Istituto Bancario San Paolo di Torino
Istituto Mobiliare Italiano S.p.A.

Quarterly report as of March 31, 1999

SANPAOLO IMI

Società per Azioni
Registered office: Piazza San Carlo 156, Turin, Italy
Secondary head office: Viale dell'Arte 25, Rome, Italy
Turin Company Register No. 4382/91

Parent Bank of the Sanpaolo IMI Banking Group
Member of the Interbank Deposit Guarantee Fund

Contents

Key figures

	31/3/1999 (Euro/m)	31/3/1999 (L/bln)	31/3/1998 pro-forma (L/bln)	31/12/1998 (L/bln)	Change 3/99-3/98 (%)
CONSOLIDATED STATEMENT OF INCOME					
Net interest income	562	1,089	1,310	5,134	-16.9
Net commissions	474	918	777	3,365	+18.1
Net interest and other banking income	1,147	2,221	2,407	9,336	-7.7
Operating income	516	1,000	1,177	4,269	-15.0
Net income before extraordinary items, income taxes and minority interest	413	799	750	2,868	+6.5
Net income	228	442	433	1,760	+2.1
CONSOLIDATED BALANCE SHEET					
Total assets	155,805	301,679	n.a.	306,490	n.a.
Loans to customers	84,358	163,340	178,516	168,241	-8.5
Securities	27,353	52,962	n.a.	49,816	n.a.
Equity investments	1,779	3,444	n.a.	2,559	n.a.
Due to customers and securities issued	94,060	182,126	207,862	188,590	-12.4
Subordinated liabilities	1,466	2,838	3,228	2,925	-12.1
Shareholders' equity	8,898	17,228	16,962	16,784	+1.6
FINANCIAL ASSETS OF CUSTOMERS					
Total customer assets	246,634	477,550	460,243	467,130	+3.8
• Direct deposits	94,060	182,126	207,862	188,590	-12.4
• Indirect deposits	152,574	295,424	252,381	278,540	+17.1
• Asset administration	60,876	117,872	120,156	117,232	-1.9
• Asset management	91,698	177,552	132,225	161,308	+34.3
• Mutual funds	66,787	129,318	97,034	114,935	+33.3
• Portfolio management	16,628	32,197	23,817	31,523	+35.2
• Insurance	8,282	16,037	11,374	14,850	+41.0
PROFITABILITY RATIOS (%)					
Annualized RoE (Net income/Average Shareholders' Equity, excluding net income of period)		10.5	10.5	11.3	
Cost / Income ratio		55.0	51.1	54.3	
Net commissions/Net interest & other banking income		41.3	32.3	36.0	
CREDIT QUALITY RATIOS (%)					
Net non-performing loans / Total net customer loans		2.3	2.8	2.3	
Net problem loans and loans being restructured / Total net customer loans		1.8	2.1	1.9	
CAPITAL ADEQUACY RATIOS (%)					
Tier 1 capital / Risk-weighted assets		–	–	9.7	
Total capital / Risk-weighted assets		–	–	11.1	
SHARES					
Number of shares (millions)		1,402	1,402	1,402	–
Share price (euro; lire)					
• average	15.081	29,201	20,293	24,796	+43.9
• low	14.160	27,418	17,272	17,272	+58.7
• high	16.520	31,987	25,055	32,123	+27.7
Earnings per share (euro; lire)	0.163	315	309	1,256	+1.9
Dividend per share (euro; lire)	–	–	–	900	–
Dividend / average price for year (%)	–	–	–	3,6	–
Net assets per share (euro; lire)	6.346	12,288	12,098	11,971	+1.6
ORGANIZATION					
Employees		24,496	25,093	24,527	-2.4
Domestic branches		1,348	1,331	1,346	+1.3
Foreign branches and representative offices		74	75	75	-1.3
Financial consultants		4,501	3,985	4,473	+12.9

The figures for first-quarter 1999 and 1998 are unaudited.

Group structure
(as of March 31, 1999)

Corporate Centre

Commercial Banking
- Parent Bank
- Banque Sanpaolo (France)
- Sanpaolo Asset Management
- Sanpaolo Fondi
- Sanpaolo Vita
- Sanpaolo Bank (Luxembourg)
- Sanpaolo Bank (Austria)
- Sanpaolo Fiduciaria
- Sanpaolo Gestion Internationale (Luxembourg)
- Sanpaolo Leasint
- Finconsumo

Large Corporate
- Parent Bank
- IMI Lease
- Sanpaolo Bank Ireland

Public Entities and Infrastructures
- Parent Bank
- Crediop (*)

Investment Banking
- Banca IMI Group
  - *Banca IMI*
  - *Intersim*
  - *IMI Sigeco UK*
  - *IMI Bank* (Luxembourg)
  - *IMI Investments* (Luxembourg)
  - *IMI Capital Markets USA*
  - *Mabon Securities* (USA)

Personal Financial Services
- Fideuram Group
  - *Banca Fideuram*
  - *Fideuram Fondi*
  - *Fideuram Vita*
  - *IMI Fideuram Asset Mgt*
  - *Fonditalia Mgt* (Luxembourg)
  - *Fideuram GPM*
  - *Fideuram Bank* (Luxembourg)
  - *Interfund Advisory Co* (Luxembourg)
  - *Fideuram Assicurazioni*
  - *Fideuram Fiduciaria*
- Sanpaolo Invest

Merchant Banking
- Parent Bank
- LDV Holding (Netherlands)

Loan Recovery (Workout)
- Parent Bank
- Sanpaolo Immobiliare

Other main Group equity investments
- IMI International (Luxembourg)
- Sanpaolo US Financial (USA)
- IMIBANK International Madeira (Portugal)
- Sanpaolo Riscossioni Genova
- Sanpaolo Riscossioni Prato

Other Investments
- Banco Santander Central Hispano (1%)
- Telecom Italia (0.75%)
- INA (3.72%)
- UNIM (2.56%)
- Mediaset (0.33%)

(*) Control over this company is expected to cease during 1999.

Reclassified consolidated statement of income

	1st quarter 1999 (Euro/m)	1st quarter 1999 (L/bln)	1st quarter 1998 pro forma (L/bln)	Full year 1998 (L/bln)	Change 1st qtr. 99/98 (%)
NET INTEREST INCOME	562	1,089	1,310	5,134	-16.9
Net commissions and other net income	474	918	777	3,365	+18.1
Profits (losses) on financial transactions and dividends on shares	93	179	279	628	-35.8
Profits of companies carried at net equity and dividends on equity interests	18	35	41	209	-14.6
NET INTEREST AND OTHER BANKING INCOME	1,147	2,221	2,407	9,336	-7.7
Administrative costs	-602	-1,166	-1,187	-4,832	-1.8
• *personnel costs*	*-383*	*-743*	*-754*	*-2,988*	*-1.5*
• *other administrative costs*	*-178*	*-344*	*-349*	*-1,511*	*-1.4*
• *indirect taxes and duties*	*-41*	*-79*	*-84*	*-333*	*-6.0*
Other income, net	42	82	91	359	-9.9
Adjustments to tangible and intangible fixed assets	-71	-137	-134	-594	+2.2
OPERATING INCOME	516	1,000	1,177	4,269	-15.0
Net adjustments to loans and provisions	-104	-201	-377	-1,271	-46.7
Net adjustments to financial fixed assets	-	-	-50	-130	-100.0
INCOME BEFORE EXTRAORDINARY ITEMS, INCOME TAXES AND MINORITY INTERESTS	412	799	750	2,868	+6.5
Extraordinary income, net	4	8	13	308	-38.5
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	416	807	763	3,176	+5.8
Income taxes for the period	-168	-326	-283	-1,220	+15.2
Change in reserve for general banking risks	-	-	-2	-16	-100.0
Net income attributable to minority interests	-20	-39	-45	-180	-13.3
NET INCOME FOR THE PERIOD	228	442	433	1,760	+2.1

The figures for first-quarter 1999 and 1998 are unaudited.

Reclassified consolidated balance sheet

ASSETS	31/3/99 (Euro/m)	31/3/99 (L/bln)	31/12/98 (L/bln)
Cash and deposits with central banks and post offices	599	1,159	815
Loans	103,088	199,606	212,954
• *due from banks*	*18,730*	*36,266*	*44,713*
• *loans to customers*	*84,358*	*163,340*	*168,241*
Dealing securities	25,450	49,278	45,280
Fixed assets	5,615	10,872	10,911
• *investment securities*	*1,903*	*3,684*	*4,536*
• *equity investments*	*1,779*	*3,444*	*2,559*
• *intangible fixed assets*	*284*	*550*	*585*
• *tangible fixed assets*	*1,649*	*3,194*	*3,231*
Differences arising on consolidation and on application of the equity method	51	99	113
Other assets	21,002	40,665	36,417
Total assets	155,805	301,679	306,490

LIABILITIES AND SHAREHOLDERS' EQUITY	31/3/99 (Euro/m)	31/3/99 (L/bln)	31/12/98 (L/bln)
Payables	121,175	234,628	242,346
• *due to banks*	*27,115*	*52,502*	*53,756*
• *due to customers and securities issued*	*94,060*	*182,126*	*188,590*
Provisions	2,407	4,661	4,338
• *provision for taxation*	*1,483*	*2,872*	*2,556*
• *provision for termination indemnities*	*447*	*865*	*844*
• *provision for risks and charges*	*412*	*798*	*810*
• *provision for pensions and similar commitments*	*65*	*126*	*128*
Other liabilities	21,446	41,523	39,335
Subordinated liabilities	1,466	2,838	2,925
Minority interests	414	801	762
Net shareholders' equity	8,897	17,228	16,784
• *equity capital*	*4,345*	*8,413*	*8,413*
• *reserves*	*4,324*	*8,373*	*6,611*
• *net income*	*228*	*442*	*1,760*
Total liabilities and shareholders' equity	155,805	301,679	306,490

The figures for first-quarter 1999 are unaudited.

Report on operations

Group performance

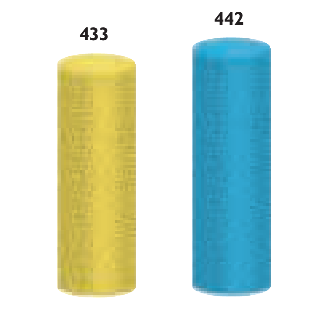
Shareholders,

The Sanpaolo IMI Group's 1st quarter '99 results are in line with budget: net income is 442 billion lire, which is slightly up (+2.1%) on the pro forma net result for the first three months of '98. The pro forma accounts have been reconstructed on a consistent basis to take account, among other things, of the effects of the merger in 1998 between San Paolo and IMI.

This increase in income was possible thanks to the positive trend in net commission income from services (+18.1%), ongoing control of costs (-1.8%) and, above all, a further improvement in asset quality, which translated into a significant reduction in loan writedowns and provisions (-46.7%).

These encouraging trends in commissions, costs and loan writedowns have more than offset the considerable drop in net interest income (-16.9%) and in profits from financial transactions (-35.8%), which were severely affected by the changes that have taken place in the market scenario. The two periods under comparison do in fact look quite different due to the extraordinary reduction in interest rates that took place during the second half of '98, because of the introduction of the European single currency.

The decline in net interest income should be gradually reabsorbed during the course of the year, precisely because it is essentially due to the drop in interest rates in the second half of '98. According to the budget, by the end of '99 net interest income, and hence operating income, will be significantly more reduced.



NET INCOME (in bln of lire)

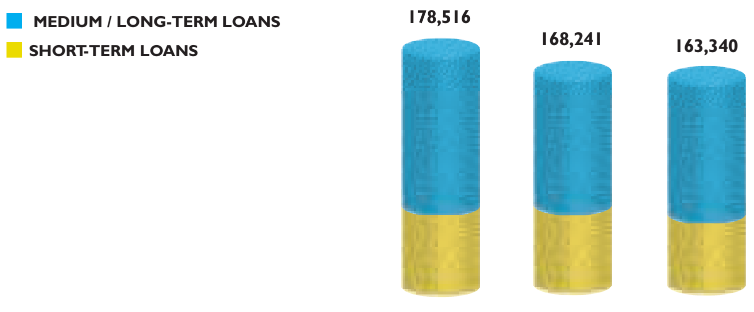
Analysis of results

Looking at these figures in further detail, in the first quarter of '99, the drop in market interest rates has affected net interest income both in terms of a lower return on liquid funds available to the Group, and in terms of lower spreads. The interbank rate has in fact halved, going from 6% to 3% in the last twelve months; while the spread in rates applied to customers has fallen by around 50 basis points, mainly because of the adjustment of floating rates on medium/long-term loans.

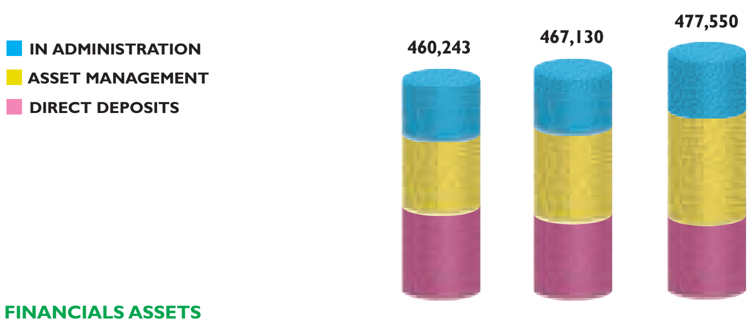
The reduction in net interest income is also a result of the extraordinary dividends of 1,000 billion lire paid out during the course of '98, which lowered the Group's distributable equity, and a reduction in customer volumes handled by the Group.

Loans to customers have in fact gone down by 8.5% over the last twelve months, mainly because of a cutback in short-term business done by the foreign branches and with corporate customers. This is in line with the Group's decision to limit risk as much as possible. Since the beginning of the year, there has been an upswing in medium/long-term loans and, in particular, household loans, especially for mortgages and consumer credit.

Direct customer deposits are down year-on-year by 12.4%. This had an impact on the foreign branches, while on the domestic front, certificates of deposit and repurchase agreements were the main areas to be affected, hit by the process of disintermediation to the benefit of asset management. On the other hand, there has been a 5% increase in sight deposits at Italian branches, the least expensive type of funding.



LOANS TO CUSTOMERS (in bln of lire)



FINANCIALS ASSETS OF CUSTOMERS (in bln of lire)

In any case, total financial assets belonging to customers have gone up by 3.8%, thanks to a substantial contribution from the asset management side of the business. At the end of March, assets under management came to more than 177,000 billion lire, for an increase year-on-year of 34.3% and an inflow during the quarter of more than 16,000 billion lire. In particular:

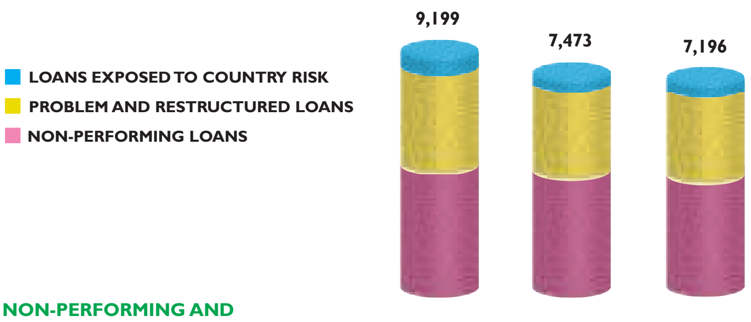
- mutual funds are showing a year-on-year rise of 33.3%, which allows the Bank to confirm its leadership position on the Italian market with a share of 17%;
- portfolio management schemes have increased by 35.2%, thanks to the portion invested in funds;
- insurance policies are up 41%.

The strong growth in mutual funds, portfolio management schemes and insurance policies, together with the rising diversification of investments by Italian households towards higher value-added products such as asset-allocation funds and unit-linked policies, has favoured a strong increase in commissions in the asset management area (+60%) and hence in total net commissions from services (+18.1%).

The decision to reduce the overall risk profile is reflected in the lower level of profits from financial transactions mentioned above (-35.8%). It also has to be said that market conditions in this area were particularly favourable in 1st quarter '98.

The reduction in administrative costs (-1.8%) is mainly thanks to lower personnel costs (-1.5%), steps taken to reduce operating costs (-1.4%) and the drop in indirect taxes and duties (-6%). Personnel costs have benefited in particular from the reduction in members of staff, who in twelve months have gone from 25,093 to 24,496.

The considerable improvement in asset quality is reflected in the huge drop in loan writedowns and provisions (-46.7%). In the first three months of '99, non-performing loans have in fact gone down in net terms by 3.7%, falling from 3,895 billion lire to 3,752 billion lire. Problem loans, restructured loans and those in the course of restructuring have fallen overall by 4.5%, from 3,149 billion to 3,008 billion lire, thanks to a reduction in the flow of new problem loans and higher recoveries due to more incisive debt collection.



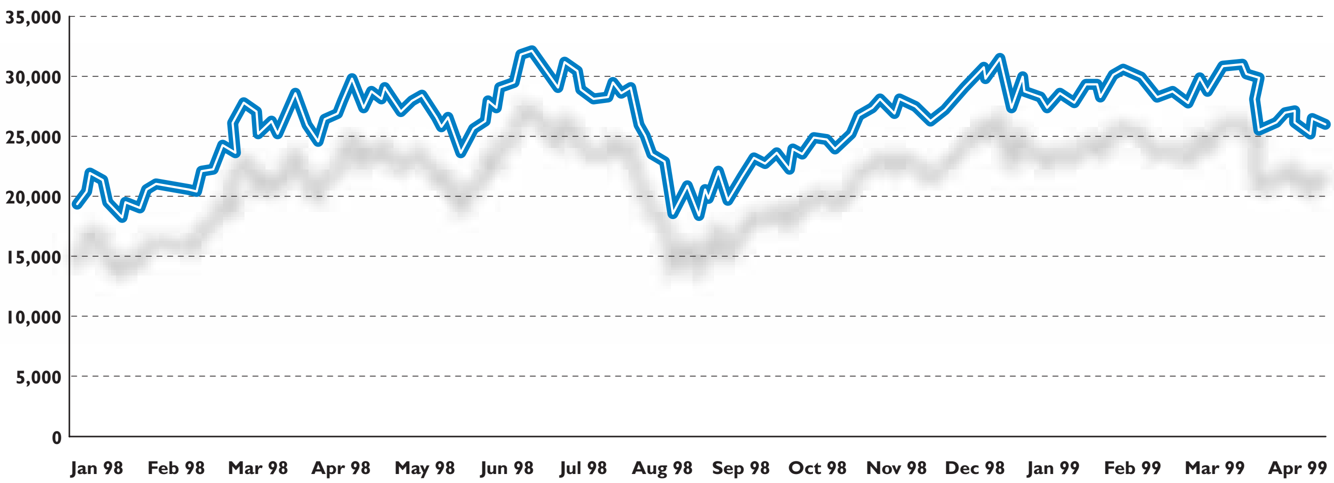
NON-PERFORMING AND PROBLEM LOANS (in bln of lire)

Significant events

1st quarter '99 has seen the completion of various important projects, all of which were discussed in the subsequent events section of the 1998 financial statements. In particular, our investment in Banco Santander has been raised to 1% of the Spanish bank's capital, taking account of the merger with Banco Central Hispano; our stake in INA has been increased from 3% to 3.7%; we have decided to upgrade Sanpaolo Invest, partly by the achievement of bank status; and we have launched a new branch programme which provides for the opening of 130 new branches over the next two years.

In the first quarter of the year, the Sanpaolo IMI Group also made a public share exchange offer for all of the shares of Banca di Roma. The transaction could not proceed in the absence of the necessary authorization of the Bank of Italy.

SANPAOLO IMI'S SHARE PRICE (in lire)



Explanatory notes

Form and content of the quarterly report

The quarterly accounts (balance sheet and statement of income) as of March 31, 1999 are presented in a reclassified format to be consistent with the year-end financial statements as of December 31, 1998. They have been prepared on the basis of the same accounting policies and reference should be made to the year-end financial statements for a detailed description. The following matters are mentioned here in summary form:

- the quarterly accounts have been prepared according to the so-called "discrete approach", treating the quarter as a separate accounting period. This means that the quarterly statement of income only reflects costs and revenues that refer to the quarter on a strict accruals basis and does not take account of non-recurring items expected to arise during the year;
- the scope of consolidation has not changed significantly since March 31, 1998 or December 31, 1998. In particular, we would point out the inclusion of the subsidiary Crediop in the list of companies consolidated on a line-by-line basis: this company was still on the books of the Sanpaolo IMI Banking Group at March 31, 1999, though at some stage during the year it is expected that it will no longer be under the Group's control;
- the accounts used for the consolidation are those prepared by subsidiaries as of March 31, 1999 and adjusted where necessary to bring them into line with Group accounting policies;
- any adjustments and provisions made by fully consolidated companies in their statutory accounts solely for tax purposes have been reversed in the consolidation;
- significant intercompany transactions and balances have been eliminated.

Quarterly accounts do not have to be audited.

Pro forma accounts of the Sanpaolo IMI Group as of March 31, 1998

The pro forma accounts of the Sanpaolo IMI Group as of March 31, 1998 are based on the quarterly results of San Paolo and IMI prior to their merger. These results were then adjusted to bring them into line with Group accounting policies. In particular, writedowns of loans and financial fixed assets have been conventionally adjusted to take account of:

- a more rigorous approach to writedowns for country risk used in the half-year report as of June 30, 1998 in accordance with ABI guidelines;

- loan loss provisions made by IMI SpA at March 31, 1998 which were eliminated in the post-merger financial statements as of December 31, 1998 as part of the value adjustments of the new Bank.

These adjustments entailed a reduction of 156 billion lire in aggregate net income in 1st quarter '98, which makes it comparable with the figure for 1st quarter '99.

Turin, April 30, 1999

The Board of Directors

Pozzo Gros Monti S.p.A. - Torino