	n.r.
<b>Total operating income</b>	<b>111</b>	<b>149</b>	<b>+34.2</b>
Net adjustments to loans	-11	-9	-18.2
Net adjustments to other financial assets	-	-	-
<b>Net operating income</b>	<b>100</b>	<b>140</b>	<b>+40.0</b>
Personnel costs	-35	-36	+2.9
Other administrative costs	-21	-21	-
Net adjustments to tangible and int. assets	-5	-5	-
<b>Operating costs</b>	<b>-61</b>	<b>-62</b>	<b>+1.6</b>
Other net income/expenses	2	4	+100.0
Net provisions for risks and charges	1	-	n.r.
<b>Pre-tax operating profit</b>	<b>42</b>	<b>82</b>	<b>+95.2</b>
Taxes for the period	-13	-24	+84.6
Profits attributable to minority interests	-2	-1	-50.0
<b>Net profit</b>	<b>27</b>	<b>57</b>	<b>+111.1</b>
<b>Cost/Income ratio</b>	55.0%	41.6%	
<b>RORAC</b>	17.8%	25.8%	

- The International Division is responsible for the international banking activities and foreign subsidiary banks:
  - Inter-Europa Bank (Hungary, 85.9%)
  - Sanpaolo IMI Bank Romania (Romania, 98.6%)
  - Banka Koper (Slovenia, 63.9%).

As well as the 112 branches of the controlled banks the international network operates in 34 countries through 13 branches, 19 representative offices, 2 foreign desks and a subsidiary Sanpaolo IMI Bank Ireland. The division has the mission of facilitating and developing the internationalisation of Italian SMEs, working with multinational companies operating in the Italian market and operating as domestic banks through subsidiary banks as well as maximising cross-selling with the product factories of the Group and developing relationships with counterparty banks

- May 2006: acquisition of 80% of Banca Italo Albanese, fifth Albanian bank, at a price of \$ 44.4mln
- July 2006: agreement for the acquisition of the 87.39% of Panonska Banka from the Serbian government at a price of € 122 mln
- Revenues up 34.2% thanks to a significant increase in customer loans +48% and customer deposits +44%. Costs were up only +1.6%, despite an increase in personnel 4.2%. Net profit more than doubled to 57 mln

Eurizon			€/MM	EurizonVita		SPIAM		Fideuram	
H105 p.f.	H106	Var %		H106 p.f.	Var %	H106 p.f.	Var %	H106 p.f.	Var %
23	35	+52.2	Net interest income	-	-	3	+50.0	32	+52.4
374	416	+11.2	Net commissions	-	-	114	+20.0	302	+8.2
2	2	-	Income from credit disposals, asset held to maturity and rep. of fin. liab.	-	-	-	-	2	-
15	-7	n.r.	Dividends and income from other fin. assets and liabilities	-	-	-	-	-7	n.r.
-	-	-	Profits (losses) on equity shareholdings	-	-	-	-	-	-
170	193	+13.5	Income from insurance business	193	+13.5	-	-	-	-
<b>584</b>	<b>639</b>	<b>+9.4</b>	<b>Total operating income</b>	<b>193*</b>	<b>+13.5</b>	<b>117</b>	<b>+20.6</b>	<b>329</b>	<b>+3.8</b>
1	-1	n.r.	Net adjustments to loans	-1	n.r.	-	-	-	-
-	-	-	Net adjustments to other fin. assets	-	-	-	-	-	-
<b>585</b>	<b>638</b>	<b>+9.1</b>	<b>Net operating income</b>	<b>192</b>	<b>+12.3</b>	<b>117</b>	<b>+20.6</b>	<b>329</b>	<b>+3.8</b>
-103	-119	+15.5	Personnel costs	-26	+73.3	-22	-	-67	+1.5
-122	-135	+10.7	Other administrative costs	-38	+11.8	-23	+15.0	-86	+26.5
-18	-13	-27.8	Net adj. to tangible and int. assets	-4	+100.0	-1	-50.0	-8	-42.9
<b>-243</b>	<b>-267</b>	<b>+9.9</b>	<b>Operating costs</b>	<b>-68</b>	<b>+33.3</b>	<b>-46</b>	<b>+4.5</b>	<b>-161</b>	<b>+8.8</b>
15	4	-73.3	Other net income/expenses	22	+83.3		+33.3	-	-
-	-	-	Impairment of goodwill	-	-	4	-	-	-
-	-	-	Profits (losses) from disposals of investments	-	-	-	-	-	-
-50	-16	-68.0	Net provisions for risks and charges	2	n.r.	-	-	-18	-64.0
<b>307</b>	<b>359</b>	<b>+16.9</b>	<b>Pre-tax operating profit</b>	<b>148</b>	<b>+12.1</b>	<b>75</b>	<b>+33.9</b>	<b>150</b>	<b>+26.1</b>
-68	-77	+13.2	Taxes for the period	-37	-2.6	-12	+20.0	-28	+40.0
-2	-	n.r.	Profits (losses) on discontinued op.	-	-	-	-	-	n.r.
-29	-31	+6.9	Profits attributable to min. interests	-	n.r.	-	-	-31	+10.7
<b>208</b>	<b>251</b>	<b>+20.7</b>	<b>Net profit</b>	<b>111</b>	<b>+19.4</b>	<b>63</b>	<b>+37.0</b>	<b>91</b>	<b>+31.9</b>
<b>41.6</b>	<b>41.8</b>		<b>Cost/Income ratio</b>	<b>35.2</b>		<b>39.3</b>		<b>48.9</b>	
<b>31.9</b>	<b>36.1</b>		<b>RORAC</b>	<b>24.1</b>		<b>150.0</b>		<b>46.9</b>	

\* The difference with the Group consolidated figure of € 203 mln is due to DAC (deferred acquisition costs)

- On 24<sup>th</sup> January 2006 the Board of Directors passed the resolution authorizing the start of the project for the listing of Eurizon Financial Group.
- On 3<sup>rd</sup> May 2006 EurizonVita acquired total control of EurizonTutela (previously Egida S.p.A.), the property casualty insurance company, from Reale Mutua which held 50% of the shares (€ 26.1 million).
- On 12<sup>th</sup> May 2006 the Board approved the incorporation of Sanpaolo IMI Asset Management in Eurizon. The operation finished on 30<sup>th</sup> June 2006. Eurizon and Sanpaolo IMI signed an agreement in which they mutually recognize each other as service provider and distributor for asset management, life insurance, property casualty insurance and retirement planning products.
- On 4<sup>th</sup> July ahead of Eurizon's listing, the Board also approved a plan to rationalize the participation in Banca Fideuram (directly controlled with 73.4% of the shares) by means of a tender offer on the residual shares held by third parties (offer price € 5.00 each). Offer closes on 20<sup>th</sup> September.
- On 25<sup>th</sup> July 2006, the Board passed the resolution authorizing the formal procedure for the listing of Eurizon.
- On 26<sup>th</sup> August the Board approved the go ahead for IPO of Eurizon as part of the merger project guidelines

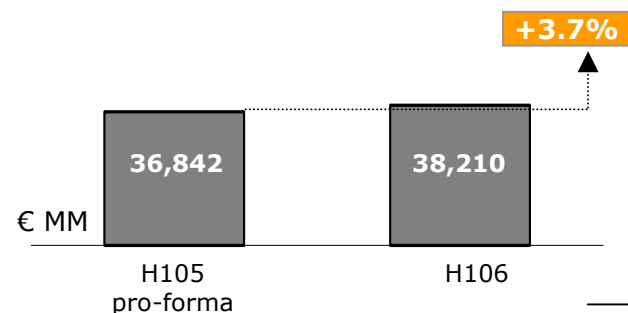
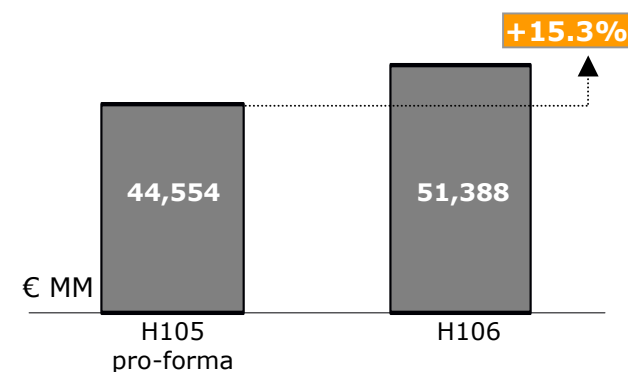
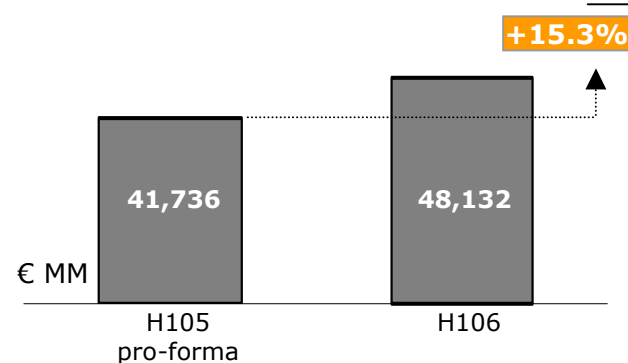
# Appendices

# Loan growth breakdown

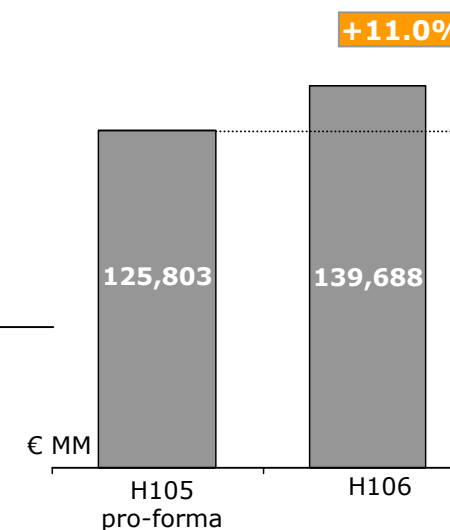
Retail and Private	H105 € MM	H106 € MM	Var. %
o.w. Sanpaolo Area*	20,808	24,299	+16.8
o.w. SP BdN Area	4,963	5,796	+16.8
o.w. Cardine Area	11,771	12,907	+9.7
o.w. Neos	4,033	4,953	+22.8

SMEs	H105 € MM	H106 € MM	Var. %
o.w. Sanpaolo Area*	22,896	28,181	+23.1
o.w. SP BdN Area	3,132	3,553	+13.4
o.w. Cardine Area	13,398	13,779	+2.8
o.w. Leasint	5,128	5,875	+14.6

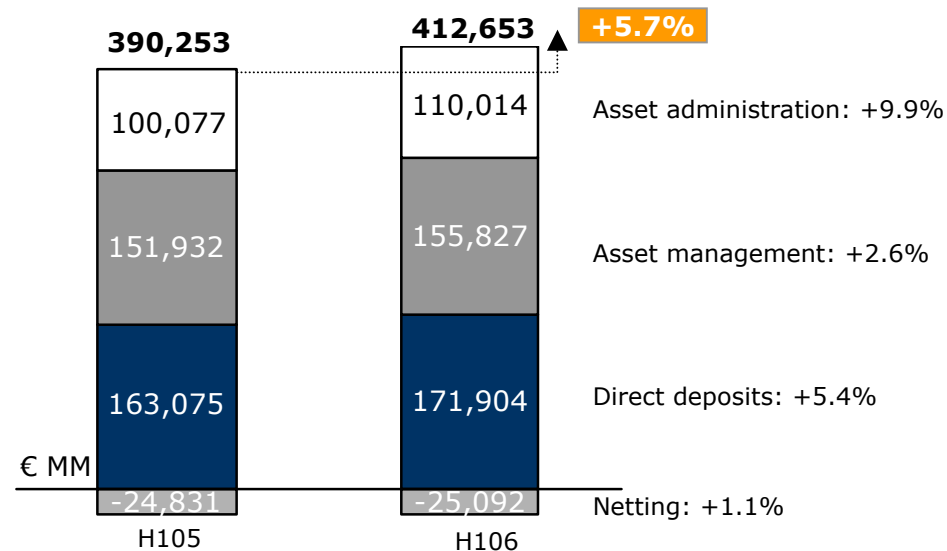
Wholesale	H105 € MM	H106 € MM	Var. %
o.w. Large Corporate	6,542	6,844	+4.6
o.w. Invest. Bank.	4,206	3,139	-25.4
o.w. Public Finance	20,026	19,243	-3.9
o.w. Internat. Bank.	6,068	8,984	+48.1



## Banking Activity

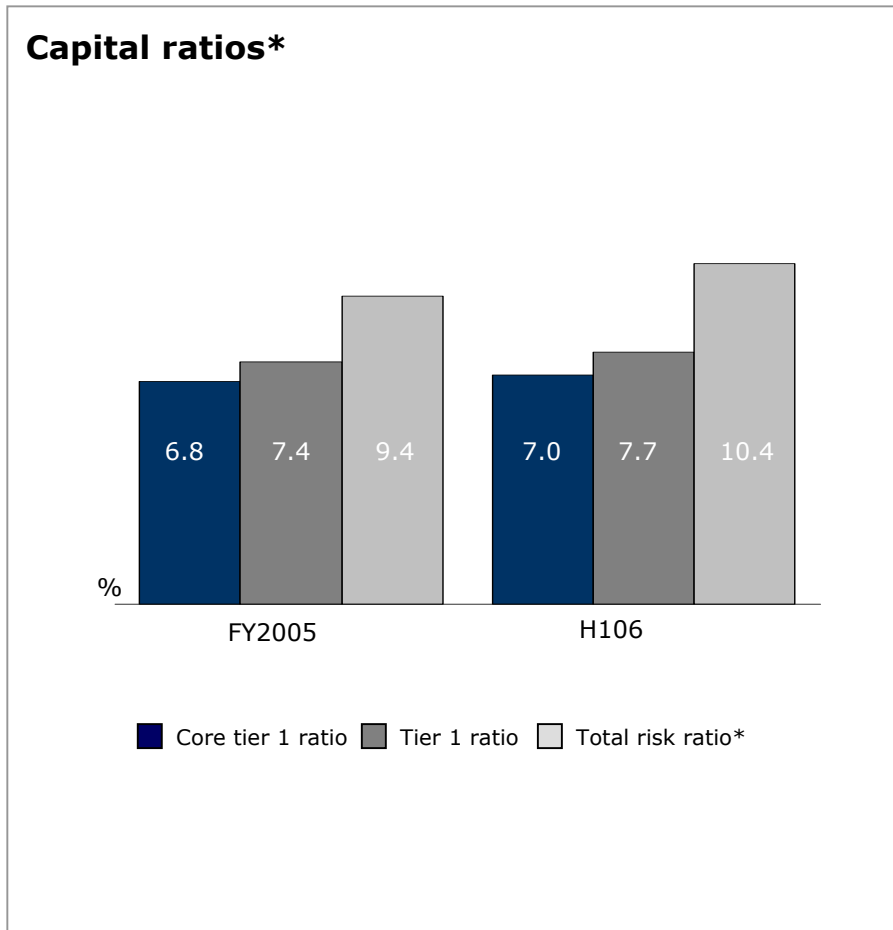


\* Including Sanpaolo Banca dell'Adriatico



€ MM	H105	H106	Var.
Mutual funds and fund-based portfolio mgt	101,096	104,445	+3.3%
Portfolio management	5,856	6,102	+4.2%
Life technical reserves and life fin. liabilities	44,980	45,280	+0.7%
<b>Asset management</b>	<b>151,932</b>	<b>155,827</b>	<b>+2.6%</b>

€ MM	H1 2006							
	Gross exposure	Var. H106/H105	Var. Q206/Q106	Total adjust.	Net exposure	Var. H106/H105	Var. Q206/Q106	Coverage
<b>Doubtful loans</b>	7,129	-3.8%	-0.2%	4,046	3,083	-6.8%	-2.1%	56.75%
■ <b>Non-performing loans</b>	4,371	-3.5%	+0.6%	3,327	1,044	-5.9%	-1.5%	76.12%
■ <b>Problem and restruct. loans</b>	1,731	+2.2%	+2.4%	543	1,188	+2.5%	+1.7%	31.37%
■ <b>Loans to countries at risk</b>	42	+7.7%	+100.0%	13	29	-	+107.1%	30.95%
■ <b>180 day past due loans</b>	985	-13.8%	-9.3%	163	822	-18.6%	-9.5%	16.55%
■ <b>Non performing securities</b>	-	n.r.	n.r.	-	-	n.r.	n.r.	n.r.
<b>Performing loans</b>	144,002	+10.7%	+2.5%	1,171	142,831	+10.7%	+2.5%	0.81%
<b>Perf. debt securities held in port.</b>	1,416	n.r.	-14.1%	-	1,416	n.r.	-14.1%	n.r.
<b>Total loans</b>	152,547	+10.9%	+2.2%	5,217	147,330	+11.2%	+2.2%	3.42%



\* Solvency ratios as at 31 December 2005 have been reworked compared to figures from the 2005 Financial Statements in order to take into account the introduction of definitive provisions and specific transition regulations to IAS/IFRS published by the Bank of Italy in April 2006

## IMPORTANT INFORMATION

In connection with the proposed business combination, the required information document will be sent to Commissione Nazionale per le Società e la Borsa ( CONSOB ) and, to the extent that the shares issued in connection with the proposed business combination will be required to be registered in the United States, a registration statement on Form F-4, which will include a prospectus, may be filed with the United States Securities and Exchange Commission ( SEC ). If an exemption from the registration requirements of the U.S. Securities Act of 1933 (the Securities Act ) is available, the shares issued in connection with the proposed business combination will be made available within the United States pursuant to such exemption and not pursuant to an effective registration statement on Form F-4. Investors are strongly advised to read the documents that will be sent to CONSOB, the registration statement and prospectus, if and when available, and any other relevant documents sent to CONSOB and/or the SEC, as well as any amendments or supplements to those documents, because they will contain important information. If and when filed, investors may obtain free copies of the registration statement, the prospectus as well as other relevant documents filed with the SEC, at the SEC s web site at [www.sec.gov](http://www.sec.gov) and will receive information at an appropriate time on how to obtain these transaction-related documents for free from the parties involved or a duly appointed agent.

This communication does not constitute an offer to purchase, sell or exchange or the solicitation of an offer to purchase, sell or exchange any securities, nor shall there be any purchase, sale or exchange of securities in any jurisdiction in which such offer, solicitation or sale or exchange would be unlawful prior to the registration or qualification under the laws of such jurisdiction. The distribution of this communication may, in some countries, be restricted by law or regulation. Accordingly, persons who come into possession of this document should inform themselves of and observe these restrictions. To the fullest extent permitted by applicable law, the companies involved in the proposed business combination disclaim any responsibility or liability for the violation of such restrictions by any person.

The shares to be issued in connection with the proposed business combination may not be offered or sold in the United States except pursuant to an effective registration statement under the Securities Act or pursuant to a valid exemption from registration.