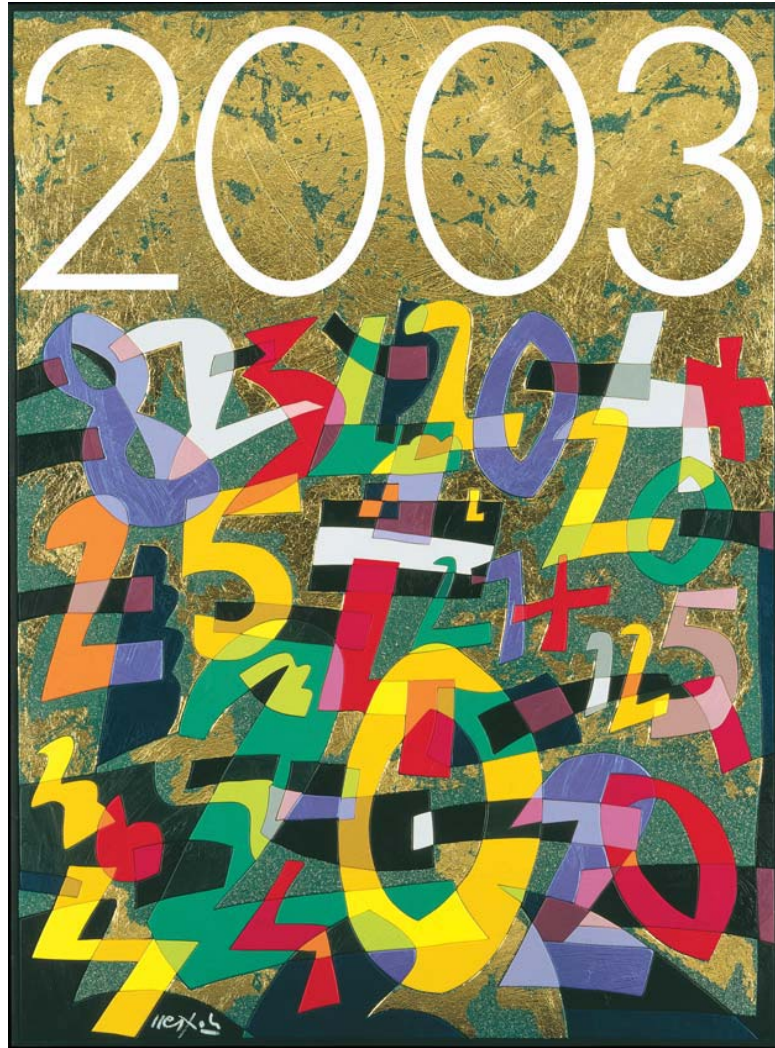


S A N P A O L O I M I



HALF YEAR REPORT 2003

SANPAOLO IMI GROUP

Half Year Report 2003

SANPAOLO IMI S.p.A.

REGISTERED OFFICE: PIAZZA SAN CARLO 156, TURIN, ITALY

SECONDARY OFFICES:

- VIALE DELL'ARTE 25, ROME, ITALY

- VIA FARINI 22, BOLOGNA, ITALY

COMPANY REGISTER OF TURIN 06210280019

SHARE CAPITAL EURO 5,144,064,800 FULLY PAID

PARENT BANK OF THE SANPAOLO IMI BANKING GROUP

MEMBER OF THE INTERBANK DEPOSIT GUARANTEE FUND

Board of Directors

Luigi Arcuti	<i>Honorary Chairman</i>
Rainer Stefano Masera (*)	<i>Chairman</i>
Pio Bussolotto (*)	<i>Managing Director</i>
Alberto Carmi	<i>Director</i>
Giuseppe Fontana	<i>Director</i>
Richard Gardner	<i>Director</i>
Alfonso Iozzo (*)	<i>Managing Director</i>
Mario Manuli	<i>Director</i>
Luigi Maranzana (*)	<i>Managing Director</i>
Antonio Maria Marocco	<i>Director</i>
Virgilio Marrone (*)	<i>Director</i>
Abel Matutes	<i>Director</i>
Iti Mihalich (*)	<i>Director</i>
Anthony Orsatelli (**)	<i>Director</i>
Emilio Ottolenghi	<i>Director</i>
Orazio Rossi (*)	<i>Deputy Chairman</i>
Gian Guido Sacchi Morsiani	<i>Director</i>
Enrico Salza (*)	<i>Deputy Chairman</i>
Remi François Vermeiren	<i>Director</i>

() Members of the Executive Committee*

*(**) Appointed by the Board of Directors, in accordance with Art. 2386 of the Italian Civil Code, replacing M.me Isabelle Bouillot, Member of the Board of Directors, who resigned on 2 September 2003.*

Board of Statutory Auditors

Mario Paolillo	<i>Chairman</i>
Aureliano Benedetti	<i>Auditor</i>
Maurizio Dallochio	<i>Auditor</i>
Paolo Mazzi	<i>Auditor</i>
Enrico Vitali	<i>Auditor</i>
Stefania Bortoletti	<i>Supplementary Auditor</i>
Antonio Ottavi	<i>Supplementary Auditor</i>

Independent Auditors

PricewaterhouseCoopers S.p.A.

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Key figures

	First half 2003	First half 2002 pro forma (1)	Change first half 2003 / First half 2002 pro forma (%)	2002 pro forma (1)
CONSOLIDATED STATEMENT OF INCOME (€/mil)				
Net interest income	1,919	1,881	+2.0	3,775
Net commissions and other net dealing revenues	1,428	1,416	+0.8	2,866
Administrative costs	-2,329	-2,322	+0.3	-4,700
Operating income	1,356	1,314	+3.2	2,367
Provisions and net adjustments to loans and financial fixed assets	-320	-310	+3.2	-1,426
Income before extraordinary items	956	917	+4.3	723
Net income of the Group	441	603	-26.9	901
CONSOLIDATED BALANCE SHEET (€/mil)				
Total assets	214,605	208,675	+2.8	204,841
Loans to customers (excluding NPLs and SGA loans)	127,732	121,879	+4.8	125,257
Securities	28,174	28,358	-0.6	22,137
Equity investments	3,860	4,043	-4.5	4,015
Subordinated liabilities	6,784	6,147	+10.4	6,605
Shareholders' equity of the Group	10,423	10,406	+0.2	10,554
CUSTOMER FINANCIAL ASSETS (€/mil)				
Customer financial assets	376,042	365,643	+2.8	363,896
- Direct deposits	137,245	137,211	+0.0	137,884
- Indirect deposits	238,797	228,432	+4.5	226,012
- Asset management	145,861	139,144	+4.8	138,135
- Asset administration	92,936	89,288	+4.1	87,877
PROFITABILITY RATIOS (%)				
Annualized RoE (2)	8.4	11.3		8.4
Cost / Income ratio (3)	61.9	62.6		65.4
Net commissions / Administrative costs	61.3	61.0		61.0
CREDIT RISK RATIOS (%)				
Net non-performing loans / Net loans to customers	1.0	1.1		1.0
Net problem loans and loans in restructuring / Net loans to customers	1.2	1.2		1.1
SOLVENCY RATIOS (%) (4)				
Tier 1 ratio	7.1	7.2		7.3
Total ratio	10.4	10.0		10.7
SHARES				
Number of shares (millions)	1,837	1,837	-	1,837
Quoted price per share (€)				
- average	6.964	11.638	-40.2	9.439
- low	5.796	9.479	-38.9	5.231
- high	8.539	13.702	-37.7	13.702
Earnings / Average number of shares in circulation (€)	0.24	0.33	-26.9	0.49
Dividend per share (€)				0.30
Dividend per share / Average annual price (%)				3.18
Book value per share (€) (5)	5.67	5.66	+0.2	5.75
OPERATING STRUCTURE				
Employees	46,237	47,222	-2.1	46,456
Domestic branches	3,126	3,107	+0.6	3,115
Foreign branches and representative offices	178	170	+4.7	176
Financial planners	4,828	5,205	-7.2	4,951

(1) The pro forma figures have been prepared, according to the criteria detailed in the Explanatory Notes, assuming, from 1/1/2002, the line by line consolidation of Eptaconsors and Inter-Europa Bank, the proportional consolidation of Cassa dei Risparmi di Forlì, the valuation at equity of Finconsumo Banca and the exclusion of IMIVWeb Bank from the consolidation area.

(2) Annualized net income / Average net shareholders' equity.

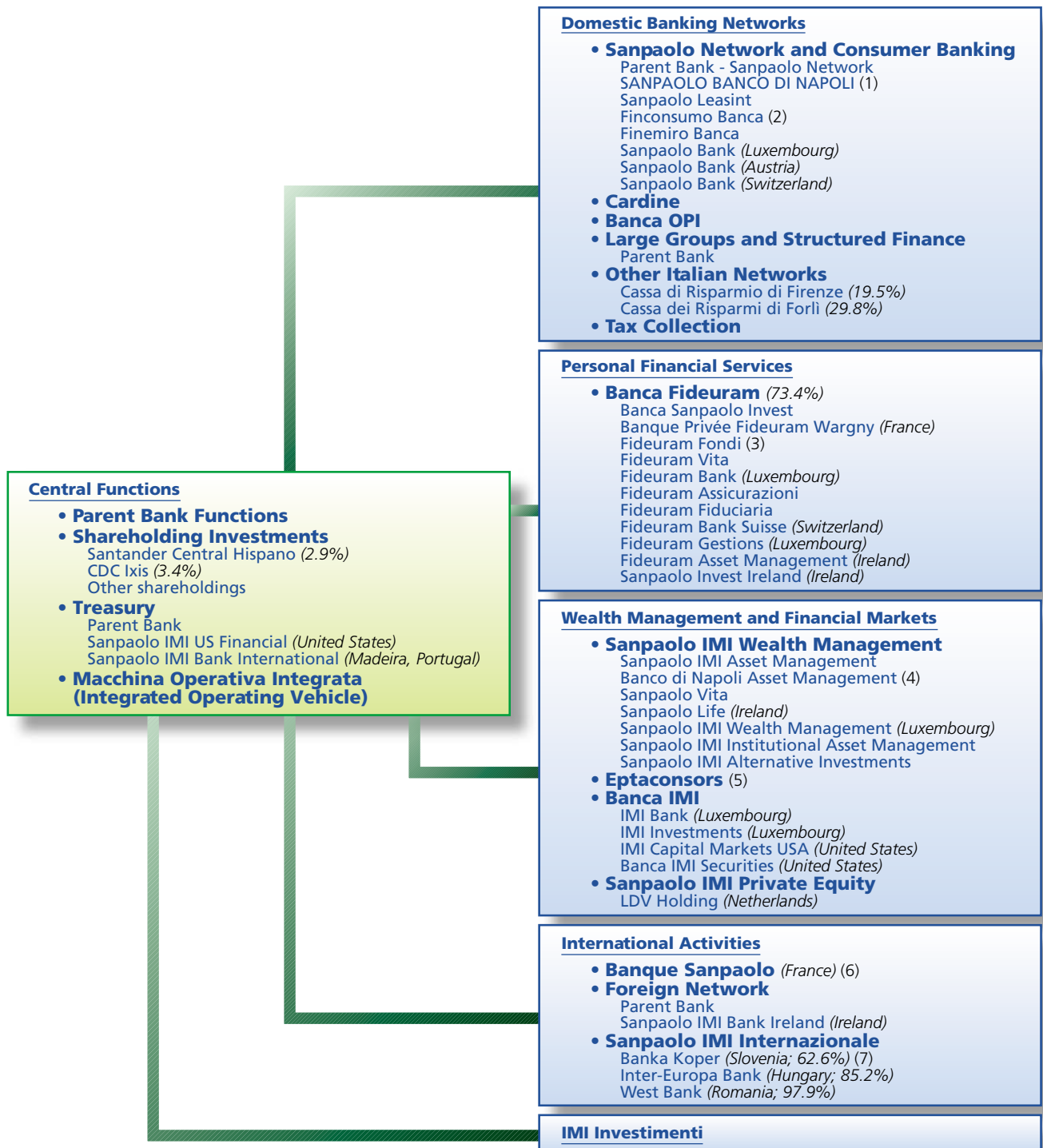
(3) Administrative costs (excluding indirect duties and taxes) and amortization (excluding adjustments to goodwill and merger and consolidation differences) / Net interest and other banking income (including other net income).

(4) Solvency ratios at 30/6/2002 and 31/12/2002 are not pro forma.

(5) Net shareholders' equity / Number of shares in circulation.

The pro forma figures for the first half of 2002 and for the year 2002 are unaudited.

Group structure



(1) New company, operating since 1 July 2003, to which the branches of the former Banco di Napoli in the regions of Campania, Apulia, Calabria and Basilicata have been transferred and which, from 29 September 2003, will include the branches of the Sanpaolo Network operating in this area.

(2) The 50% stake held by SANPAOLO IMI will be sold to Santander Central Hispano following the agreement signed on 3 March 2003.

(3) On 1 July the company adopted the name Fideuram Investimenti.

(4) On 4 March 2003 Bank of Italy authorized the merger by incorporation of Banco di Napoli Asset Management into Sanpaolo IMI Asset Management, effective as of 1 September 2003.

(5) On 30 June 2003 the share rose from 60.7% to 100% following the acquisition of the stakes held by Banca Carige and Banco di Sardegna.

(6) On 31 July 2003 an agreement was reached for the sale of the French subsidiary to Caisse Nationale des Caisses d'Epargne.

(7) On 21 August 2003 the share rose from 62.1% to 62.6% following the exercise of a put option by the shareholders of Banka Koper.

Consolidated Half Year Report

RECLASSIFIED CONSOLIDATED FINANCIAL STATEMENTS

REPORT ON OPERATIONS

INDEPENDENT AUDITORS' REPORT

CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS

ATTACHMENTS

Reclassified consolidated financial statements

RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

QUARTERLY ANALYSIS OF THE RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

RECLASSIFIED CONSOLIDATED BALANCE SHEET

QUARTERLY ANALYSIS OF THE RECLASSIFIED CONSOLIDATED BALANCE SHEET

Reclassified consolidated statement of income

	First half 2003 (€/mil)	First half 2002 pro forma (1) (€/mil)	Change first half 2003 / First half 2002 pro forma (%)	2002 pro forma (1) (€/mil)
NET INTEREST INCOME	1,919	1,881	+2.0	3,775
Net commissions and other net dealing revenues	1,428	1,416	+0.8	2,866
Profits and losses from financial transactions and dividends on shares	267	214	+24.8	300
Profits from companies carried at equity and dividends from shareholdings	139	184	-24.5	293
NET INTEREST AND OTHER BANKING INCOME	3,753	3,695	+1.6	7,234
Administrative costs	-2,329	-2,322	+0.3	-4,700
- personnel	-1,449	-1,436	+0.9	-2,888
- other administrative costs	-745	-754	-1.2	-1,551
- indirect duties and taxes	-135	-132	+2.3	-261
Other operating income, net	162	169	-4.1	354
Adjustments to tangible and intangible fixed assets	-230	-228	+0.9	-521
OPERATING INCOME	1,356	1,314	+3.2	2,367
Adjustments to goodwill and merger and consolidation differences	-80	-87	-8.0	-218
Provisions and net adjustments to loans and financial fixed assets	-320	-310	+3.2	-1,426
INCOME BEFORE EXTRAORDINARY ITEMS	956	917	+4.3	723
Net extraordinary income/expense	-172	137	n.s.	321
INCOME BEFORE TAXES	784	1,054	-25.6	1,044
Income taxes for the period	-322	-420	-23.3	-463
Change in reserves for general banking risks	-	-2	n.s.	363
Income attributable to minority interests	-21	-29	-27.6	-43
NET INCOME	441	603	-26.9	901

(1) The pro forma consolidated balance sheets for the first half of 2002 and for the year 2002, which are unaudited, were prepared according to the criteria detailed in the Explanatory Notes to enable consistent comparison with the consolidated financial statements for the first half of 2003. The pro forma schedules reflect the line by line consolidation of Inter-Europa Bank and Eptaconsors and the proportional consolidation of Cariforli as of 1 January 2002, as well as the exclusion of IMIWeb Bank from the line by line consolidation area and of Finconsumo Banca from the proportional consolidation area as of the same date.

Quarterly analysis of the reclassified consolidated statement of income

	2003		2002 pro forma (1)				Quarterly average
	Second quarter (€/mil)	First quarter pro forma (1) (€/mil)	Fourth quarter (€/mil)	Third quarter (€/mil)	Second quarter (€/mil)	First quarter (€/mil)	
NET INTEREST INCOME	964	955	958	936	952	929	944
Net commissions and other net dealing revenues	730	698	769	681	704	712	717
Profits and losses from financial transactions and dividends on shares	183	84	67	19	128	86	75
Profits from companies carried at equity and dividends from shareholdings	90	49	54	55	135	49	73
NET INTEREST AND OTHER BANKING INCOME	1,967	1,786	1,848	1,691	1,919	1,776	1,809
Administrative costs	-1,182	-1,147	-1,236	-1,142	-1,188	-1,134	-1,175
- <i>personnel</i>	-732	-717	-752	-700	-728	-708	-722
- <i>other administrative costs</i>	-382	-363	-415	-382	-389	-365	-388
- <i>indirect duties and taxes</i>	-68	-67	-69	-60	-71	-61	-65
Other operating income, net	81	81	92	93	91	78	88
Adjustments to tangible and intangible fixed assets	-120	-110	-162	-131	-116	-112	-130
OPERATING INCOME	746	610	542	511	706	608	592
Adjustments to goodwill and merger and consolidation differences	-46	-34	-91	-40	-45	-42	-54
Provisions and net adjustments to loans and financial fixed assets	-186	-134	-662	-454	-154	-156	-357
INCOME BEFORE EXTRAORDINARY ITEMS	514	442	-211	17	507	410	181
Net extraordinary income/expense	-214	42	150	34	81	56	80
INCOME BEFORE TAXES	300	484	-61	51	588	466	261
Income taxes for the period	-128	-194	35	-78	-247	-173	-116
Change in reserves for general banking risks	-	-	352	13	-2	-	91
Income attributable to minority interests	-12	-9	-	-14	-15	-14	-11
NET INCOME	160	281	326	-28	324	279	225

(1) The pro forma consolidated balance sheets, which are unaudited, were prepared according to the criteria detailed in the Explanatory Notes to enable consistent comparison. The pro forma schedules reflect the line by line consolidation of Inter-Europa Bank and Eptaconsors and the proportional consolidation of Cariforli as of 1 January 2002, the exclusion of IMIWeb Bank from the line by line consolidation area and of Finconsumo Banca from the proportional consolidation area as of the same date and, for the first quarter of 2002 only, the line by line consolidation of the former Cardine Group, taking place for the first time as of 30 June 2002, with accounting effect as of 1 January 2002.

Reclassified consolidated balance sheet

	30/6/2003 (€/mil)	30/6/2002 pro forma (1) (€/mil)	Change 30/6/03-30/6/02 pro forma (%)	31/12/2002 pro forma (1) (€/mil)
ASSETS				
Cash and deposits with central banks and post offices	980	1,098	-10.7	1,508
Loans	151,344	148,044	+2.2	150,117
- due from banks	21,129	23,046	-8.3	22,268
- loans to customers	130,215	124,998	+4.2	127,849
Dealing securities	24,805	24,696	+0.4	19,217
Fixed assets	9,804	10,639	-7.8	9,615
- investment securities	3,369	3,662	-8.0	2,920
- equity investments	3,860	4,043	-4.5	4,015
- intangible fixed assets	372	426	-12.7	433
- tangible fixed assets	2,203	2,508	-12.2	2,247
Differences arising on consolidation and on application of the equity method	1,027	1,195	-14.1	1,080
Other assets	26,645	23,003	+15.8	23,304
Total assets	214,605	208,675	+2.8	204,841
LIABILITIES				
Payables	165,842	167,679	-1.1	162,513
- due to banks	28,597	30,468	-6.1	24,629
- due to customers and securities issued	137,245	137,211	+0.0	137,884
Provisions	3,718	4,218	-11.9	3,844
- for taxation	460	1,099	-58.1	681
- for termination indemnities	971	995	-2.4	967
- for risks and charges	1,939	1,776	+9.2	1,848
- for pensions and similar	348	348	-	348
Other liabilities	27,546	19,780	+39.3	20,983
Subordinated liabilities	6,784	6,147	+10.4	6,605
Minority interests	292	445	-34.4	342
Shareholders' equity	10,423	10,406	+0.2	10,554
Total liabilities	214,605	208,675	+2.8	204,841
GUARANTEES AND COMMITMENTS				
Guarantees given	18,309	16,661	+9.9	20,590
Commitments	31,696	25,983	+22.0	27,997

(1) The pro forma consolidated balance sheets as of 30 June 2002 and 31 December 2002, which are unaudited, were prepared according to the criteria detailed in the Explanatory Notes to enable consistent comparison with the consolidated financial statements as of 30 June 2003. The pro forma schedules reflect the line by line consolidation of Inter-Europa Bank and Eptaconsors and the proportional consolidation of Cariforli as of 1 January 2002, as well as the exclusion of IMIWeb Bank from the line by line consolidation area and of Finconsumo Banca from the proportional consolidation area as of the same date.

Quarterly analysis of the reclassified consolidated balance sheet

	2003		2002 pro forma (1)			
	30/6 (€/mil)	31/3 pro forma (1) (€/mil)	31/12 (€/mil)	30/9 (€/mil)	30/6 (€/mil)	31/3 (€/mil)
ASSETS						
Cash and deposits with central banks and post offices	980	973	1,508	1,124	1,098	1,512
Loans	151,344	153,064	150,117	147,096	148,044	148,827
- due from banks	21,129	23,742	22,268	22,289	23,046	21,597
- loans to customers	130,215	129,322	127,849	124,807	124,998	127,230
Dealing securities	24,805	20,715	19,217	23,293	24,696	25,306
Fixed assets	9,804	10,121	9,615	10,068	10,639	11,707
- investment securities	3,369	3,475	2,920	3,138	3,662	3,950
- equity investments	3,860	4,044	4,015	4,091	4,043	4,754
- intangible fixed assets	372	404	433	406	426	447
- tangible fixed assets	2,203	2,198	2,247	2,433	2,508	2,556
Differences arising on consolidation and on application of the equity method	1,027	1,055	1,080	1,148	1,195	1,175
Other assets	26,645	22,359	23,304	23,145	23,003	23,175
Total assets	214,605	208,287	204,841	205,874	208,675	211,702
LIABILITIES						
Payables	165,842	167,389	162,513	164,721	167,679	169,550
- due to banks	28,597	28,117	24,629	27,104	30,468	33,216
- due to customers and securities issued	137,245	139,272	137,884	137,617	137,211	136,334
Provisions	3,718	3,958	3,844	4,333	4,218	4,635
- for taxation	460	873	681	1,219	1,099	1,445
- for termination indemnities	971	971	967	975	995	998
- for risks and charges	1,939	1,766	1,848	1,792	1,776	1,817
- for pensions and similar	348	348	348	347	348	375
Other liabilities	27,546	19,237	20,983	19,809	19,780	19,659
Subordinated liabilities	6,784	6,533	6,605	6,210	6,147	5,785
Minority interests	292	354	342	437	445	805
Shareholders' equity	10,423	10,816	10,554	10,364	10,406	11,268
Total liabilities	214,605	208,287	204,841	205,874	208,675	211,702

(1) The pro forma consolidated balance sheets, which are unaudited, were prepared according to the criteria detailed in the Explanatory Notes to enable consistent comparison. The pro forma schedules reflect the line by line consolidation of Inter-Europa Bank and Eptaconsors and the proportional consolidation of Cariforli as of 1 January 2002, the exclusion of IMIWeb Bank from the line by line consolidation area and of Finconsumo Banca from the proportional consolidation area as of the same date, and, for the first quarter of 2002 only, the line by line consolidation of the former Cardine Group, taking place for the first time as of 30 June 2002, with accounting effect as of 1 January 2002.

Report on Operations

ECONOMIC BACKGROUND

ACTION POINTS AND INITIATIVES IN THE FIRST HALF

CONSOLIDATED RESULTS

EMBEDDED VALUE OF THE LIFE PORTFOLIO

OPERATING VOLUMES AND ORGANIZATION

CAPITAL AND RESERVES

RISK MANAGEMENT AND CONTROL

SUPPLEMENTARY INFORMATION

GROUP BUSINESS AREAS

DEVELOPMENTS IN THE SECOND HALF OF THE YEAR

Economic background

The international context

During the first half of 2003 international economic growth continued to be modest: tending towards recovery in the United States, Japan and emerging areas on the whole, but in persistent difficulty in Europe.

The half year, especially in the early months, was negatively characterized both by the worries that accompanied the developments of the military operations in Iraq, renewed tension in the Middle East and the SARS epidemic in Asia, and by the continuing weakness of international commerce and domestic demand in mature economies. During the latter part of the half year the impulse which followed the adoption of particularly expansive taxation and monetary policies, especially in the United States, and the reduction of previous factors of uncertainty, partially countered the weak market situation and renewed operators' expectations regarding the recovery of the international economy during the second half of the year.

In the United States, growth during the first quarter was weak (+1.4% annualized). Despite the maintenance of consumption levels, the negative trend of corporate investments and foreign demand dragged production to modest growth rates. During the second quarter the particularly aggressive dynamics of fiscal and monetary policies and the gradual recovery of the confidence of companies began to stimulate domestic demand once more, making a decisive contribution to economic growth (+3.1% annualized) which was higher than expected.

In Japan preliminary estimates relating to the second quarter of 2003 show slight signs of the recovery of private demand, especially in investments. The GDP growth rate, estimated as being over 1% in the first half year, could be positive for the third consecutive half year.

Emerging economies showed considerable resilience to the difficulties suffered by the market situation in mature countries.

In Latin America, the improvement of economic prospects in the area and the recommencement of international aid programs sustained the supply of financing from foreign investors, a condition which is vital to the growth of an area characterized by a chronic lack of domestic savings.

In Eastern Europe the weakness of demand for goods from the EU contained the region's growth. The prospect of EU membership, as of 1 May 2004, for ten of the candidate countries favored further restriction of sovereign spreads.

The reduction of fears regarding the spread of SARS limited the negative repercussions of the epidemic on the performance of Asian economies. Despite the slowing down of exports and incoming capital flows, the movement of domestic demand and the expansion of regional commerce continued to ensure the Asian area higher growth than that of the other emerging areas.

The euro-zone and Italy

The dynamics of the cycle were particularly adverse in the euro-zone. In the first half of the year, industrial production fell by 0.5%; GDP remained largely stable on the levels of the previous half year, despite significant differences within the area. Domestic product in Germany and Italy actually diminished during the first two quarters, and, during the second quarter, also in France. Consumption grew at a modest rate while expenditure for investments continued to follow a negative trend. The weakness of domestic demand was added to by the resizing of export volumes, owing to the considerable rise in the value of the euro and weak international demand.

The market situation made it hard to respect the public financing commitments undertaken by the various countries. The deficit/GDP ratio in Germany and France could even rise above the 3% limit this year. The European Commission and the main international bodies have focused attention on the need for European countries to confidently go ahead with extensive structural reforms, introducing greater flexibility into the labor market and taking weight off the welfare systems, especially as regards pensions. The growth of the whole area could also be strengthened by the realization, with the contribution of private capital, of an extensive investment program in infrastructure.

The rate of inflation in the area fell during the half year, approaching the Central Bank reference target (2%). The trend in inflation and the tendency of the single currency to rise in value favored an expansive monetary policy by the ECB, which cut the policy rate by 75 basis points in two operations during the half year, taking it to 2%.

GDP in Italy has fallen, albeit modestly, for two consecutive quarters since the beginning of the year, for the first time since 1992. The drop in fixed investments has heavily penalized the manufacturing sector, the prospects of which are affected considerably by increased international competition. Despite the weak economic conditions, the rate of inflation has shown no signs of slowing down, remaining higher than the European average at around 2.7% during the whole half year.

Banking industry

During the first half year of 2003, the negative performance of the domestic product slowed down the growth of bank loans. However the total aggregate during the period rose by 2.3% (+5.7% trend in June), sustained largely by medium/long-term loans (+5.5%) which, in turn, benefited from the positive contribution of household mortgages (+8.4%) and from the extension process applied to the repayment of debt by companies. Short-term loans however fell by 1.2%.

During the first half year of 2003, the direct deposits of banks registered a 2.6% increase (+5% trend in June). The contained growth of current account deposits (+1.8%) and the reduction in repurchase agreements (-10.8%), following the considerable flow of monetary reserves towards bond and liquid funds, were more than compensated for by the lively trend in bonds (+3.4%) and funding from abroad (+7.9%), which rose again after a negative 2002.

With the fall in the money market rates, the short-term banking spread fell by 24 basis points during the first half year. The change was caused by a more substantial drop in the average rates for short-term loans (-59 basis points) compared with the average rates on payable current accounts (-35 basis points). The drop in rates involved long-term banking rates, receivable and payable.

Securities brokerage

After a largely negative first quarter, the international stock exchanges improved significantly in April-June 2003, owing to a lessening of the geopolitical uncertainty that characterized the first quarter and to the appearance of

signs of recovery by some confidence indicators, especially in the United States.

In the first half of 2003, in the United States the Dow Jones Industrial Average earned 7.7%, the S&P500 10.8% and the Nasdaq Composite 21.5%; in Japan the Nikkei 225 rose 5.9%; lastly, in Europe the DJ Euro Stoxx earned 2.9%, thanks largely to the good performance of the financial, technological and telecommunications, industrial and utilities sectors.

During the first half of 2003, in Italy the MIB30 and MIB-TEL earned 5%. Exchanges amounted to 344 billion euro, with a daily average of about 2.8 billion, up compared with the 2.5 billion of the first half of 2002. Stock market capitalization at the end of June rose to 481 billion euro compared with 458 at the end of 2002 (36.6% of GDP).

On the primary market, investment flows channeled through a Public Offer were concentrated into two transactions, both aimed at the stock exchange introduction of companies, for a total flow of 0.4 billion euro (compared with 0.7 billion during the first six months of 2002). The funds obtained by the listed companies through capital increases rose to 4.6 billion euro (compared with 1.3 billion in the first half of 2002), associated with 16 transactions (6 in the first half of 2002).

Asset management

The trend in asset management flows and amounts became positive again during the half year. The amounts of investment funds managed by Italian brokers rose by 6%, reaching 494.3 billion euro at the end of June (net of unconnected OICR - Collective Savings Investment Organizations fund of funds). The change in the amount benefited both from a positive performance effect and from consistent net flows (20.7 billion). This inverted the negative cycle that began in 2001. Investors allocated their capital mainly to liquidity and bond funds, while equity and balanced funds continued to register net outflows.

Among the other asset management components, life insurance continued to show a sustained performance of premium flows.

Action points and initiatives in the first half

Integration of distribution networks

During the first half of 2003, the initiatives to put into effect the plan to develop and rationalize the distribution networks of the SANPAOLO IMI Group continued, with the aim to introduce gradually the model already successfully adopted by the Sanpaolo Network, based upon the specialization of the operating points and better suited to satisfying the needs of the various types of customers.

At full capacity, the Group territorial presence in banking activity should cover a certain number of territorial areas and bank networks with light central structures, which will provide uniform and complete supervision of the respective territory.

Integration of the Sanpaolo and Banco di Napoli networks and incorporation of SANPAOLO BANCO DI NAPOLI

The realization of the model found a first immediate application in the territorial reorganization of the distribution structures of Sanpaolo and Banco di Napoli, following the merger between SANPAOLO IMI and the Neapolitan bank on 31 December 2002.

During the half year work commenced on the activities necessary for the integration of the Sanpaolo and Banco di Napoli branches from a commercial, credit, organizational and IT perspective. In particular:

- at the beginning of the year the network was reorganized into territorial areas with unitary responsibility for the Sanpaolo and Banco di Napoli branches;
- the organization model of the Sanpaolo networks, based on specialization by the type of customer served, was extended then gradually to the Banco di Napoli branches: before the end of the year, after integration with the Banco di Napoli structures, the Sanpaolo Network will have around 150 operating points and 60 detached teams dedicated to companies, as well as over 20 branches and around 50 modules and detached units serving private customers;
- the SANPAOLO IMI IT systems have been extended to the Banco di Napoli branches. The operation involved over 750 operating points and was completed in June.

The half year was also characterized by the incorporation of SANPAOLO BANCO DI NAPOLI, the Group's new bank into which all the Sanpaolo and Banco di Napoli branches operating in the four Southern regions of mainland Italy will be spun off. The regions in question are Campania, Apulia, Calabria and Basilicata. The transfer is organized into two phases, in order to consider organizational and IT needs connected with the completion of the operation. On 1 July, 626 Banco di Napoli branches and operating points were integrated. The 129 Sanpaolo operating points in the same area will be spun off at the end of September.

At full operating level, SANPAOLO BANCO DI NAPOLI will have 755 operating points. The new company will serve more than one million customers, including over 20,000 companies. It will employ around 6,000 members of staff. Loans to customers will total around 9 billion euro, while customer financial assets will total around 37 billion, represented by 17 billion in direct deposits, 14 billion in asset management and 6 billion in asset administration. Net shareholders' equity will total around 1.2 billion euro, to which 400 million in subordinated loans will be added, thus allowing a solvency ratio of more than 8%.

Integration of the Cardine network

It is expected that the Group distribution model, introduced into SANPAOLO BANCO DI NAPOLI, will also be applied to the Cardine network. The extension of this model to the North-East regions will be preceded by the integration between SANPAOLO IMI and Cardine Finanziaria, by way of the merger by incorporation of the latter company before the end of 2003 and the centralization into the Parent Bank of its support functions (Macchina Operativa Integrata and Logistics).

In line with the need to rationalize the bank networks, on 25 March 2003 the Board of Directors of SANPAOLO IMI decided to proceed with a voluntary Public Offer for the ordinary shares of Banca Popolare dell'Adriatico, a company listed on the restricted market, in which the Parent Bank already indirectly held 71.76% of the share capital.

The Offer, which began on 28 May 2003, included all the ordinary shares in circulation, excluding those already indirectly held by SANPAOLO IMI, at a price of 7.26 euro per share. When the operation closed on 18 June 2003, the shares acquired represented 93.40% of the securities subject to the Offer and 26.38% of the issuer's share capital. This acceptance threshold enabled SANPAOLO IMI to reach

a total share of 98.14%, above the level of effectiveness of the Offer. As of 24 June 2003, the ordinary shares of Banca Popolare dell'Adriatico ceased to be quoted on the restricted market; moreover, having exceeded the shareholding threshold of 98%, SANPAOLO IMI will exercise the right to purchase the remaining shares.

Still on 25 March, the Board of Directors of the Bank approved concentration of the activities of Banca Agricola di Cerea into the Cassa di Risparmio di Padova e Rovigo. The transaction was completed on 1 June 2003, through the merger by incorporation of Banca Agricola di Cerea into Cassa di Risparmio di Padova e Rovigo.

During the second half year the merger between the two savings banks of Friuli Venezia Giulia, controlled entirely by Cardine Finanziaria, Cassa di Risparmio di Udine e Pordenone and Cassa di Risparmio di Gorizia, is expected to take place, with the formation of a new regional bank. This transaction, which will increase the strong link with the reference territory, pursues the aim to improve efficiency and optimize the equity structure.

Development initiatives in Italy

On 1 July 2003 SANPAOLO IMI reached a draft agreement with Banca delle Marche, Fondazione CR Jesi, Fondazione CR Provincia di Macerata and Fondazione CR Pesaro for the acquisition of a strategic share of the Banca delle Marche share capital. According to the agreement, subscribed by the parties on 16 July 2003, SANPAOLO IMI would take over a 7% share of the capital of Banca delle Marche, of which 4.8% directly from the bank and 2.2% from the Fondazioni; SANPAOLO IMI has granted the latter a put option on 8% of the bank's capital, exercisable before 31/12/2006. The purchase price arranged for the 7% stake is 1.77 euro per share, equivalent to total outlay of 92.1 million euro.

The agreement also provides for a collaboration agreement aimed at developing commercial and operating synergies in wealth management, investment banking, corporate and international banking and in the financing of public works.

Banca delle Marche, leader in one of Italy's most dynamic regions, operates for retail customers and small- and medium-sized companies through a network of over 260 branches in Central Italy, of which 234 situated in the

Marche. The bank has around 711 million euro in own funds and manages customer financial assets totaling almost 14 billion euro and around 9 billion euro in customer loans.

For SANPAOLO IMI the acquisition is part of a development project that prioritizes alliances or aggregations with medium-sized banks rooted in their reference territories and equipped with operating networks concentrated in territorial areas of particular interest. The completion of the transaction is subject to obtainment of the authorizations from the Regulatory Authorities provided for by current regulations.

On 12 May 2003 the transfer by Fondazione Cassa dei Risparmi di Forlì of an 11.66% share of its capital to SANPAOLO IMI and Cassa di Risparmio di Firenze was completed. The transaction, linked with the exercise of the first tranche of the put option granted by to the same Fondazione, involved 11,140,493 shares, for a total price of 90 million euro. For SANPAOLO IMI, the shares subject to purchase amount to 8,355,370, equal to 8.75% of the share capital, for a cost of 68 million euro; the investment in Cassa dei Risparmi di Forlì held by the Group rose from 21.02% to 29.77%.

In this manner the industrial partnership between SANPAOLO IMI, Cassa dei Risparmi di Forlì and Cassa di Risparmio di Firenze strengthened, a partnership which already found an application in numerous initiatives set up in the field of retail banking, asset management, loans and credit risk management, in the foreign sector and in finance, investment banking and the public works sector.

Commercial agreements and alliances with international partners

On 31 July 2003 SANPAOLO IMI and Caisse Nationale des Caisses d'Épargne (CNCE) reached an agreement for the sale to the latter of the majority share in the French subsidiary Banque Sanpaolo. The transaction provides for the immediate sale in exchange for cash of a 60% share of Banque Sanpaolo and a put and call option system for the remaining 40%, exercisable after four years, liable to extension by two, in exchange for cash or shares in one of the companies of the CNCE Group. The initiative, which is part of the context of the strategic agreements defined in 2001 between SANPAOLO IMI and EULIA, the French holding company created by the Caisse des Dépôts et

Consignations Group and by the Caisse d'Epargne Group, will enable SANPAOLO IMI to maintain an important position in France and the Caisse d'Epargne Group to strengthen and complete its distribution structure through the realization of a leading entity in services to small- and medium-sized companies.

During the half year, SANPAOLO IMI and Santander Central Hispano continued the industrial collaboration initiatives and, in this light, reached an agreement for the development of a pan European project in the wholesale distribution of third party mutual funds. At the base of the agreement there is the constitution of a joint venture between the two banking Groups, which provides for the acquisition by the SANPAOLO IMI Group of a 50% shareholding of Allfunds Bank S.A., a company wholly owned by Santander Central Hispano and operating in the placement of third party funds with institutional customers. SANPAOLO IMI, which with this transaction will have the opportunity to enter a sector which is not yet covered, and Santander Central Hispano intend to develop the joint venture in order to consolidate their leadership at European level; for this purpose the two banking Groups will aim at identifying potential strategic partners.

The initiatives to rationalize the Group structure

On 3 March 2003, SANPAOLO IMI and Santander Central Hispano, both in possession of a 50% share of Finconsumo Banca, reached an agreement which provides for the sale of the share held by SANPAOLO IMI to Santander Central Hispano. The transaction, which is part of the rationalization of the respective shareholdings, will determine, at consolidated level, a total gross capital gain of 104 million euro. The agreement provides for the sale of an initial share of 20% at a total price of 60 million euro, while on the remaining 30% it establishes the mutual concession of put options to SANPAOLO IMI and call options to Santander Central Hispano, exercisable from the end of 2003 for a period of 12 months, at a total price of 80 million euro. The completion of the transaction, following obtainment of the necessary authorizations, took place on 8 September 2003.

On 30 June 2003, SANPAOLO IMI, Banca Carige and Banco di Sardegna stipulated an agreement which provides for the sale to the SANPAOLO IMI Group of the shares in Eptaconsors held by Banca Carige and Banco di Sardegna and equal to 20.24% and 19.04% of the com-

pany, respectively. SANPAOLO IMI, which already held 60.72% of Eptaconsors, now holds full control over the company; this will enable continued rationalization of its shareholdings in asset management, also enhancing the equity of Eptaconsors in the context of current and future strategic projects. The transaction was completed at a total price of around 36.2 million euro, variable depending on the subsequent exploitation of several equity components.

Lastly, on 2 July 2003, SANPAOLO IMI subscribed an agreement with Unipol Assicurazioni for the acquisition of 51% of Noricum Vita, an insurance company which sells its own products through the branches of Cassa di Risparmio in Bologna and Banca Popolare dell'Adriatico, and in which SANPAOLO IMI already holds a 44% share through Cardine Finanziaria. The transaction will involve a total outlay of 40.3 million euro, including a majority premium equal to 15% of the company's economic capital. For SANPAOLO IMI, the transaction, which will be conditioned by the required authorization from Regulatory Authorities, is part of the rationalization of the activities taken over with the merger with Cardine Banca and allows consolidation of the already relevant presence in the insurance sector.

Consistent with the forecasts of the 2003-2005 Plan, the decision was made to use the "Income, employment and re-training fund for staff in the banking industry" ("Fondo di solidarietà per il sostegno del reddito, dell'occupazione e della riconversione e riqualificazione professionale del Personale del Credito"). This will enable the Group not only to absorb excess personnel by offering staff leaving incentives, but also to implement a rejuvenation of staff, the benefits of which, in terms of savings on personnel expenses, represent the main cost synergies already incorporated in the Plan. The staff leaving incentive is part of the wider project for the rationalization of the Group structure, which also includes the previously mentioned transactions involving Banque Sanpaolo and Finconsumo Banca, already contractually defined but not yet booked, as well as the project for the disposal of real estate which is not instrumental, in which interest has already been shown by some primary Italian and foreign investors.

Development initiatives in foreign markets

On 25 February 2003 Sanpaolo IMI Internazionale approved the launch of a Public Offer on the Hungarian bank Inter-Europa Bank, of which SANPAOLO IMI already owned a 32.5% share. The Offer, launched on 17 March

by Sanpaolo IMI Internazionale (to whom the interest held by the Parent Bank was transferred on 4 April), was concluded on 15 April with the delivery of a number of shares equal to an amount of 52.7% of the share capital of the bank, bringing the total shareholding held by the SANPAOLO IMI Group to 85.2%. The total outlay for the Offer was 31 million euro.

Agreements with FIAT and Italenergia

In accordance with that provided for by the Framework Agreement in May 2002 between FIAT, on the one side, and SANPAOLO IMI, together with Banca Intesa, Unicredito and Capitalia, on the other, in May 2003 the final contracts were signed for the acquisition by the above mentioned banks from FIAT Auto of 51% of Fidis Retail Italia, leading company in the automobile sector in various European countries for consumer credit activities, at a price in line with the shareholders' equity of the compendium, adjusted according to due diligence (the SANPAOLO IMI outlay will be about 100 million euro). The first execution of these agreements, referred to a first group of companies, was terminated at the time of closing, while the second phase of the transaction, completing the sale of the former Fidis assets, is expected to take place on 30 September 2003. It has been agreed that FIAT Auto can repurchase the shareholding, at a prearranged price, by exercising a call option by 2006.

This transaction completed all the operations provided for by the aforementioned Framework Agreement, including, in particular, the granting of a convertible facility for a total

of 3 billion euro in July 2002 (of which 400 million by SANPAOLO IMI), and the taking over by FIAT of 14% of the capital of Italenergia Bis by Banca Intesa, Capitalia and SANPAOLO IMI, which took over a 4.66% share through IMI Investimenti.

As regards the FIAT group, in July 2003, IMI Investimenti subscribed, for the pro quota attributable, the capital increase of FIAT S.p.A. for a total of 1,836 million euro presented in the context of the automobile group's relaunch plan presented in June; the related outlay was 27.4 million euro. After the increase in capital, the shareholding in FIAT was 1.487% of the total capital (1.618% of the voting rights and 1.827% of the ordinary capital). Banca IMI also took part in the Guarantee Consortium for the capital increase.

In relation to the Italenergia group, in May 2003 there was a capital increase of Edison for 2,095 million euro, subscribed as follows:

- 1,000 million euro from Italenergia Bis;
- 503 million euro from the partners of Italenergia Bis (the IMI Investimenti share being 66 million euro);
- the remaining 592 million euro from the market, within the context of the Offer supervised by a banking placement consortium.

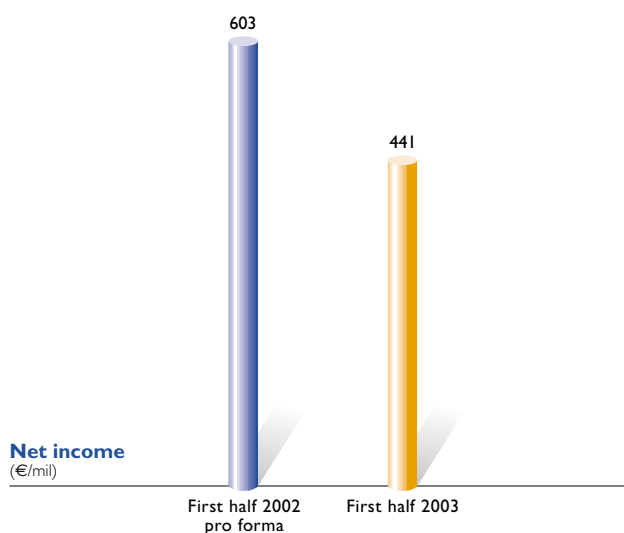
On the new Edison shareholding purchased by the SANPAOLO IMI Group, the extension of the put option towards EDF - Electricité de France for the percentage share referable to the original stake held in Italenergia (corresponding to 41.3 million euro, against the total investment of 66 million euro mentioned earlier), has been negotiated.

Consolidated results

Summary of results

In the first half of 2003, the economic scenario continued to be characterized by a considerable degree of uncertainty, despite showing signs of improvement during the second quarter. In this context, the SANPAOLO IMI Group, in the configuration following the deconsolidation of IMIWeb Bank, the valuation at equity of Finconsumo Banca and the consolidation of Eptaconsors, Inter-Europa Bank and Cassa dei Risparmi di Forlì, showed a positive evolution of the ordinary income margins during the first half of 2003 compared with the same pro forma period of 2002.

The Group benefited from the latest improvement of the stock markets and managed to contrast the impact on the



net interest income generated by the fall in rates. Net interest and other banking income was 3,753 million euro, up 1.6% compared with the same period last year. Constant attention to cost control enabled containment of the increase of administrative costs at 0.3%: consequently, the operating income reached 1,356 million euro, progressing by 3.2% compared with the first half of 2002. Income before extraordinary items reached 956 million euro, with an increase of 4.3%.

The half year net income, equal to 441 million euro compared with the 603 million of the same period during the previous year, was conditioned by booking provisions of extraordinary nature for 270 million euro, concerning the Parent Bank's launch of the staff leaving incentives mentioned earlier, using the "Income, employment and re-training fund for staff in the banking industry".

Net interest income

The net interest income for the first half of 2003 was 1,919 million euro; the rise (+2%) compared with the same period during the previous year was the result of an increase in volumes and a greater spread in transactions with customers.

As regards market rates, three-month Euribor fell by 130 basis points in terms of end period values, from the 3.47% of June 2002 to the 2.17% of June 2003. Comparing the average of the first half of 2003 with that of the same period in 2002, Euribor has fallen 87 basis points. The return on the ten-year BTP, in average terms, recorded a reduction of 114 basis points.

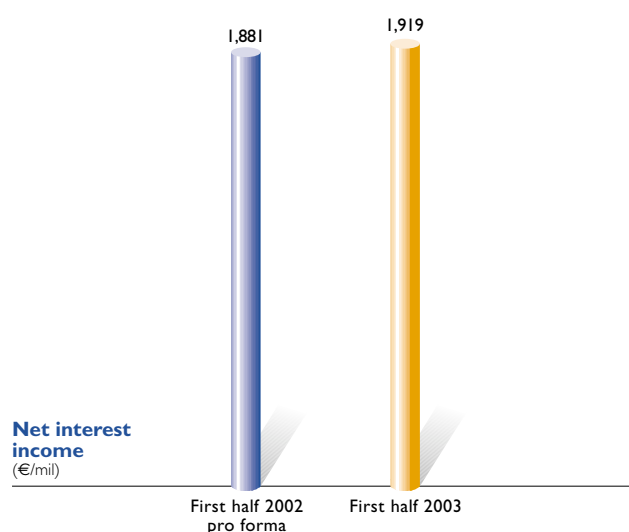
In the first half of 2003, the total average spread was 2.26%, up nine basis points compared with the same

Net interest income

	First half 2003	First half 2002 pro forma	Change first half 2003 / First half 2002 pro forma (%)	2002 pro forma
	(€/mil)	(€/mil)		(€/mil)
Interest income and similar revenues	3,966	4,385	-9.6	8,742
Interest expense and similar charges	-2,065	-2,533	-18.5	-5,002
Reclassification (1)	18	29	-37.9	35
Net interest income	1,919	1,881	+2.0	3,775

(1) The reclassification refers to the interest income relating to the Banca IMI group which, in the interest of a better representation of the SANPAOLO IMI Group results, has been reclassified under "Profits and losses from financial transactions and dividends on shares" as it is more closely related, from an operating point of view, to securities dealing.

period in 2002 following a drop in the rates on interest-bearing liabilities which was greater than the decline in the performance of interest-earning assets. The phenomenon is largely attributable to customer business, of which the average spread between deposits and loans, excluding repurchase agreements, improved by 36 basis



points, reaching 3.08% compared with 2.72% in the first half of 2002.

The average amounts of the Group's interest-earning assets rose by 1.7% compared with the same period in 2002; in this context the average amounts of loans to customers, excluding repurchase agreements, showed an increase of 1.1%. On the liability side, average interest-bearing liabilities rose by 3.4%; the 0.7% drop in average volumes of customer deposits, net of repurchase agreements, is the result of an increase in deposits (+2.5%) and a drop in securities issued (-5.1%).

Net interest and other banking income

The Group's net interest and other banking income in the first half of 2003 was 3,753 million euro, up 1.6% compared with the same period of the previous year.

This activity can be attributed, as well as to the favorable evolution of net interest income, to the positive trend in commissions and profits and losses from financial transactions which more than offset the drop in profits from com-

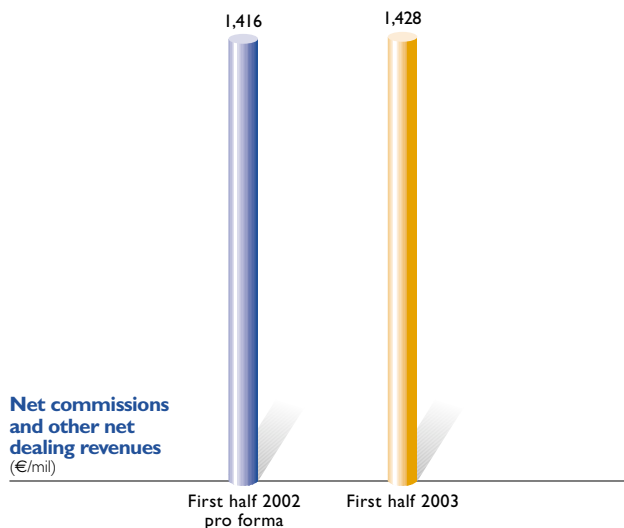
Analysis of average amounts and interest rates

	First half 2003		First half 2002 pro forma		Change first half 2003 / First half 2002 pro forma	
	Average amounts (€mil)	Annualized average rate (%)	Average amounts (€mil)	Annualized average rate (%)	Change average amounts (%)	Difference in rates (points %)
Interest-earning assets	162,199	4.61	159,555	5.17	+1.7	-0.56
- loans to customers (excluding repos)	122,157	5.23	120,835	5.59	+1.1	-0.36
- securities	15,626	3.23	17,574	4.32	-11.1	-1.09
- other interest-earning assets	24,416	2.38	21,146	3.46	+15.5	-1.08
Non interest-earning assets (1)	47,763		51,910		-8.0	
Total assets	209,962		211,465		-0.7	
Interest-bearing liabilities	154,931	2.35	149,791	3.00	+3.4	-0.65
- direct customer deposits (excluding repos)	115,995	2.15	116,815	2.87	-0.7	-0.72
- due to customers	69,629	1.28	67,949	1.72	+2.5	-0.44
- securities issued	46,366	3.46	48,866	4.47	-5.1	-1.01
- other interest-bearing liabilities	38,936	2.94	32,976	3.44	+18.1	-0.50
Non interest-bearing liabilities (1)	44,542		50,976		-12.6	
Shareholders' equity	10,489		10,698		-2.0	
Total liabilities and shareholders' equity	209,962		211,465		-0.7	

(1) This figure includes Banca IMI group's average volumes, in line with the reclassification of the related interest income and expense, reported in the "profits and losses from financial transactions and dividends on shares" caption, being closely connected, from an operating point of view, with the result of the stock broking activities.

panies carried at equity and dividends from shareholdings.

Net commissions amounted to 1,428 million euro, up 0.8% compared with the first half of 2002. Good progress in revenues characterized all the main areas, excluding management, dealing and advisory services, which fell by 4.1%. In particular, commissions from asset management fell by 6.5%, reducing their effect on the total aggregate to 48% from the 52% of the first half of 2002. This reduction is attributable both to the evolution of assets under



management, which was affected by fluctuating share prices, and to the change in the customer financial assets mix, oriented towards more prudent choices in relation to the increased volatility of the markets.

Among the other commission revenues, loans and guarantees and deposits and current accounts rose by 12.6% and 19% respectively, thanks to an increase in operations and interventions on unitary prices.

During the half year the Group's total net commissions accounted for 61.3% of administrative costs and 98.6% of personnel costs, substantially confirming the values registered in the first half of 2002.

Profits from financial transactions and dividends on shares in the first half of 2003 rose by 24.8% to 267 million euro compared with the 214 million of the same period of the previous year. These revenues were formed mainly by income from Banca IMI's and the Parent Bank's dealing activities in securities, exchanges and derivatives. In particular it is worth mentioning the increase in Banca IMI's operations in derivative contracts on interest rates and exchange rates, placed with companies by the bank networks of the Group. Transactions completed during the half year by Sanpaolo Network involved around 1,600 customers, compared with 1,000 during the whole of 2002. The increase in profits from financial transactions compared with the first half of 2002 was also influenced by the

Net interest and other banking income

	First half 2003 (€/mil)	First half 2002 pro forma (€/mil)	Change first half 2003 / First half 2002 pro forma (%)	2002 pro forma (€/mil)
Net interest income	1,919	1,881	+2.0	3,775
Net commissions and other net dealing revenues	1,428	1,416	+0.8	2,866
- management, dealing and advisory services	836	872	-4.1	1,709
- asset management	687	735	-6.5	1,426
- brokerage and custody of securities and currencies	149	137	+8.8	283
- loans and guarantees	125	111	+12.6	253
- collection and payment services	120	116	+3.4	237
- deposits and current accounts	238	200	+19.0	440
- other services and net dealing revenues	109	117	-6.8	227
Profits and losses from financial transactions and dividends on shares	267	214	+24.8	300
Profits from companies carried at equity and dividends from shareholdings	139	184	-24.5	293
Net interest and other banking income	3,753	3,695	+1.6	7,234

exploitation and sale of the equity portfolios of some shareholdings and by the positive impact of the hedging transactions in Banca Fideuram shares carried out against the financial planners' network incentive plans.

Profits from companies carried at equity and dividends from shareholdings, 139 million euro, fell by 24.5% compared with the first half of 2002. In particular during the first six months of the current year:

- profits from companies carried at equity came to 87 million euro compared with 58 million euro for the same period in 2002. This rise is mainly attributable to the insurance subsidiaries, which are significantly expanding;
- dividends paid to the Group by minority shareholdings not included in the consolidation area amounted to 52 million euro, compared with the 126 million for the first half of 2002, which discounted unrepeatable components.

Operating income

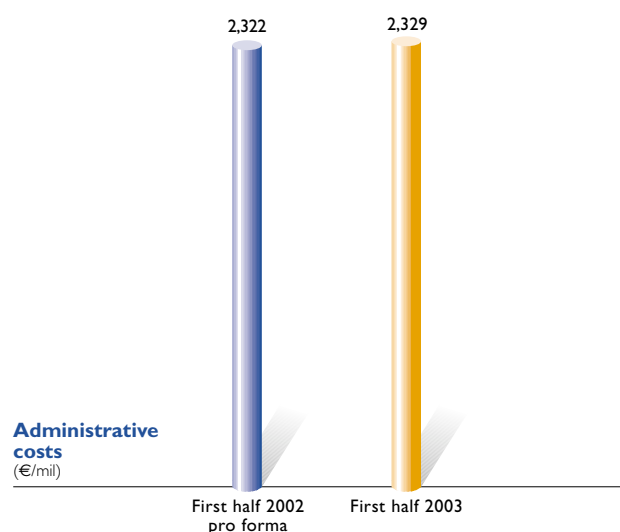
Operating income amounted to 1,356 million euro, a 3.2% increase compared with the first half of 2002.

Cost containment actions enabled limitation of the rise in administrative costs, which amounted to 2,329 million euro in the first half of 2003, to 0.3%.

Personnel costs, equal to 1,449 million euro, showed an increase of 0.9% on the same period for 2002. This is

attributable to the increases provided for by the current national collective labor contract, which were partially offset by the recovery of efficiency made through integration of the distribution networks and the commonality of the business support structures. It should be noted that the actions to optimize staff translated into an average reduction of 2% compared with the same period of 2002.

Other administrative costs amounted to 745 million euro against 754 million in the first half of 2002. The main cost caption is represented by IT costs, which account for around 28% of the total aggregate, followed by property management costs, professional and insurance costs and



Operating income

	First half 2003 (€/mil)	First half 2002 pro forma (€/mil)	Change first half 2003 / First half 2002 pro forma (%)	2002 pro forma (€/mil)
Net interest and other banking income	3,753	3,695	+1.6	7,234
Operating costs	-2,397	-2,381	+0.7	-4,867
- administrative costs	-2,329	-2,322	+0.3	-4,700
- personnel	-1,449	-1,436	+0.9	-2,888
- other administrative costs	-745	-754	-1.2	-1,551
- indirect duties and taxes	-135	-132	+2.3	-261
- other operating income, net	162	169	-4.1	354
- adjustments to tangible fixed assets	-119	-129	-7.8	-298
- adjustments to intangible fixed assets	-111	-99	+12.1	-223
Operating income	1,356	1,314	+3.2	2,367

general costs. The weak dynamics of other administrative costs (-1.2% compared with the same period in 2002) confirm the meticulous control over all types of costs, which enabled savings especially in the context of promotional and advertising, general and property costs.

In the first half of 2003 adjustments to tangible and intangible fixed assets was 230 million euro, just above the value registered in the first half of 2002 (228 million euro). A significant part of this amortization regarded the investments made to strengthen and specialize the commercial network, and to improve and integrate IT systems.

Income before extraordinary items

The Groups' income before extraordinary items came to 956 million euro, up 4.3% compared with the 917 million euro of the first half of 2002.

Adjustments to goodwill and merger and consolidation differences, amounting to 80 million euro, fell by 8% compared with the first half of 2002. This drop is mainly attributable to the completion, at the end of last year, of the ten-year amortization related to the incorporation of the former Banca Provinciale Lombarda and the former Banco Lariano.

Provisions and net adjustments to loans and financial fixed assets came to 320 million euro, compared with 310 million euro for the first six months of last year (+3.2%). The net flow includes:

- 64 million euro of provisions for risks and charges against 98 million in the first half of 2002. The reduction is mainly related to the recalculation of the potential charges in connection with the renegotiation of subsidized home mortgage loans (Art. 29 of Law 133/99), in accordance with the terms established by the Government with the Ministerial Decree dated 31/3/2003;
- 175 million euro of provisions and adjustments for credit risks (155 million in the first half of 2002), largely attributable to the adjustment of the estimated realizable value of specific accounts among doubtful loans;
- 81 million euro of adjustments to financial fixed assets (57 million in the first half of 2002), attributable largely to the shareholdings held by IMI Investimenti in H3G and FIAT. The adjustment of the value of the shareholding in H3G involved the booking of capital loss of 41 million euro, corresponding to the Group's share of the half year loss of the telecom company. In relation to the shareholding in FIAT, the book value reflects the average market price in June 2003 (6.940 euro per share, corresponding to 16 million euro capital loss during the half year). As regards Santander Central Hispano, the recovery of prices, only partially reflected

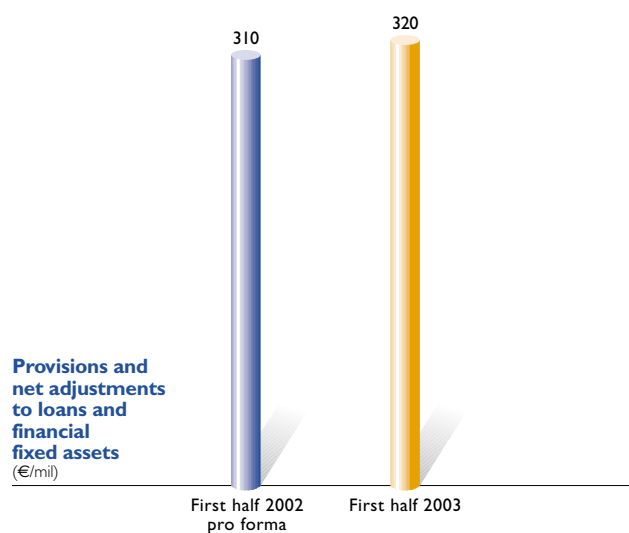
Income before extraordinary items

	First half 2003	First half 2002 pro forma	Change first half 2003 / First half 2002 pro forma (%)	2002 pro forma
	(€/mil)	(€/mil)		(€/mil)
Operating income	1,356	1,314	+3.2	2,367
Adjustments to goodwill and merger and consolidation differences	-80	-87	-8.0	-218
Provisions and net adjustments to loans and financial fixed assets	-320	-310	+3.2	-1,426
- provisions for risks and charges	-64	-98	-34.7	-262
- adjustments to loans and provisions for guarantees and commitments	-175	-155	+12.9	-603
- <i>net writedowns</i>	-308	-269	+14.5	-742
- <i>net provisions for guarantees and commitments</i>	12	3	n.s.	-68
- <i>recoveries</i>	121	111	+9.0	207
- net adjustments to financial fixed assets	-81	-57	+42.1	-561
- <i>net writedowns of equity investments</i>	-71	-56	+26.8	-539
- <i>net writedowns of investment securities</i>	-10	-1	n.s.	-22
Income before extraordinary items	956	917	+4.3	723

in the half year average (6.538 euro per share), involved registration of a recovery in value of 5 million euro. Lastly, the stake in the Polish Kredyt Bank was written down for 7 million euro and adjustments of 10 million were made to some investment securities in the Parent Bank's portfolio.

Net income

The net income of 441 million euro was influenced by 172 million euro net extraordinary expenses, compared with 137 million net extraordinary income booked in the first half of 2002. The net flow for the half year comprises:



- 270 million euro in extraordinary expenses for the Parent Bank, linked with the use of the "Fund for staff in the banking industry" for staff leaving incentives. Provisions for the estimated expense, as the disbursement will take place over a period of several years, is explained by the acquired reasonable certainty regarding the same expense; the accrual has been reduced in relation to a previous provision of 70 million euro in the financial statements of the incorporated Banco di Napoli;
- 17 million euro expenses for use of the tax reform. This amount only partially reflects the Group's total outlay, which also includes 11 million related to insurance subsidiaries, the results of which are recorded using the equity method, and 20 million for which existing tax reserves were used;
- 68 million euro income from the release of reserves for potential expenses in excess largely due to the renegotiation of subsidized home mortgage loans;
- 25 million gains on the sale of shareholdings and the sale of branches;
- 7 million euro gains on the sale of corporate bonds within the context of the redefinition of the investment portfolio management policies following the incorporations completed during 2002.

Because of a tax liability of 322 million euro, the tax rate of the SANPAOLO IMI Group was 41.1%, higher than that recorded in the first half of 2002, despite the two percentage point reduction in IRPEG (Corporate Income Tax) and the half percentage point reduction in IRAP (Regional Income Tax). The increased rate of taxation is explained by

Net income

	First half 2003 (€/mil)	First half 2002 pro forma (€/mil)	Change first half 2003 / First half 2002 pro forma (%)	2002 pro forma (€/mil)
Income before extraordinary items	956	917	+4.3	723
Net extraordinary income / expense	-172	137	n.s.	321
- net gains on disposal of equity investments	14	95	-85.3	154
- other net extraordinary items	-186	42	n.s.	167
Income before taxes	784	1,054	-25.6	1,044
Income taxes for the period	-322	-420	-23.3	-463
Change in reserves for general banking risks	-	-2	n.s.	363
Income attributable to minority interests	-21	-29	-27.6	-43
Net income	441	603	-26.9	901

the lower weight during the half year of several of the Group's profit components with reduced taxation and the dividends and gains from the sale of shareholdings captions exempted from IRAP (Regional Income Tax), against

the importance acquired by expenses related to staff leaving which are not deductible from the IRAP taxable amount. Net of the latter, the Group's tax rate would have been in line with that registered in the first half of 2002.

Embedded value of the life portfolio

The Group's half year net income includes the net accounting result registered by the insurance companies operating in the life sector; in particular:

- Sanpaolo Vita and its subsidiary Sanpaolo Life, belonging to Wealth Management, contributed 36 million euro to the Group's net income;
- Fideuram Vita registered 17 million euro net income.

To understand fully the importance of these results, it should be remembered that one of the most significant indicators of the management performance of an insurance company is the increase registered in a year by the so-called embedded value. The embedded value is an estimate, made using the actuarial techniques, of the economic value of a closed portfolio company, regardless of the value attributable to future production. This is intended as the sum of two elements:

- the company shareholder's equity adjusted to market value as of the date of evaluation;
- the value of the policy portfolio as of the date of evaluation, calculated as the current value of income after taxes, that the portfolio in force is likely to generate over the years until its natural extinction, corrected by the maintenance cost of the capital required to respect the solvency limit.

The calculation of the embedded value of the life insurance business as of 30 June 2003 has been carried out with the assistance of the actuarial divisions of leading consulting companies, according to the following criteria:

- in preparation for the evaluation of the portfolio in force, an actuarial technical examination of the portfolio of contracts held by the companies was carried out. This was joined by a formulation of expected future operating scenarios, important elements of this being the hypotheses assumed with regard to the performance of assets, the mortality rate, the management costs of the portfolio in question, the trend in premature closure due to abnormal causes and options exercised by customers, and the tax burden;
- subsequently, the comparison made with the support of the actuarial procedures of general sharing between the operating scenarios used as reference for the calculation of the premiums related to the current portfolio

and anticipated scenarios, as formulated above, was used to obtain the succession of the estimated values of income that the portfolio will generate during the individual years of remaining life, net of taxes and of the opportunity cost linked with the maintenance of the solvency limit;

- this succession of values was then discounted by applying a discount rate equal to the performance of a non-risk investment, increased to consider the uncertainty of the flow of income as determined above. This is linked to the uncertainty that the operating hypotheses formulated correspond to actual operations.

The hypotheses considered in the formulation of the future operating scenarios anticipated subtend the characteristics of the portfolios of the various companies. In particular, as regards the performance rates of the assets, a curve which refers mainly to the forward rates curve as of 30 June 2003 was used for Sanpaolo Vita, characterized by a yield to maturity of 4.16% on five years and 4.50% on 10 years. A constant rate of 4.80% was considered for Sanpaolo Life. The average performance rate for Fideuram Vita is 4.38% for separate management, 4.45% for guaranteed unit linked management and 4.2% for non guaranteed unit linked management. As regards the discounting rates, an annual rate which is 2.25% higher than the aforementioned rate curve is considered for Sanpaolo Vita, as in the previous evaluations, while discounting rates of 7% and 6.75% have been considered for Sanpaolo Life and Fideuram Vita respectively.

On this basis, an estimate of the increase registered in the first half of 2003 by the embedded value at Group level inherent in the life insurance business was made, considering not only the component implicit in the life insurance companies but also the part of value allocated to other Group companies, to which the companies acknowledge sale, management or maintenance commissions. The results of the estimate are reported in the table below.

The embedded value of the life insurance business in the Group companies that receive sale, management or maintenance commissions is estimated as the current value of specific income, net of costs and after tax, that these companies will register on the policy portfolio until their contractual dissolution.

The change in the embedded value during the first half of 2003, for the Group's life insurance business, was 54 million euro for operations carried out by Wealth

Management and 76 million euro for Banca Fideuram. The added value of the year, considering the dividends distributed by the companies to Group companies (net of

capital increases) and commissions, came to 108 million euro for Wealth Management and 80 million euro for Banca Fideuram.

Embedded value of life insurance business for the Group

	Wealth Management life insurance business (€/mil)	Banca Fideuram life insurance business (€/mil)
Embedded value as of 31/12/2002	899	844
Embedded value as of 30/06/2003	953	920
Change in the embedded value during the first half of 2003	54	76
<i>of which: increase in value attributable to new production</i>	90	84
<i>new policies excluding migration (1)</i>		41
<i>new policies resulting from migration and changes (2)</i>		43
Dividends distributed	26	4
Fees during the period (net of Network costs and taxes)	28	-
Added value for the period	108	80

(1) Excluding the new production from Banca Sanpaolo Invest.

(2) With the contextual drop in the value of the Banca Fideuram asset management portfolio by 12 million euro.

Operating volumes and organization

Assets managed on behalf of customers

At the end of June 2003, customer financial assets amounted to 376 billion euro, up 3.3% from the beginning of the year and 2.8% compared with the value registered in the first half of 2002.

In particular, indirect deposits grew by 5.7% from the end of December 2002 and by 4.5% on the 12 months; the trend for the half year is largely attributable to the

positive performance of the financial markets, which is reflected, on the one side, in new investments, and, on the other, in the revaluation of the existing stock. Direct deposits however have fallen slightly since the beginning of the year, reaching the same levels as the end of June 2002.

Asset management and administration

At the end of June 2003, asset management volumes were 145.9 billion euro, up 5.6% from the end of December 2002 and 4.8% over the 12 months. The net increase from the beginning of the year, equal to 7.7 billion euro, is attributable for 6.1 billion to net flow and 1.6 billion to the revaluation of stocks.

Customer financial assets

	30/6/2003		30/6/2002 pro forma		Change 30/6/03- 30/6/02 pro forma (%)	31/12/2002 pro forma	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Asset management	145,861	38.8	139,144	38.1	+4.8	138,135	38.0
Asset administration	92,936	24.7	89,288	24.4	+4.1	87,877	24.1
Direct deposits	137,245	36.5	137,211	37.5	+0.0	137,884	37.9
Customer financial assets	376,042	100.0	365,643	100.0	+2.8	363,896	100.0

Asset management

	30/6/2003		30/6/2002 pro forma		Change 30/6/03- 30/6/02 pro forma (%)	31/12/2002 pro forma	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Mutual funds and fund-based portfolio management	106,030	72.7	105,888	76.1	+0.1	101,509	73.5
Portfolio management	9,172	6.3	9,635	6.9	-4.8	9,451	6.8
Life technical reserves	30,659	21.0	23,621	17.0	+29.8	27,175	19.7
Asset management	145,861	100.0	139,144	100.0	+4.8	138,135	100.0

Change in assets under management

	First half 2003 (€/mil)	First half 2002 pro forma (€/mil)	2002 pro forma (€/mil)
Net inflow for the period	6,103	1,523	3,723
- Mutual funds and fund-based portfolio management	3,620	-2,201	-3,193
- Portfolio management	-352	-504	-773
- Life policies	2,835	4,228	7,689
Performance effect	1,623	-7,346	-10,555
Change in assets under management	7,726	-5,823	-6,832

In the context of the various products, mutual funds and fund-based portfolio management reached 106 billion euro, in line with the value at the end of June 2002 and up 4.5 billion since the beginning of the year (+4.5%). Despite signs of recovery in share prices, the choices made by customers, confirmed the trend towards types of products of lower added value, such as liquidity funds (from 22.2% of the total at the end of June 2002 to 28.9% at the end of June 2003) and bond funds (from 36.6% to 42.1%). At the end of the half year, the SANPAOLO IMI Group held the top position in the domestic market, with a market share of 21.2%, a tenth of a point higher than that registered at the end of June 2002.

In the first half of 2003, the life insurance sector confirmed the growth already shown during 2002; life technical reserves, equal to 30.7 billion at the end of June 2003, grew by 12.8% from the beginning of the year and by 29.8% compared with the first half of 2002, benefiting

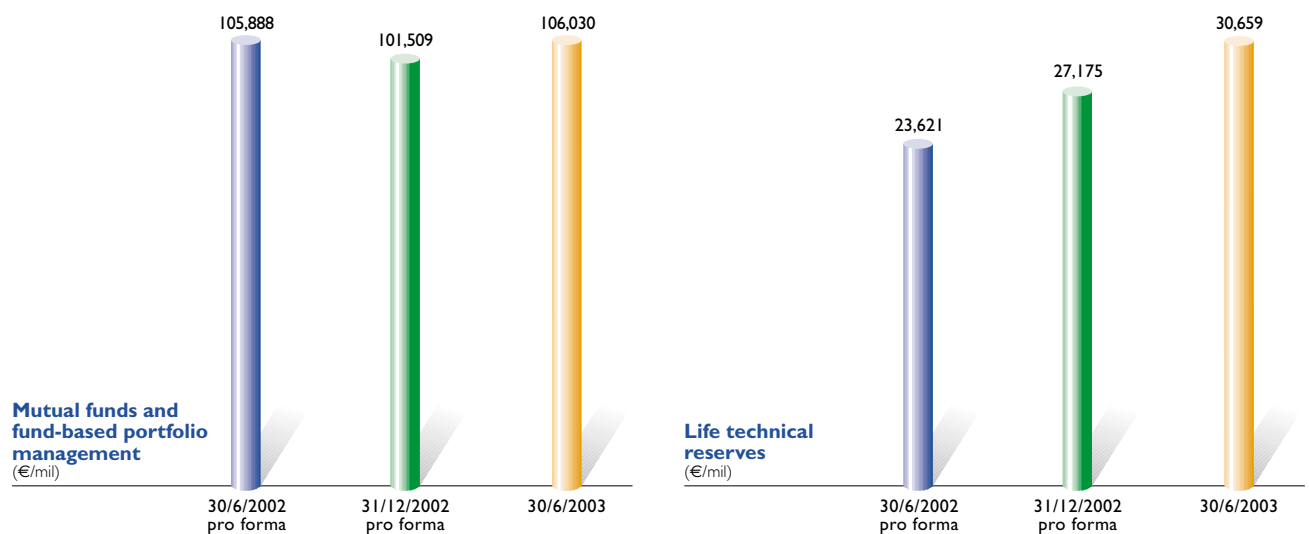
from a net flow of 2.8 billion euro in the half year. Index linked and unit linked policies represented one of the forms of investment preferred by customers who place their assets in the hands of professional consultants.

Also worth noting in the half year is the positive trend in asset administration, with amounts rising to 92.9 billion euro, up 5.1 billion since the end of December 2002 and 4.1% on an annual basis.

Direct deposits

At the end of June 2003, direct customer deposits amounted to 137.2 billion euro, down 0.5% from the beginning of the year and almost similar levels as those reached at the end of June 2002.

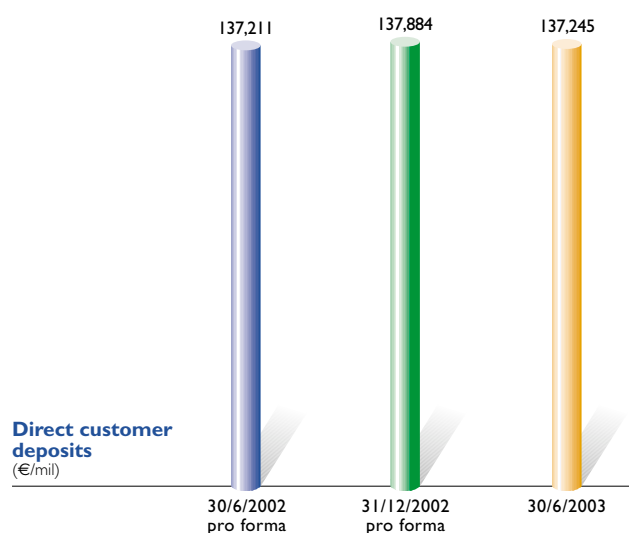
The stability of the aggregate over the 12 months is the result of growth in current accounts and deposits and of



Mutual funds by type

	30/6/2003 (%)	30/6/2002 pro forma (%)	31/12/2002 pro forma (%)
Equity	20.2	28.6	22.4
Balanced	8.8	12.6	10.5
Bond	42.1	36.6	39.3
Liquidity	28.9	22.2	27.8
Total Group mutual funds	100.0	100.0	100.0

repurchase agreements, used as ways of temporary liquidity in this prolonged state of uncertainty on the financial markets, and of a reduction of deposits in the form of securities.



At the end of June 2003, the Group's share of direct deposits on the domestic market was 10.5%, down in comparison to the 10.7% of December 2002 and to the 10.9% of June 2002. This evolution is mainly attributable to certificates of deposit and bonds.

Loans to customers

The Group's net loans to customers, excluding non-performing loans and loans to SGA (the company to which former Banco di Napoli doubtful loans were transferred) reached 127.7 billion euro at the end of June 2003, an increase of 2% since the end of 2002 and 4.8% over the 12 months. This change is the result of a lively trend in medium- and long-term loans, which increased by 5.5% on an annual basis, and a smaller increase in short-term loans (+3.8%).

In medium- and long-term loans, good progress in financings directed to the retail sector continued: mortgage disbursements to households by the Sanpaolo Network in the

Direct customer deposits

	30/6/2003		30/6/2002 pro forma		Change 30/6/03-30/6/02 pro forma (%)	31/12/2002 pro forma	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Current accounts and deposits	70,775	51.6	67,871	49.4	+4.3	71,037	51.5
Certificates of deposit	6,372	4.6	7,445	5.4	-14.4	7,343	5.3
Bonds	38,651	28.1	40,296	29.4	-4.1	39,545	28.7
Commercial paper	3,657	2.7	3,980	2.9	-8.1	4,057	3.0
Reverse repurchase agreements and securities lending	13,694	10.0	12,984	9.5	+5.5	12,967	9.4
Other deposits	4,096	3.0	4,635	3.4	-11.6	2,935	2.1
Direct customer deposits	137,245	100.0	137,211	100.0	+0.0	137,884	100.0

Loans to customers

	30/6/2003		30/6/2002 pro forma		Change 30/6/03-30/6/02 pro forma (%)	31/12/2002 pro forma	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Short-term loans	49,535	38.0	47,736	38.2	+3.8	49,092	38.4
Medium- and long-term loans	78,197	60.1	74,143	59.3	+5.5	76,165	59.6
Loans to customers excluding NPLs and SGA loans	127,732	98.1	121,879	97.5	+4.8	125,257	98.0
Non-performing loans	1,322	1.0	1,427	1.1	-7.4	1,340	1.0
SGA loans	1,161	0.9	1,692	1.4	-31.4	1,252	1.0
Loans to customers	130,215	100.0	124,998	100.0	+4.2	127,849	100.0

first half of 2003 were 1.1 billion euro, more than 20% higher than the first half of last year. These are joined by 0.5 billion disbursed by Cardine bank networks and 0.2 billion by the network of the former Banco di Napoli. The evolution in terms of loans made by Banca OPI for public works and infrastructure, which rose to 18 billion euro at the end of June, up by 11.2% on an annual basis, was also positive.

These results contributed to a growth in loans to the private sector: loans to households presented a variation of

7.1% from the end of June 2002. Loans to governments and public bodies grew by 9.3% in the same period; loans to family businesses and non-financial companies also increased (+3.5%).

The Group's market share in the domestic market at the end of June 2003 was 11% for total loans, showing an increase on the 10.7% of June 2002. More specifically, medium- and long-term loans had a 12.1% share, while short-term loans took 9.8%.

Loans to customers by counterparty

	30/6/2003		30/6/2002 pro forma		Change 30/6/03- 30/6/02 pro forma (%)	31/12/2002 pro forma	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Loans to households	25,125	19.3	23,453	18.8	+7.1	24,268	19.0
Loans to family businesses and non-financial companies	76,191	58.5	73,609	58.9	+3.5	74,447	58.2
Loans to financial companies	13,465	10.3	13,322	10.6	+1.1	14,676	11.5
Loans to governments and public bodies (1)	14,511	11.2	13,277	10.6	+9.3	13,489	10.5
Other	923	0.7	1,337	1.1	-31.0	969	0.8
Loans to customers	130,215	100.0	124,998	100.0	+4.2	127,849	100.0

(1) Excluding Banca OPI's loans to municipalized companies, included among loans to non-financial companies.

Loans to customers by type of lending

	30/6/2003		30/6/2002 pro forma		Change 30/6/03- 30/6/02 pro forma (%)	31/12/2002 pro forma	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Loans to households	25,125	19.3	23,453	18.8	+7.1	24,268	19.0
- Domestic network	23,589	18.1	22,068	17.7	+6.9	22,876	17.9
- overdraft	1,678	1.3	1,716	1.4	-2.2	1,752	1.4
- personal loans	3,003	2.3	2,908	2.3	+3.3	2,865	2.2
- mortgage loans	17,086	13.1	15,913	12.8	+7.4	16,477	12.9
- other	1,822	1.4	1,531	1.2	+19.0	1,782	1.4
- Foreign network	1,536	1.2	1,385	1.1	+10.9	1,392	1.1
Loans to family businesses, companies, governments, public bodies and others	105,090	80.7	101,545	81.2	+3.5	103,581	81.0
- Domestic network	94,258	72.4	88,052	70.4	+7.0	92,448	72.3
- overdraft	16,914	13.0	14,252	11.4	+18.7	15,393	12.0
- repurchase agreements	1,126	0.9	1,336	1.1	-15.7	1,613	1.3
- import/export financing	3,041	2.3	3,020	2.4	+0.7	2,897	2.3
- leasing	4,226	3.2	3,494	2.8	+21.0	4,048	3.2
- mortgage loans	44,006	33.8	41,559	33.2	+5.9	41,962	32.8
- other	24,945	19.2	24,391	19.5	+2.3	26,535	20.7
- Foreign network	10,832	8.3	13,493	10.8	-19.7	11,133	8.7
Loans to customers	130,215	100.0	124,998	100.0	+4.2	127,849	100.0

Loans issued by the Group's foreign network came to 12.4 billion euro, down 16.9% since the end of June 2002. This trend is the result of major selectivity which has enabled reduction of the risk profile with corporate counterparts, and of the effect of the exchange rates linked with the devaluation of the dollar, pound sterling and yen against the euro.

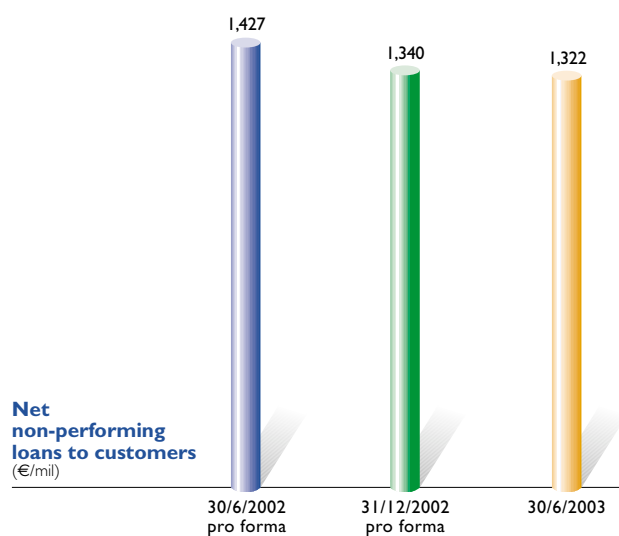
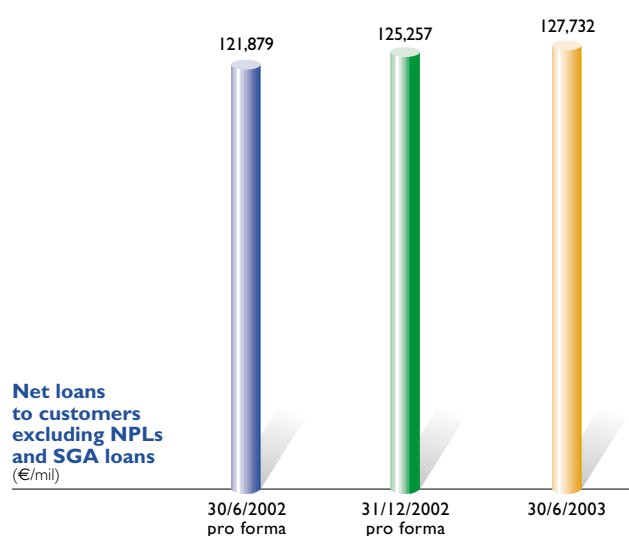
Credit risk in the loan portfolio

Against an economic scenario which is still uncertain, the Group continued to pay strict attention to the quality of assets, extending the adoption of strict loan-issue selection policies and prudent provision policies to all the network banks.

At the end of June 2003, the Group had net doubtful loans for 2,920 million euro, up 0.3% since the beginning

of the year and down 2.3% over the 12 months. More specifically, in loans to customers:

- net non-performing loans were 1,322 million euro against 1,340 million at the end of 2002 (-1.3%) and 1,427 million euro at the end of June 2002 (-7.4%); the ratio of net non-performing loans to net loans to customers was 1%, stable on the values recorded at the beginning of the year. At the end of June 2003, the coverage ratio on Group non-performing loans rose to 69.2% from 68.9% at the end of 2002;
- problem, restructured and in course of restructuring loans were 1,537 million euro, 5.3% up on the end of December 2002 and 5.1% over the 12 months. The coverage ratio was 32.1% against the 30% of the end of 2002;
- non-guaranteed loans to customers in countries subject to country risk fell to 23 million euro from the 59 million at the end of 2002.



Analysis of loan portfolio

	30/6/2003		30/6/2002 pro forma		Change 30/6/03-30/6/02 pro forma (%)	31/12/2002 pro forma	
	Amount (€mil)	%	Amount (€mil)	%		Amount (€mil)	%
Non-performing loans	1,322	1.0	1,427	1.1	-7.4	1,340	1.0
Problem, restructured and in course of restructuring loans	1,537	1.2	1,463	1.2	+5.1	1,460	1.1
Loans to countries at risk - customers	23	0.0	58	0.1	-60.3	59	0.1
Performing loans	127,333	97.8	122,050	97.6	+4.3	124,990	97.8
Total loans to customers	130,215	100.0	124,998	100.0	+4.2	127,849	100.0
Non-performing and problem loans - banks	-		1		n.s.	1	
Loans to countries at risk - banks	38		41		-7.3	51	

In absolute value, the inflow from performing loans to doubtful loans during the first six months of the year was just above the values registered in both halves of 2002. The quality of the loans to customers portfolio was stable in relation to the growth of the same portfolio (the ratio of gross doubtful loans to gross loans to customers reached 4.9%, the same value shown at the end of December 2002).

To cover the risk inherent in the Group's performing loan portfolio, there was a general reserve which, at the end of June 2003, was equal, including reserves for credit risks, to 1,082 million euro, corresponding to 0.9% coverage on performing loans, excluding loans to SGA. In view of the quality achieved by the portfolio, this total provision, which enables maintenance of the coverage stability on performing loans during the half year, offers the Group adequate protection against the risk of deterioration in creditworthiness.

Activities on financial markets

Dealing and treasury activities

In line with the Group Finance organizational model, the Parent Bank continued the centralization of market operations with domestic banking networks and, generally, with the Group companies for which it was believed non-optimal to maintain direct access. In 2003, the integrated treasury activity was consolidated further with an increase in exchanges between Group companies, enabling the realization of univocal intervention strategies with regard to the management of deposits and loans. By the centralized channeling of flows, the integrated treasury guaranteed the domestic banking networks immunity from

financial risk and, through market operations, optimized the Group's exchange rate and liquidity risk. The different structures of the Treasury, in Turin for the euro market, New York for the dollar market and Tokyo and Singapore for the East Asia currencies market, enables a continuous presence on the reference markets, satisfying customer needs and the pursuit of a meticulous policy to diversify funding. In the context of short term deposits, roughly 25% of funding was carried out via the issue of deposit certificates and commercial paper, realized through specialized subsidiaries on the foreign markets.

As regards medium- and long-term funding, also centralized with the Parent Bank in relation to the needs of the banking networks and Group companies adhering to the integrated treasury service, at the end of June 2003, total deposits reached 2.5 billion euro, of which 1.55 billion of senior nature and 0.95 billion of Lower Tier II and Tier III subordinated nature. A considerable amount of the deposits, about 1.7 billion euro, was placed with customers through the domestic banking networks, while a 0.8 billion share was placed on foreign markets. In the context of public transactions, the Parent Bank realized a Lower Tier II subordinated issue for a total amount of 0.35 billion euro.

At the end of the half year 2003, the Group's securities portfolio came to 28.2 billion euro, down 0.6% on the pro forma amount as of 30 June 2002. The investment component fell to 3.4 billion euro, accounting for 12% of the total, in comparison to the 13.2% at the end of the previous year and 12.9% at the end of June 2002.

As of 30 June 2003, the dealing portfolio of the subsidiary Banca IMI was 12.8 billion euro, up 10.3% compared with

Securities, interbank position and derivatives

	30/6/2003		30/6/2002 pro forma		Change 30/6/03- 30/6/02 pro forma (%)	31/12/2002 pro forma	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Investment securities	3,369	12.0	3,662	12.9	-8.0	2,920	13.2
Dealing securities	24,805	88.0	24,696	87.1	+0.4	19,217	86.8
Total securities	28,174	100.0	28,358	100.0	-0.6	22,137	100.0
Loans to banks	21,129		23,046		-8.3	22,268	
Funding from institutional banking organizations	5,925		3,874		+52.9	5,881	
Funding from other banks	22,672		26,594		-14.7	18,748	
Derivatives and forward transactions in foreign currencies (at nominal value)	486,769		384,795		+26.5	354,244	

the 11.6 billion held at 30 June 2002; this included 61% Government and EU public issue bonds and approximately 7% other bonds.

The Parent Bank's bond portfolio at the end of the half year 2003 amounted to 12.2 billion euro, down roughly 16% compared with the end of December 2002. The dealing component of the portfolio amounted to 9.7 billion euro, while the investment component amounted to 2.5 billion euro. On the total of the portfolio at the end of the half year, Government bonds accounted for 39%; bonds from financial and banking issuers represented 58%, while the remaining 3% share comprised corporate bonds and securitization-related issues. The composition of the portfolio was individuated according to fair values such as to maximize the profitability aims and satisfy the secondary liquidity needs of the Bank and the Group companies for which the Parent Bank performs the service of integrated Treasury.

Placement and advisory business

During the half year, despite a poor primary debt market, Banca IMI confirmed its status as one of the main Italian operators, performing the role of leader or sole placer in 34 bond issues, for an amount of over 7 billion euro. The financial institutions sector in particular was characterized by the senior issue of Banca delle Marche and the subordinated issues of SANPAOLO IMI, Caja de Madrid and Findomestic, as well as, for corporate issuers, the issues of GMAC, Hellenic Railways and Deutsche Bank. Lastly, securitization transactions include that carried out by the Cassa Depositi e Prestiti for 3.6 billion euro.

In the equity sector, the first half of 2003 registered a substantial stagnation in the IPO sector as a result of continued uncertainty on the markets, while more interest was shown in capital increases and delistings. With regard to capital increases, Banca IMI confirmed its strong presence on the market, taking part as coordinator in the main transactions carried out in Italy (including Edison, AEM Torino and Reno de Medici) and taking part, acting as guarantor, in two major operations launched on the European market (Banco Comercial Português and the German insurance company Allianz). Lastly, the bank led the placement of Hera, marking the reopening of the IPO market in Italy.

In the delisting sector, it took part as advisor/coordinator in the Public Offers promoted by ENI on the Italgas shares,

by Wide Design on Italdesign Giugiaro and by SANPAOLO IMI on Banca Popolare dell'Adriatico.

In relation to the corporate finance advisory, despite an international downturn in the M&A market, the Italian sector showed signs of recovery. In particular, advisory activities for the country's major industrial groups have been concluded, including advice to Edison for the sale of gas reserves in Egypt, advice to Enel for the exploitation of electricity generation assets and to ENI for the exploitation of assets in the chemical sector.

With reference to the FIAT group, as well as advisory activity on the context of a Global Advisory mandate, the bank served as consultant to Business Solutions for the sale of the majority shareholding in the IPI subsidiary and assisted SANPAOLO IMI in the purchase of the majority shareholding of Fidis Retail Italia, and Sanpaolo IMI Wealth Management in the purchase of Eptafund.

Advisory activities are still underway for the Ministry of Economy and Finance (evaluation for the privatization of ETI), for Buzzi Unicem and Finmeccanica, for the Albanian government (privatizations of fixed telecommunications and energy sectors), for Sanpaolo IMI Wealth Management, Cassa di Risparmio di Firenze, Cassa di Risparmio di Genova and Edison.

Equity investments

The Group's investments in companies that are not consolidated on a line by line basis amounted to 3,860 million euro, with a net decrease of 155 million euro compared with the pro forma value as of 31 December 2002, comprising 194 million euro increases for purchases and subscriptions, 112 million euro decreases for disposals, 71 million euro net adjustments and 166 million euro other net decreases (largely attributable to the transfer of some investments to the dealing securities portfolio for their forthcoming disposal).

Globally, during the half year acquisitions amounted to 194 million euro. The main transactions to purchase companies not consolidated on a line by line basis, mentioned earlier, regarded:

- the increase of the share held in Cassa dei Risparmi di Forlì, from 21.02% to 29.77%;
- the purchase of 25% of Synesis Finanziaria, a new company which took over from FIAT Auto 51% of Fidis Retail Italia S.p.A.;

- the increase of the share held by the Group in Borsa Italiana, from 12.5% to 13.7%, by taking over a 1.2% share from several minority shareholders at the price of 11.8 million euro;
- the purchase of a 1.05% share of Hera, with an outlay of 10.1 million euro, through adhesion to the Global Offer;
- the increase, following participation in the increase of the share capital, in the shareholding in AEM, from the original 1.5% al 2.5%, with an outlay of 9 million euro.

During the half year on the other hand, disposals of shares in companies not consolidated using the line by line method amounted to 112 million euro, realizing capital gains of 18 million euro gross of the tax effect. These include:

- the sale on the market of some equity investments in quoted companies and, in particular, of part of the investments in ENI, Beni Stabili and Banca Popolare di Lodi and of the entire shareholdings in ENEL and Olivetti, for a total of 74.5 million euro;
- the sale of the Group's 1.4% stake in Intesa Asset Management Sgr to Banca Intesa for 7.5 million euro, earning a capital gain of about 7 million euro;
- the sale of the 3.53% stake in C.B.I. Factor to Banca Lombarda, for the price of 2.6 million euro;
- the sale of Finnat Corporate for 1.1 million euro, earning the Group a capital gain of about the same amount.

Other disposals regarded the shareholdings in the context of the merchant banking activity and, particularly, the sale of the entire stake of Davide Campari (already partly disposed of in 2002) and of Wire Industries, for 7.8 million euro.

With regard to transfers to the dealing securities portfolio, it is worth noting those related to the stakes in ENI (for 100 million euro) and in Edison (for 62 million euro).

Operating structure

The distribution network

In the first half of 2003 the Group continued operating towards the development and rationalization of the distribution networks. In particular, the Parent Bank's network was characterized by the restructuring process which has already been described in detail, with the integration into the Sanpaolo Network of the branches of the former Banco di Napoli located in Central and Northern Italy, and continued with the spin off of the branches in Southern Italy into SANPAOLO BANCO DI NAPOLI. The extension of the Sanpaolo Network's distribution model to the Cardine Network however will be preceded by the integration between SANPAOLO IMI and Cardine Finanziaria, with the merger of the latter expected by the end of 2003.

With a view to improving the quality of branches, on the basis of the customer segments serviced, the consolidation of the networks specialization into Retail (family market, personal and small business), Private and Company branches continues.

At the end of June 2003, altogether the SANPAOLO IMI Group had a network of 3,126 banking branches in Italy, 33% of which are distributed throughout the North West, which is completely covered by the Sanpaolo Network, 29.1% in the North East, where the Cardine network is concentrated, 25.6% in Southern Italy and the Islands, where the branches of the former Banco di Napoli operate. The remaining 12.3% of the Group network is situated in Central Italy, where there are more than 400 branches of Cassa di Risparmio di Firenze, in which a 19.5% interest is held and with which SANPAOLO IMI has stipulated distribution agreements, as well as more than 70 branches of Cassa dei Risparmi di Forlì, in which a 29.8% interest is held.

Non-consolidated equity investments

	30/6/2003		30/6/2002 pro forma		Change 30/6/03- 30/6/02 pro forma (%)	31/12/2002 pro forma	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Equity investments	3,860	100.0	4,043	100.0	-4.5	4,015	100.0
- carried at equity	1,291	33.4	1,009	25.0	+27.9	1,217	30.3
- carried at cost	2,569	66.6	3,034	75.0	-15.3	2,798	69.7
- in listed companies	1,104	28.6	1,746	43.2	-36.8	1,302	32.4
- in other companies	1,465	38.0	1,288	31.8	+13.7	1,496	37.3

The share held by the Group throughout Italy amounts to 10.3%. SANPAOLO IMI in particular has an 11.1% share in the North West, 11.2% in the North East, 5.6% in the Center and 13.5% in the South and the Islands.

The Group also confirmed its commitment towards innovative channels. At the end of June, regarding private and retail customers, direct banking contracts managed by Sanpaolo branches rose above 378,000, an increase of about 16% since the beginning of the year. Internet banking contracts with companies and small businesses reached 26,700 units, up more than 25% since the beginning of the year. On 30 June 2003, the Cardine bank networks had roughly 80,000 phone and Internet banking contracts.

The Group's distribution network is also in the hands of 4,828 financial planners, employed mainly by Banca Fideuram and Banca Sanpaolo Invest. On this subject it is worth remembering that, as of 1 July, the spin off to Banca Fideuram of the banking branch of Banca Sanpaolo Invest, which will assume the status of a SIM in the second half.

This transaction will enable Banca Sanpaolo Invest to focus on the provision of investment services through its own network of financial planners.

The Group operates abroad through a network of 160 branches, of which 62 belonging to the French Banque Sanpaolo, and 18 representative offices.

Personnel

At the end of the half year the Group employed 46,237 resources, down 985 units compared with 30 June 2002 (-2.1%), within the same consolidation setting. The reduction comprised 219 resources since 31 December 2002.

With particular reference to the Parent Bank, on 30 June 2003, the staff was made up of 27,889 employees, down 689 units (-2.4%) compared with the same period of the previous year (reconstructed pro forma to include the staff of the former Banco di Napoli net of the spin off of the tax collection and public works sectors). The number of staff

Distribution network

	30/6/2003	30/6/2002 pro forma	Change 30/6/03-30/6/02 pro forma (%)	31/12/2002 pro forma
Banking branches and area offices	3,286	3,259	+0.8	3,274
- Italy	3,126	3,107	+0.6	3,115
<i>of which: Parent Bank</i>	2,118	2,119	-0.0	2,115
- Abroad	160	152	+5.3	159
<i>of which: Banque Sanpaolo</i>	62	59	+5.1	62
Representative offices	18	18	-	17
Financial planners	4,828	5,205	-7.2	4,951
<i>of which: Banca Fideuram</i>	3,479	3,675	-5.3	3,520
<i>of which: Banca Sanpaolo Invest</i>	1,177	1,320	-10.8	1,234

Distribution network in Italy as of 30/6/2003

	Parent Bank	Cardine	Other networks (1)	TOTAL	%
North-West (Piedmont, Val d'Aosta, Lombardy and Liguria)	984	13	35	1,032	33.0
North-East (Veneto, Trentino Alto Adige, Friuli Venezia Giulia and Emilia Romagna)	107	711	92	910	29.1
Centre (Tuscany, Marches, Umbria, Lazio, Abruzzo and Molise)	239	123	22	384	12.3
South and Islands (Campania, Puglia, Basilicata, Calabria, Sicily and Sardinia)	788	-	12	800	25.6
Banking branches and area offices in Italy	2,118	847	161	3,126	100.0

(1) Includes the branches of Banca Fideuram (87), Cassa dei Risparmi di Forlì (72), Finemiro Banca (1) and Farbanca (1).

has been reduced by 106 compared with the pro forma figure for 31 December 2002, with 375 departures and 269 new hires, 64 of which through acquisition of resources from Group companies.

In the context of the subsidiaries, at the end of the half year the Cardine Finanziaria group employed 9,666 resources, down 259 units compared with 30 June 2002 and 53 compared with 31 December 2002.

Altogether, the other Group companies showed a reduction of 37 units compared with 30 June 2002 and of 60 compared with 31 December 2002, reconstructed pro forma. This decrease is the result of a considerable reduction in staff employed by companies operating in sectors involved in rationalization, such as tax collection (-3.5%) and leasing (-16.2%), with an increase in areas subject to recent commercial expansion, such as the East European banks controlled by Sanpaolo IMI Internazionale (+6.1%).

The various voluntary retirement initiatives offered by the Parent Bank resulted in the resignation of 207 people during the half year. The staff leaving incentives via use of the "Income, employment and re-training fund for staff in the banking industry", started in 2002 by the former Banco di Napoli, ended in March 2003, resulting in the resignation of more than 100 people in the current year.

Staff reduction actions, hence the personnel costs reduction implemented in the first half of the year, fall within the context of that provided for by the Group's 2003-2005 three-year Plan, which places considerable emphasis on the improved efficiency, realized mainly through the integration of the distribution networks and the common use of the business support structures.

To achieve these aims leaving incentives have been offered to those who have already matured the right to a pension or will mature such a right during the year. As provided for within the context of the 2003-2005 Plan, the decision was made to use the "Income, employment and re-training fund for staff in the banking industry", to facilitate the resignation of employees who mature the requisites over the years to come. These actions will enable the Group not only to absorb redundancies through the resignation of personnel, but also to perform a consistent renewal of staff. On 10 June 2003, a Group agreement was reached with the trade unions that foresees the possibility of accessing the Fund on a voluntary basis and the activation of application procedures.

In particular, with regard to the Parent Bank, on 14 June the company agreement for those who mature the requisites for the right to a pension in accordance with an articulated plan was signed. The final deadline for presentation of applications by Parent Bank employees is 15 September 2003, while resignations, forecast to take place over a period extended right through 2004, will be arranged to suit operating and organizational needs, giving priority to personnel belonging to the structures in which efficiency must be increased.

On the basis of the hypotheses that can be formulated today, the number of applications by those potentially entitled to apply and the effective distribution of resignations throughout the period provided for by the Agreement, it is estimated that the total cost for the Parent Bank will be around 340 million euro, with cash outlays of approximately 180 million euro in 2003 and 2004, with the remainder distributed in accordance with a downward trend by 2008.

Personnel

	30/6/2003		30/6/2002 pro forma (1)		Change 30/6/03- 30/6/02 pro forma (%)	31/12/2002 pro forma (1)	
		%		%			%
Period-end headcount	46,237	100.0	47,222	100.0	-2.1	46,456	100.0
- executives	927	2.0	911	1.9	+1.8	913	2.0
- third and fourth level managers	6,022	13.0	6,246	13.2	-3.6	6,068	13.0
- other personnel	39,288	85.0	40,065	84.9	-1.9	39,475	85.0

(1) Figures reconstructed pro forma to take account of the line by line consolidation of Eptaconsors and Inter-Europa Bank, the proportional consolidation of Cassa dei Risparmi di Forlì, the exit of the Imiweb group from the consolidation area and the valuation at equity of Finconsumo Banca.

The intervention will enable the achievement, aligned with the hypotheses of the 2003-2005 Plan, of savings on personnel costs of about 15 million euro in 2003, 115 million euro in 2004 and 165 million euro from 2005 onwards.

Lastly, as regards the Cardine “world”, the residual efficiencies at Central Functions and bank networks level

should soon emerge from the integration projects underway. Consequently, in the months ahead, the Cardine Banks should activate the necessary procedures in preparation for the completion of the trade union agreements, and for the start-up of staff leaving incentives campaigns, with the same rules as those described for the Parent Bank.

Capital and reserves

Net shareholders' equity

The net shareholders' equity of the Group as of 30 June 2003 was 10,423 million euro, largely by effect of the current income in the period net of dividends paid out of the net income for 2002.

<i>Movements in Group shareholders' equity</i>	<i>€/mil</i>
Pro forma shareholders' equity as of 31 December 2002	10,554
Pro forma adjustments	-17
Shareholders' equity as of 1 January 2003	10,537
Decreases	-555
- Dividends	-551
- Exchange and other adjustments	-4
Increases	441
- Net income for the period	441
Shareholders' equity as of 30 June 2003	10,423

Own shares

As of 30 June 2003, the Group held 3,943,756 SANPAOLO IMI shares, equal to 0.21% of the Parent Bank share capital, which were recorded at market value for 33 million euro.

During 2003 the Group pursued the aim of concentrating the possession of SANPAOLO IMI shares by the Parent Bank, excluding those held by Banca IMI in relation to its institutional dealing activities.

Transactions with SANPAOLO IMI shares in the first half of 2003 were the following:

- as of 31 December 2002, the Parent Bank held one own share in its portfolio, with 2.8 euro nominal value, for a book value of 7.41 euro. In application of that established in the decisions made by the Shareholders' meeting regarding authorization to purchase and dispose of own shares, during the half year it purchased 5,443,642 shares (nominal value 15.2 million euro), for a total of

42 million euro, for the dealing portfolio. Of these, during June 2,344,458 shares (6.6 million euro nominal value), for a cost of 19 million euro, were assigned to employees in relation to the extended employee stock plan. As of 30 June 2003, therefore, the Parent Bank held 3,099,185 own shares in its portfolio (8.7 million euro nominal value), for a book value, corresponding to the market value, of 25.6 million euro.

Lastly, after the end of the half year, out of the above-mentioned portfolio, SANPAOLO IMI S.p.A. purchased 219,190 shares (0.6 million euro nominal value) at market value, for a cost of 1.9 million euro, and sold 25,456 shares (0.1 million euro nominal value) for a total of 0.2 million euro;

- as of 31 December 2002, the subsidiary Prospettive 2001 held 3,073,729 SANPAOLO IMI shares in its dealing portfolio (8.6 million euro nominal value), booked at a market value of 19.1 million euro. During the half year the company sold the entire shareholding on the market for 22.7 million euro;
- as of 31 December 2002, the subsidiary Banca Popolare dell'Adriatico held 53,087 SANPAOLO IMI shares in its dealing portfolio (0.1 million euro nominal value), booked at a market value of 0.3 million euro. During the half year the company sold the entire shareholding on the market for 0.4 million euro;
- as of 30 June 2003, the subsidiary IMI Investimenti held 219,190 SANPAOLO IMI shares in its dealing portfolio, the same amount held as of 31 December 2002, for 0.6 million euro nominal value, booked at a market value of 1.8 million euro. The entire shareholding was sold on the market in July 2003 for 1.9 million euro;
- as of 31 December 2002, the subsidiary Banca IMI, in relation to its institutional dealing activity, held 1,594,744 SANPAOLO IMI shares in its portfolio (4.5 million euro nominal value), booked at a market value of 9.9 million euro. During the half year the company purchased 1,822,602 shares (5.1 million euro nominal value), for a cost of 13.5 million euro, and sold 2,791,965 shares (7.8 million euro nominal value) for a total of 22.1 million euro. As of 30 June 2003, Banca IMI held 625,381 shares in its portfolio (1.8 million euro nominal value), booked at a market value of 5.1 million euro.

Regulatory capital and solvency ratios

As of 30 June 2003, the ratio between the regulatory capital and the total risk-weighted assets, essentially for credit and market risks, presented an overall solvency ratio of 10.4%. The ratio between Group Tier 1 capital and the total weighted assets was 7.1% (Tier 1 ratio). On the same date, the Core Tier 1 ratio (calculated on the Tier 1 capital net of preferred shares) came to 6.3%.

Regulatory capital and solvency ratios

	30/6/2003	31/12/2002
Regulatory capital (€/mil)		
Tier 1 capital	9,835	9,765
<i>of which: preferred shares</i>	<i>1,000</i>	<i>1,000</i>
Tier 2 capital	4,524	4,406
less: prescribed deductions	-454	-470
Regulatory capital	13,905	13,701
Tier 3 subordinated loans	600	589
Total regulatory capital	14,505	14,290
Weighted assets (€/mil)		
Credit risk	128,362	123,575
Market risk	10,275	9,588
Other requirements	563	550
Total assets	139,200	133,713
Solvency ratios (%)		
Total capital ratio	10.4	10.7
Tier 1 ratio	7.1	7.3
Core tier 1 ratio (net of preferred shares)	6.3	6.6

Risk management and control

The basic principles

The SANPAOLO IMI Group is strongly committed to risk management and control, which is based on three principles:

- clear identification of responsibility for taking on risks;
- measurement and control systems in line with international best practice;
- organizational separation between the Business Areas that carry on day to day operations and those that carry out controls.

The policies relating to the acceptance of credit and financial risks are defined by the Parent Bank's Board of Directors and Executive Committee with support from the Group Risks Technical Committee and specific operating Committees.

The Parent Bank also performs general functions of risk management and control and makes risk-acceptance decisions in the case of particularly large risks, supported by the Risk Management department.

The Business Areas that generate credit and/or financial risks are all assigned with limits of autonomy and each has its own control structure.

Financial risks

Financial risks from lending activities

Market risk generated by the lending activities of the Group in the first half of 2003 was considerably lower than the average level observed last year. The change in the market value of the banking book, measured in terms of shift sensitivity, as an upward, parallel and uniform movement of 100 basis points on the interest rate curve, showed a negative average value of 131 million euro during the first half of 2003 (-231 million euro in the previous year).

The Value at Risk (VaR) of the banking book, calculated as the maximum unexpected potential loss which could occur during the subsequent ten working days with a statistic

confidence interval of 99%, recorded an average value of 82 million euro during the half year, reaching 59 million euro at the end of June.

Equity investments in non-Group listed companies

As at the end of June, investments in listed companies not consolidated using the line by line method or the equity method were worth 1,425 million euro, 281 million euro of which held by IMI Investimenti. The market value of equity investments at the end of June showed net potential capital gains on book value of 183 million euro, almost exclusively referring to the interest in Santander Central Hispano and in Edison.

The Value at Risk related to the minority investments in listed companies came to 251 million euro at the end of June; (226 million euro at the end of last year).

Trading activities

The VaR of the trading activities, concentrated in Banca IMI and its subsidiaries, oscillated between a minimum of 6.3 million euro and a maximum of 18.3 million euro during the first half of 2003. At the end of June, the VaR was 12 million euro, in line with the average value of 12.3 million euro for the half year.

In addition to the VaR, the Worst Case Scenario technique is used to monitor the impact of potential losses that might arise under extreme market conditions. Maximum potential daily loss was largely stable in the first half of the year, always oscillating around the yearly average of 36 million euro.

Backtesting showed the prudential nature of the internal measurement techniques used, considering the volatility observed on the markets during the period. In no case the ex ante potential daily exposure was exceeded by actual losses.

Credit risks

All of the on- and off-balance sheet credit exposures are measured here. The analysis is developed on the portfolio of the Parent Bank, Sanpaolo Banco di Napoli, Banca OPI, Sanpaolo IMI Bank Ireland, Sanpaolo Leasint and the Cardine Bank networks. Altogether, the portfolio analyzed represents about 90% of the Group's weighted assets.

In terms of exposure, the analytical rating covers about 70% of the credit portfolio. The unrated counterparties to whom a rating estimated on the basis of the average probability of default has been assigned are concentrated in the households sector. Analytical ratings coverage for other sectors is about 90%.

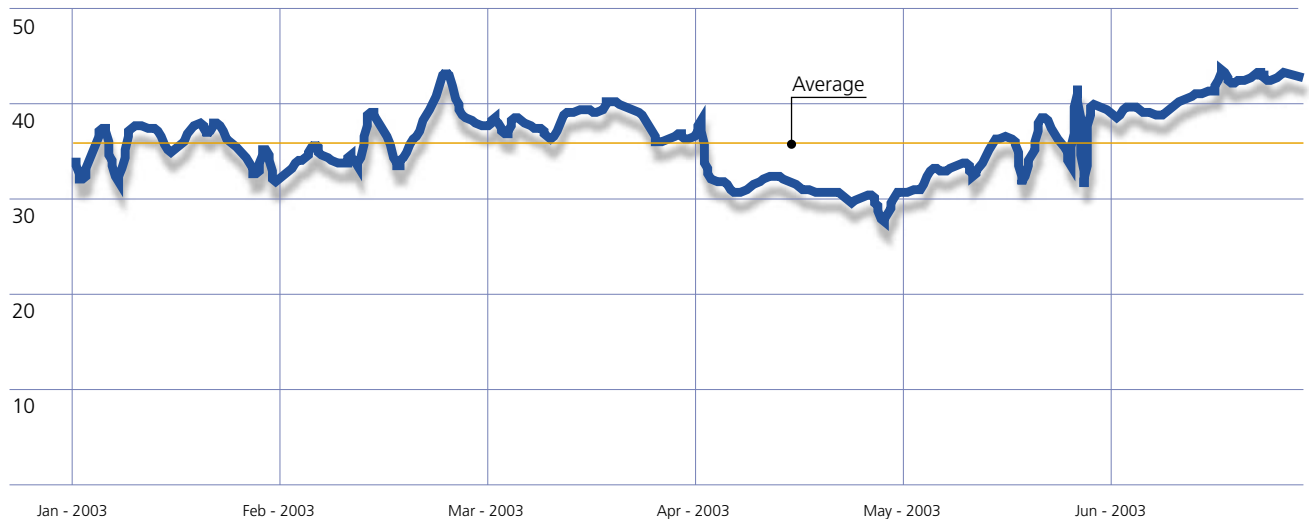
In relation to the combination of analytical ratings, more than half are represented by internal ratings, while the remainder are issued by specialized agencies. The internal ratings are mainly included in the business sector.

Loans to customers to which an analytical rating has been assigned, which represent the main credit risk management reference model, show a high credit quality, with a portion of investment grade loans (from AAA to BBB) equal to three quarters of the total.

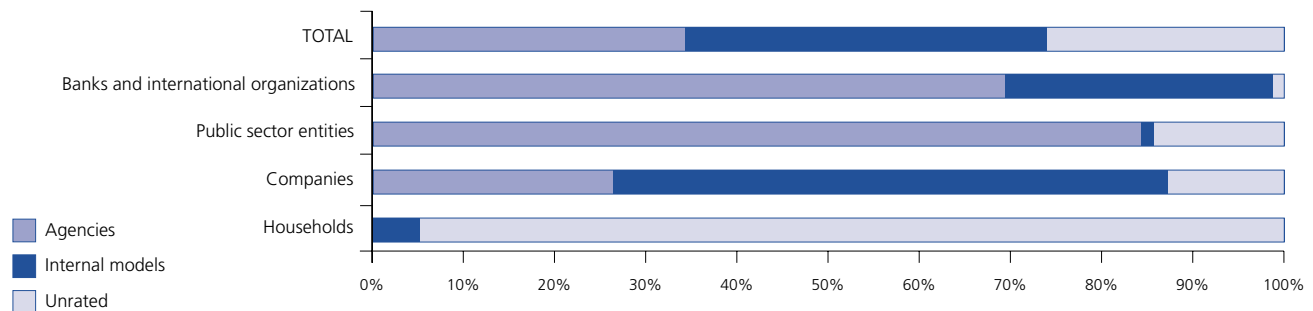
The expected loss of the portfolio considered at the end of the half year accounted for 0.50% of loans, unchanged compared with December 2002. It has been taken into account in establishing the amount of general writedown to cover the inherent risk in performing loans.

The economic capital against loans to customers, including country risk, was 5.2 billion euro at the end of the half year; this represented 4.16% of loans, (4.20% in December 2002); on the basis of the impact simulations made, it was substantially in line with the requirement deriving from the current proposal of the New Basel Capital Accord, calculated according to the advanced methods.

The Sanpaolo Network and Consumer Banking, Sanpaolo Banco di Napoli and the Cardine Bank Networks represent



Trading Activity Maximum Potential Daily Loss (€/mil)



Drawn down loan portfolio by rating source (%)

two thirds of the loans and absorb almost 80% of the capital. On the contrary, for the Foreign Network and Banca OPI, the share of capital absorbed is less than the outstanding loans, as these areas are characterized, in relation to the activity undertaken, by a lesser risk profile. In the case of Large Groups and Structured Finance, the high quality of the counterparties is offset by the risk of concentration, so the outstanding and the capital absorbed are both just over 10% of the total.

During the last year loans to corporate counterparties fell: exposure towards the first 20 industrial groups decreased by about 300 million euro compared with June 2002 (2.5 billion compared with December 2001) and the proportion on the total portfolio decreased from 11.5% to 10.8%.

This led to a recomposition of the portfolio, on the one hand, in favor of operators in the public sector and, on

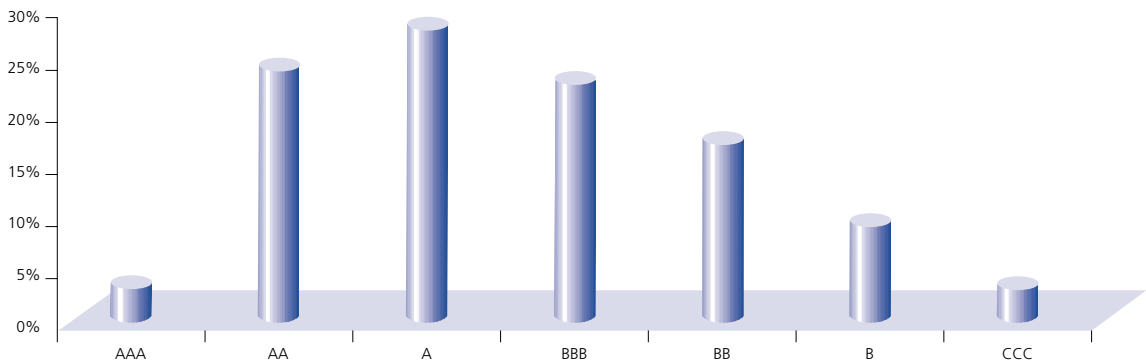
the other, of small- and medium-sized companies and households.

Other risks

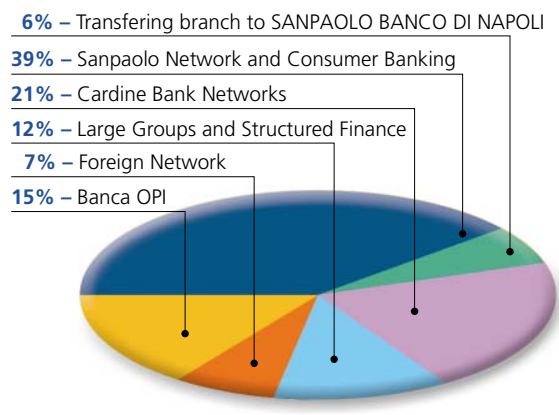
SANPAOLO IMI also considers two other types of risk in its models: operational risk and business risk.

Operational risk is defined as the risk of incurring losses as a result of four macro categories of events: fraud, legal risks (including non-performance of contractual obligations), weaknesses in internal control or information systems, and natural calamities.

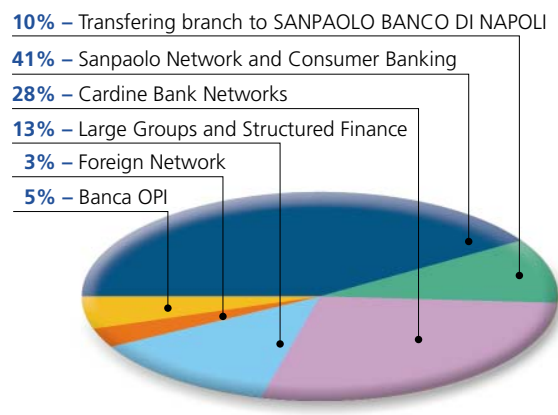
Business risk (also called strategic risk) is the risk of incurring losses as a result of changes in the macro- or micro-economic scenario which could jeopardize the ability to



Drawn down loan portfolio by level of rating (%)



Net loans and guarantees by Business Area



Capital against credit risk by Business Area

generate income, typically by reduced operating volumes or margin compression.

Top down techniques based upon independent figures are used to calculate a risk capital figure to suit the Group's capital allocation, while controls are carried out at process level through the definition of internal rules and procedures, the observance of which is monitored by the Audit Direction of the Parent Bank.

The measurement method is evolving, especially with regard to the improvement of statistical calculation engines, the determination of the economic effect linked

with the effectiveness and intensity of internal controls and the development of scenario analyses. Work also continues on the extension of the databases related to operating losses and exposure indicators, both through the continuous updating of the internal databases and through the participation in consortium initiatives with leading banking groups for shared use of the same.

These developments, in line with emerging international best practices and with indications formulated by the Basel Committee as part of its proposed revision of the Capital Accord, will enable more analytical capital measurements, which can also be used to manage and control operating risks.

Supplementary information

Performance of share prices

At the end of June 2003, SANPAOLO IMI's share price was 8.093 euro, up 30.5% from the beginning of the year,

against an increase of 18.0% in the MIB bancario. On the same date, the SANPAOLO IMI share traded on a price/book value of 1.4 and a price/earnings, calculated on consensus earnings for 2003, of 17.6.

On 10 September 2003, the quoted price was 8.838 euro, representing a growth of 42.5% since the start of the year.

Market comparison

	10/9/2003	30/6/2003	28/6/2002	Change 30/6/03-28/6/02 (%)
SANPAOLO IMI share price (€)	8.838	8.093	10.167	-20.4
Banking index (historical MIB bancario)	2,104	2,037	2,252	-9.5

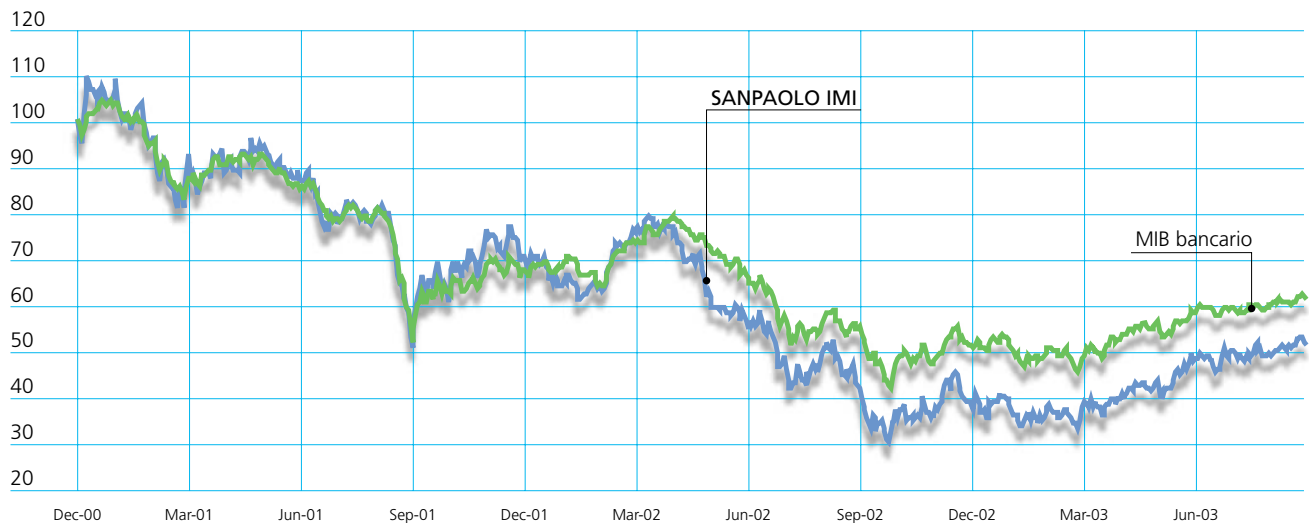
SANPAOLO IMI share price (1)

Year	High (€)	Low (€)	Average (€)
1995	5.118	4.025	4.577
1996	5.269	4.236	4.766
1997	8.800	4.564	6.275
1998	16.274	8.717	12.429
1999	16.071	10.970	13.192
2000	20.800	11.483	16.612
2001	18.893	8.764	14.375
2002	13.702	5.231	9.439
2003 (up to 10/9/2003)	9.191	5.796	7.444

SANPAOLO IMI statement of income and balance sheet indicators

	30/6/2003	28/6/2002
Book value per share (€)	5.74	5.64
Consensus earnings per share (EPS) (€)	2003E 0.46	2004E 0.59

(1) Share prices before 2 November 1999 have been adjusted for the real estate spin off.



SANPAOLO IMI share price and MIB bancario (29/12/00=100)

Shareholders

As of 30 June 2003 the shareholder structure of SANPAOLO IMI, based on available information, was as follows:

Shareholders of SANPAOLO IMI

	% of capital	
	total	ordinary
Compagnia di San Paolo	14.48	7.50
Fondazione CR Padova e Rovigo	10.80	4.38
Fondazione CR in Bologna	7.69	3.12
Santander Central Hispano	6.37	8.08
Giovanni AGNELLI e C.	3.83	4.86
Deutsche Bank	3.68	4.67
Banca Monte dei Paschi di Siena	2.09	2.65
Fondazione Cariplo	1.75	2.21
Caisse des Dépôts et Consignations (CDC)	1.70	2.16
Templeton Global Advisers	1.54	1.95
Società Reale Mutua di Assicurazioni	1.54	1.95
Ente CR Firenze	1.53	1.94
Fondazione CR Venezia	1.47	1.87
Other shareholders (1)	41.53	52.66
Total	100.00	100.00

(1) Includes own shares held by the Group.

In July information was received regarding the increase of the share held by Santander Central Hispano of the total capital to 7.70% and the reduction below the notification threshold of that of Banca Monte dei Paschi di Siena.

Ratings

The following table shows the main ratings assigned to the debt of SANPAOLO IMI.

SANPAOLO IMI debt ratings

Fitch	
• Short-term debt	F1+
• Medium/long-term debt (senior)	AA-
Moody's Investors Service	
• Short-term debt	P-1
• Medium/long-term debt (senior)	Aa3
Standard & Poor's	
• Short-term debt	A-1
• Medium/long-term debt (senior)	A+

Transactions with related parties

Procedural aspects

The Board of Directors of SANPAOLO IMI, in accordance and compliance with the regulation provided for by the Consob Communications dated 20 February 1997 and 27 February 1998 and successive integrations, has identified the parties correlated to the Bank and defined a Group procedure for the deliberation of transactions with such correlated parties, aimed at setting competencies and responsibilities, as well as indicating the informative flows between the structures of the Bank and the Companies directly and indirectly controlled.

To this end, please refer to that described in detail in the "Report on the corporate governance system and the adherence to the code of conduct for listed companies" reported in the 2002 Financial Statements.

As regards transactions with subjects who exercise functions of management, administration and control relating to the Bank, these are governed by the provisions of Article 136 of D. Lgs. 385/93 (Testo Unico Bancario - Consolidated Banking Law); in the case of these subjects (regardless of the nature of correlated counterparts), such transactions were the subject of unanimous decisions by the Board of Directors, with the favorable vote of all of the Statutory Auditors, subject to the abstention obligations provided by said law. The same procedure also applies to the parties who exercise functions of management, administration and control relating to a bank or a company belonging to the Group, for actions taken in connection with the company itself or for financing transactions entered into with other companies or banks within the Group. In such cases, the transactions were decided upon by the boards of the contracting company or bank, with the prior consent of the Parent Bank.

Transactions with related parties

During the half year the Group has entered into transactions with related parties of particular relevance mainly as regards the organizational-business model.

The most significant of the abovementioned transactions with related counterparties, some of which have already been mentioned elsewhere in the Report, are listed below:

- as of 1 January 2003, SANPAOLO IMI transferred to Banca OPI the assets which previously belonged to Banco di Napoli in the public works and infrastructure

sector at a price of 60,000,000 euro. With this transfer, the share capital of Banca OPI was increased by 50 million euro, while the remaining 10 million euro was destined as the premium of the shares issued;

- on 29 January 2003, the SANPAOLO IMI Group (through Invesp), already in possession of a 40.48% shareholding, perfected its purchase of the share of Eptaconsors held by the Cassa di Risparmio di Firenze group, equivalent to 20.24%, at a cost of 18.6 million euro. The transaction is part of a more extensive reorganization process which provides for, among other things, the already completed acquisition by Unicredito Italiano of the residual share of Eptafid, a company controlled by Eptaconsors, and its successive merger, following transfer to the Parent Bank, by incorporation into Sanpaolo Fiduciaria;
- on 11 February a plan to rationalize the Group's tax collection activity was approved, providing for the merger by incorporation into Esaban of the other controlled tax collection companies: Ge.Ri.Co., Sanpaolo Riscossioni Genova and Sanpaolo Riscossioni Prato. The transaction has already been approved by the Shareholders' Meetings of the companies in question. Within the context of this plan, the Parent Bank purchased the 63.76% share in Sanpaolo Riscossioni Prato held by Sanpaolo Riscossioni Genova, for the cost of 1.6 million euro;
- on 2 April 2003, the sale of the Bologna branch of the former Banco di Napoli Network to Cassa di Risparmio di Firenze was completed at a price of 11.4 million euro, corresponding to a valuation that also considers the goodwill linked with the ordinary customer deposits portfolio (direct and indirect);
- on 4 April the 32.51% share in Inter-Europa Bank held by the Parent Bank was transferred to Sanpaolo IMI Internazionale for a value of 16.7 million euro corresponding to the appraisal valuation;
- on 10 April the deed setting up Sanpaolo Banco di Napoli was signed, with an initial share capital of 6.3 million euro. The company is the beneficiary (in the third quarter of 2003) of the conferral of the company branch represented by the Southern Territorial Direction of the Parent Bank, subject to valuations by independent experts. Upon conclusion of the transaction, the capital endowment will be 1,200 million euro, as described in detail elsewhere in this Report. To support the transaction technically, at the end of June, reciprocal interbank deposits at market conditions were made with Banca Fideuram, Banca OPI and IMI Bank Luxembourg, and were successively extinguished at the beginning of July;
- on 14 April 2003, Sanpaolo IMI Private Equity – in its capacity as sponsor – subscribed class A shares in the “Fondo di Promozione del Capitale di Rischio per il Mezzogiorno” (Private Equity Fund for Southern Italy) managed by NHS Mezzogiorno SGR, for a value of 42.5 million euro, at the same conditions reserved for all subscribers;
- in order to ensure that the capital of IMI Investimenti is properly balanced, aligning its own capital with the consistency of the shareholding investments, in February and May the Parent Bank made capital payments of 607.5 million euro, of which 550 million were destined to replace interest-bearing funds;
- the merger by incorporation of Banca Agricola di Cerea into Cassa di Risparmio di Padova e Rovigo was completed on 1 June. The merger took place without share issues, since the incorporating company and the company to be incorporated are held by the single shareholder Cardine Finanziaria;
- on 11 June the new agreement was subscribed between Sanpaolo Vita and Reale Mutua Assicurazioni concerning the Egida subsidiary (held in equal stakes). The new contract envisages in particular:
 - a. the strengthening of the “governance” positions of Sanpaolo Vita;
 - b. the extension of the duration of the cooperation (not exclusive) between Sanpaolo Vita and Reale Mutua Assicurazioni in the damages branch;
 - c. the replacement of SANPAOLO IMI by Sanpaolo Vita in the ownership of the call option on the 50% stake of Egida owned by Reale Mutua, the value of which will be established by an independent expert on the basis of the net equity and goodwill values.
 A specific fairness opinion has been acquired from an independent advisor with regard to the terms.
- on 20 June, Sanpaolo IMI Private Equity purchased from NHS Luxembourg the 10% stake held in Convergenza SCA at the price of 7.8 million euro, using appraisal valuations;
- Sanpaolo Vita has completed an agreement with Banca Sanpaolo Invest - controlled by Banca Fideuram - for the purchase of the 25% stake held in Sanpaolo Life. The price of 3.3 million euro was established taking into consideration the pro quota of net equity and the goodwill calculated with the support of independent advisors on the basis of the insurance portfolio value in force set up by Sanpaolo Invest;
- on 30 June SANPAOLO IMI adhered to the transaction to increase the share capital of CDC Finance Ixis, for 5 million euro. With reference to the strategic alliance with

the Eulia Group, in the context of a wider partnership which also involves the Caisse des Dépôts et Consignations (CDC) Group, see that described in the section Action points of this Report.

The transactions entered into with “related parties” of a non-atypical or unusual nature (under standard conditions) lie within the scope of the normal operations of the Group and are usually entered into under market conditions and, in any case, on the basis of valuations made for mutual economic convenience, also in observance of the internal procedures mentioned above.

In particular, as far as intra-Group transactions are concerned, reciprocal relations between the principal company groups into which the SANPAOLO IMI banking Group is divided can be attributed to the ordinary internal operations of a multifunctional banking organization, and principally concern:

- support by SANPAOLO IMI for the financial needs of the other Group companies, both in the form of loans and in the form of subscription of securities issued by the subsidiaries;
- the channeling of foreign funding made by the Group’s specialist companies (Sanpaolo IMI US Financial Co., Sanpaolo IMI Bank International S.A., Sanpaolo IMI Capital Company I L.L.C.) towards the Parent Bank and, in a minimal part, towards other subsidiaries;
- the lending transactions of the liquidity of subsidiaries with the Parent Bank.

To this end it should be noted that these transactions are largely regulated at the conditions under which the Parent Bank accesses the reference markets, which are not necessarily the same as those which would be applicable if the counterpart companies were to operate independently. These conditions are in any case applied in observance of substantial correctness and always in pursuit of the aim to create value for the Group.

Furthermore, using the procedure of “transfer of IRPEG (Corporate Income Tax) credit between Group companies” provided for by tax regulations and in the context of the Group’s efforts to optimize its tax position, during the half year a total of 105 million euro in tax credit was transferred within the Group.

The assets, liabilities, guarantees, income and charges of SANPAOLO IMI with Group companies and subsidiaries subject to significant influence as of 30 June 2003, are presented in detail in the Report on the Parent Bank.

Transactions of atypical and/or unusual nature

For the purposes of that established by the regulations in force, no transactions of “atypical or unusual nature” were carried out during the first half of 2003, the relevance/importance of which might give rise to doubts with regard to the safety of the shareholder’s equity and the protection of minority shareholders, neither with related parties nor with subjects other than related parties.

Group Business Areas

Organization by Business Areas

In the first half of 2003 the SANPAOLO IMI Group operated through a structure organized by Business Areas in the following business sectors:

- Domestic Banking Networks, including: the Sanpaolo Network, which is widespread in North Western Italy and in the South, Cardine, rooted in the North East. The networks, dedicated to the service of retail and private customers and companies, present an optimal coverage of the Italian territory through approximately 3,000 banking branches and integrated multi-channel infrastructures. The banking networks are flanked by specialist units to serve domestic clients: Banca OPI, which provides consultancy and medium- and long-term financing to public bodies and infrastructure, tax collection companies, as well as, within the Sanpaolo Network and Consumer Banking, companies operating in private banking, consumer credit, and leasing. This sector also includes the Other Italian Networks, which handle the Group's shareholdings in Cassa di Risparmio di Firenze and in Cassa dei Risparmi di Forlì, as well as Large Groups and Structured Finance;
- Personal Financial Services, with activities carried out by the networks of financial planners of the Banca Fideuram group to serve customers with a medium/high savings potential;
- Wealth Management and Financial Markets which include: the Sanpaolo IMI Wealth Management companies, dedicated to providing asset management products to the Group networks and associated networks, as well as institutional investors and other networks; Eptaconsors, operating mainly in corporate finance, asset management, securities dealing and trading on line; Banca IMI, the Group's investment bank, whose business priorities concern, on the one side, the supply of specialist services to companies and institutional customers and, on the other, the development of structured products distributed to retail customers and companies through the Group's networks; Sanpaolo IMI Private Equity, in which the private equity activities of the Group have been concentrated;
- International Activities, which include the French subsidiary Banque Sanpaolo, the Parent Bank's Foreign Network, limited to corporate lending, and Sanpaolo IMI Internazionale, established to develop and supervise the Group's activities in geographic areas and foreign countries of strategic interest.

Holding activities, finance, the Macchina Operativa Integrata and the management of property, shareholding investments and Group lending policy, are included in the Central Functions.

Criteria for calculating the profitability of the Business Areas

The income statement by Business Areas has been prepared as follows:

- for those Areas whose business is carried out both by the Parent Bank and by subsidiaries, consolidation of the accounts of the Parent Bank attributable to the relevant Area has been effected with the income statement line items of the subsidiary companies. The attribution to individual Areas of Parent Bank line items, in particular, is made on the basis of the following principles:
 - the net interest income has been calculated using appropriate internal transfer rates;
 - in addition to commissions in effect, notional commissions for services rendered by one Area to another have also been quantified;
 - the direct costs of each Area have been calculated and, according to parameters, operating costs of the central structures other than those attributable to holding company functions, have been allocated to the Areas. It must be highlighted that, compared to the previous Reports and to guarantee the usual consistent comparison with 2002, some methodological changes have been made in relation to internal transfer prices applied to non interest-earning assets and non interest-bearing liabilities, IT and real estate services;
- for those Areas whose business is carried out wholly by subsidiaries, the income statements of the companies are reported; their contribution to consolidated net income is also shown, net of minority interest and after the posting of consolidation attributable to the Area; amortization of goodwill consequent upon investments made directly by the Parent Bank in the Areas has thus been allocated to Central Functions.

Capital has also been attributed to each Area according to the following criteria:

- for those Areas whose business is carried out both by the Parent Bank and by subsidiaries, consolidation of the average economic capital of the Parent Bank with that of the subsidiaries has been effected. The capital is measured according to VaR, distinguishing among the different types of risk: credit risk, market risks and operational risks;

- for those Areas whose business is carried out exclusively by subsidiaries, reference is made to the average accounting net shareholders' equity (including income for the period).

In allocating capital to the Areas of the Parent Bank, the risks have been wholly covered with primary capital.

Finally, the profitability of each Area has been calculated. In particular:

- for those Areas whose business is carried out both by the Parent Bank and by subsidiaries, profitability has been expressed in terms of RORAC (Return On Risk Adjusted Capital), taking the Area's contribution to net income of the Group to the relative economic capital quantified according to VaR;
- for those Areas whose business is carried out exclusively by subsidiaries, profitability has been expressed in terms of RoE (Return on Equity), taking the Area's con-

tribution to net income of the Group to the respective average accounting net shareholders' equity (including income for the period), consistently with the principles adopted for the Group.

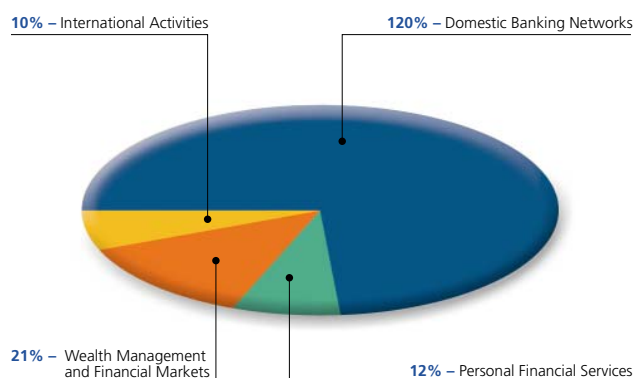
Results of the Business Areas

The table below summarizes the economic results and the profitability ratios for the business sectors in which the Group operates. In relation to the main Business Areas, the most important initiatives, along with the operating and income results for the first half year are presented below.

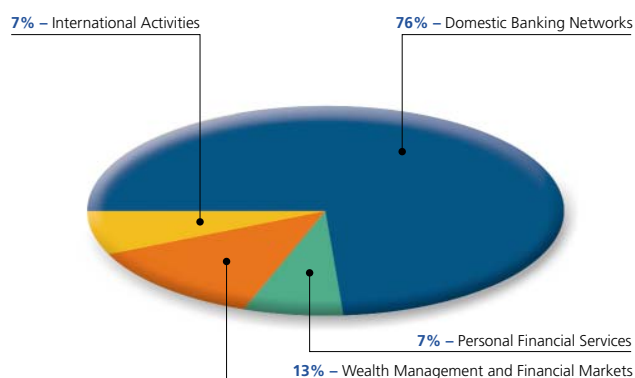
Where necessary, the figures used to evaluate the performance compared with the previous periods have been consistently reconstructed, assuming that this organizational model was launched as of 1/1/2002.

	Contribution to net income of the Group			Average capital				Annualized profitability		
	First half 2003	First half 2002	Change first half 2003 / First half 2002 (%)	2002	First half 2003	First half 2002	2002	First half 2003	First half 2002	2002
	(€/mil)	(€/mil)	(%)	(€/mil)	(€/mil)	(€/mil)	(€/mil)	(%)	(%)	(%)
DOMESTIC BANKING NETWORKS	527	471	+11.9	781	7,973	7,592	7,665	13.2	12.4	10.2
PERSONAL FINANCIAL SERVICES	55	76	-27.6	111	701	798	788	15.7	19.0	14.1
WEALTH MANAGEMENT AND FINANCIAL MARKETS	92	68	+35.3	146	1,377	1,241	1,329	13.4	11.0	11.0
INTERNATIONAL ACTIVITIES	46	27	+70.4	46	754	807	806	12.2	6.7	5.7
CENTRAL FUNCTIONS (1)	-279	-39	n.s.	-183	-316	260	184	n.s.	n.s.	n.s.
GROUP TOTAL	441	603	-26.9	901	10,489	10,698	10,772	8.4	11.3	8.4

(1) These include holding activities, finance, the Macchina Operativa Integrata, the management of property and shareholding investments and infra Group postings. The contribution to net income of the Group referred to the first half of 2003 has been influenced by expenses concerning the staff leaving incentives.



Net income first half of 2003 by business sectors (2)



Allocated capital in the first half of 2003 by business sector (2)

(2) The chart does not include the Central Functions which present a negative value; the percentages of Domestic Banking Networks, Personal Financial Services, Wealth Management and Financial Markets and International Activities are calculated comparing:

- the contribution of each one to the Group's net income (441 million euro);
- the capital allocated to the Group's average net shareholders' equity (10,489 million euro).

Domestic Banking Networks

Sanpaolo Network and Consumer Banking

In the first half of 2003 Sanpaolo Network and Consumer Banking operated according to an activity base comprising the following business units:

- The Sanpaolo Network, consisting of the 2,118 branches of the Parent Bank under the brands Sanpaolo and Banco di Napoli, supported by the Internet, phone and mobile banking direct channels;

- the subsidiaries, supporting the banking business, operating in consumer credit (Finemiro Banca), leasing (Sanpaolo Leasint) and international private banking (Sanpaolo Bank Luxembourg, Sanpaolo Bank Austria and Sanpaolo Bank Switzerland).

Altogether, in the first half of 2003, the Sanpaolo Network and Consumer Banking posted net income of 307 million euro, up 16.3% on the same period of the previous year. The profitability of the Area, expressed in terms of annualized RORAC, was 16.3%.

	Sanpaolo Network and Consumer Banking				of which: Sanpaolo Network			
	First half 2003	First half 2002	Change first half 2003 / First half 2002 (%)	2002	First half 2003	First half 2002	Change first half 2003 / First half 2002 (%)	2002
STATEMENT OF INCOME (€/mil)								
Net interest and other banking income	1,906	1,873	+1.8	3,813	1,734	1,702	+1.9	3,472
Operating costs	-1,235	-1,228	+0.6	-2,495	-1,157	-1,153	+0.3	-2,338
Operating income	671	645	+4.0	1,318	577	549	+5.1	1,134
Provisions and net adjustments to loans and financial fixed assets	-140	-120	+16.7	-348	-121	-115	+5.2	-287
Income before extraordinary items	531	525	+1.1	970	456	434	+5.1	847
Net extraordinary income	31	-2	n.s.	1	22	-3	n.s.	-6
Income before taxes	562	523	+7.5	971	478	431	+10.9	841
Income taxes for the period	-245	-243	+0.8	-457	-216	-214	+0.9	-420
Change in reserves for general banking risks and income attributable to minority interests	-10	-16	-37.5	-29	-	-	-	-
Net income	307	264	+16.3	485	262	217	+20.7	421
ALLOCATED CAPITAL (€/mil)	3,775	3,582	+5.4	3,640	2,999	2,863	+4.8	2,916
RATIOS (%)								
Annualized RORAC	16.3	14.7		13.3	17.5	15.2		14.4
Cost / Income ratio	65.0	65.7		65.6	66.7	67.7		67.3
	30/6/2003	30/6/2002	Change 30/6/03-30/6/02 (%)	31/12/2002	30/6/2003	30/6/2002	Change 30/6/03-30/6/02 (%)	31/12/2002
OPERATING DATA (€/mil)								
Customer financial assets	200,852	192,363	+4.4	193,412	195,823	186,627	+4.9	187,874
- Direct deposits	52,772	51,721	+2.0	53,722	49,592	48,183	+2.9	50,074
- Asset management	75,322	71,665	+5.1	71,369	75,071	71,295	+5.3	71,087
- <i>Mutual funds and fund-based portfolio management</i>	55,582	54,969	+1.1	53,046	55,439	54,838	+1.1	52,923
- <i>Portfolio management</i>	4,359	5,313	-18.0	4,923	4,251	5,074	-16.2	4,764
- <i>Life technical reserves</i>	15,381	11,383	+35.1	13,400	15,381	11,383	+35.1	13,400
- <i>Asset administration</i>	72,758	68,977	+5.5	68,321	71,160	67,149	+6.0	66,713
Net asset management flows	2,795	715		1,689	2,837	813		1,869
Net loans to customers excluding NPLs	55,943	52,128	+7.3	54,554	53,322	48,075	+10.9	51,742
OPERATING STRUCTURE								
Employees	23,969	24,245	-1.1	24,175	22,839	23,068	-1.0	23,030
Domestic branches	2,120	2,121	-0.0	2,117	2,118	2,119	-0.0	2,115

The first half of the year saw the operational integration of the distribution structures of the Sanpaolo Network with those of Banco di Napoli, following the merger between SANPAOLO IMI and the Neapolitan bank on 31 December 2002. In particular:

- the merging of the IT systems of the two distribution networks was completed, with the adoption by the Banco di Napoli branches of the Sanpaolo IT systems. The process, which involved over 750 operating points, was completed at the beginning of June;
- the management of the territory and commercial policies were placed together. At the beginning of the year, the Network was reorganized into territorial areas with unitary responsibility for the Sanpaolo and Banco di Napoli branches. The organization model of the Sanpaolo branches, based on specialization by the type of customer served, was extended then gradually to the Banco di Napoli branches: before the end of the year, after integration with the Banco di Napoli structures, the Sanpaolo Network will have around 150 operating points and 60 detached teams dedicated to companies, as well as over 20 branches and around 50 modules and detached units serving private customers;
- SANPAOLO BANCO DI NAPOLI S.p.A. was established, this company being destined to operate in the four Southern regions traditionally serviced by Banco di Napoli: the regions in question are Campania, Apulia, Calabria and Basilicata. The company will operate through 755 branches in accordance with that already described in a previous chapter of this Report. Compared to the Sanpaolo Network structure existing in the other Italian regions, SANPAOLO BANCO DI NAPOLI operates with a single commercial coordination. The IT, administrative and back office activities of the bank are centralized within the Parent Bank.

Besides integration with the Banco di Napoli branches, during the half year the Sanpaolo Network pursued the budget aims, which provide for the strengthening of the market position in terms of private and retail customers as well as the development of relations with companies with adequate creditworthiness. In particular:

- regarding private and retail customers, the budget aim was pursued through initiatives aimed at improving relations with customers. In more detail:
 - the distribution model based on the specialization of operating points by customer segments was completed. The retail branches were articulated in modules dedicated to serving the customers of the various submarkets: personal, family market and small busi-

ness, dedicated respectively to customers with significant financial funds, to households and to customers comprising professionals, artisans, farmers and small companies. Within the retail branches, modules specialized in serving private customers have been created, and these join the branches specifically dedicated to this type of customer to offer better coverage of the territory;

- an investment policy which establishes the principles to be followed in the assistance provided by branches to customers in relation to investments was presented and the branch operators were provided with more evolved models for the evaluation of the customer financial profile. Work also continued on the design of new products, particularly with guaranteed capital;
- initiatives aimed at increasing operations with small businesses with adequate creditworthiness were effected. This was carried out by making products and instruments specific to the customer segment available to branch specialists;
- the spread of the multi-channel infrastructure continued: at the end of June, direct banking contracts led by the Sanpaolo branches rose to more than 378,000, with growth of around 16% compared with the beginning of the year;
- regarding companies, the aim to increase operations with companies with appropriate creditworthiness was pursued together with pricing policies better correlated to the risk involved. Also worth noting are:
 - the commercial effort made towards the development of the range of financial instruments dedicated to hedging interest and exchange rate risks offered to companies: during the first half year transactions were concluded with around 1,600 customers compared with 1,000 during the whole of 2002;
 - the increase of the spread of direct channels: the number of Internet banking contracts with companies and small businesses reached 26,700 at the end of June, a growth of more than 25% on the beginning of the year;
 - the relaunch of operations to support the internationalization processes of companies by strengthening central and peripheral organization, repackaging the product range and launch dedicated commercial initiatives.

Under the operational profile, Sanpaolo Network customer financial assets showed annual growth of 4.9%, concentrated in the first half of 2003 and attributable to asset management and administration. The net asset manage-

ment flow in particular was 2.8 billion euro in the first half of the year, higher than for the whole of 2002. Loans to customers increased by 10.9% compared with the end of June 2002 and by 3.1% since the beginning of the year. In this context the performance of retail mortgages for households was particularly strong: 1.3 billion euro were disbursed over the six months.

The Sanpaolo Network operating income registered 5.1% growth in the half year, thanks to the positive performance of net interest income, profits and losses from financial

transactions, the stability of commissions and actions to keep costs down. Provisions and adjustments for loans increased slightly. Partially as a result of extraordinary income due to the release of provisions from previous years, net income rose by 20.7%. Annualized RORAC reached 17.5%, compared with 15.2% in the first half of 2002.

Cardine

Cardine operated in North East Italy through the 847 branches of the bank networks of Cassa di Risparmio di

Cardine (1)

	First half 2003	First half 2002	Change first half 2003 / First half 2002 (%)	2002
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	719	712	+1.0	1,435
Operating costs	-446	-451	-1.1	-893
Operating income	273	261	+4.6	542
Provisions and net adjustments to loans and financial fixed assets	-64	-121	-47.1	-277
Income before extraordinary items	209	140	+49.3	265
Net extraordinary income	9	4	+125.0	-11
Income before taxes	218	144	+51.4	254
Income taxes for the period	-99	-73	+35.6	-137
Change in reserves for general banking risks and income attributable to minority interests	-2	-4	-50.0	-10
Net income	117	67	+74.6	107
Contribution to net income of the Group (2)	118	119	-0.8	163
ALLOCATED CAPITAL (€/mil)	2,545	2,534	+0.4	2,536
RATIOS (%)				
Annualized RoE	9.3	9.4		6.4
Cost / Income ratio	60.2	61.6		60.8
	30/6/2003	30/6/2002	Change 30/6/03-30/6/02 (%)	31/12/2002
OPERATING DATA (€/mil)				
Customer financial assets	52,574	50,770	+3.6	51,815
- Direct deposits	26,519	26,050	+1.8	26,524
- Asset management	13,988	12,395	+12.9	13,159
- <i>Mutual funds and fund-based portfolio management</i>	8,923	8,333	+7.1	8,539
- <i>Portfolio management</i>	3,209	2,752	+16.6	3,038
- <i>Life technical reserves</i>	1,856	1,310	+41.7	1,582
- Asset administration	12,067	12,325	-2.1	12,132
Net asset management flows	953	678		1,478
Net loans to customers excluding NPLs	25,621	23,573	+8.7	24,588
OPERATING STRUCTURE				
Employees	9,666	9,925	-2.6	9,719
Domestic branches	847	834	+1.6	841

(1) Cardine Finanziaria group consolidated.

(2) After the posting of consolidation attributable to the Area, mainly referring to the reversal, in the first half of 2003 and in 2002, of the adjustment on discounting of loans.

Padova e Rovigo (which incorporated Banca Agricola di Cerea as of 1 June 2003), Cassa di Risparmio in Bologna, Cassa di Risparmio di Venezia, Cassa di Risparmio di Udine e Pordenone, Cassa di Risparmio di Gorizia and Banca Popolare dell'Adriatico.

The main initiatives realized by Cardine during the first half of 2003 were aimed at the extension to all of the bank networks and successive improvement of the new distribution model articulated by customer segments. For this purpose 785 specialized consultants to serve the different customer segments (of which 110 for private, 376 for affluent, 114 for corporate and 185 for small businesses) were identified. The consultants were given instruments for monitoring the total portfolio and the positions of individual customers. Lastly, the products and services for the various types of customers were identified.

With a view to achieving commercial integration at Group level, during the first half year the Cardine bank networks began placing products originating from the SANPAOLO IMI Group's companies, especially in respect of bonds, mutual funds, fund-based portfolio management and insurance products. In order to develop revenues from transactions with retail customers and with small- and medium-sized companies, product cross-selling and up-selling programs with high added value supplied by the Group's product factories were presented.

In asset management, the net inflow from the start of the year, 1 billion euro, more than offset the devaluation of the stock, which at the end of June 2003 was 14 billion euro, up 12.9% in the 12 months and 6.3% from the end of December 2002. Also positive was the performance of loans to customers net of non-performing loans, which were up 8.7% on an annual basis and 4.2% compared with the beginning of the year; new disbursements to households in connection with retail mortgages were also relevant at 0.5 billion euro in the first six months of the year.

In the first half of 2003 the operating income showed an increase of 4.6% compared to the same period in the previous year, at 273 million euro. This trend was made possible by the growth of revenues (+1%), favored by the positive evolution in net interest income and profits from financial transactions, which more than offset the decline in commissions and dividends, and by the reduction of operating costs (-1.1%). Provisions and adjustments fell by 47.1% compared with the first half of 2002, which included extraordinary components in relation to the discounting

of doubtful loans. Net income for the period was 117 million euro, a growth of 74.6% compared to the same period in 2002. The contribution to net income of the Group was 118 million euro, giving an annualized RoE of 9.3%, substantially aligned with that of the first half of 2002.

Banca OPI

Banca OPI provides financial services to the public sector, with particular reference to the financing of infrastructure investments and works. As of 1 January 2003, the bank also performs the activities in the public works sector previously performed by Banco di Napoli. Operating and income results for the year 2002 are pro forma, in order to allow a consistent comparison of the results.

In the first half of 2003, the bank:

- issued new loans mainly concerning: in Italy, infrastructure sectors, particularly the high-speed rail system, airports, motorways and public utilities; abroad, postal services and motorways in European Union countries or in those countries about to join the EU;
- has sustained the initiatives of companies controlled by local bodies in the exhibition sector, urban transportation services, leisure services and the sale of local authority real estate;
- in the context of innovative forms of financial intervention, has participated, in conjunction with CDC Ixis, in investment funds aimed at the environmental sector and infrastructure for transport. Participation in the project for the Turin – Lyons, part of Corridor 5 Lyons – Trieste – Lubiana – Kiev link should also be noted;
- in the advisory sector, assisted the process of aggregation of some multi-utilities in the region of Emilia Romagna, leading to the establishment of the Hera company and the successive placement of its shares on the stock market. The bank also acquired a mandate from Rimini Fiera S.p.A. to partially privatize the company;
- in project financing, took part in several important projects in Portugal, Spain and Britain. In Italy took part in transactions in the transport sector and in construction for the health, public, environmental and water sectors.

In the first half of 2003 the bank made new disbursements for 2.8 billion euro. Total loans at the end of June rose to 18 billion euro, up 7.6% from the beginning of the year and 11.2% in the 12 months. These were joined by a flow of new subscriptions of securities issued by public bodies, 1.4 billion euro.

The income results for the first half of 2003 showed a rise in net interest and other banking income (+5.2%), determined by the higher commissions which more than offset the decline in net interest income. Net income for the period came to 24 million euro, in line with the first half of 2002.

Large Groups and Structured Finance

The management of relations with the 30 major groups of domestic and international importance, as well as project financing (for energy, oil & gas and telecommunications sectors) and specialized structured lending (acquisition, LBO, real estate) were centralized to optimize the risk/performance profile, in two specialist units: Large Groups and Structured Finance.

In the first half of 2003, the Large Groups unit achieved improved economic results despite the deterioration of the risk profile of some counterparties, which involved the need for major provisions; the Structured Finance unit also achieved positive results, considering the performance of the markets in the half year.

Other Italian Networks

Other Italian Networks operate in the domestic market through the distribution networks of the Cassa di Risparmio di Firenze, in which the Group has a stake of 19.5%, and the Cassa dei Risparmi di Forlì (29.8% stake).

In the context of the distribution agreements between SANPAOLO IMI and the companies in the Area, the following should be noted:

- positive progress in the marketing of mutual funds managed by CR Firenze Gestion Internationale (in which an 80% interest is held by Carifirenze and a 20% interest by SANPAOLO IMI); the net flow for the half year, equal to 821 million euro, brought the total amounts at the end of June to 3 billion euro;
- placement by the Cariforlì network, in the first six months of the year, of SANPAOLO IMI Group asset management products for 18 million euro; this net flow took the total, at the end of June, to 188 million euro, up 13.8% since the beginning of the year and 37% on the 12 months.

Banca OPI

	First half 2003	First half 2002	Change first half 2003 / First half 2002 (%)	2002
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	81	77	+5.2	143
Operating costs	-11	-11	-	-23
Operating income	70	66	+6.1	120
Provisions and net adjustments to loans and financial fixed assets	-36	-33	+9.1	-68
Income before extraordinary items	34	33	+3.0	52
Net extraordinary income	1	3	-66.7	4
Income before taxes	35	36	-2.8	56
Income taxes for the period	-11	-12	-8.3	-17
Net income	24	24	-	39
Contribution to net income of the Group (1)	47	43	+9.3	77
ALLOCATED CAPITAL (€/mil)	675	667	+1.2	675
RATIOS (%)				
Annualized RoE	13.9	12.9		11.4
Cost / Income ratio	13.4	14.1		15.3
	30/6/2003	30/6/2002	Change 30/6/03-30/6/02 (%)	31/12/2002
OPERATING DATA (€/mil)				
Net loans to customers excluding NPLs	17,993	16,181	+11.2	16,717
Disbursements in the period	2,800	1,680	+66.7	3,231
OPERATING STRUCTURE				
Employees	160	157	+1.9	167

(1) After the posting of consolidation attributable to the Area, mainly represented by the reversal of the discounting of loans, performed exclusively for tax purposes.

Personal Financial Services

Banca Fideuram

Banca Fideuram has a network of 4,656 financial planners and 87 branches in Italy and operates using its own specialized companies dedicated to the production of asset management services.

During the first half of 2003, Banca Fideuram's activities were aimed at the completion of the integration process with Banca Sanpaolo Invest. In June the spin off of the

Banca Sanpaolo Invest banking branch to Banca Fideuram was signed, becoming legally effective as of 1 July 2003. The latter, which will take on the status of a SIM in the second half year, has ceased to perform banking activity, concentrating on the provision of investment services through its network of financial planners.

The program for the reorganization of investment services was also completed:

- in March Fideuram Capital sold the advisory branch to Fideuram Fondi and was incorporated in Banca Fideuram, effective as of 1 July 2003;

Banca Fideuram (1)

	First half 2003	First half 2002	Change first half 2003 / First half 2002 (%)	2002
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	284	321	-11.5	598
Operating costs	-171	-170	+0.6	-344
Operating income	113	151	-25.2	254
Adjustments to goodwill and merger and consolidation differences	-3	-6	-50.0	-58
Provisions and net adjustments to loans and financial fixed assets	-13	-19	-31.6	-68
Income before extraordinary items	97	126	-23.0	128
Net extraordinary income	-5	6	n.s.	19
Income before taxes	92	132	-30.3	147
Income taxes for the period	-20	-22	-9.1	-13
Change in reserves for general banking risks and income attributable to minority interests	1	-	n.s.	16
Net income	73	110	-33.6	150
Contribution to net income of the Group (2)	55	76	-27.6	111
ALLOCATED CAPITAL (€/mil)	701	798	-12.2	788
RATIOS (%)				
Annualized RoE	15.7	19.0		14.1
Cost / Income ratio	57.9	51.5		55.3
	30/6/2003	30/6/2002	Change 30/6/03-30/6/02 (%)	31/12/2002
OPERATING DATA (€/mil)				
Customer financial assets	57,889	58,553	-1.1	56,457
- Direct deposits	3,813	4,094	-6.9	3,901
- Asset management	42,329	42,276	+0.1	40,028
- <i>Mutual funds and fund-based portfolio management</i>	30,202	32,333	-6.6	28,756
- <i>Portfolio management</i>	575	493	+16.6	525
- <i>Life technical reserves</i>	11,552	9,450	+22.2	10,747
- Asset administration	11,747	12,183	-3.6	12,528
Net asset management flows	1,868	-562		-1,153
OPERATING STRUCTURE				
Employees	1,866	1,890	-1.3	1,880
Financial planners	4,656	4,995	-6.8	4,754
Domestic branches	87	85	+2.4	87

(1) Including Banca Sanpaolo Invest.

(2) Related to the share held by SANPAOLO IMI and after the posting of consolidation attributable to the Area.

- Fideuram Fondi incorporated Fideuram Gestioni Patrimoniali, effective as of 1 July 2003, and simultaneously took the name of Fideuram Investimenti, extending its activity to the individual management of investment portfolios on behalf of third parties.

At the end of June 2003 customer financial assets of Banca Fideuram, including Banca Sanpaolo Invest, were 57.9 billion euro, down 1.1% over the 12 months but up 2.5% since the beginning of the year. During the half

year the net asset management inflow was 1.9 billion euro, compared with an outflow of 0.6 billion in the first half of 2002.

Profit margins for the half year were generally reduced; net interest and other banking income of 284 million euro, fell by 11.5%, mainly because of the decline in commission revenues. Net income for the period was 73 million euro, a drop of 33.6% on the first half of 2002. Annualized RoE was 15.7%.

Wealth Management and Financial Markets

Sanpaolo IMI Wealth Management

Wealth Management provides asset management products and services both to the Group's internal distribution networks and to institutional investors, associated networks and other networks. The Sanpaolo IMI Wealth Management holding company heads the Group companies operating in mutual funds, portfolio management and life insurance.

In the first half of 2003, the Area realized initiatives aimed at rationalizing its corporate structure. In particular, these regarded:

- the reduction to 50%, less one share, in the shareholding held in Sanpaolo Bank Luxembourg, following the capital increase of the latter company, fully subscribed by the Parent Bank SANPAOLO IMI, which assumed control;
- the acquisition of full control of Sanpaolo IMI Wealth Management Luxembourg, through the purchase of the

11.8% share held by Sanpaolo Bank Luxembourg;

- the merger by incorporation, effective as of 1 September 2003, of Banco di Napoli Asset Management into Sanpaolo IMI Asset Management;
- the capital increase of the subsidiary Sanpaolo IMI Alternative Investments, a company dedicated to the management of hedge funds.

In the first half of the year, Sanpaolo IMI Wealth Management further extended its range of products with the launch of fund of funds, protected funds and an inflation linked funds, and the issue of new index linked policies by Sanpaolo Vita. The Area also began marketing products through the Cardine bank networks.

The Area's assets under management as of the end of June 2003 amounted to 90.2 billion euro, up 8.5% on an annual basis and 8.1% from the end of 2002. Noteworthy within the total amount is the sustained growth in life technical reserves, which rose to 16.7 billion euro (+38.8% in comparison with the end of June 2002).

Sanpaolo IMI Wealth Management

	First half 2003	First half 2002	Change first half 2003 / First half 2002 (%)	2002
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	122	102	+19.6	234
Operating costs	-46	-42	+9.5	-88
Operating income	76	60	+26.7	146
Adjustments to goodwill and merger and consolidation differences	-3	-3	-	-7
Income before extraordinary items	73	57	+28.1	139
Net extraordinary income	-10	-	n.s.	2
Income before taxes	63	57	+10.5	141
Income taxes for the period	-4	-7	-42.9	-7
Change in reserves for general banking risks and income attributable to minority interests	-	-	-	-2
Net income	59	50	+18.0	132
Contribution to net income of the Group (1)	65	54	+20.4	142
ALLOCATED CAPITAL (€/mil)	680	617	+10.2	655
RATIOS (%)				
Annualized RoE	19.1	17.5		21.7
Cost / Income ratio	39.4	44.5		40.5
	30/6/2003	30/6/2002	Change 30/6/03-30/6/02 (%)	31/12/2002
OPERATING DATA (€/mil)				
Assets under management	90,157	83,111	+8.5	83,407
OPERATING STRUCTURE				
Employees	379	372	+1.9	404

(1) After the posting of consolidation attributable to the Area, mainly represented by the reversal of amortization for goodwill on infra Group companies.

In the first half of 2003, Wealth Management registered net interest and other banking income of 122 million euro, up 19.6% compared with the same period in the previous year; this trend was due in particular to a significant growth (+83.6%) in the contribution of the Sanpaolo Vita and Sanpaolo Life insurance companies, booked as profits from companies carried at equity, which more than offset the reduction in net commissions (-7.7%). The growth in revenues resulted in a net income of 59 million euro (+18%), which was also influenced by extraordinary expenses attributable to use of the Budget Law 2003 for the tax reform. The profitability, expressed in terms of annualized RoE, was 19.1%.

Banca IMI

Banca IMI, the Group's investment bank, covers securities dealing both on own account and for customers, the rais-

ing of risk and debt capital for companies, as well as corporate finance consultancy.

In the first half of 2003, with reference to corporate finance and capital markets, Banca IMI:

- with regard to Public Offers acted as advisor/coordinator in the Public Offers promoted by ENI on the Italgas shares, by Wide Design on Italdesign Giugiaro and by SANPAOLO IMI on Banca Popolare dell'Adriatico and acted as advisor in the offers on Manuli Rubber and Banca di Sassari;
- in the context of equity placements, took part in the Initial Public Offer of Meta and guided, as joint book runner, the placement of Hera, in Italy; acted as co-manager in the institutional offer of Timken shares, an important US manufacturing company, abroad;
- in capital increases, acted as guarantor in two major operations launched on the European market, notably

Banca IMI (1)

	First half 2003	First half 2002	Change first half 2003 / First half 2002 (%)	2002
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	136	107	+27.1	185
Operating costs	-76	-78	-2.6	-150
Operating income	60	29	+106.9	35
Provisions and net adjustments to loans and financial fixed assets	-2	-2	-	-5
Income before extraordinary items	58	27	+114.8	30
Net extraordinary income	-2	-1	+100.0	5
Income before taxes	56	26	+115.4	35
Income taxes for the period	-18	-8	+125.0	-11
Net income	38	18	+111.1	24
Contribution to net income of the Group	38	18	+111.1	24
ALLOCATED CAPITAL (€/mil)	378	367	+3.0	361
RATIOS (%)				
Annualized RoE	20.1	9.8		6.6
Cost / Income ratio	56.2	73.1		81.0
OPERATING DATA (€/mil)				
Banca IMI SpA trading volumes				
- trading	381,089	320,062	+19.1	671,677
- sales	93,243	64,953	+43.6	143,809
- repurchase agreements	1,002,884	747,894	+34.1	1,621,992
- placements	6,445	4,207	+53.2	6,360
	30/6/2003	30/6/2002	Change 30/6/03-30/6/02 (%)	31/12/2002
OPERATING STRUCTURE				
Employees	634	634	-	634
Branches	2	2	-	2

(1) Excluding IMIWeb Bank.

Banco Comercial Português, the biggest Portuguese bank and the German insurance company Allianz; acted as coordinator for the capital increases of Edison, AEM Torino and Reno de Medici;

- in the debt market performed the role of leader or placer in 34 transactions, acted as lead manager and book runner for issues of financial institutions and industrial companies, and as arranger and book runner for securitization transactions.

As regards corporate finance advisory, Banca IMI:

- completed the assistance to Edison in the sale of gas reserves in Egypt, ENEL for the exploitation of electricity generation assets and ENI for the exploitation of businesses in the chemical sector;
- assisted SANPAOLO IMI in the purchase of the majority shareholding of Fidis Retail Italia together with a pool of banks, Sanpaolo IMI Wealth Management in the take over of Eptafund, the Merlo Group in the corporate reorganization in view of a possible purchase and Business Solutions for the sale of the majority share of IPI;
- with regard to current transactions, continued global advisory activities for the FIAT Group and advisory activities for the Ministry of Economy and Finance (evaluation for the privatization of ETI), for Buzzi Unicem (consulting in the Public Offer on Dyckerhoff preference shares), for Finmeccanica (exploitation of the Eltag assets), for the Albanian government (privatization of the fixed telecommunication and energy sectors), for Cassa di Risparmio di Firenze and Cassa di Risparmio di Genova (purchase of Cassa di Risparmio di La Spezia and Cassa di Risparmio di Carrara, respectively) and for Edison (sale of a gas transportation network).

Transactions in derivatives for corporate customers of the SANPAOLO IMI network and the development of personal finance products distributed through the Group networks also continued in the first half of the year.

In the first half of 2003, the total revenues of Banca IMI were 136 million euro, up 27.1% compared with the same period last year, benefiting from the recovery of corporate finance and capital markets and from an improvement in income from sales. This, together with the reduction in operating costs (-2.6%), allowed the bank to achieve a net income of 38 million euro, compared with 18 million in the first half of 2002, and an annualized RoE of 20.1%.

The operating income and results do not include the results of IMIWeb Bank.

Sanpaolo IMI Private Equity

Sanpaolo IMI Private Equity is responsible for the private equity activity of the Group, with the strategic goal of strengthening and consolidating its presence in this sector, mainly through the promotion and management of closed-end investment funds.

The company heads the subsidiaries specialized in the management of Italian law closed-end investment funds (Sanpaolo IMI Fondi Chiusi SGR and NHS Mezzogiorno SGR), as well as several foreign subsidiaries instrumental to the management of international law closed-end investment funds and the merchant banking activity.

The first half of 2003 was characterized by the continued process to centralize the Group's private equity activities into Sanpaolo IMI Private Equity. Both the acquisition from Cardine Finanziaria of the entire capital of Alcedo, the advisory company of the Cardine Impresa and Eptasviluppo funds, and the passage of the management of the Eptasviluppo Fund from Eptafund to the Sanpaolo IMI Fondi Chiusi SGR subsidiary were completed. The Group's private equity funds were reallocated, concentrating them in Sanpaolo IMI Private Equity, which purchased in June the shares of the Convergenza fund from the NHS Luxembourg subsidiary and in July the shares of the Cardine Impresa, Eptasviluppo and Emerald funds.

The fund raising activities for "Fondo di Promozione del Capitale di Rischio per il Mezzogiorno" ("Risk capital fund for Southern Italy") were completed on 14 April 2003, after reaching the maximum expected amount of 100 million euro. The first investment transaction, completed in September, has already been approved.

During the half year activities continued in preparation for the launch of new reserved closed-end investment funds both of regional nature and with pan European scope. The presentation of a petition to Bank of Italy is underway for the launch of two regional closed-end funds (one for the North Western regions and the other for the Central regions), accompanied by consistent strengthening of the Sanpaolo IMI Fondi Chiusi SGR subsidiary. The private placement of the pan European EA Partners fund has begun, in conjunction with CDC Ixis Private Equity and Bayerische Landesbank Equity Management.

Lastly, consistent with the strategic plan which provides for the gradual disposal of merchant banking shareholdings and closed-end funds not sponsored by the Group, the disposal of the entire shareholding in Wire Industries and in Santè Luxembourg and the partial disposal of the shares in the Spinner Global Technology fund were completed, with the real-

ization of capital gains booked after the end of the half year.

With reference to the results of the first half of 2003, Sanpaolo IMI Private Equity, together with its subsidiaries, showed a net loss, which does not include the mentioned capital gains from the sale of shareholdings.

International Activities

Banque Sanpaolo

Banque Sanpaolo operates in France, through a network of 62 branches, with a customer base of 125,000 private customers with a medium/high savings potential and small- and medium-sized companies. As mentioned in an earlier chapter of this Report, at the end of July SANPAOLO IMI and Caisse Nationale des Caisses d'Epargne (CNCE) reached an agreement for the sale to the latter of the majority share of Banque Sanpaolo.

In the first half of 2003 Banque Sanpaolo carried on the specialization of the branch network on the reference customer segments.

In operating terms, the bank reported a positive trend in direct customer deposits and loans to customers: compared with the end of June 2002, direct deposits were up 8.7% and loans to customers rose by 7.2%.

Assets under management reached 5.9 billion euro, up 8.5% over the 12 months and 12.6% since the beginning of the year, thanks to the positive trend in mutual funds and life insurance policies, which offset the reduction of portfolio management.

The favorable trend in net interest income and profits from financial transactions has more than offset the drop in commissions and dividends. Net income also benefited from reduced operating costs and fewer provisions and

Banque Sanpaolo

	First half 2003	First half 2002	Change first half 2003 / First half 2002 (%)	2002
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	103	100	+3.0	196
Operating costs	-68	-69	-1.4	-135
Operating income	35	31	+12.9	61
Provisions and net adjustments to loans and financial fixed assets	-5	-8	-37.5	-13
Income before extraordinary items	30	23	+30.4	48
Net extraordinary income	-	2	-	1
Income before taxes	30	25	+20.0	49
Income taxes for the period	-11	-9	+22.2	-19
Net income	19	16	+18.8	30
Contribution to net income of the Group (1)	19	15	+26.7	29
ALLOCATED CAPITAL (€/mil)	429	435	-1.4	441
RATIOS (%)				
Annualized RoE	8.9	6.9		6.6
Cost / Income ratio	64.1	67.0		66.3
	30/6/2003	30/6/2002	Change 30/6/03-30/6/02 (%)	31/12/2002
OPERATING DATA (€/mil)				
Customer financial assets	12,459	n.d.	n.d.	11,485
- Direct deposits	4,813	4,429	+8.7	4,648
- Asset management	5,858	5,400	+8.5	5,204
- Mutual funds and fund-based portfolio management	4,068	3,563	+14.2	3,527
- Portfolio management	940	1,022	-8.0	865
- Life technical reserves	850	815	+4.3	812
- Asset administration	1,788	n.d.	n.d.	1,633
Net asset management flows	475	291		548
Net loans to customers excluding NPLs	3,783	3,528	+7.2	3,582
OPERATING STRUCTURE				
Employees	1,229	1,224	+0.4	1,239
Branches	62	59	+5.1	62

(1) After the posting of consolidation attributable to the Area.

adjustments, reaching 19 million euro, 18.8% higher against the same period in the previous year.

Foreign Network

The Area is responsible for the foreign network of the Parent Bank composed of 11 branches, 18 representative offices and 1 operating desk, as well as for the Irish subsidiary Sanpaolo IMI Bank Ireland. This structure has a direct presence in 27 countries.

To strengthen the position in its reference markets, the organization of the Area was based on three regional offices (Americas, Europe and Asia) to direct and control the various operating points. Moreover, to optimize the synergies with Sanpaolo IMI Internazionale, the latter was assigned, as of 2003, the hierarchical responsibility for the six representative offices in Central Eastern Europe, which will however continue to remain, from the corporate point of view, within the Parent Bank.

The Area's mission is aimed at the development of businesses dedicated to favoring the internationalization of Italian companies and increasing the presence of foreign multinationals in the Italian market.

During the first half of 2003, the lending activities were marked by the selectivity and safeguarding the quality of the assets rather than increasing operating volumes, confirming a strong customer oriented policy, focused on direct and strategic relationships with customers. With reference to this issue, the Foreign Network concentrated, on the one side, on consolidating the position achieved in a European and Asian context and, on the other, on reducing the risk profile with counterparties from the United States, through major diversification in both the number of customers and the economic sectors. In relation to the cross selling of products and services, the synergies with the Italian branches of SANPAOLO IMI continued to be strengthened.

From an economic viewpoint, operations with customers on the Foreign Network in the first half of 2003 showed an

improvement in revenues, bringing annualized RORAC to 20.4%. Lending exposure with foreign counterparties is slightly down compared with 2002, while the portfolio quality reached good levels, having involved a minimum amount of writedowns against several significant recoveries in value as a result of the total repayment of partially written down loans, such as Xerox, and the restructuring of critical loans, such as Marconi, at better conditions than expected.

Sanpaolo IMI Internazionale

Sanpaolo IMI Internazionale was formed for the purpose of developing and supervising the activities of the Group in those geographic areas and foreign countries deemed to be of strategic interest.

At full capacity this company will hold all the interests of the Group in Central Eastern Europe and the Mediterranean. On 4 April 2003, the Parent Bank transferred to it the shareholding in the Hungarian Inter-Europa Bank, which has 23 branches, and on 2 July 2003, the 5.2% shareholding in the Polish Kredyt Bank and the 5.6% shareholding in the Tunisian bank, BIAT (Banque Internationale Arabe de Tunisie). The transfer of the shareholding in Banka Koper (62.6%), operating in Slovenia through a network of 39 branches, has to be completed: the necessary authorization from the Central Bank has arrived on 3 September. The transfer of the equity investment in West Bank (97.9%), operating in Romania through 17 branches, is still conditional to necessary approval by the local Regulatory Authorities.

On 15 April 2003 the full Public Offer launched by Sanpaolo IMI Internazionale for Inter-Europa Bank, of which SANPAOLO IMI already owned a 32.5% share, was completed. The Offer saw the delivery of a number of shares equal to 52.7% of the bank's share capital, bringing the total shareholding to 85.2%. The total outlay for the Offer amounted to 31 million euro.

The plan to restructure and strengthen the capital of West Bank, the name of which will be changed to Sanpaolo IMI Romania, continued during the half year.

IMI Investimenti

IMI Investimenti manages the major industrial shareholdings with particular reference to the amount, the impact in terms of “significant exposures” and the strategic importance attributed by the Group.

With regard to the investment portfolio, on 14 May 2003, Synesis Finanziaria S.p.A. was established. This is a newco in which the company participates equally with Capitalia, Banca Intesa and Unicredito, taking over from the FIAT Group 51% of the European network of the finance company Fidis (exclusively within the retail financing activities), with a total commitment by IMI Investimenti for about 100 million euro. The first tranche, paid on 27 May at the time

the shares were exchanged, involved outlay of 63 million euro, while the next is due to take place by 30 September.

In July 2003, IMI Investimenti subscribed, for the share attributable, the capital increase of FIAT (1,836 million euro altogether) approved in the context of the automobile group's relaunch plan presented in June. The related outlay was 27.4 million euro. After the increase in capital, the shareholding in FIAT was 1.487% of the total capital (1.618% of the voting rights and 1.827% of the ordinary capital).

The economic performance in the first half of 2003 is still penalized by significant adjustments to the investment portfolio which have resulted in the company negatively influencing the Group's net income by about 14 million euro.

Developments in the second half of the year

Economic background

The anticipatory indicators of the cycle published after the end of the half year show expectations of an improvement of the economic prospects in major economies, of cyclical recovery from the current stagnation in the euro-zone and of accelerated growth in the United States. Fears with regard to deflation expressed by the American and European Central Banks in Spring seem to have died down. In the absence of new shocks to the international economy, for 2003 the major international bodies expect an increase of more than 2% in GDP in the United States, but still lower than 1% in the euro-zone.

Expectations regarding the recovery of the international market situations are also implicit in the recent trend of the financial indicators. In July and August the interest rate curve rose considerably following the rise in expected inflation and in the real component of long-term interest rates. Despite the uncertainties which, particularly in the European context, continue to accompany the evolution of the cycle, on the basis of the quotations of futures on the monetary markets, operators seem to think that the monetary policy expansion phase of the Fed and the ECB is over.

In July and August the equity markets, sustained by the publication of positive information on the evolution of company earnings in the second quarter, consolidated the rise in prices which took place during the first half of the year. The favorable trend of the financial markets has a beneficial effect on the movement of asset management flows and mutual fund amounts.

In a slow but gradually recovering context of the major economies, over the next few months the trend towards the recovery of prices on the equity markets and amounts in mutual funds could be consolidated.

Group performance and prospects

The evolution of customer financial assets in July and August 2003 confirmed the trends of the first half year. The lively trend in asset management continued, supported by

the results achieved in the placement of life insurance policies and mutual funds. Asset administration continues along the growth path set in the first half year, benefiting from customers returning towards traditional investment products. The evolution of direct deposits was more cautious, both in terms of sight deposits and those represented by securities, showing however generally positive rates of change compared with the same period last year.

Net loans to customers were subject to reduction during the two months, attributable mainly to inflow from short- and medium/long-term loans to large groups. The reduction, which was partially linked to seasonal factors, did not affect the annual trend which remains positive.

As regards the economic profile, from June onwards profit margins continued to benefit from the positive elements that characterized the first half of the year. Despite the lesser than expected evolution of short-term rates, net interest income sustained the mark-up which countered the closure of the mark-down. The recovery of the financial markets, consolidated in July and August, together with the results of asset management, produced further recovery of commissions.

The expansion of revenues and constant cost control enabled ordinary operating margins to confirm, and in some cases improve, the trend shown during the half year.

In relation to extraordinary management, the forecast for the second half year shows the achievement of significant capital gains on some transactions that will be completed during the period, including the sale of Finconsumo Banca and Banque Sanpaolo. The extraordinary income will enable the counterbalancing of extraordinary expenses linked with staff leaving incentives using the "Fund for staff in the banking industry", both for the part already booked in the Parent Bank's accounts and for charges which might be registered by other Group companies in the second half of the year.

The elements mentioned enable to look positively at the evolution of the statement of income in the second part of the year, also with regard to achieving the budget targets.

Turin, 12 September 2003

The Board of Directors

**AUDITORS REPORT ON THE LIMITED REVIEW OF SANPAOLO IMI SPA
INTERIM FINANCIAL REPORTING FOR THE SIX MONTHS PERIOD ENDED
30 JUNE 2003**

To the Shareholders of
Sanpaolo IMI SpA

- 1 We have performed a limited review of the interim financial reporting of Sanpaolo IMI SpA for the six months period ended 30 June 2003, consisting of consolidated balance sheet, income statement and related explanatory notes. We have also ensured that the management discussion and analysis is consistent with other information in the interim financial reporting.
- 2 Our work was carried out in accordance with the procedures for a limited review recommended by the National Commission for Companies and the Stock Exchange (Consob) with Resolution n° 10867 of 31 July 1997. The responsibility for the limited review of the interim financial reporting of certain subsidiaries which, at 30 June 2003 reflected “Total assets” representing 14 percent of consolidated total assets, “Net interest income” representing 2 percent of consolidated net interest income and “Net interest and other banking income” representing 9 percent of consolidated net interest and other banking income, rests with other auditors. The limited review consisted principally of inquiries of company personnel about the information reported in the interim financial reporting and about the consistency of the accounting principles utilised therein with those applied at year end as well as the application of analytical review procedures on the data contained in the interim financial reporting. The limited review excluded certain auditing procedures such as compliance testing and verification or validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike an audit on the annual statutory and consolidated financial statements, we do not express a professional audit opinion on the interim financial reporting.
- 3 Regarding the comparative data of the consolidated financial statements at 31 December 2002 and of the prior year’s interim financial reporting, reference should be made to reports issued by us, respectively, on 10 April 2003 and on 3 October 2002.

- 4 Based on our review, no significant changes or adjustments came to our attention that should be made to the interim financial reporting identified in paragraph 1 of this report, in order to make them consistent with the criteria for the preparation of interim financial reporting established by article 81 “interim financial reporting” of Consob Regulation as approved by Resolution n° 11971 of 14 May 1999 and subsequent modifications.

Turin, 19 September 2003

PricewaterhouseCoopers SpA

Signed by
Sergio Duca
(Partner)

“This report has been translated into the English language solely for the convenience of international readers. The original report was issued in accordance with Italian legislation.”

Consolidated half year financial statements

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF INCOME

CONSOLIDATED BALANCE SHEET (comparison with pro forma schedules)

CONSOLIDATED STATEMENT OF INCOME (comparison with pro forma schedules)

CONSOLIDATED EXPLANATORY NOTES

CONSOLIDATED BALANCE SHEET

(€/mil)

ASSETS	30/6/2003	31/12/2002	30/6/2002
10. Cash and deposits with central banks and post offices	980	1,406	1,029
20. Treasury bills and similar bills eligible for refinancing with central banks	2,837	3,143	7,382
30. Due from banks	21,129	22,000	22,735
a) repayable on demand	8,013	4,975	8,062
b) other deposits	13,116	17,025	14,673
40. Loans to customers	130,215	126,701	123,872
of which:			
- loans using public funds	172	206	198
50. Bonds and other debt securities	20,567	16,822	15,519
a) public entities	12,394	8,628	7,065
b) banks	5,328	5,079	4,915
of which:			
- own bonds	2,281	1,774	1,809
c) financial institutions	1,935	1,132	1,126
of which:			
- own bonds	16	8	-
d) other issuers	910	1,983	2,413
60. Shares, quotas and other equities	4,737	2,595	5,791
70. Equity investments	3,015	3,224	3,472
a) carried at equity	446	426	438
b) other	2,569	2,798	3,034
80. Investments in Group companies	845	840	648
a) carried at equity	845	840	648
90. Goodwill arising on consolidation	944	842	939
100. Goodwill arising on application of the equity method	83	188	202
110. Intangible fixed assets	372	406	407
of which:			
- start-up costs	2	2	3
- goodwill	15	16	8
120. Tangible fixed assets	2,203	2,229	2,491
140. Own shares or quotas (nominal value € 11 million)	33	31	50
150. Other assets	23,866	20,494	20,031
160. Accrued income and prepaid expenses	2,779	2,852	2,964
a) accrued income	1,977	2,063	2,268
b) prepaid expenses	802	789	696
of which:			
- discounts on bond issues	240	236	139
Total assets	214,605	203,773	207,532

		(€/mil)		
LIABILITIES		30/6/2003	31/12/2002	30/6/2002
10.	Due to banks	28,597	24,456	30,201
	a) repayable on demand	6,208	2,952	7,032
	b) time deposits or with notice period	22,389	21,504	23,169
20.	Due to customers	87,610	85,280	83,826
	a) repayable on demand	68,528	60,458	63,741
	b) time deposits or with notice period	19,082	24,822	20,085
30.	Securities issued	49,459	51,561	52,429
	a) bonds	38,651	39,447	40,211
	b) certificates of deposit	6,372	7,310	7,411
	c) other	4,436	4,804	4,807
40.	Public funds administered	176	208	201
50.	Other liabilities	25,582	18,807	17,202
60.	Accrued expenses and deferred income	1,964	2,164	2,552
	a) accrued expenses	1,434	1,622	2,080
	b) deferred income	530	542	472
70.	Provisions for termination indemnities	971	961	989
80.	Provisions for risks and charges	2,663	2,781	3,092
	a) pensions and similar commitments	348	343	343
	b) taxation	460	670	1,058
	c) other	1,855	1,768	1,691
90.	Reserve for possible loan losses	84	71	79
100.	Reserve for general banking risks	14	14	357
110.	Subordinated liabilities	6,784	6,613	6,155
130.	Negative goodwill arising on application of the equity method	211	94	115
140.	Minority interest	292	334	437
150.	Capital	5,144	5,144	5,144
160.	Additional paid-in capital	708	708	22
170.	Reserves	3,887	3,670	4,112
	a) legal reserve	1,029	1,029	793
	b) reserve for own shares or quotas	33	31	39
	d) other reserves	2,825	2,610	3,280
180.	Revaluation reserves	18	18	18
200.	Net income	441	889	601
Total liabilities and shareholders' equity		214,605	203,773	207,532

		(€/mil)		
GUARANTEES AND COMMITMENTS		30/6/2003	31/12/2002	30/6/2002
10.	Guarantees given	18,309	20,483	16,557
	of which:			
	- acceptances	183	167	172
	- other guarantees	18,126	20,316	16,385
20.	Commitments	31,696	27,574	25,576

CONSOLIDATED STATEMENT OF INCOME

		(€/mil)		
		First half 2003	2002	First half 2002
10.	Interest income and similar revenues	3,966	8,693	4,357
	<i>of which:</i>			
	– loans to customers	3,296	6,936	3,444
	– debt securities	360	995	492
20.	Interest expense and similar charges	-2,065	-4,955	-2,509
	<i>of which:</i>			
	– amounts due to customers	-600	-1,445	-714
	– securities issued	-961	-2,203	-1,132
30.	Dividends and other revenues	283	565	514
	a) shares, quotas and other equities	231	410	388
	b) equity investments	52	155	126
40.	Commission income	1,760	3,467	1,734
50.	Commission expense	-324	-671	-359
60.	Profits (losses) on financial transactions	54	-98	-159
70.	Other operating income	190	422	204
80.	Administrative costs	-2,329	-4,648	-2,296
	a) personnel	-1,449	-2,856	-1,420
	<i>of which:</i>			
	– wages and salaries	-1,038	-2,061	-1,027
	– social security charges	-326	-618	-300
	– termination indemnities	-68	-140	-73
	– pensions and similar	-17	-37	-20
	b) other administrative costs	-880	-1,792	-876
90.	Adjustments to tangible and intangible fixed assets	-310	-753	-308
100.	Provisions for risks and charges	-64	-261	-99
110.	Other operating expense	-36	-50	-22
120.	Adjustments to loans and provisions for guarantees and commitments	-393	-889	-339
130.	Writebacks of adjustments to loans and provisions for guarantees and commitments	225	320	206
140.	Provisions to the reserve for possible loan losses	-7	-27	-15
150.	Adjustments to financial fixed assets	-87	-569	-71
160.	Writebacks of adjustments to financial fixed assets	6	8	15
170.	Income (losses) from investments carried at equity	87	137	58
180.	Income from ordinary activities	956	691	911
190.	Extraordinary income	158	575	277
200.	Extraordinary expense	-330	-248	-141
210.	Extraordinary net income	-172	327	136
230.	Change in reserves for general banking risks	-	364	-2
240.	Income taxes	-322	-450	-415
250.	Income (loss) attributable to minority interests	-21	-43	-29
260.	Net income	441	889	601

CONSOLIDATED BALANCE SHEET (comparison with pro forma schedules)

		(€/mil)		
ASSETS		30/6/2003	31/12/2002 pro forma (*)	30/6/2002 pro forma (*)
10.	Cash and deposits with central banks and post offices	980	1,508	1,098
20.	Treasury bills and similar bills eligible for refinancing with central banks	2,837	3,199	7,441
30.	Due from banks	21,129	22,268	23,046
	a) repayable on demand	8,013	5,012	8,107
	b) other deposits	13,116	17,256	14,939
40.	Loans to customers	130,215	127,849	124,998
	of which:			
	- loans using public funds	172	206	198
50.	Bonds and other debt securities	20,567	16,301	15,061
	a) public entities	12,394	8,732	7,212
	b) banks	5,328	5,099	4,938
	of which:			
	- own bonds	2,281	1,777	1,812
	c) financial institutions	1,935	1,130	1,124
	of which:			
	- own bonds	16	8	-
	d) other issuers	910	1,340	1,787
60.	Shares, quotas and other equities	4,737	2,606	5,806
70.	Equity investments	3,015	3,175	3,395
	a) carried at equity	446	373	357
	b) other	2,569	2,802	3,038
80.	Investments in Group companies	845	840	648
	a) carried at equity	845	840	648
90.	Goodwill arising on consolidation	944	1,000	1,107
100.	Goodwill arising on application of the equity method	83	80	88
110.	Intangible fixed assets	372	433	426
	of which:			
	- start-up costs	2	3	4
	- goodwill	15	16	8
120.	Tangible fixed assets	2,203	2,247	2,508
140.	Own shares or quotas	33	31	50
150.	Other assets	23,866	20,469	20,049
160.	Accrued income and prepaid expenses	2,779	2,835	2,954
	a) accrued income	1,977	2,069	2,277
	b) prepaid expenses	802	766	677
	of which:			
	- discounts on bond issues	240	236	139
Total assets		214,605	204,841	208,675

(*) The pro forma consolidated balance sheets as of 30 June 2002 and 31 December 2002, which are unaudited, were prepared to enable consistent comparison with the consolidated financial statements as of 30 June 2003. The pro forma schedules reflect the line by line consolidation of the Inter-Europa Bank and Eptaconsors and the proportional consolidation of Cariforli commencing from 1 January 2002, as well as the exclusion of the line by line consolidation of IMIWeb Bank and of the proportional consolidation of Finconsumo Banca as of the same date.

		(€/mil)		
LIABILITIES		30/6/2003	31/12/2002 pro forma (*)	30/6/2002 pro forma (*)
10.	Due to banks	28,597	24,629	30,468
	a) repayable on demand	6,208	3,152	7,182
	b) time deposits or with notice period	22,389	21,477	23,286
20.	Due to customers	87,610	86,066	84,548
	a) repayable on demand	68,528	60,757	64,001
	b) time deposits or with notice period	19,082	25,309	20,547
30.	Securities issued	49,459	51,610	52,462
	a) bonds	38,651	39,545	40,296
	b) certificates of deposit	6,372	7,343	7,445
	c) other	4,436	4,722	4,721
40.	Public funds administered	176	208	201
50.	Other liabilities	25,582	18,815	17,223
60.	Accrued expenses and deferred income	1,964	2,168	2,556
	a) accrued expenses	1,434	1,629	2,086
	b) deferred income	530	539	470
70.	Provisions for termination indemnities	971	967	995
80.	Provisions for risks and charges	2,663	2,801	3,140
	a) pensions and similar commitments	348	348	348
	b) taxation	460	681	1,099
	c) other	1,855	1,772	1,693
90.	Reserve for possible loan losses	84	76	84
110.	Subordinated liabilities	6,784	6,605	6,147
130.	Negative goodwill arising on application of the equity method	211	93	114
140.	Minority interest	292	342	445
	Capital and reserves (captions 100, 150, 160, 170, 180)	9,771	9,560	9,689
200.	Net income	441	901	603
Total liabilities and shareholders' equity		214,605	204,841	208,675
		(€/mil)		
GUARANTEES AND COMMITMENTS		30/6/2003	31/12/2002 pro forma (*)	30/6/2002 pro forma (*)
10.	Guarantees given	18,309	20,590	16,661
	of which:			
	- acceptances	183	167	172
	- other guarantees	18,126	20,423	16,489
20.	Commitments	31,696	27,997	25,983

(*) The pro forma consolidated balance sheets as of 30 June 2002 and 31 December 2002, which are unaudited, were prepared to enable consistent comparison with the consolidated financial statements as of 30 June 2003. The pro forma schedules reflect the line by line consolidation of the Inter-Europa Bank and Eptaconsors and the proportional consolidation of Cariforli commencing from 1 January 2002, as well as the exclusion of the line by line consolidation of IMIWeb Bank and of the proportional consolidation of Finconsumo Banca as of the same date.

CONSOLIDATED STATEMENT OF INCOME (comparison with pro forma schedules)

		(€/mil)		
		First half 2003	2002 pro forma (*)	First half 2002 pro forma (*)
10.	Interest income and similar revenues	3,966	8,742	4,385
	<i>of which:</i>			
	– loans to customers	3,296	6,965	3,460
	– debt securities	360	994	491
20.	Interest expense and similar charges	-2,065	-5,002	-2,533
	<i>of which:</i>			
	– amounts due to customers	-600	-1,469	-726
	– securities issued	-961	-2,210	-1,137
30.	Dividends and other revenues	283	565	514
	a) shares, quotas and other equities	231	410	388
	b) equity investments	52	155	126
40.	Commission income	1,760	3,640	1,822
50.	Commission expense	-324	-787	-418
60.	Profits (losses) on financial transactions	54	-84	-154
70.	Other operating income	190	419	203
80.	Administrative costs	-2,329	-4,700	-2,322
	a) personnel	-1,449	-2,888	-1,436
	<i>of which:</i>			
	– wages and salaries	-1,038	-2,082	-1,039
	– social security charges	-326	-625	-303
	– termination indemnities	-68	-143	-74
	– pensions and similar	-17	-38	-20
	b) other administrative costs	-880	-1,812	-886
90.	Adjustments to tangible and intangible fixed assets	-310	-758	-315
100.	Provisions for risks and charges	-64	-262	-98
110.	Other operating expense	-36	-51	-22
120.	Adjustments to loans and provisions for guarantees and commitments	-393	-889	-338
130.	Writebacks of adjustments to loans and provisions for guarantees and commitments	225	321	206
140.	Provisions to the reserve for possible loan losses	-7	-27	-15
150.	Adjustments to financial fixed assets	-87	-569	-71
160.	Writebacks of adjustments to financial fixed assets	6	8	15
170.	Income (losses) from investments carried at equity	87	138	58
180.	Income from ordinary activities	956	704	917
190.	Extraordinary income	158	582	276
200.	Extraordinary expense	-330	-242	-139
210.	Extraordinary net income	-172	340	137
230.	Change in reserves for general banking risks	-	363	-2
240.	Income taxes	-322	-463	-420
250.	Income (loss) attributable to minority interests	-21	-43	-29
260.	Net income	441	901	603

(*) The pro forma consolidated balance sheets as of 30 June 2002 and 31 December 2002, which are unaudited, were prepared to enable consistent comparison with the consolidated financial statements as of 30 June 2003. The pro forma schedules reflect the line by line consolidation of the Inter-Europa Bank and Eptaconsors and the proportional consolidation of Cariforli commencing from 1 January 2002, as well as the exclusion of the line by line consolidation of IMIWeb Bank and of the proportional consolidation of Finconsumo Banca as of the same date.

Consolidated Explanatory Notes

Introduction – Background information on the consolidated half year financial statements

- Form and content of the consolidated half year financial statements
- Scope of consolidation
- Consolidated pro forma schedules for 2002 and the first quarter of 2003
- Consolidation principles
- Financial statements used for consolidation
- Audit of the consolidated half year financial statements

Part A – Accounting policies

- Section 1 – Description of accounting policies
- Section 2 – Adjustments and provisions recorded for fiscal purposes

Part B – Information on the consolidated balance sheet

- Section 1 – Loans
- Section 2 – Securities
- Section 3 – Equity investments
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Part C – Consolidated statement of income

- Section 1 – Interest
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- Section 1 – Number of employees and branch network

Part E – Scope of consolidation

- Section 1 – Shareholdings in subsidiaries and companies subject to significant influence
- Section 2 – Other equity investments carried at cost

Introduction - Background information on the consolidated half year financial statements

Form and content of the consolidated half year financial statements

The report on Group performance during the first half of 2003 has been prepared in accordance with D. Lgs. 87 dated 27 January 1992, and the CONSOB instructions approved in Resolution 12475 dated 6 April 2000. For all matters not governed by special regulations, reference has been made to the Italian Civil Code and to national accounting standards.

The SANPAOLO IMI Group's Half Year Report is structured in substance like the annual consolidated financial statements, comprising a Report on Operations and the half year financial statements - which are represented by the balance sheet, the statement of income and the Explanatory Notes. This ensures, as far as possible, the necessary continuity between the annual and half year accounts.

As in the annual consolidated financial statements, the Report on Operations describes the Group's financial position and its performance during the half year, both as a whole and with reference to its various sectors of activity. The Notes to the half year financial statements provide details and analyses regarding balance sheet and statement of income information.

In addition to the information required by the Bank of Italy and Consob, the Notes and the Report on Operations provide all the supplementary information considered necessary, even where not specifically required by law, in order to present a true and fair view of the Group's financial and operating position.

The analyses and contents of the Report on Operations refer to the pro forma performances for 2002 and the first quarter of 2003, in relation to the main changes to the line by line and proportional method of consolidation for the first half of 2003, reconstructed on a consistent basis (see subsequent paragraph "Consolidated pro forma schedules for 2002 and the first quarter of 2003"). Furthermore, in order to make a more significant comparison with the situation as of 30 June 2003, pro forma versions of the official consolidated balance sheets and statements of income as of 30 June 2002 and 31 December 2002 have also been supplied.

The Half Year Report has been prepared in millions of Euro.

The following schedules are attached to the consolidated half year financial statements:

- Statement of changes in consolidated shareholders' equity;
- Statement of consolidated cash flows;
- Statement reconciling the Bank's half year financial statements with the consolidated half year financial statements;
- List of equity investments that exceed 10% of the capital of unquoted and limited companies (as per Consob resolution no. 11715 of 24 November 1998);
- Methodological notes and statements to determine the pro forma consolidated statements of income and balance sheets for 2002 and for the first quarter of 2003.

Scope of consolidation

The scope of line by line consolidation reflects membership of the SANPAOLO IMI Banking Group as recorded in the appropriate register in compliance with Art. 64 of D. Lgs. 385 dated 1 September 1993, with the exception of certain minor subsidiaries whose balance sheets and results of operations are not significant to the consolidated financial statements, or which have been put into liquidation or listed for disposal. In addition to SANPAOLO IMI S.p.A. (the Parent Bank), the

Banking Group comprises those directly and indirectly controlled subsidiaries which carry out banking, finance or other activities which complement those of the Parent Bank.

The scope of line by line consolidation excludes Società per la Gestione di Attività S.p.A. (Sga), the shares of which have been transferred to the Treasury Ministry as a pledge with voting right, as part of the special procedures described in “Part B Section 5 - Other assets” of these notes.

The scope of line by line consolidation also excludes companies for which disposal has been formally arranged.

Joint control equity investments have been consolidated using the proportional method.

Investments in subsidiaries whose activities differ from banking, financing or other activities which complement those of the Parent Bank and those that are excluded from the scope of consolidation for the aforementioned reasons, and holdings in companies subject to significant influence where the Group controls at least 20% of the voting rights in the ordinary meeting (i.e. associated companies), are valued using the equity method.

The main changes in the scope of consolidation compared with 31 December 2002 and 30 June 2002 concern:

- the passage from the area of consolidation according to the equity method to consolidation on a line by line basis of:
 - the company Eptaconsors S.p.A. and its subsidiaries (Eptasim S.p.A., Eptafid S.p.A., Eptafund S.G.R.p.A. and Epta Global Investment Ltd) following the increase in the investment held by the SANPAOLO IMI Group which, in the first half of 2003, rose from 40.48% to 100%;
 - the Hungarian Inter-Europa Bank RT and its main subsidiaries (Inter-Europa Beruhazo Kft, Inter-Europa Consulting Kft, Inter-Europa Fejlesztési Kft and Inter-Europa Szlgaltato Kft) following the increase of interest held by the Group in the company, which rose in April 2003 from 32.51% to 85.23%;
- the passage of Cassa dei Risparmi di Forlì S.p.A. from the area of consolidation according to the equity method, to that of proportional consolidation, following the attainment of joint control by the Parent Bank which, in May 2003, increased its investment from 21.02% to 29.77%;
- the passage of IMIWeb Bank S.p.A. from consolidation on a line by line basis to consolidation according to the equity method, following the disposal at the beginning of 2003 of 80% of its entire shares previously held by Banca IMI S.p.A.;
- the passage of Finconsumo Banca S.p.A. from the area of proportional consolidation to the area of consolidation according to the equity method, as an effect of the sale agreement and of the end of joint control.

Lastly, attention is brought to the inclusion in the area of consolidation according to the equity method, of the newly acquired interest in Synesis Finanziaria S.p.A. (25%), holder of the shares in FIDIS Retail Italia.

Detail of the companies consolidated on a line by line or proportional basis and investments carried at equity is provided in Part E, Section 1 - Investments in subsidiaries and companies subject to significant influence - of these Notes.

Consolidated pro forma schedules for 2002 and the first quarter of 2003

In relation to the aforementioned changes in the area of line by line and proportional method of consolidation, in order to ensure comparability of the accounting results on a consistent basis, the accounts of the past year and of the first quarter of 2003 are also presented in a pro forma version that conventionally assumes the line by line consolidation of the Eptaconsors Group and Inter-Europa Bank, the proportional consolidation of Cassa dei Risparmi di Forlì and the non-con-

consolidation of IMIWeb Bank and Finconsumo Banca with effect from 1 January 2002. Furthermore, the pro forma results as of 31 March 2002 also reflect the line by line consolidation of the former Cardine Group, which first took place on 30 June 2002, with accounting effect from the beginning of the year.

The above pro forma results, which are unaudited, are used as a comparable basis for the analyses and comments contained in the Report on Operations.

Methodological notes and statements to determine the consolidated pro forma statements of income and balance sheets for 2002 and for the first quarter of 2003 are attached to these Notes.

Consolidation principles

The main consolidation principles adopted are as follows:

The book value of equity investments in consolidated companies, held by the Parent Bank or other Group companies, is offset against the corresponding portion of the Group's share of the company's shareholders' equity - adjusted where necessary to bring the company into line with Group accounting principles - including their assets and liabilities on a line by line basis in accordance with the "full consolidation method". The off setting of book value against shareholders' equity is carried out on the basis of values current at the time the investment was consolidated for the first time, or at the time the controlling interest was acquired. Where appropriate, any differences arising are allocated to the assets and liabilities of the consolidated companies concerned. Differences arising on application of the equity method are allocated to "goodwill or negative goodwill" arising on consolidation, depending on whether the value of the investment is higher or lower than the related portion of shareholders' equity.

More specifically, the shareholders' equity of Group companies used in calculating consolidation differences has been determined as follows:

- for investments held in portfolio as of 31 December 1994, this being the date of the Parent Bank's first consolidated financial statements, with reference to their financial position as of 31 December 1993;
- for investments purchased after 31 December 1994, with reference to their financial position as of the date of purchase or, where this is not available, with reference to the financial position reported in the official financial statements prepared closest to that date;
- for investments formerly belonging to the IMI Group, with reference to their financial position as of 1 January 1998 (accounting date for the merger of Sanpaolo and IMI);
- for investments formerly belonging to the Cardine Group, with reference to their financial position as of 1 January 2002 (accounting date for the merger between Sanpaolo IMI and Cardine Banca).

Investments in companies carried at equity are recorded in the financial statements at the amount equal to the corresponding portion of their shareholders' equity. Any balance not assignable to the assets or liabilities of the companies concerned at the time this method is first implemented, is booked under "positive/negative goodwill arising on application of the equity method". In the years after the first year of consolidation, the adjustment of the value of these investments is booked under "negative goodwill arising on application of the equity method" and to "Profit and losses from investments carried at equity" respectively for the changes referring to reserves and those referring to the net income of the company in which the investment is held.

"Positive goodwill" arising on the application of line by line consolidation, proportional consolidation or the equity method is deducted from the total "negative goodwill" already existing or which arose during the same year and up to the total amount. Investments acquired to be re-sold as part of the merchant banking activity are not offset in this way. Goodwill which is not offset against negative goodwill is amortized over a period corresponding to the use of the investment (see Section 5 - Other assets)

Receivables, payables, off-balance sheet transactions, and costs and revenues as well as any gains and losses relating to significant transactions between consolidated Group companies are eliminated. By way of exception, given the provisions of Art. 34, D.Lgs. 87/92, costs and revenues arising from intra-Group trading in securities and currency are not eliminated if such transactions were carried out under normal market conditions.

Financial statements denominated in currencies not included in the Euro-zone are converted into Euro at period-end rates of exchange. Differences arising on the conversion of the shareholders' equity captions using these closing rates of exchange are allocated to consolidated reserves, unless they are offset by specific hedging transactions.

Adjustments and provisions made in the financial statements of the Parent Bank and other companies consolidated on a line by line basis solely for fiscal purposes are eliminated from the consolidated financial statements.

Financial statements used for consolidation

The financial statements used for the line by line consolidation process are those prepared as of 30 June 2003, as approved by the boards of the subsidiaries concerned. They have been adjusted, where necessary, for consistency with Group accounting policies. The financial statements of companies operating in the financial leasing sector used for consolidation purposes were prepared using the financial lease method, which is essentially consistent with Group accounting policies.

Audit of the consolidated half year financial statements

The half year financial statements of the SANPAOLO IMI Group have been subjected to a limited audit by PricewaterhouseCoopers S.p.A., in accordance with CONSOB Recommendations 97001574 of 20 February 1997 and 10867 of 31 July 1997, and the shareholders' resolution of 28 April 2000, which appointed them as auditors for the 2001/2003 three-year period.

Part A - Accounting policies

SECTION 1 - DESCRIPTION OF ACCOUNTING POLICIES

The Consolidated Half Year Report has been prepared using the accounting policies adopted in relation to the consolidated financial statements as of 31 December 2002. In particular, the half year accounts have been prepared using the discrete approach, by which the reference period is considered to be an independent financial period. Accordingly, the half year statement of income reflects both the ordinary and extraordinary components of income pertaining to the period, in accordance with the matching principle.

Loans, guarantees and commitments

Loans

Loans, comprising principals not yet due and principals and interest due but not yet collected, are stated at their estimated realizable value, taking into account the solvency of borrowers in difficulty and any debt-servicing problems faced by individual industrial sectors or the countries in which borrowers are resident. The assessment performed also takes into consideration any guarantees received, market prices and negative market trends involving the consistent loan categories. Estimated realizable value is determined following a detailed review of outstanding loans, taking into consideration the degree of risk associated with the various forms of lending and the risk of default inherent in loans that are currently performing normally. 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 not only the likelihood of eventual recovery, but also any total or partial failure to generate income and delayed repayments.

In detail:

- 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 suffering temporary difficulties which are likely to be overcome in an acceptable period of time, are valued on a case-by-case basis;
- restructured loans: loans for which a pool of banks (or a single bank) reschedules the repayment of principal or re-negotiates the applicable terms at lower-than-market rates, are valued on a case-by-case basis;
- loans being restructured: being loans for which the borrower has applied for consolidation to a variety of banks within the past 12 months, are valued on a case-by-case basis;
- loans exposed to "country risk": being loans not guaranteed to borrowers resident in countries with debt-servicing difficulties, are normally adjusted on a general basis by country, applying writedown percentages that are not lower than those specified by the banking association. Exceptions are made for certain positions which are valued taking into account the level of risk covered by underlying guarantees. They do not include specific positions which, on the basis of an objective state of insolvency, are classified in the previous risk categories;
- performing loans: being loans to borrowers who currently do not present specific insolvency risks, are valued on a general basis, except for the positions of certain companies under observation, which are assessed on a case-by-case basis. Loans acquired from third parties for the purpose of investment, or rather with the intent of holding them in portfolio up to their expiry in order to maximize the financial profit of the investment, are classified at purchase cost; any differ-

ence between the price paid for the investment and the nominal value or reimbursement is reflected in the statement of income to adjust the interest relating to the loans acquired, according to the residual duration of the loans and on the basis of the accruals principle. General adjustments to other performing loans are calculated by the individual subsidiaries on a historical, statistical basis. For the Parent Bank and domestic bank networks, this method is flanked by a centralized portfolio model based on the risk management methodologies used to monitor and control credit risks.

The Parent Bank's historical/statistical method, which essentially provides a historical valuation of the portfolio risk level, is organized as follows:

1. at the end of the period an estimate is made of the performing loans which, based on the movements over the last five years, are expected to become doubtful loans during the next year;
2. the calculation of the potential losses likely to be incurred on the aggregate of point 1, is determined assuming that the loss percentage on performing loans transferred to doubtful loans is the same as the average loss observed over the last five years.

The portfolio model which, characterized by valuation tables, provides the extent of the loss which might be suffered the following year, is based essentially on the following elements:

1. the rating attributed to each counterparty assigned by the Parent Bank, which is used to calculate the likelihood of insolvency in the next year (i.e. movements in doubtful loans), aligned to the average level of the economic cycle;
2. the loss given default which measures the average percentage of loss expected in the case of insolvency.

The "expected losses" resulting from a reasoned comparison of the two models, constitute the parameter of reference utilized to calculate the "general reserve" destined to cover the default risk on performing loans. This calculation is aligned to what is assumed to be a fair value, determined also considering specific factors pertaining to the portfolio and to valuations of the expected evolution of the economic cycle.

For the purpose of classifying loans as non-performing, problem, restructured or exposed to country-risk, reference is made to current Bank of Italy regulations on the subject, integrated by internal instructions establishing automatic rules and criteria for the transfer of loans within the various risk categories.

Doubtful loans are classified to the various risk categories (non-performing, problem, restructured and being restructured) by the operating structures under the coordination of the central departments responsible for the supervision of credit control.

Following a review by the central departments responsible for the control and recovery of loans, the resulting estimated realizable values are formally approved by the committees and other levels within the organization empowered to make such decisions.

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

Writedowns, both specific and general, are made by an adjustment to reduce the value of the asset recorded in the balance sheet on the basis of the aforementioned criteria. The original values may be reinstated by means of writebacks, when the reasons for such writedowns cease to apply.

As regards the method used to calculate the discounting adjustments, they have been determined to reflect the difference between the:

- estimated realizable value;
- and the net present value of future financial flows (principal and interest).

The net present value of financial flows is determined by reference to expected cash receipts, the timing of such receipts and the applicable discounting rate.

The timing and extent of expected cash receipts are determined on the detailed calculations provided by the departments responsible for loan evaluation and, where these are unavailable, using estimates and general statistics deriving from internal historical data and studies of the business sectors concerned.

With regard to the discounting rate, as of 30 June 2003, the Parent Bank used the average reference rate of 5.1%, determined as the appropriate approximate average performance at the date of inception of the doubtful loan portfolio and calculated on the basis of the contractual rates actually applied by the Parent Bank on medium-long term loans (fixed and floating rate) and on short term loans (floating rate). Considering the need to simplify and reduce data processing costs, it is deemed that such average rate is sufficiently approximate to the result which would have been obtained had current contractual rates been applied to transactions now classified as doubtful loans. A similar approach has been adopted by subsidiaries which, for foreign companies, utilize reference rates appropriate to the markets concerned.

The posting of value adjustments due to actualization means that there will be writebacks to discounted loans: in fact, the mere passage of time, with the consequent approach of the expected collection deadlines, implies an automatic reduction in the implicit financial charges previously deducted from the value of the loans.

Loans for which the Group acquired protection against the risk of non-performance as part of derivative contracts (“buyer protection”) continue to be booked in the financial statements among loans secured by personal guarantees.

Loans deriving from financing and deposit contracts

These are recorded at the amount disbursed. Loans backed by discounted notes, acquired within the scope of lending activities, are recorded in the financial statements at their nominal value, while the portion pertaining to future years is recorded among deferred income.

Repurchase agreements on securities

Repurchase agreements on securities that require the holder to resell securities when the agreement matures are treated as lending transactions. The amounts disbursed in this way are therefore recorded as loans. Income from lending, comprising interest coupons on securities and the differential between the spot and forward prices for such securities, is recorded on an accruals basis as interest in the statement of income.

Lending of securities

Transactions involving the loan of securities guaranteed by funds freely available to the lender, are treated in the same way as repurchase agreements on securities. Securities loaned, not guaranteed by sums of money, are recorded in the financial statements as a combination of two functionally-linked transactions, of assets or liabilities against deposits or loans. These transactions are essentially the same as repurchase agreements, therefore the securities loaned remain in the portfolio of the lender.

Finance leases

Lease transactions are recorded using the lease accounting methodology, which states lease contracts and transactions in such a way as to disclose their economic substance. This approach, which recognizes the financial nature of lease transactions, treats the excess of total lease payments over the cost of the related asset as interest income. Such income is credited to the statement of income according to the residual outstanding principal and the pre-determined rate of return, also taking into consideration the end-of-lease purchase value of the asset. Accordingly, the balance of loans under finance leases reported in the financial statements essentially represents the outstanding principal on loans to customers and installments due but not yet collected.

Guarantees and commitments

Guarantees and commitments giving rise to lending risk are recorded at the total value of the exposure, and are valued applying the same criteria as those used for loans. Expected losses in relation to guarantees and commitments are covered by the related reserve. Commitments include exposures to underlying borrowers for derivatives on loans for which the Group has taken over the lending risk (“seller protection”).

Derivatives on loans

Hedging sales – Derivative contracts on loans which involve seller protection are recorded to caption 20 “commitments” according to their notional value. If payment of a fixed amount is expected, the amount recorded is that of the final sum established by the contract.

Hedging purchase – Derivative contracts on loans which involve buyer protection are booked to the underlying asset among loans secured by personal guarantees.

Derivative contracts on loans are classified as belonging to the dealing portfolio (“trading book”) when the bank is holding them for trading. Derivatives on loans not included in the trading book are classified to the banking book.

Derivative contracts on loans belonging to the trading book are valued individually, taking into consideration the credit and market risk inherent in the contracts.

Derivative contracts on loans belonging to the banking book are valued:

- at cost adjusted to take into account any permanent losses in value, in the case of contracts which involve hedging sales;
- in a consistent manner with the underlying asset object of the protection, for contracts which involve hedging purchase.

The premium paid or collected on contracts belonging to trading book is recorded among premiums for options (caption 150 under assets and caption 50 under liabilities of the balance sheet).

Contracts belonging to banking book are recorded as commission income or expense entries according to whether the amount is collected or paid (respectively captions 40 and 50 of the statement of income).

Securities and off-balance sheet transactions (other than foreign currency transactions)

Investment securities

Investment securities due to be held long term by the Group as stable investments are valued at “the average daily cost”, as adjusted by accrued issue and dealing discounts, the latter 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 related nations to repay debt. Investment securities may also be written down in consideration of the market trend in accordance with the first subsection of Art. 18 of D. Lgs. 87/92. The original value is reinstated if 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. They are determined as follows:

- securities quoted in organized markets: the official price quoted on the last trading day of the period;

- securities not quoted in organized markets: at the lower between cost and market value. The latter value is estimated via the discounting of future financial flows, applying the market rates, as at the time of valuation, for similar type of instruments and the creditworthiness of the issuer. Where possible, the estimates are compared with quoted securities with similar financial characteristics. The original value of dealing securities is reinstated when the reasons for any write-downs cease to apply. Unquoted securities which are economically linked to derivative contracts are valued at market price, consistent with the valuation of the contracts concerned.

Any transfers between investment security and dealing security portfolios are made on the basis of the value resulting from the application - at the time of the transaction - of the valuation policies for the portfolio of origin; the related economic effects are reported in caption 60 "Profits and losses from financial transactions" if the portfolio of origin is a dealing portfolio, and in caption 150 "Adjustments to fixed financial assets" if the portfolio of origin is an investment portfolio. Securities transferred and still held at period-end are valued using the method applicable to the destination portfolio.

Commitments to buy or sell for security transactions to be settled

Commitments to buy are valued on the basis applicable to the destination portfolio. The value of commitments to sell, on the other hand, takes into consideration the contractual forward sale price.

Equity investments

Equity investments which are not subject to line by line consolidation or valued using the equity method, are stated at cost determined on a LIFO basis with annual increments. Such cost is eventually written down to reflect any permanent losses in value, taking into account any reductions in the equity value of the companies concerned and in the trend in exchange rates for those investments held at historical rates. The original value of equity investments is reinstated if the reasons for any writedowns cease to apply.

Equity investments may also be written down in consideration of the market, in accordance with the first subsection of Art. 18 of D. Lgs. 87/92.

With reference to investments held in Isveimer and in Sga, any charges which the Parent Bank may be called on to bear to cover losses incurred by group companies, will be covered through measures taken in accordance with Law 588/96, accomplished with the procedures provided by the Ministerial Decree of 27 September 1974, as described in Part B, section 5 of these notes.

Dividends from investments that are not subject to line by line consolidation or valued at equity are recorded, together with the related tax credits, when the tax credit becomes collectible, usually in the year in which dividends are collected.

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

Assets and liabilities denominated in foreign currency

Assets and liabilities denominated in foreign currencies, or indexed to foreign exchange movements, as well as financial fixed assets funded in foreign currencies, or indexed to foreign exchange movements, are valued using the spot exchange rates applying at period-end. Equity investments denominated in foreign currencies subject to local exchange control restrictions (non-convertible currencies) stated in currencies other than those of use, and those not fully or partially covered with a deposit in the currency of denomination of the investment are stated, with regard to the part financed in currencies other than those of use, at the historical rates of exchange applying at the time of acquisition.

Foreign currency costs and revenues are stated at the exchange rates applying at the time of the transaction.

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 period-end spot exchange rates, in the case of spot transactions still to be settled;
- at period-end forward exchange rates for maturity dates corresponding with that of the transactions being valued, 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 stated at purchase cost, including related charges and the cost of improvements. In certain cases, purchase cost may have been restated on transformations, at the time of mergers or as a result of applying monetary revaluation laws.

Operating assets are depreciated on a straight-line basis over their residual useful lives. 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.

Costs for ordinary maintenance and repairs which do not determine increased utility and/or useful life are expensed in the year they are incurred.

Intangible fixed assets

Intangible fixed assets are stated at purchase or production cost, including related charges, and amortized over the period they are expected to benefit, as described below:

- start-up costs and capital increase expenses and other deferred charges are amortized, generally on a straight-line basis, over five years;
- costs incurred for the purchase of software or for its development, using external resources, are generally amortized on a straight-line basis, over three years, taking into account the expected residual period of utilization.

Other aspects

Own shares

Own shares are valued according to the purpose for which they are held.

In particular, they are stated at their “average daily cost”, if they are held by the Parent Bank with the aim of using them in strategic deals that require the availability of own shares (e.g. share exchanges as part of the acquisition of shareholdings, co-operation agreements and other corporate finance deals).

If however, the own shares are held for a dealing portfolio, they are stated at market value, since they are purchased for negotiation purposes or destined for share incentive or stock option plans.

Stock option plans

Stock incentive plans approved by the Parent Bank, which do not include the assignment of own shares, consist in the assignment of rights to underwrite increases in capital against payment. Considering that neither Italian regulations nor Italian accounting policies provide specific instructions to such effect, the booking of these plans takes place through the registration, at the time of underwriting, of the increase in capital with related additional payments.

Payables

Payables are stated at their nominal value. The difference between the nominal value of loans received, or securities placed, and the amount actually received, is recorded in the financial statements among deferrals and released to the statement of income on an accruals basis, in accordance with the repayment plan implicit in the funding transaction. Zero-coupon securities are stated at their issue price plus accrued interest. Consistent with the policies described above, funding repurchase agreements that require the holder to resell the securities acquired when the agreement matures are recorded among payables, as are related securities borrowing transactions.

Funding repurchase agreements on securities issued by Group companies are not reported on the above basis if they are arranged by the issuing company concerned. In this case, they are recorded as securities issued with a forward repurchase commitment.

Provisions for employee termination indemnities

The provisions for employee termination indemnities represents the liability to each employee at period-end, accrued 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.

Pensions and similar commitments

The pension fund, qualifiable as an “internal” pension fund, is set up by the Parent Bank to cover charges linked with integration of the pension paid to the former IMI S.p.A. staff entitled to such payment integration and by some companies from the former Cardine Group. The potential liability arising in this connection is assessed at period-end on the basis of independent actuarial appraisals, in order to determine the provisions to technical reserves needed to cover future pensions.

Taxation

The provision for taxation covers deferred taxes, income taxes and the regional tax on business activities, including those charged on units operating abroad. The provision also takes into consideration current and potential disputes with the tax authorities.

Income taxes are estimated prudently on the basis of the tax charges for the half year, determined in relation to current tax legislation.

Deferred taxation, determined according to the so called “balance sheet liability method”, 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 to each consolidated company the effective expected tax rate on 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.

The deferred taxation on equity reserves that will become taxable “however used” is charged against shareholders’ equity. Deferred taxation relating to revaluations arising on conversion to the euro, credited to a specific reserve that will become taxable pursuant to Art. 21 of D. Lgs. 213/98, is charged directly against this reserve.

No provision is made for the Parent Banks’ reserves subject to taxation only in the event of distribution. This is because such reserves are allocated to accounts that are not available for distribution and because the events which would give rise to such taxation are not expected to occur.

Deferred taxation on shareholders’ equity items of consolidated companies is not booked if it is unlikely that any liability will actually arise, bearing in mind the permanent nature of the investment.

Deferred tax assets and liabilities relating to the same kind of tax, applicable to the same entity and expiring in the same period, are offset against each other.

Deferred tax assets are booked to the assets side of the balance sheet under caption 150 - Other assets - offset against income tax. Liabilities for deferred taxes are booked to the liabilities side of the balance sheet under sub-caption 80.b - Taxation - and are also offset against income tax.

If the deferred tax (asset or liability) relates to transactions directly involving shareholders’ equity without affecting the statement of income, it is debited or credited to shareholders’ equity.

Other provisions

The provision for guarantees and commitments covers losses on guarantees given and, more generally, the contingencies associated with the Group’s guarantees and commitments, and the exposures to derivative contracts on loans for which the Group has taken over the lending risk (seller protection).

The provision for other risks and charges covers estimated losses arising from legal disputes and, in particular, from repayments claimed by the receivers of bankrupt customers. It also covers possible charges in connection with guarantees given on the sale of equity investments, the Group’s commitment to support the Interbank Deposit Guarantee Fund, the renegotiation of subsidized home mortgage loans (Law 133/99 and that dictated by Budget Law 2001) and unsubsidized fixed rate mortgages (Law Decree 394 dated 29 December 2000, converted to Law 24 dated 28 February 2001), and other connected charges and potential liabilities.

The provision for other personnel charges mainly comprises:

- provisions made by the Parent Bank on the basis of an independent actuarial report, in order to cover the technical deficit of the Supplementary Pension Fund, an independent fund which supplements the compulsory pension fund, as well as accruals for other welfare and social contributions;
- provisions made on a mathematical/actuarial basis to set up the technical reserve needed to cover long-service bonuses payable to employees.
- provisions made to cover discretionary bonuses to employees and other potential liabilities, including those connected with staff leaving incentives.

Reserve for general banking risks

This reserve covers general business risks and, as such, forms part of shareholders' equity in compliance with international supervisory standards and Bank of Italy instructions.

Accruals and deferrals

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

Derivative contracts

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 accounting principles and valuation criteria of derivative contracts are also applied to incorporated derivatives which represent the components of hybrid financial instruments and include both derivative and primary contracts. To this end, incorporated derivative contracts are separate from primary contracts and are booked and valued according to the following principles and criteria.

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

The values determined by the contract valuation process (hedging and non-hedging) are adjusted on a case-by-case and/or a general basis, in order to reflect the lending risk (counterparty and/or country 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 by the Group of *asset and liability management* techniques. A transaction is considered to be a hedge in the presence of the following documented conditions:

- a) intent to enter into a hedge;
- b) high degree of correlation between the technical and financial characteristics of the assets or 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 element of differentials or net interest on contracts hedging the interest arising from interest earning/bearing assets and liabilities is classified among "Accrued income" and/or "Accrued expenses". The period element of differentials on forward rate agreements hedging the interest arising from interest earning/bearing assets and liabilities is classified among "Prepaid expenses" and/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” and/or “Other liabilities”. Contracts hedging investment securities, or total loans and deposits, are valued at cost consistently with the assets and liabilities being hedged.

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 and losses from 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).

Non-hedging contracts

These are valued as follows:

Contracts on securities, interest rates, stockmarket indices and other assets: contracts quoted in organized markets are stated, assessed at their market value on the last day of the period. Contracts linked to reference indicators subject to official observation are stated, assessed 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 period. 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 period-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”. The structure of this caption, according to the sectors of the financial instruments being traded (securities, currency, other financial instruments) and to the nature of income/charges which they generate (valuations or not), is illustrated in a specific table in the Explanatory Notes.

Internal deals

The Parent Bank and the subsidiary Banca IMI have adopted an organizational structure based on specialized trading desks that have exclusive authorization to deal in specific derivatives. The arrangement is based mainly on the goals of efficiency (lower transaction costs), improved management of market and counterparty risks, and the optimal allocation of specialized human resources. These desks manage portfolios consisting of various types of derivatives and, sometimes securities and operate within defined limits of net risk.

The desks serve as counterparties to other desks that are not authorized to deal in the market (but which are autonomous from an accounting point of view), by means of internal deals in derivatives at market prices.

With regard to the accounting treatment of internal deals and their effect on income, it should be noted that:

- internal deals involving derivatives held in specialized desk portfolios are stated at market value when entered into for negotiation/dealing purposes;
- internal deals involving derivatives held in non-specialized desk portfolios are treated on a basis consistent with the assets or liabilities being hedged (for example, at market value if they hedge listed dealing securities and at cost if they hedge investment securities and/or deposits).

Settlement date

Security and currency transactions, deposits, interbank operations and the bills portfolio are recorded with reference to their settlement dates.

SECTION 2 - ADJUSTMENTS AND PROVISIONS RECORDED FOR FISCAL PURPOSES

Value adjustments recorded solely for fiscal purposes

Adjustments recorded by the Parent Bank and consolidated companies in their statutory financial statements solely for fiscal purposes, have been reversed upon consolidation.

No adjustments have been recorded solely for fiscal purposes during the half year.

Provisions recorded solely for fiscal purposes

Provisions recorded by consolidated companies in their statutory financial statements solely for fiscal purposes, have been reversed upon consolidation.

Provisions to the reserve for possible loan losses of 32 million euro, made for fiscal purposes by the subsidiary Banca OPI S.p.A., have been eliminated from the consolidated statement of income for the first half of the year.

Part B - Information on the consolidated balance sheet

SECTION 1 - LOANS

The Group's loan portfolio is analyzed below by type of counterparty:

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
Due from banks (caption 30)	21,129	22,000	-4.0
Loans to customers (caption 40) (*)	130,215	126,701	+2.8
Total	151,344	148,701	+1.8

(*) The amount includes 1,175 million euro of loans to the Società per la gestione di attività S.p.A. (Sga) (1,285 million euro as of 31 December 2002) (see Section 5 – “Other assets”) of which 1,161 million euro disbursed under Law 588/96.

Due from banks (caption 30)

Amounts due from banks include:

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
a) Deposits with central banks	462	474	-2.5
b) Bills eligible for refinancing with central banks	-	-	n.s.
c) Finance leases	-	-	n.s.
d) Repurchase agreements	11,597	11,500	+0.8
e) Securities loaned	176	118	+49.2

Deposits with central banks as of 30 June 2003 represent the compulsory reserve of 358 million euro with the Bank of Italy and other foreign central banks, (458 million euro as of 31 December 2002).

Loans to customers (caption 40)

Loans to customers, which are analyzed by technical form in the Report on Operations, include:

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
a) Bills eligible for refinancing with central banks	2	18	-88.9
b) Finance leases	4,421	4,266	+3.6
c) Repurchase agreements	1,871	2,631	-28.9
d) Securities loaned	16	13	+23.1

“Secured loans to customers” are detailed as follows:

Secured loans to customers

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
a) Mortgages	32,517	31,588	+2.9
b) Pledged assets:			
1. cash deposits	743	706	+5.2
2. securities (*)	3,884	4,705	-17.4
3. other instruments	166	390	-57.4
c) Guarantees given by:			
1. Governments (**)	5,424	6,257	-13.3
2. other public entities	269	401	-32.9
3. banks	1,847	2,237	-17.4
4. other operators	19,869	18,139	+9.5
Total	64,719	64,423	+0.5

(*) Include repurchase and similar agreements guaranteed by underlying securities totaling 1,887 million euro (2,644 million euro as of 31 December 2002).

(**) Include 1,161 million euro of loans to Sga (1,252 million euro as of 31 December 2002).

Loans to customers guaranteed by banks and other operators include 106 million euro of positions for which the Parent Bank purchased buyer protection against the risk of non-performance, by means of derivative contracts.

The loans to customers covered by guarantees included in the above table and those granted directly to Governments or other public bodies represent 60.8% of total loans to customers (61.5% as of 31 December 2002).

Degree of risk in loan portfolio

The principal and interest elements of loans are stated at their estimated realizable value by applying the policies described in detail in Part A, Section 1 of these notes; the related writedowns are made by reducing the asset value of the loans concerned in the balance sheet.

The estimated realizable value of doubtful loans takes into account not only the likelihood of recovery, but also the total or partial lack of income generated and the delay in repayment. Total adjustments for discounting purposes as of 30 June 2003 amount to 249 million euro (272 million euro as of 31 December 2002).

Analysis of loans to customers

	30/6/03 (€/mil)			31/12/02 (€/mil)		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
A. Doubtful loans	6,593	3,711	2,882	6,447	3,607	2,840
A.1 Non-performing loans	4,292	2,970	1,322	4,294	2,960	1,334
A.2 Problem loans	1,963	670	1,293	1,767	565	1,202
A.3 Loans in course of restructuring	27	3	24	35	4	31
A.4 Restructured loans	272	52	220	268	54	214
A.5 Unsecured loans exposed to country risk	39	16	23	83	24	59
B. Performing loans	128,331	998	127,333	124,854	993	123,861
Total loans to customers	134,924	4,709	130,215	131,301	4,600	126,701

Non-performing and problem loans include unsecured loans to residents in nations exposed to risk for a gross exposure of respectively, 1 million euro and 15 million euro. Adjustments in value of these loans amount to 1 million euro for non-performing loans and 13 million euro for problem loans.

Coverage of loans (*)

Categories	30/6/03	31/12/02	31/12/02 pro forma
Non-performing loans	69.2%	68.9%	68.9%
Problem, restructured and in course of restructuring loans	32.1%	30.1%	30.0%
Unsecured loans exposed to country risk	41.0%	28.9%	28.9%
Performing loans (**)	0.9%	0.9%	0.9%

(*) The index is defined as the ratio between accumulated adjustments on loans and the gross amount of such loans at period end for the same categories of loans.

(**) Total performing loans do not include loans to Sga (1,161 million euro), total adjustments include the reserve for possible loan losses (84 million euro).

Analysis of loans to banks

	30/6/03 (€/mil)			31/12/02 (€/mil)		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
A. Doubtful loans	60	22	38	77	25	52
A.1 Non-performing loans	6	6	-	11	10	1
A.2 Problem loans	1	1	-	-	-	-
A.3 Loans in course of restructuring	-	-	-	-	-	-
A.4 Restructured loans	-	-	-	-	-	-
A.5 Unsecured loans exposed to country risk	53	15	38	66	15	51
B. Performing loans	21,103	12	21,091	21,959	11	21,948
Total loans to banks	21,163	34	21,129	22,036	36	22,000

Non-performing loans include unsecured loans to residents in nations exposed to risk, held in portfolio by the Parent Bank, for a gross exposure of 4 million euro, written-down in full.

Movements in gross doubtful loans to customers

Movements in gross doubtful loans to customers during the first half of 2003, stated gross of value adjustments, were as follows:

Description / Categories	(€/mil)				
	Non-performing loans	Problem loans	Loans in course of restructuring	Restructured loans	Unsecured loans exposed to country risk
A. Gross exposure as of 1/1/03	4,294	1,767	35	268	83
A.1 of which: for default interest	641	88	-	-	-
B. Increases	513	901	13	29	4
B.1 inflows from performing loans	124	676	-	-	-
B.2 default interest	60	22	-	1	-
B.3 transfer from other categories of doubtful loans	219	42	13	17	-
B.4 other increases	110	161	-	11	4
C. Decreases	515	705	21	25	48
C.1 outflows to performing loans	18	110	-	5	29
C.2 write-offs	157	23	-	2	-
C.3 collections	209	308	6	13	19
C.4 disposals	9	-	-	-	-
C.5 transfer to other categories of doubtful loans	35	236	15	5	-
C.6 other decreases	87	28	-	-	-
D. Gross exposure as of 30/06/03	4,292	1,963	27	272	39
D.1 of which: for default interest	794	112	-	1	-

“Other increases” include the balance of 43 million euro as of 1 January 2003 (composed of 26 million euro for non-performing loans and 17 million euro for problem loans) relating to Cassa dei Risparmi di Forlì and to Inter-Europa Bank, which were included in consolidation for the first time as of 30 June 2003.

“Other decreases” include the balance of 15 million euro relating to the non-performing loans of Finconsumo Banca and its subsidiary FC Factor as of 1 January 2003, which have been excluded from the consolidation area for the first time commencing from 30 June 2003.

Movements in gross doubtful amounts due from banks

Movements in gross doubtful amounts due from banks during the first half of 2003, stated gross of value adjustments, were as follows:

Description / Categories	(€/mil)				
	Non-performing loans	Problem loans	Loans in course of restructuring	Restructured loans	Unsecured loans exposed to country risk
A. Gross exposure as of 1/1/03	11	-	-	-	66
<i>A.1 of which: for default interest</i>	1	-	-	-	-
B. Increases	1	1	-	-	12
B.1 inflows from performing loans	-	-	-	-	-
B.2 default interest	-	-	-	-	-
B.3 transfer from other categories of doubtful loans	-	1	-	-	2
B.4 other increases	1	-	-	-	10
C. Decreases	6	-	-	-	25
C.1 outflows to performing loans	-	-	-	-	3
C.2 write-offs	-	-	-	-	-
C.3 collections	1	-	-	-	22
C.4 disposals	-	-	-	-	-
C.5 transfer to other categories of doubtful loans	3	-	-	-	-
C.6 other decreases	2	-	-	-	-
D. Gross exposure as of 30/06/03	6	1	-	-	53
<i>D.1 of which: for default interest</i>	-	-	-	-	1

Movements in adjustments made to loans granted to customers

Description / Categories	(€/mil)					
	Non-performing loans	Problem loans	Loans in course of restructuring	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A. Total adjustments as of 1/1/03	2,960	565	4	54	24	993
<i>A.1 of which: for default interest</i>	641	88	-	-	-	24
B. Increases	323	245	2	4	-	103
B.1 adjustments	202	177	1	1	-	91
<i>B.1.1 of which: for default interest</i>	60	22	-	1	-	6
B.2 use of reserves for possible loan losses	-	-	-	-	-	-
B.3 transfer from other categories of doubtful loans	78	60	1	2	-	7
B.4 other increases	43	8	-	1	-	5
C. Decreases	313	140	3	6	8	98
C.1 writebacks from valuations	46	22	-	3	3	7
<i>C.1.1 of which: for default interest</i>	-	-	-	-	-	-
C.2 writebacks of collections	60	24	-	1	-	14
<i>C.2.1 of which: for default interest</i>	15	6	-	-	-	3
C.3 write-offs	157	23	-	2	-	6
C.4 transfer to other categories of doubtful loans	18	63	3	-	4	60
C.5 other decreases	32	8	-	-	1	11
D. Total adjustments as of 30/06/03	2,970	670	3	52	16	998
<i>D.1 of which: for default interest</i>	794	112	-	1	-	17

“Other increases” include the balance of 24 million euro as of 1 January 2003 (composed of 16 million euro for non-performing loans, 4 million euro for problem loans and 4 million euro for performing loans) relating to Cassa dei Risparmi di Forlì and to Inter-Europa Bank, which were included in consolidation for the first time as of 30 June 2003.

“Other decreases” include the balance of 18 million euro as of 1 January 2003 (composed of 11 million euro non-performing loans and 7 million euro performing loans), relating to Finconsumo Banca and its subsidiary FC Factor, which have been excluded from the consolidation area for the first time commencing from 30 June 2003.

Total adjustments as of 30 June 2003 include 249 million euro relating to the adoption of a policy for discounting doubtful loans. More specifically, writedowns for discounting purposes total 173 million euro on non-performing loans, 66 million euro on problem loans and 10 million euro on restructured loans and loans being restructured.

The adjustments in value to performing loans to customers include a specific writedown of 3 million euro booked by the Parent Bank on positions under observation for a gross exposure of 61 million euro.

Movements in adjustments made to loans granted to banks

Description / Categories	(€/mil)					
	Non-performing loans	Problem loans	Loans in course of restructuring	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A. Total adjustments as of 1/1/03	10	-	-	-	15	11
<i>A.1 of which: for default interest</i>	1	-	-	-	-	-
B. Increases	-	1	-	-	3	1
B.1 adjustments	-	-	-	-	-	1
<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 loans	-	1	-	-	1	-
B.4 other increases	-	-	-	-	2	-
C. Decreases	4	-	-	-	3	-
C.1 writebacks from valuations	-	-	-	-	2	-
<i>C.1.1 of which: for default interest</i>	-	-	-	-	-	-
C.2 writebacks of collections	1	-	-	-	-	-
<i>C.2.1 of which: for default interest</i>	-	-	-	-	-	-
C.3 write-offs	-	-	-	-	-	-
C.4 transfer to other categories of doubtful loans	2	-	-	-	-	-
C.5 other decreases	1	-	-	-	1	-
D. Total adjustments as of 30/06/03	6	1	-	-	15	12
<i>D.1 of which: for default interest</i>	-	-	-	-	1	-

Loans to customers and banks resident in nations exposed to country risk

Country	(€/mil)		
	Total	Gross exposure	
		of which: unsecured	
	book value	weighted value	
Brazil	89	60	59
Venezuela	13	11	10
Argentina	86	8	7
Angola	15	2	2
Yugoslavia	4	2	2
Cameroon	2	2	2
Costa Rica	2	2	1
Iran	61	1	1
Philippines	9	1	1
Lebanon	25	1	-
Russia	322	-	-
Pakistan	15	-	-
Other	20	2	1
Total gross exposure	663	92	86
Total adjustments		31	
Net exposure as of 30/6/03	663	61	

For the purposes of these notes, the countries considered are those listed by the Italian Banking Association, for which, in the absence of specific guarantees, general adjustments have to be made.

Adjustments to unsecured loans exposed to country risk have been made by applying the weighting criteria and the write-down percentages agreed industry-wide by the Italian Bankers' Association, as mentioned above. Such writedowns are made to cover all of the losses that might arise from those events that are typical to "country risk".

Secured loans, amounting to 571 million euro, are mainly insured by SACE or equivalent entities and by surety bonds from banking operators in the OECD area. In addition, they comprise loans of 118 million euro granted by the Parent Bank to a prime customer resident in Russia, that are guaranteed by receivables deriving from supply contracts with leading West European companies. This collateral is deemed adequate to cover the lending risk. In compliance with Bank of Italy regulations, these loans are included in the calculation of country risk, which is deducted from the Bank's capital for supervisory purposes.

Other information relating to loans

Information regarding the distribution of loans, by category of borrower, business sector, geographical area, currency and liquidity, is provided in Part B, Section 11 of these notes.

SECTION 2 - SECURITIES

Securities owned by the Group are analyzed as follows:

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
Treasury bills and similar bills eligible for refinancing with central banks (caption 20)	2,837	3,143	-9.7
Bonds and other debt securities (caption 50)	20,567	16,822	+22.3
Shares, quotas and other equities (caption 60)	4,737	2,595	+82.5
Total	28,141	22,560	+24.7

“Treasury bills and similar bills eligible for refinancing with central banks” represent securities which may be used for refinancing purposes, but not used for this purpose as of the date of the financial statements.

Investment securities

Securities recorded in the consolidated financial statements include those which will be held long term by Group companies and declared as such in their financial statements. The investment securities portfolio is analyzed as follows:

	30/6/03 (€/mil)		31/12/02 (€/mil)	
	Book value	Market value	Book value	Market value
1. Debt securities				
1.1 Government securities				
– quoted	2,199	2,295	1,193	1,273
– unquoted	-	-	-	-
1.2 Other securities				
– quoted	657	683	731	749
– unquoted	505	523	965	980
2. Equities				
– quoted	-	-	-	-
– unquoted	8	8	8	8
Total	3,369	3,509	2,897	3,010

The increase in investment securities is mainly attributable to the Parent Bank and refers to the purchase of Italian Government bonds.

The comparison between the market value and book value reveals net unrealized gains, for the Parent Bank and some subsidiaries, of 20 million euro on securities not covered by derivatives contracts and of 120 million euro on hedged securities. The evaluation of related derived tools reveals potential losses for 118 million euro (including 54 million euro for operations entered into with Group companies operating on financial markets within their brokerage activity).

“Other securities”, quoted and unquoted, mainly include securities held by the Parent Bank for 512 million euro and by foreign subsidiaries for 630 million euro. In particular, investments in securities in foreign Governments and public bodies amount to 214 million euro, while other investments, amounting to 948 million euro are composed mainly of securities issued by leading companies in the European Union and in the United States, as well as International Organizations (691 million euro).

“Equities” only comprise units in mutual funds mainly included in the investment portfolios of the subsidiary Sanpaolo IMI Private Equity S.p.A..

Dealing securities

Dealing securities, held for treasury and negotiation purposes, are analyzed as follows:

	30/6/03 (€/mil)		31/12/02 (€/mil)	
	Book value	Market value	Book value	Market value
1. Debt securities				
1.1 Government securities				
– quoted	10,165	10,165	7,248	7,248
– unquoted	16	16	43	43
1.2 Other securities				
– quoted	3,712	3,714	4,234	4,236
– unquoted	6,150	6,177	5,551	5,575
2. Equities				
– quoted	4,511	4,514	2,426	2,429
– unquoted	218	218	161	162
Total	24,772	24,804	19,663	19,693

The increase in dealing securities is mainly attributable to Banca IMI, in relation to its trading activities and to Banca OPI, following the purchase of securities issued against securitization transactions by public bodies.

It is highlighted that in the reclassified consolidated financial statements, the dealing securities portfolio also includes 33 million euro of SANPAOLO IMI S.p.A. shares.

Gains shown in the table for other quoted debt securities and other equities quoted refer to values quoted on small East European markets characterized by limited liquidity. These gains are not reflected in the statement of income.

Other information relating to securities

The composition of the securities portfolio is analyzed by geographical area, currency and liquidity in Part B, Section 11 of these notes.

SECTION 3 - EQUITY INVESTMENTS

Equity investments, reported in asset captions 70 and 80 of the balance sheet, are analyzed as follows:

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
Equity investments (caption 70)	3,015	3,224	-6.5
Investments in Group companies (caption 80)	845	840	+0.6
Total	3,860	4,064	-5.0
- significant investments carried at equity (Part E - Section 1)	1,291	1,266	+2.0
- other equity investments carried at cost (Part E - Section 2)	2,569	2,798	-8.2

Composition of the investment portfolio

Analysis of caption 80 "investments in Group companies"

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
a) in banks			
1. quoted	-	-	-
2. unquoted	6	1	n.s.
b) in financial institutions			
1. quoted	-	-	-
2. unquoted	16	23	-30.4
c) other			
1. quoted	-	-	-
2. unquoted	823	816	+0.9
Total	845	840	+0.6

Analysis of caption 70 "equity investments"

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
a) in banks			
1. quoted	1,107	1,137	-2.6
2. unquoted	616	617	-0.2
b) in financial institutions			
1. quoted	11	11	-
2. unquoted	154	124	+24.2
c) other			
1. quoted	181	356	-49.2
2. unquoted	946	979	-3.4
Total	3,015	3,224	-6.5

The investment portfolio, amounting to 3,860 million euro, reveals a net decrease of 204 million euro compared with 31 December 2002. The main changes are as follows:

Increases

Amounting to 273 million euro, they include the following equity investments made in the first six months of the year:

- subscribed increase in Edison S.p.A. share capital by IMI Investimenti S.p.A. for 66 million euro;
- purchase of a 25% shareholding in Synesis Finanziaria S.p.A. by IMI Investimenti S.p.A. for 63 million euro;
- increase in the Sanpaolo IMI Group shareholding in Borsa Italiana S.p.A. for 12 million euro;
- purchase of a 1.05% shareholding in Hera S.p.A. by Fin. OPI S.p.A. for 10 million euro;
- increase in the AEM Torino S.p.A. shareholding by IMI Investimenti S.p.A. for 9 million euro;
- purchase of 0.5% shareholding in Banca Popolare di Lodi S.p.A. by the Parent Bank for 6 million euro;
- subscription of 6 million euro by the Parent Bank to share capital for the establishment of Sanpaolo Banco di Napoli S.p.A.;
- purchase of a 33.33% shareholding in Attività Finanziarie Merlo S.p.A. by Banca IMI S.p.A. for 5 million euro;
- subscription of 5 million euro by the Parent Bank to an increase in share capital of CDC Finance IXIS S.A.;
- subscription to an increase in share capital of Lingotto S.p.A. by Fin. OPI S.p.A. and recorded to the financial statements for 3 million euro.

The increases also include:

- the inclusion of the shares held in Finconsumo Banca S.p.A. (36 million euro), Cardine Finance Plc (1 million euro) and IMIWeb Bank S.p.A. (1 million euro), valued for the first time at equity and no longer consolidated line by line or proportionally (See: Introduction - Scope of consolidation);
- the increase in value of 30 million euro of those companies already valued using the equity method;
- 6 million euro for the book value of the portfolio investments of Inter-Europa Bank Rt, consolidated in these financial statements for the first time;
- the writeback of Santander Central Hispano S.A. for 5 million euro.

Decreases

Totalling 477 million euro, these include the following disposals made by the Group:

- disposal by IMI Investimenti S.p.A. and Invesp S.p.A. of the shareholding in Olivetti S.p.A. for 29 million euro (loss of 3 million euro);
- disposal by the Parent Bank and IMI Investimenti S.p.A. of the shareholding in Banca Popolare di Lodi S.p.A. for 18 million euro, in line with the book value;
- disposal by IMI Investimenti S.p.A. of the shareholding in Enel S.p.A. for 14 million euro (realized gain of 1 million euro);
- disposal by IMI Investimenti S.p.A. of a portion of its shareholding in Eni S.p.A. for 8 million euro (realized gain of 1 million euro);
- disposal by the Parent Bank and Invesp S.p.A. of the shareholding in Intesa Holding Asset Management S.p.A. for 8 million euro (realized gain of 7 million euro);
- disposal by Cassa di Risparmio di Gorizia of its shareholding in Cedacri S.p.A. for 7 million euro (realized gain of 5 million euro);
- disposal by Ldv Holding BV of its shareholding in Wire Industries S.p.A. for 6 million euro, in line with book value;
- disposal by the Parent Bank and Invesp S.p.A. of the shareholding in Beni Stabili S.p.A. for 5 million euro (realized gain of 1 million euro);
- disposal by Sanpaolo IMI Private Equity S.p.A. of a portion of its shareholding in Spinner Global Technology Fund Ltd for 4 million euro (realized gain of 1 million euro);
- disposal by Sanpaolo IMI Private Equity S.p.A. of its shareholding in Davide Campari S.p.A. for 2 million euro, in line with book value.

The decreases also include:

- the book values of investments in Cassa dei Risparmi di Forlì S.p.A. (45 million euro), Eptaconsors S.p.A. (32 million euro), Sanpaolo IMI Internazionale S.p.A. (10 million euro), Inter-Europa Bank Rt (8 million euro) and NHS Mezzogiorno S.g.r. S.p.A. (2 million euro), following their first time inclusion in consolidation commencing from this year, according to the line by line or proportional method;
- the transfer to dealing securities portfolio for the negotiation of the investments in Eni S.p.A. (100 million euro), Edison S.p.A. (62 million euro), Beni Stabili S.p.A. (13 million euro) e Banca Popolare di Lodi S.p.A. (6 million euro), in respect of their intended re-sale;
- adjustments for 76 million euro (See Sec. 5 of the statement of income “Adjustment of financial fixed assets” and “Writebacks of fixed financial assets”);
- the decrease in value of 26 million euro of those companies already valued using the equity method.

The main commitments on investments recorded to off-balance sheet accounts (caption 20 “Guarantees and Commitments”) are as follows:

- a commitment by the Parent Bank (230 million euro) to purchase an additional shareholding (29.77%) in Cassa dei Risparmi di Forlì, according to a put option granted to Fondazione Cassa dei Risparmi di Forlì;
- a commitment by the Parent Bank (86 million euro) to purchase an additional shareholding (35.15%) in Banka Koper, according to a put option granted to third party shareholders;
- a commitment by the Parent Bank (200 million euro) to purchase an additional shareholding (15%) in Cassa di Risparmio di Firenze;
- a commitment by the Parent Bank (5 million euro) to purchase the residual minority interest (1.86%) of third party shareholders who did not subscribe to the recent Public Offer for Banca Popolare dell’Adriatico;
- a commitment by IMI Investimenti (182 million euro) to convert Italenergia Bis warrants into shares of the same. Such warrants have an option to sell to third parties to be exercised in 2005;
- a commitment by IMI Investimenti (30 million euro) to support Synesis Finanziaria with its payment of the last amount due for the purchase of 51% of Fidis Retail Italia.

Amounts due to and from Group companies and investments (non-Group companies)

Amounts due to and from Group companies, as established in Art. 4 of D. Lgs. 87/92, as well as to and from non-Group companies and affiliated companies, are analyzed in the following tables:

Amounts due to and from Group companies

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
a) Assets			
1. due from banks	-	-	-
<i>of which:</i>			
– subordinated	-	-	-
2. due from financial institutions (*)	26	31	-16.1
<i>of which:</i>			
– subordinated	3	2	+50.0
3. due from other customers	172	106	+62.3
<i>of which:</i>			
– subordinated	65	65	-
4. bonds and other debt securities	-	-	-
<i>of which:</i>			
– subordinated	-	-	-
Total assets	198	137	+44.5
b) Liabilities			
1. due to banks	5	16	-68.8
2. due to financial institutions	16	17	-5.9
3. due to other customers	136	302	-55.0
4. securities issued	1,150	1,087	+5.8
5. subordinated liabilities	-	-	-
Total liabilities	1,307	1,422	-8.1
c) Guarantees and commitments			
1. guarantees given	5	5	-
2. commitments	-	-	-
Total guarantees and commitments	5	5	-

(*) This does not include 1,175 million euro (1,285 million euro as of 31 December 2002) of Parent Bank loans to Sga, given the special nature of the relationship (see Part B - Section 5 "Other assets" of these notes).

Amounts due to and from investments (non-Group companies)

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
a) Assets			
1. due from banks (*)	543	718	-24.4
<i>of which:</i>			
– subordinated	30	30	-
2. due from financial institutions	2,374	1,824	+30.2
<i>of which:</i>			
– subordinated	19	17	+11.8
3. due from other customers	1,190	2,585	-54.0
<i>of which:</i>			
– subordinated	-	-	-
4. bonds and other debt securities	10	108	-90.7
<i>of which:</i>			
– subordinated	3	4	-25.0
Total assets	4,117	5,235	-21.4
b) Liabilities			
1. due to banks (**)	1,218	923	+32.0
2. due to financial institutions	414	178	+132.6
3. due to other customers	341	484	-29.5
4. securities issued	9	9	-
5. subordinated liabilities	-	8	-100.0
Total liabilities	1,982	1,602	+23.7
c) Guarantees and commitments			
1. guarantees given	1,045	847	+23.4
2. commitments	362	517	-30.0
Total guarantees and commitments	1,407	1,364	+3.2

(*) Including the compulsory reserve deposited with the Bank of Italy.

(**) Including the repurchase agreements with the Bank of Italy.

Amounts due to and from affiliated companies (companies in which Group companies hold 20% or more, or 10% or more if quoted) are:

Amounts due to and from affiliated companies

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
a) Assets			
1. due from banks	61	21	+190.5
<i>of which:</i>			
– <i>subordinated</i>	21	20	+5.0
2. due from financial institutions	100	448	-77.7
<i>of which:</i>			
– <i>subordinated</i>	-	-	-
3. due from other customers	218	202	+7.9
<i>of which:</i>			
– <i>subordinated</i>	-	-	-
4. bonds and other debt securities	3	80	-96.3
<i>of which:</i>			
– <i>subordinated</i>	3	4	-25.0
Total assets	382	751	-49.1
b) Liabilities			
1. due to banks	116	19	n.s.
2. due to financial institutions	18	23	-21.7
3. due to other customers	108	148	-27.0
4. securities issued	9	9	-
5. subordinated liabilities	-	-	-
Total liabilities	251	199	+26.1
c) Guarantees and commitments			
1. guarantees given	247	189	+30.7
2. commitments	52	3	n.s.
Total guarantees and commitments	299	192	+55.7

SECTION 4 - TANGIBLE AND INTANGIBLE FIXED ASSETS

Tangible and intangible fixed assets comprise the following:

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
Tangible fixed assets (caption 120)	2,203	2,229	-1.2
Intangible fixed assets (caption 110)	372	406	-8.4
Total	2,575	2,635	-2.3

Tangible fixed assets (caption 120)

Tangible fixed assets comprise:

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
Property			
– operating	1,700	1,716	-0.9
– non-operating	259	256	+1.2
Furniture and installation			
– electronic equipment	122	138	-11.6
– general and specific installation	54	51	+5.9
– office furniture and equipment	65	66	-1.5
– vehicles	3	2	+50.0
Total	2,203	2,229	-1.2

Intangible fixed assets (caption 110)

Intangible fixed assets comprise:

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
Goodwill	15	16	-6.3
Software in use	174	198	-12.1
Software not yet in use	109	112	-2.7
Other deferred charges	74	80	-7.5
Total	372	406	-8.4

The caption “software in use” refers to purchases of new packages for integrating the operating network procedures.

Amounts recorded to the caption “software not yet in use” relate to changes and interventions to develop programs mainly ordered from third parties and not yet completed.

Other “Deferred charges” include:

- 53 million euro for leasehold property improvements;
- 2 million euro for start-up and expansion costs.

SECTION 5 - OTHER ASSETS

Asset captions 90, 100, 150 and 160, not commented upon previously in these notes, comprise the following:

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
Goodwill arising on consolidation (caption 90)	944	842	+12.1
Goodwill arising on application of the equity method (caption 100)	83	188	-55.9
Other assets (caption 150)	23,866	20,494	+16.5
Accrued income and prepaid expenses (caption 160)	2,779	2,852	-2.6
Total	27,672	24,376	+13.5

Goodwill arising on consolidation (caption 90)

This caption expresses the remaining goodwill arising from line by line and proportional consolidation after off-setting against negative goodwill on first time consolidation and amortization (see Part B - Section 8).

Analysis of caption 90 "goodwill arising on consolidation"

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
Banco di Napoli	681	727	-6.3
Gruppo Cardine	13	13	-
Banka Koper (*)	60	72	-16.7
Financiere Fideuram	16	18	-11.1
Banque Privée Fideuram Wargny	3	3	-
Sanpaolo IMI Private Equity	8	9	-11.1
Cassa dei Risparmi di Forlì	149	-	n.s.
Inter-Europa Bank	5	-	n.s.
Banca Popolare dell'Adriatico	4	-	n.s.
Eptaconsors	5	-	n.s.
Total	944	842	+12.1

(*) The decrease in goodwill reflects, in addition to ordinary amortization, the extraordinary adjustment of 8 million euro, made in order to align the value of the investment in the Slovenian bank to the estimated opinion obtained in view of transferring the company to SANPAOLOIMI Internazionale.

Goodwill arising on application of the equity method (caption 100)

This caption expresses the remaining goodwill arising on application of the equity method after off-setting against negative goodwill on first time consolidation and amortization (see Part B - Section 8).

Analysis of caption 100 "goodwill arising on application of the equity method"

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
Cassa di Risparmio di Firenze	51	55	-7.3
Cassa dei Risparmi di Forli	-	108	-100.0
Eptaventure	1	1	-
Aeffe	20	24	-16.7
Sagat	11	-	n.s.
Total	83	188	-55.9

Given the strategic nature of the investments, goodwill arising on companies consolidated line by line and proportionally (caption 90), as well as that from Cassa di Risparmio di Firenze, is amortized over 10 years. The goodwill in SANPAOLO IMI Private Equity, Aeffe, Eptaventure and Sagat, purchased under private equity, is amortized over 5 years.

Other assets (caption 150)*Analysis of caption 150 "other assets"*

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
Valuation of derivatives on interest rates and stockmarket indices	6,457	6,084	+6.1
Effect of currency hedges, forex swap and cross-currency swap	768	1,012	-24.1
Unprocessed transactions (*)	3,806	1,833	+107.6
Deferred tax assets	1,570	1,697	-7.5
Tax collection accounts	621	1,379	-55.0
Due from tax authorities:	1,860	2,212	-15.9
– prepaid current year direct taxes	367	574	-36.1
– tax credits relating to prior years	783	558	+40.3
– taxes paid in advance on termination indemnities - Law 662/96	75	79	-5.1
– taxes withheld during the year	308	252	+22.2
– other loans	327	749	-56.3
Amounts in transit with branches and subsidiaries (*)	2,737	1,444	+89.5
Banco di Napoli loans to be restored ex Law 588/96	267	580	-54.0
Premiums paid on purchased options	1,250	1,066	+17.3
Other items derivative contracts	1,375	341	n.s.
Deposits with clearing-houses	32	858	-96.3
Checks and other instruments held	36	87	-58.6
Net effect of translating funds from international agencies using current rates, with the exchange borne by third parties	17	31	-45.2
Items relating to securities transactions	22	11	+100.0
Transactions by foreign branches	9	8	+12.5
Other	3,039	1,851	+64.2
Total	23,866	20,494	+16.5

(*) The amounts were mostly settled a few days after the balance sheet date.

IMI Sir dispute

Other assets include 1.3 million euro which refer to the estimated realizable value of the credit which was definitively enforced by the Civil Section of the Supreme Court through sentence 2469/03. This sentence has substantially confirmed decision n. 2887, passed by the Rome Court of Appeal on 11 September 2001, which condemned Consorzio Bancario SIR S.p.A. (in liquidation) to reimburse to the Bank the sum of 506 million euro previously paid by IMI to the heirs of Mr. Nino Rovelli as compensation for damages, in accordance with the sentence passed by the Rome Court of Appeal on 26 November 1990. However, the sentence changed the ruling on the amount of interest payable by the Consorzio, in respect of whether or not it should include the amount matured from the date on which the appeal was served. The decision on whether or not the total amount payable by Consorzio to the Bank should be reduced by approximately 14.5 million euro was adjourned to another trial before the same Court. If the trial judge holds the claim amount unjustified, the sentence against the Consorzio to pay the sum of 506 million euro will be reduced accordingly.

The same Supreme Court sentence passed final judgment on the right of Consorzio to be held harmless by Mrs Battistella Primarosa (heir to Mr. Nino Rovelli) and Eurovalori S.p.A.. The Supreme Court also endowed the Consorzio's right to recourse as subordinate to the previous payment of the amount owed to SANPAOLO IMI S.p.A. and assigned the sentence on this particular appeal to the trial judge.

For the purposes of preparing the financial statements, the book value of the credit subject to the Supreme Court sentence has been calculated in accordance with national and international accounting standards for revenue recognition on the basis of its estimated realizable value, as confirmed by authoritative opinions.

With reference to the above, taking into account that the initiatives taken so far have not achieved concrete results, the Bank has considered that the estimated realizable value of this loan should be within the bounds of the Consorzio's capital and its ability to pay.

Taking a consistent approach, since 2001, the investment held in the Consorzio has been written down to zero.

Banco di Napoli loans to be restored ex Law 588/96

This item, amounting to 267 million euro (580 million euro as of 31 December 2002), represents the residual capital and interest of the interventions made by former Banco di Napoli to cover the liquidation deficit of Isveimer and the losses of Società per la Gestione di Attività S.p.A. (Sga). These interventions form part of the reorganization plan prepared with Bank of Italy approval in accordance with Law 588/96 containing urgent provisions for the restoration, reorganization and privatization of Banco di Napoli. Furthermore, the same law establishes to hold the Banco harmless from the economic and financial consequences of the measures taken or to be taken using the mechanism provided by the Treasury Ministry Decree of 27 September 1974. Since 31 December 2002, following the merger by incorporation of Banco di Napoli into SANPAOLO IMI, the latter has, for all legal purposes, taken over from the Banco in the recovery mechanism.

To summarize, the procedure applicable both to Isveimer and to Sga states that the Bank of Italy will grant extraordinary advances at a special low rate of interest (1%), to cover the losses of the subsidiaries concerned. Such advances must be invested in Government securities, so that the differential between the interest income on the securities purchased and the interest expense on the advances received can directly reduce the "loans to be restored" and the related interest accrued, based on the "minimum interest rate offered on the principal refinancing transactions".

From an accounting point of view, the advances received from the Bank of Italy and the Government securities purchased are shown in the memorandum accounts of SANPAOLO IMI, while the financial flows deriving from collection of coupons on such securities and from the payment of interest on the advances are, respectively, debited and credited directly to the "loans to be restored", thus allowing them to be reduced gradually. This accounting treatment has been authorized by the

Bank of Italy as it places emphasis on the substance of the situation rather than the form, in accordance with Decree Law 87 dated 27 January 1992.

On 27 December 2002, the Bank of Italy granted the former Banco di Napoli four new advances to replace that expiring in December, for a total of 12,288 million euro, all to expire by the end of 2003. As of 30 June 2003 there are two advances for a total of 11,883 million euro.

A summary of the circumstances relating to the investments in Isveimer S.p.A. and in Società per la Gestione di Attività S.p.A. is provided below.

The liquidation of Isveimer

Isveimer S.p.A., a subsidiary of SANPAOLO IMI, already operative in the sector of financing industrial development in Southern Italy, was put into voluntary liquidation in 1996.

In 1997, Banco di Napoli intervened to reduce the final liquidation deficit estimated to be 917 million euro. The cost of this intervention and the related interest were recovered in accordance with Law 588/96, as mentioned above, and with the methods described in the aforementioned Treasury Decree of 1974.

In fact, on the expiry of the advances granted by the Bank of Italy, the recovery process showed a balance in favor of the Central Bank of 58 million euro, lodged as a non interest-bearing deposit with the same Central Bank. In the consolidated balance sheet, this deposit is shown under "other assets" offset by "other liabilities".

Società per la Gestione di Attività (Sga)

Società per la Gestione di Attività S.p.A. (Sga) was created in 1996 by transforming an existing subsidiary of Banco di Napoli for the purpose of taking over most of the bank's doubtful loans, as an onerous title and without recourse. Although Banco di Napoli owns the entire share capital of the company, it does not exercise control over it, as it gave the shares and the voting rights to the Treasury by way of a pledge.

The transfer of doubtful loans to Sga began on 1 January 1997; at the same time, Banco di Napoli granted its subsidiary various interest-bearing lines of credit, essentially to finance the cost of the factoring agreement, as well as to cover the company's running costs. At the end of 2000, Banco di Napoli reached a settlement with Sga, resolving a number of differences of interpretation and substance that had arisen between the parties; the cost of this settlement, 125 million euro, was deducted from the loans. As of 30 June 2003, loans to Sga totaled 1,175 million euro, of which 1,161 million euro granted for the measures provided by law 588/96 (a reduction of 91 million euro on 31 December 2002) and 14 million euro disbursed for the ordinary activity of the company.

The following tables show details of the aforementioned restoration procedure for the first half of 2003, with comparative figures for 2002:

Advances received and securities purchased ex Law 588/96

	30/6/03 (€/mil)	31/12/02 (€/mil)
Advances received from the Bank of Italy ex Law 588/96 (*)	11,883	12,288
Securities lodged in guarantee for advances ex Law 588/96 (nominal value)	10,458	10,841
- securities purchased with advances received from the Bank of Italy (*)	10,044	10,431
- portfolio securities (**)	414	410

(*) The transactions are shown in the memorandum accounts as authorized by the Bank of Italy. The remaining advance of 11,883 million euro, granted on 27 December 2002, will expire as follows: 2,578.6 million euro as of 22 December 2003 and 9,304.8 million euro as of 27 December 2003.

(**) Securities placed as guarantee on the advance received from the Bank of Italy are included in the dealing portfolio, for 401 million euro (book value as of 30 June 2003).

Change of loans to be restored ex Law 588/96 ()*

	30/6/03 (€/mil)	31/12/02 (€/mil)
a. Opening balance	580	840
b. Changes		
1. Coverage of SGA's losses	-	531
2. Interest income on the securities purchased with the funds advanced by the Bank of Italy	-375	-953
3. Interest expenses on advances from the Bank of Italy	56	142
4. Interest accrued on the "Loans to be restored" account	6	20
5. Other changes	-	-
Total	267	580

(*) The statement of income only includes interest accrued on "Loans to be restored" account.

Financial flows maturing on the advances received from the Bank of Italy and on securities put up as guarantee ex Law 588/96 ()*

	30/6/03 (€/mil)	31/12/02 (€/mil)
Interest accrued on advances from the Bank of Italy	-5	-
Coupons falling due on Bank of Italy securities lodged in guarantee	105	127
Total	100	127

(*) The amounts refer to accruals for the respective periods.

SECTION 6 - PAYABLES

Detail of the total balance for the Group is provided below:

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
Due to banks (caption 10)	28,597	24,456	+16.9
Due to customers (caption 20)	87,610	85,280	+2.7
Securities issued (caption 30)	49,459	51,561	-4.1
Public funds administered (caption 40)	176	208	-15.4
Total	165,842	161,505	+2.7

Due to banks (caption 10)

Deposits taken from banks are analyzed as follows:

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
Due to central banks			
– repurchase agreements and securities loaned	1,061	842	+26.0
– other deposits from the Italian Exchange Office	187	28	n.s.
– other deposits from central banks	850	905	-6.1
Due to other banks			
– deposits	11,456	9,603	+19.3
– repurchase agreements and securities loaned	5,455	2,802	+94.7
– medium and long-term loans from international bodies	5,925	5,881	+0.7
– current accounts	887	943	-5.9
– other	2,776	3,452	-19.6
Total	28,597	24,456	+16.9

Loans from international bodies include loans used by the Group to finance investment projects in industrial sectors and in public utilities services.

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

Funds obtained directly from customers, comprising deposits from customers and securities issued, are detailed below:

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
Due to customers			
– current accounts	55,403	52,197	+6.1
– repurchase agreements and securities loaned	13,694	12,917	+6.0
– deposits	15,372	18,116	-15.1
– short-term payables relating to special management services carried out for the government	233	313	-25.6
– other (*)	2,908	1,737	+67.4
Securities issued			
– bonds	38,651	39,447	-2.0
– certificates of deposit	6,372	7,310	-12.8
– banker's drafts	770	648	+18.8
– other securities	3,666	4,156	-11.8
Total	137,069	136,841	+0.2

(*) Essentially comprises short positions on securities taken as part of stockbroking activities.

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

Public funds administered (caption 40)

Public funds administered are provided by the State and other public agencies. These funds are analyzed below:

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
Funds provided by the State	153	151	+1.3
Funds provided by regional public agencies	22	19	+15.8
Other funds	1	38	-97.4
Total	176	208	-15.4
<i>of which: Funds with risk borne by the Government under Law 19 of 6/2/87</i>	<i>70</i>	<i>59</i>	<i>+18.6</i>

Other information relating to payables

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

SECTION 7 - PROVISIONS

The Group provisions are analyzed below:

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
Provisions for termination indemnities (caption 70)	971	961	+1.0
Provisions for risks and charges (caption 80)			
– pensions and similar commitments (caption 80.a)	348	343	+1.5
– provisions for taxation (caption 80.b)	460	670	-31.3
– other provisions (caption 80.c)	1,855	1,768	+4.9
Reserve for possible loan losses (caption 90)	84	71	+18.3
Total	3,718	3,813	-2.5

Provisions for risks and charges

Pensions and similar (caption 80.a)

As of 30 June 2003, this reserve is made up of 40 million euro from the Parent Bank to cover charges in relation to the integration of the pension paid to former IMI S.p.A. staff (41 million euro as of 31 December 2002), of 303 million euro from companies of the former Cardine Group (302 million euro as of 31 December 2002) and of 5 million euro from Cassa dei Risparmi di Forlì (consolidated proportionally for the first time).

Provisions for taxation (caption 80.b)

The taxation provisions is composed of 356 million euro to cover current income taxes and actual, existing or potential fiscal disputes, including local taxes payable by foreign branches and subsidiaries, as well as 104 million euro to cover deferred taxes.

During the first half of the year, SANPAOLO IMI and its subsidiaries have adhered to an initiative in terms of “tax pardon and benefits” in compliance with the 2003 Financial Law (“Legge Finanziaria”), by sustaining a total charge of 48 million euro, of which 20 million euro are economically neutral as an effect of the use of pre-existing reserves (for further detail refer to Part C – Section 6 - Other statement of income captions).

As regards fiscal disputes, it is worth pointing out that:

- the subsidiary Fideuram Vita is in dispute with the tax authorities for the years from 1985 to 1987. The years 1988, 1989 and 1990 have been settled thanks to the favorable verdict pronounced by the Regional Tax Commission regarding disputed items in those years. The verdict was deposited on 27 July 2000 and the tax authorities did not appeal against it before the legal deadline. The company has obtained a favorable verdict in the first degree, but substantially unfavorable decisions in the subsequent two degrees in respect of the years 1985, 1986 and 1987. However, Fideuram Vita has appealed to the Supreme Court, as it is still confident that the case can be won. If, on the other hand, the current adverse trend is confirmed, the potential liability for the company would be minimal, but would however become significant (albeit covered by existing reserves) if subsequent open years (from 1997 onwards) were also contested for the same reason. On the basis of expert opinions, and taking into account the positive evolution of the dispute and the fact that the case involves a practice that is universally applied by the whole of the insurance industry, the subsidiary has not made any specific provision for this risk;
- the subsidiary Sanpaolo Life Ltd, pursuant to Art. 15 of the aforementioned 2003 Financial Law, closed the action made

in December 2002 by the Tax Police, in the context of an examination of Banca Sanpaolo Invest S.p.A. (for further details see Explanatory Notes to the consolidated financial statements as of 31 December 2002 – Section 7 - Provisions).

Deferred tax assets and liabilities recorded in the consolidated financial statements refer to temporary differences between the accounting and fiscal value of assets and liabilities accrued in the first half of 2003 and in prior years, for which it is deemed likely that, in the case of deferred tax liabilities, a tax liability will be incurred in the future or which, in the case of deferred tax assets, will most likely be recovered. Deferred taxation has been calculated by each Group company and also on consolidation in respect of the tax effect of specific consolidation entries. The tax effect relating to provisional differences has been calculated applying different tax rates for each Group subsidiary.

Other provisions (caption 80.c)

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
Other provisions (caption 80.c):			
- provisions for guarantees and commitments	131	144	-9.0
- provisions for other risks and charges	975	1,061	-8.1
- provisions for other personnel charges	749	563	+33.0
Total	1,855	1,768	+4.9

Provisions for “guarantees and commitments” of 131 million euro cover expected losses in respect of guarantees and more generally, the contingencies associated with guarantees and commitments undertaken by the Group, including exposures to derivative contracts on loans for which the Parent Bank and its subsidiaries have taken over the lending risk (seller protection). More specifically, the provisions include risks calculated on a case by case basis as well as the physiological risk of performing accounts valued using the same principles as those applied to loans.

Provisions for “other risks and charges” amounting to 975 million euro, include:

- the Parent Bank for 661 million euro, of which:
 - 107 million euro refer to potential costs deriving from the renegotiation of mortgage loans;
 - 380 million euro to cover estimated losses on legal disputes and, more specifically, claims from bankruptcy liquidators;
 - 174 million euro to cover potential charges relating to guarantees given on the sale of equity investments and other extraordinary transactions, as well as other potential liabilities;
- bank networks of the Cardine Finanziaria Group for 49 million euro;
- the tax collection services of the Group for 21 million euro to cover specific risks in the sector and restructuring charges;
- other subsidiaries for 244 million euro, mainly relating to risks, also of a commercial or operational nature, connected to the distribution of and dealing in financial products.

Provisions for “other personnel costs”, of 749 million euro, include:

- the Parent Bank for 699 million euro, of which:
 - 499 million euro for staff leaving incentives;
 - 121 million euro relating to provisions, made on the basis of independent actuarial appraisals, to cover the technical deficit of the Supplementary Pension Fund of the Parent Bank, an independent entity, which integrates the compulsory pension fund;

- 8 million euro accrued against potential liabilities deriving mainly from employee bonuses and incentives, the payment of which is at the discretion of the Parent Bank, and also against stock incentive plans in favor of employees;
 - 45 million euro of other provisions to the supplementary pension fund;
 - 18 million to cover payment of long service bonuses to employees;
 - 8 million euro provisions made to the technical reserve – Law 336/70, to cover accidents to staff and other minor potential liabilities;
- other subsidiaries for 50 million euro, of which 30 million euro refer to bank networks of the Cardine Finanziaria Group.

Information as per Consob Communication 1011405 dated 15 February 2001.

Subsidized home mortgage loans

Law 133/99, implemented with Ministerial Decree 110/2000 (against which an appeal was presented before the administrative court) forces banks, upon receipt of a specific request by borrowers or by the body issuing the borrowing facilities, to review the interest rates applied to mortgages issued, with charges to be borne in full or partially by the public sector.

As no "threshold rate" is set for subsidized mortgages, subsection 62 of Art. 145 of Law 388 dated 23 December 2000 (Budget Law 2001) clarifies that the renegotiation rate is to be considered as "the average effective global rate for home mortgage loans being amortized", assigning the identification of the transactions within which to carry out the observations to determine the renegotiation rate to a subsequent regulation. To this end, with the Decree dated 4 April 2001, the Treasury set up the new consistent category of subsidized loans being amortized, and the Bank of Italy issued the correlated methodological notes to identify the average rates for the sector. To complete the application of the framework of the legislation, Ministerial Decree dated 31 March 2003 was enacted, which identified the interest rates to be applied, 12.61%, for the purposes of renegotiating such loans.

The Parent Bank promptly commenced accounting-administration activities in order to apply the new interest rates and to carry out the necessary adjustments to the installments expired after 1 July 1999. It is expected that these activities will be concluded within the second half of the current year on those loans to which the benefits of Art. 29 of Law 133/99 apply, with the exception of defining, with the interested bodies, some aspects applicable to the renegotiation of some types of loans granted according to specific incentive laws and regional funds. SANPAOLO IMI has however, in agreement with the system, decided to continue with the appeals which were disregarded in the first degree by the Lazio Regional Administration Court, against that stated in Ministerial Decree 110/2000.

For completeness it is highlighted that the provisions of the Ministerial Decree of 31 March 2003 for determining the renegotiation rate cannot be formally defined as being fully established, owing to an isolated appeal presented before the Lazio Regional Administration Court by a Regional Body. Nevertheless, such initiative, because of its characteristics and in the light of case law precedents issued by the same Regional Administration Court, it would not appear appropriate to bring the current regulatory model under discussion.

In respect of the above, the current estimates of the potential charge in respect of the renegotiation are considered suitable at 109 million euro (84 million euro for the Parent Bank), of which 102 million euro refer to the period 1 July 1999 – 31 December 2002 (77 million euro for the Parent Bank) and 7 million euro (wholly referring to the Parent Bank) for the first half of 2003. Such amount is sufficiently covered by the provisions for other risks and charges. In the years following 2003, the negative impacts on the statement of income will be gradually reduced because of the expiry of current mortgage loans.

Subsidized agricultural mortgage loans

The provisions of Art. 128 of Law 388/2000 (Budget Law 2001) have introduced the faculty for borrowers to renegotiate loan installments still to expire at current, more favorable rates fixed for low-interest transactions. Renegotiation is subject

to the implementation of a Ministerial Decree which has still not yet been issued. Considering the precise reference to the "loan installments still to expire" contained in Law 388/2000 and the consequent possibility to activate renegotiation only for the future, provisions have not been made.

Fixed-rate unsubsidized mortgage loans (usury)

In compliance with the provisions of Law 24/2001, (following Decree Law 394/2000, containing the authentic interpretation of Law 108/1996) and with the subsequent Constitutional Court Sentence 29 dated 25/02/2002, SANPAOLO IMI concluded adjusting all mortgages covered by these provisions to the "replacement" rate of 9.96%. An interest rate of 8% was applied for those borrowers who presented self-certification declaring their right to such reduction (the original capital of the loan not being more than 150 million Italian Lira, granted to first-time buyers of non-luxury homes).

The potential charges arising from further requests to reduce interest rates to 8% not yet received or documented by borrowers possessing the legal requirements to benefit from such rates are sufficiently covered by the provision for risks and charges.

Anatocism

In March 1999, the Supreme Court declared quarterly capitalization of interest payable to be illegitimate, thereby completely changing the previous law. This decision was based on the assumption that the relevant clauses in bank contracts do not integrate "regulatory" use as believed in the past, but rather "trading", which contrasts with the prohibition of anatocism in compliance with Art. 1283 of the Italian Civil Code.

After the reversal by the Supreme Court, Decree Law 342/99 was enacted, confirming the legitimacy of capitalization of interest in current account contracts if it is applied over the same period as that for calculating interest payable and receivable: the Credit and Savings Interdepartmental Committee was assigned to determine the methods of such calculation and from 22 April 2000, the date on which the Committee's instructions became effective, all current accounts were adjusted applying quarterly capitalization to interests receivable and payable.

Therefore, since April 2000, capitalization of half-yearly interests is considered legitimate and the dispute on this matter refers only to those contracts signed before that date: it should be noted that, despite the fact that the Supreme Court has repeatedly confirmed the invalidity of the capitalization clauses, many judges of merit have distanced themselves from the sentence, continuing to consider it legitimate, thus the jurisprudence is still being debated.

As of 30 June 2003, the trend in the dispute shows a slight increase and is subject to careful monitoring: the numeric increase on the previous year is mainly because of the integration of the former Banco di Napoli and the problems relating to disputes following the merger with SANPAOLO IMI. The risks relating to the disputes in question correspond to the prudent accruals made to the Provisions for other risks and charges which are proportionate to the total of each legal request. Where the introductory measures do not quantify the demand and until an accounting opinion has been expressed on the issue, the risk involved is covered by an accrual of 41 million euro destined, in its entirety, to hedge disputes of an undetermined amount and of an uncertain outcome.

Reserve for possible loan losses (caption 90)

This caption reflects provisions made by certain subsidiaries to cover lending risks - including risks deriving from derivative transactions; these risks are only potential, therefore the reserve is not set off against asset balances.

SECTION 8 - CAPITAL, EQUITY RESERVES, RESERVE FOR GENERAL BANKING RISKS AND SUBORDINATED LIABILITIES

This section comments on the following balance sheet captions:

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
Shareholders' equity			
– capital (caption 150)	5,144	5,144	-
– additional paid-in capital (caption 160)	708	708	-
– reserves (caption 170)			
– legal reserve	1,029	1,029	-
– reserve for own shares	33	31	+6.5
– other reserves	2,825	2,610	+8.2
– revaluation reserves (caption 180)	18	18	-
– reserve for general banking risks (caption 100)	14	14	-
– negative goodwill arising on consolidation (caption 120)	-	-	-
– negative goodwill arising on application of the equity method (caption 130)	211	94	+124.5
Total Group capital and reserves	9,982	9,648	+3.5
– net income (caption 200)	441	889	-50.4
Group total shareholders' equity	10,423	10,537	-1.1
Own shares (asset caption 140)	33	31	+6.5
Minority interest (caption 140)	292	334	-12.6
Subordinated liabilities (caption 110)	6,784	6,613	+2.6

Group shareholders' equity

Capital and equity reserves (liability captions 150, 160, 170 and 180)

The capital, additional paid-in capital and the legal reserve coincide with the corresponding captions of the shareholders' equity of the Parent Bank. "Other reserves" includes the Parent Bank's remaining reserves and changes at Group level in the equity of the companies included in the consolidation.

As of 30 June 2003, "Share capital" amounts to 5,144,064,800 euro and is composed of 1,448,831,982 ordinary shares and 388,334,018 preference shares both with a nominal value of 2.8 euro each.

The "Reserve for own shares" has been set up by the Parent Bank and by certain subsidiaries to cover the SANPAOLO IMI shares in portfolio.

The "Revaluation reserves" are lodged with certain Group companies following the revaluation of investments made in application of special laws.

Reserve for general banking risks (liability caption 100)

The "Reserve for general banking risks" reflects the 14 million euro reserve accrued by certain subsidiaries.

Negative goodwill arising on application of the equity method and on consolidation (liability captions 120 and 130)

Liability captions 120 and 130 represent the negative differences arising on line by line consolidation and on application of the equity method after off-setting them against positive differences on first time consolidation.

Details of the aforementioned off setting operations between negative and positive differences on first time consolidation are shown in the table below.

	30/6/03 (€/mil)	31/12/02 (€/mil)
Negative goodwill arising on first-time consolidation:		
- line-by-line		
- former IMI Group	952	952
- former Cardine Group	241	241
- using the equity method		
- former IMI Group	75	75
- former Cardine Group	58	58
Total	1,326	1,326
Goodwill arising on first-time consolidation:		
- line-by-line		
- former Banco di Napoli Group	-854	-854
- former Cardine Group	-296	-296
- using the equity method		
- Cassa di Risparmio di Firenze	-173	-173
- former Cardine Group	-3	-3
Total	-1,326	-1,326

The balance of caption 130 "Negative goodwill arising on application of the equity method", for 211 million euro, represents the Group's interest in the increase in shareholders' equity of investments valued using the equity method and recorded after first time consolidation. The amount refers mainly to companies operating in the insurance sector.

Commentary to asset captions 90 "Goodwill arising on consolidation" and 100 "Goodwill arising on application of the equity method" is provided in Part B – Section 5, "Other assets".

Own shares (asset caption 140)

Own shares held in portfolio are represented by shares of the Parent Bank held by itself and by other Group companies. As of 30 June 2003, the portfolio consisted of 3,943,756 SANPAOLO IMI shares, equal to 0.21% of the share capital of the Parent Bank, and carried at market value for 33 million euro.

Further explanation of own shares is provided in the “Report on Operations - Capital and reserves”. Detail of the movements in the first half of 2003 is provided below:

	Opening balance		Increases		Decreases		Closing balance	
	number	book value (*) (€/mil)	number	equivalent (€/mil)	number	equivalent (€/mil)	number	book value (*) (€/mil)
SANPAOLO IMI	1	-	5,443,642	42.0	2,344,458	19.0	3,099,185	25.6
Prospettive 2001	3,073,729	19.1	-	-	3,073,729	22.7	-	-
Banca Popolare dell'Adriatico	53,087	0.3	-	-	53,087	0.4	-	-
IMI Investimenti	219,190	1.4	-	-	-	-	219,190	1.8
Banca IMI	1,594,744	9.9	1,822,602	13.5	2,791,965	22.1	625,381	5.1
Total	4,940,751	30.7	7,266,244	55.5	8,263,239	64.2	3,943,756	32.5

(*) Expressed at market values.

As of 30 June 2003, the portfolio of own shares of the Parent Bank valued at cost, in that it referred to investment securities held with the aim of being used to complete strategic deals, and shown as an adjustment to the consolidated shareholders' equity in the reclassified consolidated financial statements, consisted of a single share with a book value of 7.41 euro.

Minority interests (liability caption 140)

As of 30 June 2003, the portion of “Minority interests” amounting to 292 million euro essentially relates to the quota attributable to minority shareholders in Banca Fideuram.

A statement of changes in the consolidated net shareholders' equity for the period is attached to these notes, together with a reconciliation of the Parent Bank's net shareholders' equity and the corresponding consolidated amounts.

Regulatory capital

A breakdown of the regulatory capital and a description of the minimum requirements for supervisory purposes is provided below. The final estimates will be submitted to the Bank of Italy following approval of this Half Year Report.

Category / Value	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
A. Regulatory capital			
A.1 Tier 1 capital	9,835	9,765	+0.7
A.2 Tier 2 capital	4,524	4,406	+2.7
A.3 Items to be deducted	-454	-470	-3.4
A.4 Regulatory capital	13,905	13,701	+1.5
B. Minimum regulatory requirements			
B.1 Credit risk	10,269	9,886	+3.9
B.2 Market risk	822	767	+7.2
<i>of which:</i>			
- risks on dealing portfolio	783	756	+3.6
- exchange risks	6	11	-45.5
- concentration risks	33	-	-
B.2.1 Tier 3 subordinated loans	600	589	+1.9
B.3 Other minimum requirements	45	44	+2.3
B.4 Total minimum requirements	11,136	10,697	+4.1
C. Risk assets and capital adequacy-ratios			
C.1 Risk-weighted assets (*)	139,200	133,713	+4.1
C.2 Tier 1 capital / Risk weighted assets	7.1%	7.3%	
C.3 Regulatory capital / Risk weighted assets (**)	10.4%	10.7%	

(*) Total minimum requirements multiplied by the recovery of the minimum compulsory ratio for lending risks (12.5).

(**) On the basis of Bank of Italy letter no. 10155 dated 3 August 2001, in order to compute the Total Risk ratio, Tier 3 subordinated loans are considered a component of the total capital.

Subordinated liabilities (liability caption 110)

Loan	Amount in the financial statements as of 30/06/03 (€/mil)	Amount in original currency (millions)	Interest rate	Issue date	Maturity date	Amount in the financial statements as of 31/12/02 (€/mil)
Preferred Securities in Euro	1,000	1,000	8.126% (a)	10-11-2000	(b)	1,000
<i>Total innovative capital instruments (Tier 1)</i>	<i>1,000</i>					<i>1,000</i>
Notes in US dollars	145	165	floating	12-07-1993	30-07-2003	158
Notes in US dollars	78	89	floating	24-09-1993	24-09-2003	85
Notes in US dollars	83	94	floating	30-11-1993	30-11-2005	90
Notes in Canadian dollars	97	151	floating	10-11-1993	10-11-2003	91
Notes in euro	356	362	floating	30-06-1994	30-06-2004	356
Subordinated loan in US dollars	87	100	floating	15-09-1993	15-09-2003	95
Notes in Italian lire	6	13,140	floating	15-10-1993	15-10-2003	12
Notes in Italian lire	-	-	floating	15-06-1993	15-06-2003	6
Notes in euro	147	150	5.75%	15-09-1999	15-09-2009	148
Subordinated loan in Italian lire	-	-	5.10%	1-06-1998	1-06-2003	13
Subordinated loan in Italian lire	-	-	5.30%	1-01-1998	1-01-2003	31
Subordinated loan in Italian lire	-	-	floating	1-02-1998	1-02-2003	29
Subordinated loan in euro	500	500	6,38%	6-04-2000	6-04-2010	500
Subordinated loan in euro	350	350	floating	6-04-2000	6-04-2010	350
Subordinated loan in euro	999	1.000	floating	27-09-2000	27-09-2010	997
Subordinated loan in euro	300	300	5,55%	31-07-2001	31-07-2008	300
Subordinated loan in euro	200	200	5,16%	2-10-2001	2-10-2008	191
Subordinated loan in euro	494	500	floating	28-06-2002	28-06-2012	499
Subordinated loan in euro	52	54	4.90% (c)	15-07-2002	15-07-2012	53
Subordinated loan in euro	144	147	4.32% (d)	4-12-2002	4-12-2012	147
Subordinated loan in euro	300	300	5,38%	13-12-2002	13-12-2012	297
Subordinated loan in euro	269	350	3.75% (e)	9-06-2003	6-06-2015	-
Subordinated loan in Italian lire	209	404,115	floating	30-06-1997	1-08-2004	209
Subordinated loan in euro	200	200	floating	1-10-1999	1-10-2009	199
Subordinated loan in euro	150	150	floating	12-10-1999	12-10-2009	150
Subordinated loan in euro	-	-	floating	22-12-2000	22-12-2010	8
Subordinated loan in euro	17	20	1.00%	27-04-2001	27-04-2006	9
Subordinated loan in euro	1	1	floating	20-09-2001	20-09-2006	1
<i>Total subordinated liabilities (Tier 2)</i>	<i>5,184</i>					<i>5,024</i>
Subordinated loan in euro	-	-	5.55%	3-10-2000	3-04-2003	440
Subordinated loan in euro	-	-	floating	6-11-2000	6-05-2003	149
Subordinated loan in euro	350	350	2.98%	15-05-2003	15-11-2005	-
Subordinated loan in euro	50	50	1.44%	26-06-2003	15-11-2007	-
Subordinated loan in euro	200	200	2.42%	30-06-2003	30-12-2005	-
<i>Total Tier 3 subordinated liabilities</i>	<i>600</i>					<i>589</i>
Total	6,784					6,613

(a) The remuneration of the preferred securities is fixed at 8.126% up to 10 November 2010. After that date, a floating coupon will be paid at 12 months Euribor increased by 350 b.p.

(b) Securities are not redeemable. Only SANPAOLO IMI has the right to redeem these Notes, totally or partially, and this right can be exercised after November 10, 2010.

(c) Remuneration is paid on half-yearly coupons at a fixed rate of 2.45% for the first five years. After that date, a floating coupon will be paid.

(d) Remuneration is paid on half-yearly coupons at a fixed rate of 2.16% for the first five years. After that date, a floating coupon will be paid.

(e) Remuneration is paid on yearly coupons at a fixed rate of 3.75% for the first seven years. After that date, a floating coupon will be paid.

During the first six months of the year, the Parent Bank issued new subordinated loans for 350 million euro in the form of Tier 2 subordinated loans. These loans are destined to replace the 600 million euro due to expire under the form of Tier 3 subordinated liabilities, with the aim of recomposing the funding of subordinated loans toward Tier 3.

It should be noted that subordinated liabilities not included in the calculation of regulatory capital amount to 738 million euro, excluding Tier 3 subordinated loans.

Preferred Securities, which are attributable to Tier 1 capital, satisfy the following requirements:

- the securities are not redeemable, the issuer's redemption right, if any, cannot be exercised during the first 10 years after issue; redemption has to be authorized in advance by the Bank of Italy;
- the contract provides for the possibility of suspending remuneration of the securities, even partially, if the Parent Bank, which directly controls the issuer, has not distributed dividends on its own shares during the previous year;
- dividends cannot be accumulated in subsequent years;
- in the event of the liquidation of SANPAOLO IMI, the holders of securities can only be reimbursed after all other subordinated and non-subordinated creditors have been paid.

Contractually, subordinated loans included in Tier 2 may not be redeemed prior to maturity, nor converted into capital or any other type of liability. In particular, such contracts provide that:

- early redemption can only take place on the issuer's initiative and with Bank of Italy authorization;
- the loan period must not be less than five years; if no maturity is stated, the contract must state that a notice period of at least five years has to be given;
- in the event that the issuer is put into liquidation, the loan can only be reimbursed once all other creditors, not similarly subordinated, have been satisfied.

Tier 3 subordinated loans, issued to cover market risks, meet the following conditions:

- the original duration is not less than 2 years;
- the payment of interest and capital is suspended if the capital requirements of SANPAOLO IMI should fall below 7% on an individual basis or 8% on a consolidated basis;
- in the event that the Bank is put into liquidation, the loan can only be reimbursed once all other creditors, not similarly subordinated, have been satisfied.

SECTION 9 - OTHER LIABILITIES

Liability captions 50 and 60 comprise the following:

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
Other liabilities (caption 50)	25,582	18,807	+36.0
Accrued expenses and deferred income (caption 60)	1,964	2,164	-9.2
Total	27,546	20,971	+31.4

Other liabilities (caption 50)

Analysis of caption 50 "other liabilities"

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
Valuation of derivatives on interest rates and stockmarket indices	7,263	5,941	+22.3
Unprocessed transactions	4,641	2,685	+72.8
Amounts available for third parties	2,211	1,878	+17.7
Amounts in transit with branches and subsidiaries	2,935	2,373	+23.7
Valuations of foreign currency derivative contracts	1,199	1,168	+2.7
Other items derivative contracts	710	700	+1.4
Tax payments accounts	390	587	-33.6
Premiums collected on options sold	644	385	+67.3
Non-liquid balances from portfolio transactions	973	606	+60.6
Due to tax authorities	284	375	-24.3
Items relating to securities transactions	94	2	n.s.
Amounts due to employees	284	237	+19.8
Amounts payable due to settlement value date	523	12	n.s.
Deposits guaranteeing agricultural and construction loans	168	36	n.s.
Transactions by foreign branches	386	15	n.s.
Other	2,877	1,807	+59.2
Total	25,582	18,807	+36.0

SECTION 10 - GUARANTEES AND COMMITMENTS

Captions 10 and 20 of the balance sheet, related to guarantees issued and commitments undertaken by the Group, which involve the acceptance of loan risks, comprise the following:

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
Guarantees (caption 10)	18,309	20,483	-10.6
Commitments (caption 20)	31,696	27,574	+14.9
Total	50,005	48,057	+4.1

“Guarantees granted to third parties” are comprised as follows:

Analysis of caption 10 "guarantees given"

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
a) Commercial guarantees	10,306	13,396	-23.1
b) Financial guarantees	7,888	6,999	+12.7
c) Assets lodged in guarantee	115	88	+30.7
Total	18,309	20,483	-10.6

“Commitments” at the end of the half year are:

Analysis of caption 20 "commitments"

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
a) Commitments to grant finance (certain to be called on)	12,596	7,753	+62.5
b) Commitments to grant finance (not certain to be called on)	19,100	19,821	-3.6
Total	31,696	27,574	+14.9

The commitments undertaken are detailed below:

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
Purchase of securities not yet settled	6,739	4,175	+61.4
Commitments certain to be called on for derivative contracts on loans	920	984	-6.5
Other commitments certain to be called on	168	140	+20.0
Undrawn lines of credit granted	12,075	11,814	+2.2
Put options issued	1,593	1,350	+18.0
Mortgage loans and leasing contracts to be disbursed	5,343	6,422	-16.8
Deposits and loans to be made	3,842	1,577	+143.6
Membership of Interbank Deposit Guarantee Fund	142	142	-
Other commitments not certain to be called on	874	970	-9.9
Total	31,696	27,574	+14.9

Unused lines of credit

The unused lines of credit available to the SANPAOLO IMI Group, excluding operating limits, are as follows:

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
a) Central banks	43	44	-2.3
b) Other banks	330	250	+32.0
Total	373	294	+26.9

Forward transactions

Forward transactions, excluding those on behalf of third parties, show the following amounts:

	Hedging transactions	Dealing transactions (*)	Other transactions	Total (€/mil)
1. Purchase/sale of				
1.1 Securities				
– purchases	-	6,718	-	6,718
– sales	-	5,871	-	5,871
1.2 Currency				
– currency against currency	2,400	1,119	-	3,519
– purchases against euro	8,326	5,379	-	13,705
– sales against euro	5,147	5,614	-	10,761
2. Deposits and loans				
– to be disbursed	-	-	4,074	4,074
– to be received	-	-	4,760	4,760
3. Derivative contracts				
3.1 With exchange of capital				
a) securities				
– purchases	-	4,212	327	4,539
– sales	1,043	3,943	21	5,007
b) currency				
– currency against currency	169	498	-	667
– purchases against euro	2,402	5,224	-	7,626
– sales against euro	303	4,587	-	4,890
c) other instruments				
– purchases	-	-	-	-
– sales	-	-	-	-
3.2 Without exchange of capital				
a) currency				
– currency against currency	29	65	-	94
– purchases against euro	13	102	-	115
– sales against euro	1	74	12	87
b) other instruments (**)				
– purchases	40,926	169,897	181	211,004
– sales	25,097	195,063	4,595	224,755
Total	85,856	408,366	13,970	508,192

(*) They also include hedging derivatives belonging to the dealing portfolio for 5,319 million euro.

(**) They include basis swaps for 13,622 million euro and other derivatives with index exchanges for 18 million euro both in purchases and sales.

At the end of the half year the potential net loss on the aggregate value of derivative hedging contracts entered into by Group companies was calculated at 539 million euro. In compliance with accounting policies, this amount was not recorded in the financial statements since the purpose of the derivative contracts in question is to hedge interest, market and exchange rate risks with regard to funding activities (particularly collection transactions made through issuing bonds with a structured yield) and/or lending. The above-mentioned contracts are, in fact, recorded on a consistent basis with those adopted for hedging transactions, by recording accruals in relation to the differential of the interest and/or exchange rate maturing at the date of the financial statements.

Derivative contracts included under structured financial instruments amount to 7,777 million euro, at nominal value.

Forward transactions as of 30 June 2003, as shown in the above table, mainly reflect the activities of the Parent Bank and its subsidiaries operating in the loans sector and in dealing activities.

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

This section offers supplementary information on operations in derivative contracts according to the standards established by the Basel Committee on Banking Supervision and the International Organization of Securities Commissions (IOSCO).

The table below shows the notional nominal capital, by type, of purchase/sale of currency and derivative contracts on interest rates, exchange rates and stockmarket index.

<i>Notional amounts</i>	<i>(€/mil)</i>				
	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total
OTC trading contracts					
- Forward (a)	13,864	5,552	-	-	19,416
- Swap (b)	273,143	840	-	-	273,983
- Options purchased	17,704	4,835	10,289	-	32,828
- Options sold	19,838	4,459	8,541	-	32,838
- Other	2,905	288	71	-	3,264
Exchange traded contracts					
- Futures purchased	3,301	22	770	-	4,093
- Futures sold	9,399	49	160	-	9,608
- Future currency against currency	-	26	-	-	26
- Options purchased	1,390	18	734	-	2,142
- Options sold	530	13	571	-	1,114
- Other	-	-	-	-	-
Total trading contracts	342,074	16,102	21,136	-	379,312
Total non-trading contracts	59,502	17,834	8,953	-	86,289
Total contracts (c)	401,576	33,936	30,089	-	465,601
- including OTC contracts	386,954	33,807	27,854	-	448,615

(a) The caption includes the F.R.A. contracts and forward currency purchase/sale transactions.

(b) The caption mainly includes the I.R.S., C.I.R.S. contracts and basis swaps.

(c) Includes basis swaps for 13,622 million euro, and other derivatives with index exchanges for 18 million euro, and does not include forward transactions on currency with an original duration of less than 2 days, amounting on the whole to 7,528 million euro.

The table below shows the residual duration of the above unquoted OTC transactions:

<i>Residual maturity of notional amounts underlying OTC derivative contracts</i>					<i>(€/mil)</i>
	Up to 12 months	Between 1 and 5 years	Beyond 5 years	Total	
Interest rate related	172,116	136,426	78,412	386,954	
Exchange rate related	29,381	4,247	179	33,807	
Stockmarket index related	5,504	20,624	1,726	27,854	
Other contracts	-	-	-	-	

The table below reports the credit risk equivalent relating to unquoted OTC contracts, broken down into their various components: positive market value and add on.

<i>Notional amounts, market values and similar add ons</i>						<i>(€/mil)</i>
	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total	
Notional amounts	386,954	33,807	27,854	-	448,615	
A. Market value of OTC trading contracts						
A.1 positive market value	6,868	192	386	-	7,446	
A.2 negative market value	-6,932	-235	-330	-	-7,497	
B. Add on	1,531	148	773	-	2,452	
C. Market value of OTC non-trading contracts						
C.1 positive market value	934	277	522	-	1,733	
C.2 negative market value	-1,165	-735	-196	-	-2,096	
D. Add on	165	303	307	-	775	
Credit risk equivalent (A.1+B+C.1+D)	9,498	920	1,988	-	12,406	

Market values of hedging and dealing transactions arranged with third parties have been calculated using the criteria established by the Bank of Italy to determine the solvency ratio. The market values identified in the table above derive from the application of the aforementioned criteria which provide for inclusion in the calculation of the market value of accrued income and expenses currently maturing as well as the result deriving from the current rate revaluation of the principal amount of cross-currency interest rate swaps to be exchanged at maturity.

Lastly, the table below shows the breakdown of credit risk equivalent on unquoted contracts by type of counterparty:

<i>Credit quality of OTC derivative contracts, by counterparty</i>				<i>(€/mil)</i>
	Positive market value	Add on	Credit risk equivalent (a) (current value)	
Governments and central banks	-	-	-	
Banks	7,420	2,707	10,127	
Other operators	1,759	520	2,279	
Total	9,179	3,227	12,406	

(a) The credit risk equivalent reported in this table includes transactions with an original life not exceeding 14 days.

The aforementioned transactions are not covered by real nor personal guarantees. There have been no losses on loans for derivatives during the half year, and there are no outstanding derivative contracts waived, but not settled.

Derivative contracts on loans

Transactions in derivatives on loans carried out by the Group as of 30 June 2003, are analyzed below:

Categories of operations	Negotiation	Other transactions	(€/mil) Total
1. Hedging purchases			
1.1 With exchange of capital			
– credit default swap	266	358	624
– credit linked note	-	-	-
2. Hedging sales			
2.1 With exchange of capital			
– credit default swap	224	531	755
– credit linked note	6	113	119
2.2 Without exchange of capital			
– credit default swap	-	46	46
Total	496	1,048	1,544

Other information relating to guarantees

The classification of guarantees given by category of counterparty is provided in Part B, Section 11 of these notes.

SECTION 11 - CONCENTRATION AND DISTRIBUTION OF ASSETS AND LIABILITIES

Significant exposures

The table below shows the positions defined as “Significant exposures” by the Bank of Italy in compliance with EC guidelines. For this purpose, positions are considered significant if the total exposure to a single client (or group of companies) on a consolidated basis is equal to or greater than 10% of the Group’s regulatory capital. Exposure is calculated using a system of weighting positions exposed to lending risk, which takes into account the nature of the counterparty and the guarantees received.

	30/6/03
a) Amount (€/mil)	6,604
b) Number	3

Distribution of loans to customers, by category of borrower

Loans to customers are distributed by main category of borrower as follows:

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
a) Governments	7,888	7,237	+9.0
b) Other public entities	6,623	6,244	+6.1
c) Non-financial businesses	70,338	68,214	+3.1
d) Financial institutions	13,465	13,985	-3.7
e) Family businesses	5,853	5,466	+7.1
f) Other operators	26,048	25,555	+1.9
Total	130,215	126,701	+2.8

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 sector to which the borrower belongs:

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
a) Other services for sale	11,863	10,535	+12.6
b) Commerce, salvage and repairs	9,992	9,553	+4.6
c) Construction and public works	6,850	6,558	+4.5
d) Energy products	4,490	5,642	-20.4
e) Internal transport services	3,503	2,942	+19.1
f) Other sectors	29,817	29,440	+1.3
Total	66,515	64,670	+2.9

Distribution of guarantees issued, by category of counterparty

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

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
a) Governments	-	1	-100.0
b) Other public entities	97	84	+15.5
c) Banks	752	812	-7.4
d) Non-financial businesses	15,314	17,217	-11.1
e) Financial institutions	1,326	1,307	+1.5
f) Family businesses	170	163	+4.3
g) Other operators	650	899	-27.7
Total	18,309	20,483	-10.6

Geographical distribution of assets and liabilities

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

	30/6/03 (€/mil)				31/12/02 (€/mil)			
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total
1. Assets								
1.1 loans to banks	6,314	12,534	2,281	21,129	5,129	14,562	2,309	22,000
1.2 loans to customers	114,501	10,161	5,553	130,215	111,808	9,488	5,405	126,701
1.3 securities	20,967	4,361	2,813	28,141	14,368	5,053	3,139	22,560
Total	141,782	27,056	10,647	179,485	131,305	29,103	10,853	171,261
2. Liabilities								
2.1 due to banks	7,258	13,718	7,621	28,597	5,989	9,509	8,958	24,456
2.2 due to customers	74,596	8,323	4,691	87,610	72,667	8,318	4,295	85,280
2.3 securities issued	35,878	9,832	3,749	49,459	36,872	10,923	3,766	51,561
2.4 other accounts	5,113	846	1,001	6,960	4,937	884	1,000	6,821
Total	122,845	32,719	17,062	172,626	120,465	29,634	18,019	168,118
3. Guarantees and commitments	28,470	12,149	9,386	50,005	31,109	8,195	8,753	48,057

Maturities of assets and liabilities

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

	(€/mil)								Total
	On demand	Up to 3 months	Specified duration		Beyond 5 years		Unspecified duration		
			Between 3 and 12 months	Between 1 and 5 years	Fixed rate	Indexed rate			
1. Assets									
1.1 Treasury bonds eligible for refinancing	14	795	649	554	227	405	193	-	2,837
1.2 loans to banks	8,962	10,069	852	317	420	51	66	392	21,129
1.3 loans to customers	27,608	19,505	14,740	12,041	24,347	10,299	19,601	2,074	130,215
1.4 bonds and other debt securities	91	1,703	3,458	6,841	3,369	2,561	2,544	-	20,567
1.5 off-balance sheet transactions	49,551	131,622	115,338	74,717	13,886	41,222	245	-	426,581
Total assets	86,226	163,694	135,037	94,470	42,249	54,538	22,649	2,466	601,329
2. Liabilities									
2.1 due to banks	6,973	10,848	2,675	964	3,093	498	3,546	-	28,597
2.2 due to customers	70,449	12,101	3,046	831	114	1,041	28	-	87,610
2.3 securities issued:									
– bonds	220	1,493	5,139	12,024	15,298	2,724	1,753	-	38,651
– certificates of deposit	1,521	1,849	1,681	630	647	36	8	-	6,372
– other	779	3,597	60	-	-	-	-	-	4,436
2.4 subordinated liabilities	-	310	460	616	292	2,447	2,659	-	6,784
2.5 off-balance sheet transactions	42,706	134,574	116,718	70,368	13,656	47,353	1,206	-	426,581
Total liabilities	122,648	164,772	129,779	85,433	33,100	54,099	9,200	-	599,031

Assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in currencies other than those of the euro-zone are broken down as follows:

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
a) Assets			
1. loans to banks	3,407	3,936	-13.4
2. loans to customers	8,007	8,833	-9.4
3. securities	2,556	2,931	-12.8
4. equity investments	73	90	-18.9
5. other accounts	189	203	-6.9
Total assets	14,232	15,993	-11.0
b) Liabilities			
1. due to banks	6,533	7,658	-14.7
2. due to customers	8,294	6,543	+26.8
3. securities issued	5,855	6,551	-10.6
4. other accounts	490	519	-5.6
Total liabilities	21,172	21,271	-0.5

Considering the effects of currency swap transactions to cover specific and general transactions in currencies, the short-term position shown above is substantially balanced.

Securitization transactions

As of 30 June 2003 there remained only one securitization transaction in the SANPAOLO IMI Group accounts, which was carried out by the subsidiary Sanpaolo Leasint S.p.A..

In 1997 the company made a non-recourse assignment of performing loans under leasing contracts as per Law 52/91 for a total book value of 504 million euro. In the first half of 2003 no revolving assignments were made against the original securitization transaction, in order to ensure the equivalence of the initial securitized assets to the securities issued up to the contract date set for repayment of the securities. The transaction was carried out in order to free part of the loan portfolio, generating sources of additional liquidity and, at the same time, benefiting from credit risk containment. Junior securities are included in the investment securities portfolio at their original value of 50 million euro. Furthermore, these securities represent the financial tool for recognizing, during the transaction, the spread differential between cash flows generated by the portfolio of assigned loans and the securities issued (excess spread). The assigned portfolio is subject to continuous monitoring which consists of preparing a quarterly settlement report for the various entities involved (rating agencies, factoring companies, vehicle companies and trustees) with a detailed explanation of the state of the loans and of collections during the period. The servicer activity commits the company to the separate administration, management and collection of the portfolio originally assigned and of the loans subsequently due, as well as handling any recovery procedures. As of 30 June 2003, loans to be collected amounted to 36 million euro.

Portfolio securities representing third party securitization transactions

The Group holds investment and dealing securities from third party securitizations, as shown in the following table:

Type of underlying activities	Credit quality	book value			Total
		Senior securities	Mezzanine securities	Junior securities	
Investment securities portfolio					
Building mortgage loans	Performing	-	-	-	-
Credit cards	Performing	-	-	-	-
Leasing	Performing	11	-	-	11
Securities	Performing	17	-	3	20
SACE loans to foreign public sector debtors	Performing	3	-	-	3
Health care receivable	Performing	-	-	-	-
Other loans	Performing	16	5	-	21
	Non-performing loans	2	-	-	2
		49	5	3	57
Dealing securities portfolio					
Central and local authorities	Performing	1,245	-	-	1,245
Building mortgage loans	Performing	6	4	1	11
	Non-performing loans	1	1	-	2
Commercial / industrial / agricultural mortgage loans	Performing	1	-	-	1
	Non-performing loans	1	4	-	5
Leasing	Performing	6	-	-	6
Health care receivable	Performing	6	-	-	6
Public real estate	Performing	76	-	-	76
Social security contributions	Performing	32	-	-	32
Other loans	Performing	4	15	-	19
		1,378	24	1	1,403
		1,427	29	4	1,460

SECTION 12 - ADMINISTRATION AND DEALING ON BEHALF OF THIRD PARTIES

Portfolio management

The market value of portfolios managed on behalf of customers is detailed below:

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
Portfolio management (1)	33,603	34,283	-2.0

(1) In accordance with specific Bank of Italy instructions, this information refers solely to personalized portfolio management on behalf of customers, excluding those offered by third parties and distributed by the Group.

Custody and administration of securities

The nominal value of securities held in custody and for administration, including those received as guarantees, is detailed below:

	30/6/03 (€/mil)	31/12/02 (€/mil)	Change %
a) Third-party securities held on deposit	257,708	257,594	-
b) Third-party securities deposited with third parties	192,361	175,659	+9.5
c) Portfolio securities deposited with third-parties (a)	20,241	21,703	-6.7

(a) Excluding securities deposited with third parties to secure repurchase agreements.

Other transactions

Research and Development

- Applied Research Reserve

SANPAOLO IMI manages transactions arising from applications received by 31 December 1999 out of the Applied Research Reserve. As of 30 June 2003, there are resolutions to be stipulated for 166.6 million euro, disbursements to be made for 713.7 million euro and loans for 708.8 million euro.

- Reserve for Research Grants

SANPAOLO IMI continues to operate, in its capacity as authorized bank, for the evaluation and control of industrial research projects and researcher training schemes using the Reserve for Research Grants managed by the Ministry of Education, Universities and Research (MIUR). During the first half of 2003, 50 applications were received for research investment for 197.2 million euro and MIUR deliberated on financing of 38.6 million euro. The reduction in applications can be attributed to the provision adopted by the Ministry to momentarily suspend acceptance of requests for projects outside of depressed areas in Southern Italy. This provision is also reflected in the deliberation activities.

- Reserve for Technological Innovation

Since November 2001, SANPAOLO IMI has co-operated with the Ministry for Productive Activities (MAP) for the management of development projects utilizing the Reserve for Technological Innovation. The “reception desk” for applications was suspended by the MAP in January 2003; activities are expected to recommence in the second half of the year, with the passing of Notices reserved for projects within technological sectors considered to be of prominence or to be carried out in particular areas within the national territory. In the first half of 2003 the MAP deliberated on financing of 4.3 million euro.

During the first half of the year, activities connected to the three reserves generated a total 9 million euro commission from the Public Administration.

- Guarantee Fund for small and medium-sized enterprises in Southern Italy Law 341/95

With the Convention stipulated between the Italian Treasury and the Bank on 21 December 1995, as approved and activated by Decree of the Director-General of the Treasury dated 5 January 1996, SANPAOLO IMI, in its capacity as Managing Body, has been granted the concession to this Fund established under Law 341/1995.

The purpose of Law 341/1995 is to promote rationalization of the financial situation of small and medium-sized enterprises in Southern Italy, as defined by EU parameters. This involves measures of various types, from interest-relief grants on loans designed to convert short-term bank borrowing into medium and long-term loans, to the granting of supplementary guarantees on investment loans, for the purchase of equity investments and for the debt consolidation described above.

As of 30 June 2003, there are 2,151 applications for 838 million euro, broken down as follows:

- 821 million euro relating to the consolidation of short-term debt (of which 820 million euro already being paid and 1 million euro waiting for the final documentation);
- 17 million euro for investment loans;

Third-party portion of syndicated loans

The portion of syndicated loans arranged by the Parent Bank for third parties without a representation mandate totaled 687 million euro at period end (671 million euro as of 31 December 2002).

Portfolio management services rendered by third parties

The value of asset management services rendered to customers by Group companies amounts to 4,251 million euro (4,764 million euro as of 31/12/2002).

Part C - Consolidated statement of income

SECTION 1 - INTEREST

Interest income and expense and similar revenues and charges, detailed below, are reported in captions 10 and 20 of the consolidated statement of income:

	1st half 2003 (€/mil)	2002 (€/mil)	1st half 2002 (€/mil)
Interest income and similar revenues (caption 10)	3,966	8,693	4,357
Interest expense and similar charges (caption 20)	2,065	4,955	2,509

Interest income and similar revenues (caption 10)

Analysis of caption 10 "interest income and similar revenues"

	1st half 2003 (€/mil)	2002 (€/mil)	1st half 2002 (€/mil)
a) On amounts due from banks	281	691	386
<i>of which:</i>			
– deposits with central banks	24	60	32
b) On loans to customers	3,296	6,936	3,444
<i>of which:</i>			
– loans using public funds	-	-	-
c) On debt securities	360	995	492
d) Other interest income	29	71	35
e) Net differential on hedging transactions (*)	-	-	-
Total	3,966	8,693	4,357

(*) This represents the net effect of differentials on derivative hedging contracts.

Detail of caption 10 "interest income and similar revenues"

	1st half 2003 (€/mil)	2002 (€/mil)	1st half 2002 (€/mil)
a) On assets denominated in foreign currency	115	309	159

"Interest income and similar revenues" on assets denominated in foreign currency relate to transactions denominated in currencies not included in the Euro-zone.

Interest expense and similar charges (caption 20)*Analysis of caption 20 "interest expenses and similar charges"*

	1st half 2003 (€/mil)	2002 (€/mil)	1st half 2002 (€/mil)
a) On amounts due to banks	413	1,029	569
b) On amounts due to customers	600	1,445	714
c) On securities issued (*)	827	1,945	1,010
<i>of which:</i>			
– certificates of deposit	88	221	122
d) On public funds administered	-	-	-
e) On subordinated liabilities	159	320	153
f) Net differential on hedging transactions (**)	66	216	63
Total	2,065	4,955	2,509

(*) Excluding interest on subordinated securities included in caption e).

(**) They represent the net effect of differentials on derivative hedging contracts.

Detail of caption 20 "interest expenses and similar charges"

	1st half 2003 (€/mil)	2002 (€/mil)	1st half 2002 (€/mil)
a) On liabilities denominated in foreign currency	133	403	233

"Interest expense and similar charges" on liabilities denominated in foreign currency relate to transactions denominated in currencies not included in the Euro-zone.

SECTION 2 - COMMISSION

Commission income and expense, as detailed below, is reported in captions 40 and 50 of the consolidated statement of income:

	1st half 2003 (€/mil)	2002 (€/mil)	1st half 2002 (€/mil)
Commission income (caption 40)	1,760	3,467	1,734
Commission expense (caption 50)	324	671	359

Commission income (caption 40)

Analysis of caption 40 "commission income"

	1st half 2003 (€/mil)	2002 (€/mil)	1st half 2002 (€/mil)
a) Guarantees given	37	77	39
b) Derivative contracts on loans	4	10	5
c) Management, dealing and advisory services			
1. dealing in securities	55	129	66
2. dealing in currency	15	35	18
3. portfolio management:			
3.1 individual	108	229	113
3.2 collective	573	1,129	590
4. custody and administration of securities	31	66	33
5. depositary bank	55	121	71
6. placement of securities	17	13	3
7. acceptance of instructions	41	83	43
8. advisory services	15	23	7
9. third party service distribution:			
9.1 portfolio management:			
a) individual	8	23	22
b) collective	15	110	83
9.2 insurance products	113	159	60
9.3 other products	2	7	2
d) Collection and payment services	168	325	157
e) Servicing for securitization transactions	-	2	1
f) Tax collection services	83	122	54
g) Other services	420	804	367
Total	1,760	3,467	1,734

Subcaption "g) Other services" comprises, in particular:

	1st half 2003 (€/mil)	2002 (€/mil)	1st half 2002 (€/mil)
Loans granted	123	243	104
Deposits and current account overdrafts	155	297	138
Current accounts	83	141	60
Loan-arrangement activities	3	6	3
Other services	56	117	62
Total	420	804	367

The organization of commission income by distribution channels is:

	1st half 2003 (€/mil)	2002 (€/mil)	1st half 2002 (€/mil)
a) with own branches:			
1. portfolio management	478	933	420
2. placement of securities	4	1	-
3. third party products and services	69	192	115
b) outside supply:			
1. portfolio management	203	425	283
2. placement of securities	13	12	3
3. third party products and services	69	107	52

Commission expense (caption 50)

Analysis of caption 50 "commission expense"

	1st half 2003 (€/mil)	2002 (€/mil)	1st half 2002 (€/mil)
a) Guarantees received	6	14	7
b) Derivative contracts on loans	-	1	-
c) Management and dealing services:			
1. dealing in securities	13	36	20
2. dealing in currency	1	2	1
3. portfolio management:			
3.1 own portfolio	-	-	-
3.2 third party portfolio	38	71	46
4. custody and administration of securities	10	24	11
5. placement of securities	1	2	1
6. door-to-door sales of securities, financial products and services	148	319	179
d) Collection and payment services	48	98	46
e) Other services	59	104	48
Total	324	671	359

Subcaption “e) Other services” comprises, in particular:

	1st half 2003 (€/mil)	2002 (€/mil)	1st half 2002 (€/mil)
Loan-arrangement activities	29	65	31
Loans obtained	3	3	2
Intermediation on financing transactions	6	10	4
Other services	21	26	11
Total	59	104	48

SECTION 3 - PROFITS AND LOSSES FROM FINANCIAL TRANSACTIONS

Profits and losses from financial transactions, detailed below, are reported in caption 60 of the statement of income:

	1st half 2003 (€/mil)	2002 (€/mil)	1st half 2002 (€/mil)
Profits (losses) on financial transactions (caption 60)	54	-98	-159

Profits and losses from financial transactions (caption 60)

Analysis of caption 60 "profits (losses) on financial transactions"

	1st half 2003 (€/mil)	2002 (€/mil)	1st half 2002 (€/mil)
Security transactions:			
a) revaluations/writedowns, net	61	171	-151
b) realized gains/losses	14	-382	-181
Currency transactions	36	69	38
Other transactions	-57	44	135
Total	54	-98	-159

This mainly reflects one component of the brokerage activity normally carried out by the Group, the results of which are also reflected in the captions relating to interest and dividends. The main component of the global performance is outlined in the comment on the appropriate line of business in the Report on Operations.

The reconciliation with the "Profits and losses from financial transactions and dividends on shares" caption of the reclassified statement of income, reported in the Report on Operations, is detailed below:

Reconciliation of caption 60 "profits (losses) on financial transactions" with the reclassified statement of income

	(€/mil)
Profits (losses) on financial transactions (caption 60)	54
Reclassification from interest income and expense of the negative margin of Investment Banking (1)	-18
Reclassification from the dividends on dealing shares caption	231
Caption of the reclassified statement of income "Profits and losses from financial transactions and dividends on shares"	267

(1) The reclassification refers to the net interest income for the Banca IMI group, which in the interests of a better representation of Group results, is shown under the "profits and losses from financial transactions and dividends on shares" caption, being closely connected, from an operating point of view, with the result of the stock broking activities.

SECTION 4 - ADMINISTRATIVE COSTS

Administrative costs, detailed below, are reported in caption 80 of the consolidated statement of income:

	1st half 2003 (€/mil)	2002 (€/mil)	1st half 2002 (€/mil)
Personnel costs (caption 80.a)	1,449	2,856	1,420
Other administrative costs (caption 80.b)	880	1,792	876
Total	2,329	4,648	2,296

Personnel costs (caption 80.a)

	1st half 2003 (€/mil)	2002 (€/mil)	1st half 2002 (€/mil)
Wages and salaries	1,038	2,061	1,027
Social security charges	326	618	300
Termination indemnities	68	140	73
Pensions and similar	17	37	20
Total	1,449	2,856	1,420

The average number of employees, split by category, is shown in “Part D – Other information” of these notes.

Other administrative costs (caption 80.b)

	1st half 2003 (€/mil)	2002 (€/mil)	1st half 2002 (€/mil)
IT costs	206	404	198
Software maintenance and upgrades	58	110	52
Maintenance of operating assets	32	67	31
Data transmission charges	35	62	30
External data processing	46	93	45
Database access charges	26	53	30
Equipment leasing charges	9	19	10
Property costs	142	294	145
Rental of premises	87	172	87
Maintenance of leasehold premises	7	15	7
Property owned	13	34	14
Security services	19	39	20
Cleaning of premises	16	34	17
General expenses	134	279	139
Postage and telegraph charges	30	62	31
Office supplies	19	37	19
Transport and counting of valuables	12	31	16
Courier and transport services	10	18	8
Personnel on secondment	3	5	3
Other expenses	60	126	62
Professional and insurance fees	136	287	136
Professional fees	87	185	87
Legal and judiciary expenses	20	43	19
Investigation/commercial information costs	9	19	10
Insurance premiums banks and customers	20	40	20
Utilities	46	93	44
Energy	24	49	25
Telephone	22	44	19
Promotion, advertising and marketing expenses	39	96	45
Advertising and entertainment	32	82	40
Contributions and membership fees to trade unions and business associations	7	14	5
Indirect personnel costs	42	75	36
Indirect personnel expenses	42	75	36
Total	745	1,528	743
Indirect duties and taxes			
– stamp duties	95	190	97
– substitute tax (Pres. Decree 601/73)	15	26	11
– local property taxes	7	14	7
– tax on stock exchange contracts	4	8	5
– non-recoverable VAT on purchases	1	4	2
– other	13	22	11
Total	135	264	133
Total other administrative costs	880	1,792	876

SECTION 5 - ADJUSTMENTS, WRITEBACKS AND PROVISIONS

Adjustments and provisions, reported in captions 90, 100, 120, 140 and 150 of the statement of income, and writebacks, reported in captions 130 and 160, are detailed below:

	1st half 2003 (€/mil)	2002 (€/mil)	1st half 2002 (€/mil)
Adjustments to intangible and tangible fixed assets (caption 90)	310	753	308
Provisions for risks and charges (caption 100)	64	261	99
Adjustments to loans and provisions for guarantees and commitments (caption 120)	393	889	339
Writebacks of adjustments to loans and provisions for guarantees and commitments (caption 130)	225	320	206
Provisions to reserves for possible loan losses (caption 140)	7	27	15
Adjustments to financial fixed assets (caption 150)	87	569	71
Writebacks of adjustments to financial fixed assets (caption 160)	6	8	15

Adjustments to intangible and tangible fixed assets (caption 90)

Analysis of caption 90 "adjustments to intangible and tangible fixed assets"

	1st half 2003 (€/mil)	2002 (€/mil)	1st half 2002 (€/mil)
Adjustments to intangible fixed assets			
– amortization of start-up and capital increase expenses	-	1	1
– amortization of goodwill	1	2	-
– amortization of merger differences	-	27	14
– amortization of software costs	80	198	80
– long-term writedowns of software costs	-	4	-
– amortization of other deferred charges	31	32	14
– long-term writedowns of other deferred charges	-	12	-
– amortization of goodwill arising on consolidation	70	154	56
– amortization of goodwill arising on application of the equity method	9	29	15
Adjustments to tangible fixed assets			
– depreciation of property	46	92	46
– depreciation of furniture and installation	73	202	82
Total	310	753	308

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

Provisions for risks and charges (caption 100)

Provisions for risks and charges, for 64 million euro, made during the first six months, reflect the consolidation of the corresponding provisions of the Parent Bank for 35 million euro and 3 million euro for provisions made during the first half of the year by "Network Banks" held by Cardine Finanziaria. The remaining 26 million euro refers essentially to provisions made by subsidiaries against the risks involved in operating in the placement and management of financial products.

In particular, the provision made by the Parent Bank is allocated as follows:

- 19 million euro to strengthen the fund against losses on legal disputes;
- 6 million euro to increase the coverage of the reserve for other personnel costs, made up of 3 million euro to cover long-service bonuses to employees and 3 million euro to integrate the provisions established to balance the technical deficit of the Bank's employee pension fund;
- 10 million euro against potential costs deriving from potential liabilities.

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

Analysis of caption 120 "adjustments to loans and provisions for guarantees and commitments"

	1st half 2003 (€/mil)	2002 (€/mil)	1st half 2002 (€/mil)
a) Adjustments to loans	384	803	330
<i>of which:</i>			
– general adjustments for country risk	-	7	5
– other general adjustments	59	189	79
b) Provisions for guarantees and commitments	9	86	9
<i>of which:</i>			
– general provisions for country risk	-	-	-
– other general provisions	4	67	2
Total	393	889	339

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

Analysis of caption 130 "writebacks of adjustments to loans and provisions for guarantees and commitments"

	1st half 2003 (€/mil)	2002 (€/mil)	1st half 2002 (€/mil)
Revaluation of loans previously written down	83	95	83
Revaluation of loans previously written off	-	1	1
Revaluation of provisions for guarantees and commitments	21	18	12
Collection of loan principal previously written down	76	116	68
Collection of loan principal and interest previously written off	21	39	14
Collection of default interest previously written down	24	51	28
Total	225	320	206

Provisions for possible loan losses (caption 140)

Provisions for possible loan losses are made by certain subsidiaries against risks which are only potential. For this reason they do not involve any adjustment to the assets.

Adjustments to financial fixed assets (caption 150)

Analysis of caption 150 "adjustments to tangible fixed assets"

	1st half 2003 (€/mil)	2002 (€/mil)	1st half 2002 (€/mil)
Adjustments to equity investments	76	542	70
Adjustments to other investment securities	11	27	1
Total	87	569	71

Adjustments to equity investments for 76 million euro refer to the writedown of holdings in the following companies:

	1st half 2003 (€/mil)	2002 (€/mil)	1st half 2002 (€/mil)
Hutchison 3G Italia S.p.A. (*)	41	16	8
Fiat S.p.A.	16	82	44
Kredyt Bank S.A.	7	-	-
Edison S.p.A.	4	-	-
AEM Torino S.p.A.	3	4	-
Praxis Calcolo S.p.A.	2	2	-
Eni S.p.A.	1	-	-
AC.E.GA.S S.p.A.	1	1	-
Santander Central Hispano	-	399	8
Olivetti S.p.A.	-	10	3
Metzler International A.G.	-	1	1
Kiwi II Ventura - Serviços de Consultoria S.A.	-	2	1
Idra Partecipazioni S.p.A. (in liq.)	-	6	-
Euromedia Venture Belgique S.A.	-	2	1
Engineering Ingegneria Informatica S.p.A.	-	3	1
Enel S.p.A.	-	4	1
Convergenza S.C.A.	-	4	1
Banca Popolare di Lodi S.c.r.l.	-	1	-
ACEA S.p.A.	-	1	-
Other adjustments	1	4	1
Total	76	542	70

(*) The figure includes the effect of the writedown of the entire investment in Hutchison 3G Italia S.p.A., including the portion held through the subsidiary 3G Mobile Investments S.A. which was consolidated using the equity method. This treatment is aimed at disclosing the effect of the writedown in the value of the investment in a single balance sheet caption.

Writebacks of fixed financial assets for 6 million euro refer to writebacks of equity investments for 5 million euro (Santander Central Hispano S.A.) and to writebacks of investment securities for 1 million euro.

SECTION 6 - OTHER STATEMENT OF INCOME CAPTIONS

Captions 30, 70, 110, 190, 200 and 240 of the statement of income not commented upon previously in these notes, comprise the following:

	1st half 2003 (€/mil)	2002 (€/mil)	1st half 2002 (€/mil)
Dividends and other revenues (caption 30)	283	565	514
Other operating income (caption 70)	190	422	204
Other operating expenses (caption 110)	36	50	22
Extraordinary income (caption 190)	158	575	277
Extraordinary expense (caption 200)	330	248	141
Income taxes for the period (caption 240)	322	450	415

Dividends and other revenues (caption 30)

Analysis of caption 30 "dividends and other revenues"

	1st half 2003 (€/mil)	2002 (€/mil)	1st half 2002 (€/mil)
Shares, quotas and other equities			
– dividends	151	268	252
– tax credits	80	142	136
On equity investments, other than those consolidated on a line by line basis or carried at equity			
– dividends	43	118	92
– tax credits	9	37	34
Total	283	565	514

Other operating income (caption 70)

Analysis of caption 70 "other operating income"

	1st half 2003 (€/mil)	2002 (€/mil)	1st half 2002 (€/mil)
Expenses recovered			
– stamp duties	79	180	78
– other taxes	24	32	27
– legal costs	12	25	8
– other recoveries	33	78	37
Income from merchant banking activities	-	13	8
Income from IT companies	1	3	2
Reimbursement of services rendered to third parties	7	11	8
Other income from leasing activities	2	5	2
Rent and other income from property	7	17	7
Other income	25	58	27
Total	190	422	204

Other operating expenses (caption 110)*Analysis of caption 110 "other operating expenses"*

	1st half 2003 (€/mil)	2002 (€/mil)	1st half 2002 (€/mil)
Other charges on leasing transactions	20	24	8
IT companies expenses	1	1	1
Charges on option contracts	2	-	-
Losses on merchant banking activities	-	1	1
Other expenses	13	24	12
Total	36	50	22

Extraordinary income (caption 190)*Analysis of caption 190 "Extraordinary income"*

	1st half 2003 (€/mil)	2002 (€/mil)	1st half 2002 (€/mil)
Out-of-period income			
– use of reserves in excess	68	106	3
– disposal of derivative contracts connected with shareholdings	-	96	96
– other out-of-period income	37	107	39
Reimbursement of prior years direct taxes	-	21	21
Amounts not payable	3	6	1
Out-of-court settlements	10	10	2
Price revision on property and investment transactions	-	10	10
Reimbursement of damages for natural disasters	-	5	5
Expropriation of former Banco di Napoli saving deposits	-	22	-
Closure of branches	11	12	-
Gains on:			
– equity investments	18	133	80
– investments in line-by-line consolidated companies	-	16	15
– investment securities	8	5	1
– other financial fixed assets	1	-	-
– tangible and intangible fixed assets	2	26	4
Total	158	575	277

The use of excess reserves includes income of 60 million euro from the release of reserves for potential charges relating to the renegotiation of Parent Bank mortgage loans, in excess in respect of the most recent regulatory framework of reference.

Gains on investments mainly refer to the sale of interests in Intesa Holding Asset Management S.p.A. (7 million euro) and Cedacri S.p.A. (5 million euro).

Gains on investment securities refer to the Parent Bank and essentially derive from the disposal of corporate bonds in the context of the redefinition of investment portfolio following the merger operations concluded in 2002.

Extraordinary expense (caption 200)*Analysis of caption 200 "Extraordinary expense"*

	1st half 2003 (€/mil)	2002 (€/mil)	1st half 2002 (€/mil)
Tax pardon and benefits	17	-	-
Amounts not collectible	1	7	4
Transactions for legal disputes	-	15	-
Restructuring	-	25	6
Expenses for voluntary incentive retirement schemes	280	31	-
Losses on:			
– investment securities	1	3	2
– equity investments	4	96	96
– other financial fixed assets	3	4	-
– tangible fixed assets	-	1	-
Other out-of-period expenses	24	66	33
Total	330	248	141

With respect to the “tax pardon and benefits” initiatives (2003 Financial Law), SANPAOLO IMI and its subsidiaries incurred charges totaling 48 million euro, of which 28 million euro were charged to the statement of income for the first half of 2003 and 20 million euro economically neutralized as an effect of the use of pre-existing reserves. More specifically, such charge refers to companies consolidated on a line by line basis for 36 million euro (17 million euro of which is recorded to the statement of income as “extraordinary items” and 19 million euro compensated by the use of pre-existing funds) and to subsidiary companies consolidated using the net equity method for 12 million euro (11 million euro of which is recorded to the consolidated statement of income as “Profit (losses) from investments carried at equity” and 1 million euro compensated by the use of pre-existing reserves).

Charges for staff leaving incentives include 276 million of accruals to the “Income, employment and re-training fund” (Fondo di solidarietà) by the Parent Bank (270 million euro) and by some subsidiaries in the Cardine Finanziaria group (6 million euro).

Losses on investments refer mainly to the disposal of investments in Olivetti S.p.A. (3 million euro).

Losses on other financial fixed assets refer to Parent Bank charges in respect of closing derivative contracts hedging investment securities.

Part D - Other information

SECTION 1 - NUMBER OF EMPLOYEES AND BRANCH NETWORK

Average number of employees by category

	1st half 2003	2002	1st half 2002
a) Executives	920	857	857
b) Managers	6,045	6,114	6,207
c) Other employees	39,382	39,132	39,420
Total	46,347	46,103	46,484
<i>of which: of companies consolidated line by line</i>	717	698	690

The division between Executives and Managers reflects, for all compared periods, the changes provided for by the collective national employment contract introduced in 1/1/2001.

The pro forma figures for 2002 and the first half of 2002 for the average number of employees are 46,918 and 47,301 units respectively.

Part E - Scope of consolidation

SECTION 1 - SHAREHOLDINGS IN SUBSIDIARIES AND COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE

Important Group shareholdings in subsidiaries and companies subject to significant influence in accordance with Articles 4 and 19 of D. Lgs. 87/92 are indicated in the table below:

Shareholdings in subsidiaries and companies subject to significant influence

Name	Registered offices	Type of relationship (*)	Ownership		Voting rights at shareholders' meeting %	Consolidated book values (€/mil)	
			Held by	%			
A. Companies consolidated on a line by line and proportional basis							
SANPAOLO IMI S.p.A. (Parent Bank)							
	Turin		-	-	-	-	
<i>A1 Companies consolidated on a line by line basis</i>							
1	Alcedo S.r.l.	Padua	1	Sanpaolo IMI Private Equity	100.00	100.00	XXX
2	Banca Fideuram S.p.A.	Rome	1	Sanpaolo IMI Invesp	64.10 9.28	64.10 9.28	XXX XXX
					73.38	73.38	
3	Banca d'Intermediazione Mobiliare IMI S.p.A. (Banca IMI)	Milan	1	Sanpaolo IMI	100.00	100.00	XXX
4	Banca IMI Securities Corp.	United States	1	IMI Capital Market USA	100.00	100.00	XXX
5	Banca OPI S.p.A.	Rome	1	Sanpaolo IMI	100.00	100.00	XXX
6	Banca Popolare dell'Adriatico S.p.A.	Teramo	1	Cardine Finanziaria Sanpaolo IMI	70.86 26.38	70.86 26.38	XXX XXX (A)
					97.24	97.24	
7	Banca Sanpaolo Invest S.p.A.	Rome	1	Banca Fideuram	100.00	100.00	XXX
8	Banco di Napoli Asset Management S.G.R. p.A.	Naples	1	Sanpaolo IMI WM	100.00	100.00	XXX (B)
9	Banque Privée Fideuram Wargny S.A.	France	1	Financière Fideuram	99.86	99.86	XXX
10	Banque Sanpaolo S.A.	France	1	Sanpaolo IMI	100.00	100.00	XXX
11	Cardine Finanziaria S.p.A.	Padua	1	Sanpaolo IMI	100.00	100.00	XXX
12	Cassa di Risparmio di Gorizia S.p.A.	Gorizia	1	Cardine Finanziaria	100.00	100.00	XXX
13	Cassa di Risparmio di Padova e Rovigo S.p.A.	Padua	1	Cardine Finanziaria	100.00	100.00	XXX (C)
14	Cassa di Risparmio di Udine e Pordenone S.p.A.	Udine	1	Cardine Finanziaria	100.00	100.00	XXX
15	Cassa di Risparmio di Venezia S.p.A.	Venice	1	Cardine Finanziaria	100.00	100.00	XXX
16	Cassa di Risparmio in Bologna S.p.A.	Bologna	1	Cardine Finanziaria	100.00	100.00	XXX
17	Epta Global Investment Ltd	Ireland	1	Eptaconsors	100.00	100.00	XXX (D)
18	Eptaconsors S.p.A.	Milan	1	Invesp	100.00	100.00	XXX
19	Eptafid S.p.A.	Milan	1	Sanpaolo IMI	100.00	100.00	XXX (D)
20	Eptafund S.G.R. p.A.	Milan	1	Eptaconsors	100.00	100.00	XXX (D)
21	Eptasim S.p.A.	Milan	1	Eptaconsors	99.78	99.78	XXX (D)
22	Esaban S.p.A.	Naples	1	Sanpaolo IMI	100.00	100.00	XXX
23	Europool Befektetesi Alapkezekelo Rt.	Hungary	1	Inter-Europa Consulting Inter-Europa Bank	46.00 5.00	46.00 5.00	XXX XXX
					51.00	51.00	(E)
24	Farbanca S.p.A.	Bologna	4	Sanpaolo IMI	15.00	15.00	XXX

(Cont.: Companies consolidated on a line by line basis)

Name	Registered offices	Type of relationship (*)	Ownership		Voting rights at shareholders' meeting %	Consolidated book values (€/mil)
			Held by	%		
25 Fideuram Asset Management (Ireland) Ltd	Ireland	1	Banca Fideuram	100.00	100.00	XXX
26 Fideuram Bank S.A.	Luxembourg	1	Banca Fideuram	99.99	99.99	XXX
			Fideuram Vita	0.01	0.01	XXX
				100.00	100.00	
27 Fideuram Bank (Suisse) A.G.	Switzerland	1	Fideuram Bank	99.95	99.95	XXX
28 Fideuram Capital SIM S.p.A.	Milan	1	Banca Fideuram	100.00	100.00	XXX (F)
29 Fideuram Fiduciaria S.p.A.	Rome	1	Banca Fideuram	100.00	100.00	XXX
30 Fideuram Fondi S.p.A. (subsequently Fideuram Investimenti S.G.R. S.p.A.)	Rome	1	Banca Fideuram	99.25	99.25	XXX
31 Fideuram Gestioni Patrimoniali SIM S.p.A.	Milan	1	Banca Fideuram	100.00	100.00	XXX (G)
32 Fideuram Gestions S.A.	Luxembourg	1	Banca Fideuram	99.94	99.94	XXX
			Fideuram Vita	0.06	0.06	XXX
				100.00	100.00	
33 Fideuram Wargny Active Broker S.A.	France	1	Banque Privée Fideuram Wargny	99.99	99.99	XXX
34 Fideuram Wargny Gestion S.A.	France	1	Banque Privée Fideuram Wargny	99.89	99.89	XXX
35 Fideuram Wargny Gestion S.A.M.	Monaco	1	Banque Privée Fideuram Wargny	99.94	99.94	XXX
36 Fin.OPI S.p.A.	Turin	1	Banca OPI	100.00	100.00	XXX
37 Financière Fideuram S.A.	France	1	Banca Fideuram	94.95	94.95	XXX
38 Finemiro Banca S.p.A.	Bologna	1	Sanpaolo IMI	96.68	96.68	XXX
			Cariforli	0.28	0.28	XXX
				96.96	96.96	
39 Finemiro Leasing S.p.A.	Bologna	1	Finemiro Banca	100.00	100.00	XXX
40 GE.RI.CO.-Gestione Riscossione Tributi in Concessione S.p.A.	Venice	1	Sanpaolo IMI	100.00	100.00	XXX
41 IDEA S.A.	Luxembourg	1	IMI Bank (Lux)	99.17	99.17	XXX
			Sanpaolo IMI International	0.83	0.83	XXX
				100.00	100.00	
42 IMI Bank (Lux) S.A.	Luxembourg	1	Banca IMI	99.99	99.99	XXX
			IMI Investments	0.01	0.01	XXX
				100.00	100.00	
43 IMI Capital Markets USA Corp.	United States	1	IMI Investments	100.00	100.00	XXX
44 IMI Finance Luxembourg S.A.	Luxembourg	1	IMI Investments	100.00	100.00	XXX
45 IMI Investimenti S.p.A.	Turin	1	Sanpaolo IMI	100.00	100.00	XXX
46 IMI Investments S.A.	Luxembourg	1	Banca IMI	99.99	99.99	XXX
			Banca IMI Securities	0.01	0.01	XXX
				100.00	100.00	
47 IMI Real Estate S.A.	Luxembourg	1	IMI Bank (Lux)	99.99	99.99	XXX
			Sanpaolo IMI International	0.01	0.01	XXX
				100.00	100.00	
48 Inter-Europa Bank RT	Hungary	1	Sanpaolo IMI Internazionale	85.23	85.23	XXX (H)
49 Inter-Europa Beruhazo Kft	Hungary	1	Inter-Europa Bank	100.00	100.00	XXX (E)
50 Inter-Europa Consulting Kft	Hungary	1	Inter-Europa Fejlesztési	51.00	51.00	XXX
			Inter-Europa Szolgáltató	49.00	49.00	XXX
				100.00	100.00	(E)

(Cont.: Companies consolidated on a line by line basis)

Name	Registered offices	Type of relationship (*)	Ownership		Voting rights at shareholders' meeting %	Consolidated book values (€/mil)
			Held by	%		
51 Inter-Europa Fejlesztési Kft	Hungary	1	Inter-Europa Bank	100.00	100.00	XXX (E)
52 Inter-Europa Szolgáltató Kft	Hungary	1	Inter-Europa Bank	100.00	100.00	XXX (E)
53 Invesp S.p.A.	Turin	1	Sanpaolo IMI	100.00	100.00	XXX
54 Lackenstar Ltd	Ireland	1	Sanpaolo IMI Bank Ireland	100.00	100.00	XXX
55 LDV Holding B.V.	Netherlands	1	Sanpaolo IMI Private Equity	100.00	100.00	XXX
56 NHS Investments S.A.	Luxembourg	1	IMI Investimenti	99.99	99.99	XXX
			LDV Holding	0.01	0.01	XXX
				100.00	100.00	
57 NHS Luxembourg S.A.	Luxembourg	1	Sanpaolo IMI Private Equity	99.99	99.99	XXX
			LDV Holding	0.01	0.01	XXX
				100.00	100.00	
58 NHS Mezzogiorno S.G.R. S.p.A.	Naples	1	Sanpaolo IMI Private Equity	100.00	100.00	XXX (I)
59 Prospettive 2001 S.p.A.	Turin	1	Sanpaolo IMI	100.00	100.00	XXX
60 Sanpaolo Asset Management S.A.	France	1	Banque Sanpaolo	99.98	99.98	XXX
			Société Foncière d'Investissement	0.01	0.01	XXX
			Société Immobilière d'Investissement	0.01	0.01	XXX
				100.00	100.00	
61 Sanpaolo Bail S.A.	France	1	Banque Sanpaolo	99.97	99.97	XXX
			Sanpaolo Mur	0.01	0.01	XXX
			Société Foncière d'Investissement	0.01	0.01	XXX
			Société Immobilière d'Investissement	0.01	0.01	XXX
				100.00	100.00	
62 Sanpaolo Bank (Austria) A.G.	Austria	1	Sanpaolo Bank	100.00	100.00	XXX
63 Sanpaolo Bank S.A.	Luxembourg	1	Sanpaolo IMI	50.01	50.01	XXX (J)
			Sanpaolo IMI WM	49.99	49.99	XXX
				100.00	100.00	
64 Sanpaolo Bank (Suisse) S.A.	Switzerland	1	Sanpaolo Bank	99.98	99.98	XXX
65 Sanpaolo Fiduciaria S.p.A.	Milan	1	Sanpaolo IMI	100.00	100.00	XXX
66 Sanpaolo Fonds Gestion S.n.c.	France	1	Banque Sanpaolo	80.00	80.00	XXX
			Sanpaolo Asset Management S.A.	20.00	20.00	XXX
				100.00	100.00	
67 Sanpaolo IMI Alternative Investments S.G.R. S.p.A.	Milan	1	Sanpaolo IMI WM	100.00	100.00	XXX
68 Sanpaolo IMI Asset Management S.G.R. S.p.A.	Turin	1	Sanpaolo IMI WM	100.00	100.00	XXX
69 Sanpaolo IMI Bank (International) S.A.	Madeira	1	Sanpaolo IMI	69.01	69.01	XXX
			Sanpaolo IMI International	30.99	30.99	XXX
				100.00	100.00	
70 Sanpaolo IMI Bank Ireland Plc	Ireland	1	Sanpaolo IMI	100.00	100.00	XXX
71 Sanpaolo IMI Capital Company I L.L.C.	United States	1	Sanpaolo IMI	100.00	100.00	XXX
72 Sanpaolo IMI Fondi Chiusi SGR S.p.A. (former Cardine Investimenti S.G.R. S.p.A.)	Bologna	1	Sanpaolo IMI Private Equity	100.00	100.00	XXX

(Cont.: Companies consolidated on a line by line basis)

Name	Registered offices	Type of relationship (*)	Ownership		Voting rights at shareholders' meeting %	Consolidated book values (€/mil)
			Held by	%		
73 Sanpaolo IMI Institutional Asset Management S.G.R. S.p.A.	Monza	1	Sanpaolo IMI WM	85.00	85.00	XXX
			Banca IMI	11.72	11.72	XXX
			IMI Bank (Lux)	3.28	3.28	XXX
				100.00	100.00	
74 Sanpaolo IMI International S.A.	Luxembourg	1	Sanpaolo IMI	100.00	100.00	XXX
75 Sanpaolo IMI Internazionale S.p.A.	Padua	1	Sanpaolo IMI	100.00	100.00	XXX (M)
76 Sanpaolo IMI Private Equity S.p.A.	Bologna	1	Sanpaolo IMI	100.00	100.00	XXX
77 Sanpaolo IMI US Financial Co.	United States	1	Sanpaolo IMI	100.00	100.00	XXX
78 Sanpaolo IMI Wealth Management S.p.A.	Milan	1	Sanpaolo IMI	100.00	100.00	XXX
79 Sanpaolo IMI WM Luxembourg S.A.	Luxembourg	1	Sanpaolo IMI WM	99.99	99.99	XXX
			Sanpaolo Bank	0.01	0.01	XXX
				100.00	100.00	
80 Sanpaolo Invest Ireland Ltd	Ireland	1	Banca Sanpaolo Invest	100.00	100.00	XXX
81 Sanpaolo Leasint S.p.A.	Milan	1	Sanpaolo IMI	100.00	100.00	XXX
82 Sanpaolo Mur S.A.	France	1	Banque Sanpaolo	99.99	99.99	XXX
			Sanpaolo Bail	0.01	0.01	XXX
				100.00	100.00	
83 Sanpaolo Riscossioni Genova S.p.A.	Genoa	1	Sanpaolo IMI	100.00	100.00	XXX
84 Sanpaolo Riscossioni Prato S.p.A.	Prato	1	Sanpaolo IMI	100.00	100.00	XXX (L)
85 SEP S.p.A.	Turin	1	Sanpaolo IMI	100.00	100.00	XXX
86 Sogesmar S.A.	France	1	Banque Privée Fideuram Wargny	51.09	51.09	XXX
			Fideuram Wargny Gestion	48.19	48.19	XXX
				99.28	99.28	
87 SP Immobiliere S.A.	Luxembourg	1	Sanpaolo Bank	99.99	99.99	XXX
			Sanpaolo IMI WM Luxembourg	0.01	0.01	XXX
				100.00	100.00	
88 Tobuk Ltd	Ireland	1	Sanpaolo IMI Bank Ireland	100.00	100.00	XXX
89 Tushingham Ltd	Ireland	1	Sanpaolo IMI Bank Ireland	100.00	100.00	XXX
90 West Bank S.A.	Romania	1	Sanpaolo IMI	97.86	97.86	XXX

A2 Companies consolidated with the proportional method

1	Banka Koper d.d.	Slovenia	7	Sanpaolo IMI	62.16	32.99	XXX
2	Cassa dei Risparmi di Forlì S.p.A.	Forlì	7	Sanpaolo IMI	29.77	29.77	XXX (M)
3	Centradia Group Ltd	United Kingdom	7	Sanpaolo IMI	29.03	29.03	XXX
4	Centradia Ltd	United Kingdom	7	Centradia Group	100.00	100.00	XXX
5	Centradia Services Ltd	United Kingdom	7	Centradia Group	100.00	100.00	XXX

B. Investments carried at equity*B1 Investments carried at equity - subsidiaries (**)*

1	3G Mobile Investments 2 S.A.	Belgium	1	IMI Investimenti	100.00	100.00	41
2	Bonec Ltd	Ireland	1	Sanpaolo IMI Bank Ireland	100.00	100.00	-
3	Brokerban S.p.A.	Naples	1	Sanpaolo IMI	100.00	100.00	2

(Cont.: Investments carried at equity - subsidiaries)

Name	Registered offices	Type of relationship (*)	Ownership		Voting rights at shareholders' meeting %	Consolidated book values (€/mil)
			Held by	%		
4 Cardine Financial Innovation S.p.A.	Padua	1	Cardine Finanziaria	100.00	100.00	-
5 Cedar Street Securities Corp.	United States	1	Banca IMI Securities	100.00	100.00	-
6 Consorzio Studi e Ricerche Fiscali	Rome	1	Sanpaolo IMI	50.00	50.00	-
			Banca Fideuram	10.00	10.00	-
			Banca IMI	5.00	5.00	-
			Banca OPI	5.00	5.00	-
			Cardine Finanziaria	5.00	5.00	-
			Fideuram Vita	5.00	5.00	- (N)
			Sanpaolo Leasint	5.00	5.00	-
			Sanpaolo IMI Asset Management	5.00	5.00	-
			Sanpaolo IMI WM	5.00	5.00	-
			IMI Investimenti	2.50	2.50	-
			Sanpaolo IMI Private Equity	2.50	2.50	-
				100.00	100.00	
7 CSP Investimenti S.r.l.	Turin	1	Fin.OPI	100.00	100.00	3
8 Emil Europe '92 S.r.l.	Bologna	1	Cassa di Risparmio Bologna	90.55	90.55	3
9 Eptaventure S.p.A.	Bologna	1	Sanpaolo IMI Private Equity	100.00	100.00	-
10 Fideuram Assicurazioni S.p.A.	Rome	1	Banca Fideuram	100.00	100.00	9
11 Fideuram Vita S.p.A.	Rome	1	Banca Fideuram	99.78	100.00	386
12 IE-New York Broker Rt	Hungary	1	Inter-Europa Consulting	90.00	90.00	3
			Inter-Europa Bank	10.00	10.00	-
				100.00	100.00	(E)
13 Immobiliare 21 S.r.l.	Milan	1	Invesp	90.00	90.00	-
			RSP	10.00	10.00	- (N)
				100.00	100.00	
14 Immobiliare Nettuno S.p.A.	Bologna	1	Cassa di Risparmio Bologna	100.00	100.00	1
15 Inter-Invest Risk Management Vagyonkezelő Rt	Hungary	1	Inter-Europa Bank	48.00	48.00	-
			Inter-Europa Consulting	48.00	48.00	-
			Inter-Europa Szolgáltató	4.00	4.00	-
				100.00	100.00	(E)
16 Obiettivo Società di Gestione del Risparmio (S.G.R.) S.p.A.	Milan	1	Banca IMI	100.00	100.00	1
17 Poseidon - Insurance Brokers - S.p.A.	Bologna	1	Invesp	100.00	100.00	1
18 RSP S.r.l.	Turin	1	Sanpaolo IMI	100.00	100.00	-
19 S.V.I.T. S.p.A.	Padua	1	Cassa di Risparmio Padova e Rovigo	57.45	57.45	-
20 SANPAOLO BANCO DI NAPOLI S.p.A.	Naples	1	Sanpaolo IMI	100.00	100.00	6 (O)
21 Sanpaolo IMI Capital Partners Ltd	Guernsey	1	Sanpaolo IMI Private Equity	99.00	99.00	-
			Sanpaolo IMI Management	1.00	1.00	- (N)
				100.00	100.00	
22 Sanpaolo IMI Management Ltd	United Kingdom	1	Sanpaolo IMI Private Equity	100.00	100.00	-
23 Sanpaolo Leasint G.M.B.H.	Austria	1	Sanpaolo Leasint	100.00	100.00	-
24 Sanpaolo Life Ltd	Ireland	1	Sanpaolo Vita	75.00	92.30	- (N)
			Banca Sanpaolo Invest	25.00	7.70	2
				100.00	100.00	
25 Sanpaolo Vita S.p.A.	Milan	1	Sanpaolo IMI WM	100.00	100.00	367 (P)

(Cont.: Investments carried at equity - subsidiaries)

Name	Registered offices	Type of relationship (*)	Ownership		Voting rights at shareholders' meeting %	Consolidated book values (€/mil)
			Held by	%		
26 Servizi S.r.l.	Bologna	1	Finemiro Banca	100.00	100.00	3
27 Socavie S.N.C.	France	1	Banque Sanpaolo	99.80	99.80	2
			Société Foncière d'Investissement	0.20	0.20	- (N)
				100.00	100.00	
28 Société civile Les Jardins d'Arcadie-Grasse	France	1	Banque Sanpaolo	55.00	55.00	-
29 Société Foncière d'Investissement S.A.	France	1	Banque Sanpaolo	100.00	100.00	-
30 Société Immobilière d'Investissement	France	1	Banque Sanpaolo	99.98	99.98	-
			Société Foncière d'Investissement	0.02	0.02	- (N)
				100.00	100.00	
31 Tele Futuro S.r.l. (former Picus S.p.A. in liq.)	Milan	1	LDV Holding	99.13	99.13	-
			Sanpaolo IMI Private Equity	0.02	0.02	-
				99.15	99.15	
32 UNI Invest S.A.	France	1	Banque Sanpaolo	100.00	100.00	-
33 W.D.W. S.A.	France	1	Banque Privée Fideuram Wargny	99.72	99.72	-
34 West Leasing S.A.	Romania	1	West Bank	88.71	88.71	-
35 West Trade Center S.A.	Romania	1	Sanpaolo IMI	100.00	100.00	-
36 BN Finrete S.p.A. (in liq.)	Naples	1	Sanpaolo IMI	99.00	99.00	1 (Q)
37 Cardine Suisse S.A. (in liq.)	Switzerland	1	Sanpaolo IMI	99.00	99.00	1 (Q)
38 Cardine Finance Plc (in liq.)	Ireland	1	Sanpaolo IMI	99.97	99.97	1 (Q)
			Cassa di Risparmio Padova e Rovigo	0.01	0.01	-
			Cassa di Risparmio Venezia	0.01	0.01	-
			Cassa di Risparmio Bologna	0.01	0.01	-
				100.00	100.00	(R)
39 Cariparo Ireland Plc (in liq.)	Ireland	1	Sanpaolo IMI	99.94	99.94	-
			Banca Popolare dell'Adriatico	0.01	0.01	-
			Cassa di Risparmio Gorizia	0.01	0.01	-
			Cassa di Risparmio Padova e Rovigo	0.01	0.01	-
			Cassa di Risparmio Udine e Pordenone	0.01	0.01	-
			Cassa di Risparmio Venezia	0.01	0.01	-
			Cassa di Risparmio Bologna	0.01	0.01	-
				100.00	100.00	
40 Cioccolato Feletti S.p.A. (in liq.)	Aosta	1	Eptaconsors	95.00	95.00	- (D)
41 Cotonificio Bresciano Ottolini S.r.l. (in liq.)	Brescia	1	Eptaconsors	100.00	100.00	- (D)
42 Epta Global Hedge S.G.R. p.A. (in liq.)	Milan	1	Eptaconsors	90.00	90.00	1 (Q)
			Eptafund	10.00	10.00	-
				100.00	100.00	(D)
43 FISPAO S.p.A. (in liq.)	Turin	1	Fin.OPI	100.00	100.00	-
44 Imifin S.p.A. (in liq.)	Rome	1	Sanpaolo IMI	100.00	100.00	-
45 IMI Bank A.G. (in liq.)	Germany	1	IMI Bank (Lux)	95.24	95.24	1 (Q)
			Sanpaolo IMI International	4.76	4.76	-
				100.00	100.00	
46 Innovare S.r.l. (in liq.)	Naples	1	Sanpaolo IMI	90.00	90.00	1 (Q)

(Cont.: Investments carried at equity - subsidiaries)

Name	Registered offices	Type of relationship (*)	Ownership		Voting rights at shareholders' meeting %	Consolidated book values (€/mil)
			Held by	%		
47 ISC Euroservice G.M.B.H. (in liq.)	Germany	1	Sanpaolo IMI	80.00	80.00	-
48 S. e P. Servizi e Progetti S.p.A. (in liq.)	Turin	1	Fin.OPI	100.00	100.00	-
49 S.A.G.E.T. S.p.A. (in liq.)	Teramo	1	Banca Popolare dell'Adriatico	99.98	99.98	-
50 Sanpaolo U.S. Holding Co. (in liq.)	United States	1	Sanpaolo IMI	100.00	100.00	3 (Q)
51 Se.Ri.T. S.p.A. (in liq.)	Teramo	1	Banca Popolare dell'Adriatico	100.00	100.00	-
52 Sicilsud Leasing S.p.A. (in liq.)	Palermo	1	Fin.OPI	100.00	100.00	1 (Q)
Other minor investments						5 (S)

Investments carried at equity - subsidiaries 845

B2 Investments carried at equity - other

53 Adriavita S.p.A.	Trieste	8	Cardine Finanziaria	24.50	24.50	4
54 Aeffe S.p.A.	Rimini	8	LDV Holding	20.00	20.00	11
55 Attività Finanziarie Merlo S.p.A.	Turin	8	Banca IMI	33.33	33.33	5 (T)
56 Axon Rt	Hungary	8	Inter-Europa Bank	22.71	22.71	1 (E)
57 Banque Michel Inchauspe S.A. (BAMI)	France	8	Banque Sanpaolo	20.00	20.00	6
58 Beaujon Immobilière	France	7	Banque Sanpaolo	50.00	50.00	-
59 Cassa di Risparmio di Firenze S.p.A.	Florence	8	Sanpaolo IMI	19.51	19.51	183 (P)
60 CBE Service S.p.r.l.	Belgium	8	Sanpaolo IMI	31.70	31.70	-
			Cassa dei Risparmi di Forlì	5.00	5.00	-
				36.70	36.70	
61 Conservateur Finance S.A.	France	8	Banque Sanpaolo	20.00	20.00	7
62 CR Firenze Gestion Internationale S.A.	Luxembourg	8	Sanpaolo IMI	20.00	20.00	1
63 Egida Compagnia di Assicurazioni S.p.A.	Turin	7	Sanpaolo Vita	50.00	50.00	- (N)
64 Esatri S.p.A.	Milan	8	Sanpaolo IMI	31.50	31.50	19
65 Eurosic S.A.	France	8	Banque Sanpaolo	32.77	32.77	11
66 Finconsumo Banca S.p.A.	Turin	7	Sanpaolo IMI	50.00	50.00	36 (U)
67 Finnat Investments S.p.A.	Rome	8	Invesp	20.00	20.00	-
68 HDI Assicurazioni S.p.A.	Rome	8	Sanpaolo IMI	28.32	28.32	38
69 I.TRE Iniziative Immobiliari Industriali S.p.A.	Rovigo	8	Cassa di Risparmio Padova e Rovigo	20.00	20.00	-
70 IMIWeb Bank S.p.A.	Milan	1	Banca IMI	20.00	20.00	1 (V)
71 Immobiliare Colonna '92 S.r.l.	Rome	8	Fin.OPI	33.33	33.33	2
72 Integra S.r.l.	Belluno	8	Cassa di Risparmio Padova e Rovigo	29.65	29.65	-
73 Lama Dekani d.d.	Slovenia	8	Banka Koper	78.41	78.41	1 (W)
74 Liseuro S.p.A.	Udine	8	Sanpaolo IMI	35.11	35.11	1
75 Logiasit S.A.	France	8	Banque Sanpaolo	33.34	33.34	-
76 Noricum Vita S.p.A.	Bologna	8	Cardine Finanziaria	44.00	44.00	11
77 Padova 2000 Iniziative Immobiliari S.p.A.	Padua	8	Cassa di Risparmio Padova e Rovigo	45.01	45.01	-
78 Pivka Perutninarstvo d.d.	Slovenia	8	Banka Koper	26.36	26.36	1
79 PROGEMA S.r.l.	Turin	8	Finemiro Banca	10.00	10.00	-
			SEP - Servizi e Progetti	10.00	10.00	-
				20.00	20.00	

(Cont.: Investments carried at equity - other)

Name	Registered offices	Type of relationship (*)	Ownership		Voting rights at shareholders' meeting %	Consolidated book values (€/mil)
			Held by	%		
80 Sagat S.p.A.	Turin	8	IMI Investimenti	12.40	12.40	6 (X)
81 Sanpaolo IMI Private Equity Scheme B.V.	Netherlands	8	LDV Holding	29.38	29.38	17
82 Sifin S.r.l.	Bologna	8	Invesp	30.00	30.00	-
83 Sinloc - Sistemi Iniziative Locali S.p.A.	Turin	8	Fin.OPI	31.85	31.85	13
			Banca OPI	8.15	8.15	3
				40.00	40.00	16
84 Società Friulana Esazione Tributi S.p.A.	Udine	8	Cassa di Risparmio Udine e Pordenone	33.33	33.33	2
85 Società Gestione per il Realizzo S.p.A.	Rome	8	Sanpaolo IMI	28.31	28.31	1
			Banca Fideuram	0.64	0.64	-
				28.95	28.95	1
86 Société Civile du 41 Avenue Bouisson Bertrand	France	8	Banque Sanpaolo	25.00	25.00	-
87 Société Civile le Jardin de Nazareth	France	8	Banque Sanpaolo	20.00	20.00	-
88 Société Civile Le Maestro	France	8	Banque Sanpaolo	20.00	20.00	-
89 Société Civile Res Club les Arcades	France	8	Banque Sanpaolo	25.00	25.00	-
90 Société Civile St. Gratien Village	France	8	Banque Sanpaolo	30.00	30.00	-
91 Splosna Plovba Portoroz d.o.o.	Slovenia	8	Banka Koper	21.00	21.00	-
92 Stoà S.c.p.a.	Naples	8	Sanpaolo IMI	20.76	20.76	-
93 Summa Finance S.p.A.	Bologna	8	Invesp	39.90	39.90	-
94 Synesis Finanziaria S.p.A.	Turin	8	IMI Investimenti	25.00	25.00	64 (Y)
95 Trivimm S.p.A.	Verona	8	Sanpaolo IMI	23.00	23.00	-
96 Aeroporto di Napoli (in liq.)	Naples	8	Sanpaolo IMI	20.00	20.00	-
97 Chasefin - Chase Finanziaria S.p.A. (in liq.)	Milan	8	Finemiro Leasing	30.00	30.00	-
98 Consorzio Agrario Prov.le di Rovigo (in liq.)	Rovigo	8	Cassa di Risparmio Padova e Rovigo	35.45	35.45	-
99 Consorzio Bancario SIR S.p.A. (in liq.)	Rome	8	Sanpaolo IMI	32.84	32.84	-
100 Finexpace S.p.A. (in liq.)	Chiavari	8	Sanpaolo IMI	30.00	30.00	-
101 G.E.CAP. S.p.A. (in liq.)	Foggia	8	Sanpaolo IMI	37.25	37.25	-
102 Galère 28 (in liq.)	France	8	Banque Sanpaolo	23.44	23.44	-
103 Galileo Holding S.p.A. (in liq.)	Venice	8	Sanpaolo IMI	31.52	31.52	-
104 Italinfra Grandi Progetti S.p.A. (in liq.)	Naples	8	Sanpaolo IMI	30.00	30.00	-
105 Mega International S.p.A. (in arrangement before bankruptcy)	Ravenna	8	Finemiro Banca	48.00	48.00	-
106 Sofimer S.p.A. (in liq.)	Naples	8	Sanpaolo IMI	20.00	20.00	-
Other equity investments						1 (S)

Total investments carried at equity - other 446

Total investments carried at equity 1,291

Notes to the table of significant investments:

- (*) *Type of relationship:*
 1 = control ex Art. 2359 Italian Civil Code, subsection 1, n.1: majority of voting rights in the ordinary meeting.
 2 = control ex Art. 2359 Italian Civil Code, subsection 1, n.2: dominating influence in the ordinary meeting.
 3 = control ex Art. 2359 Italian Civil Code, subsection 2, n.1: agreements with other partners.
 4 = other forms of control.
 7 = joint control ex Art. 35, subsection 1 of D. Lgs. 87/92.
 8 = associated company ex Art. 36, subsection 1 of D. Lgs. 87/92: company over which "significant influence" is exercised, which is assumed to exist when at least 20% of the voting rights in the ordinary meeting are held.
- (**) *The list does not include the Banco di Napoli S.p.A. subsidiaries Isveimer S.p.A. (in liquidation) and Società per la gestione di attività S.p.A. (Sga), given the special nature of the relationship (see Part B - Section 5 "Other assets" of these notes) .*
- (A) *Investment acquired by the Parent Bank in June 2003, on conclusion of the Public Offer launched in May 2003;*
 (B) *On 4 March 2003 the Bank of Italy authorized the merger by incorporation of Banco di Napoli Asset Management S.p.A. into Sanpaolo IMI Asset Management S.g.r. S.p.A., with effect from 1 September 2003;*
 (C) *In June 2003 the company merged Banca Agricola di Cerea;*
 (D) *The company became part of the Sanpaolo IMI Group following the purchase of control over Eptaconsors S.p.A.;*
 (E) *The company became part of the Sanpaolo IMI Group following the purchase of control over Inter-Europa Bank Rt.;*
 (F) *From 1 July 2003 the company was merged into Banca Fideuram S.p.A.;*
 (G) *From 1 July 2003 the company was merged into Fideuram Fondi S.p.A.;*
 (H) *In April 2003 the company was transferred from the Parent Bank to Sanpaolo IMI Internazionale S.p.A. and also became part of Sanpaolo IMI Group in the same month, following the conclusion of the Public Offer launched in March 2003;*
 (I) *In the consolidated financial statements for 2002, the company was included among "Investments carried at equity - subsidiaries".*
 (J) *The Parent Bank purchased control of the company by subscribing to the increase in share capital in January 2003;*
 (K) *In April 2003, the Parent Bank transferred to the company the shareholding held in Inter-Europa Bank Rt. The company will also benefit from the shareholdings in the banks operating in Central Eastern Europe and the Mediterranean;*
 (L) *In February the Parent Bank acquired the controlling portion of shares from Sanpaolo Riscossioni Genova;*
 (M) *This company, which was among "Investments carried at equity – non subsidiaries" in the 2002 consolidated financial statements, has been included in the area of proportional consolidation in respect of agreements with Cassa di Risparmio di Firenze and Fondazione Cariforli;*
 (N) *The entry is included in the valuation at net equity of the holding company;*
 (O) *The benefit to the newco, with effect from 1 July 2003, is the transfer of the Parent Bank's business branch composed of the branches belonging to the Southern Territorial Direction;*
 (P) *The valuation has been made on the basis of the consolidated financial statements prepared by the company in which the investment is held;*
 (Q) *The company's book value reflects the estimated realizable value determined by the advancement of the liquidation process;*
 (R) *The company has been excluded from the line by line area of consolidation as it has been put into liquidation;*
 (S) *Represents the sum of the book values of shareholdings under 500,000 euro;*
 (T) *Shareholding acquired in June 2003;*
 (U) *The company, which in the 2002 financial statements was included in the proportional area of consolidation, has been included among "Investments carried at equity – non subsidiaries" in respect of the agreement reached between the Parent Bank and Santander Central Hispano S.A. for the disposal to the latter of the interest and the resulting loss of joint control in the investment;*
 (V) *The company, which was consolidated on a line by line basis in the 2002 financial statements, has been included among "Investments carried at equity – non subsidiaries" having successfully concluded the disposal of 80% of the company to Centrobanca;*
 (W) *The investment, controlled by Banka Koper d.d., is not included among "Investments carried at equity - subsidiaries" as the Parent Bank does not control Banka Koper d.d.;*
 (X) *The company was included among "Investments carried at equity – non subsidiaries" in respect of the Parasocial Contracts which allow the Sanpaolo IMI Group to exercise significant interest in the management of the company;*
 (Y) *Investments purchased in the first half of 2003. The company holds 51% of Fidis Retail Italia;*

SECTION 2 - OTHER EQUITY INVESTMENTS CARRIED AT COST

Among the remaining investments held by the Group the most significant are listed below by investment amount (book value of at least 2.5 million euro):

Other significant equity investments

Name	Registered offices	Ownership		Consolidated book values (€/mil)
		Held by	% (*)	
AC.E.G.A.S S.p.A.	Trieste	Sanpaolo IMI Private Equity	1.09	2
		Cassa di Risparmio Udine e Pordenone	1.00	2
			2.09	4
AEM Torino S.p.A.	Turin	IMI Investimenti	2.47	13
AMPS S.p.A.	Parma	LDV Holding	17.31	38
APS - Azienda Padova Servizi S.p.A.	Padua	Cassa di Risparmio Padova e Rovigo	1.49	5
Autostrada BS-VR-VI-PD S.p.A.	Verona	Cardine Finanziaria	5.80	6
Azimut S.p.A.	Viareggio	LDV Holding	9.12	34
		Sanpaolo IMI Private Equity	0.08	-
			9.20	34
Banca d'Italia	Rome	Sanpaolo IMI	8.33	185
		Cassa di Risparmio Bologna	6.20	-
		Cassa di Risparmio Padova e Rovigo	1.20	-
		Cassa di Risparmio Venezia	0.88	-
		Cassa di Risparmio Udine e Pordenone	0.47	-
		Cariforli	0.20	2 (A)
		Cassa di Risparmio di Gorizia	0.15	-
	17.43	187		
Banco del Desarrollo S.A.	Cile	Sanpaolo IMI	15.72	19
Banksiel S.p.A.	Milan	Sanpaolo IMI	7.00	3
Banque Esprit Santo et de la Venetie S.A.	France	Prospettive 2001	18.00	10
BIAT S.A.	Tunisia	Sanpaolo IMI	5.61	7
Borsa Italiana S.p.A.	Milan	Banca IMI	7.94	22
		Sanpaolo IMI	5.37	52
		IMI Bank (Lux)	0.43	-
			13.74	74
Cassa di Risparmio di Ferrara S.p.A.	Ferrara	Prospettive 2001	1.29	6
CDC Finance IXIS S.A.	France	Sanpaolo IMI	3.45	328
Centrale dei Bilanci S.r.l.	Turin	Sanpaolo IMI	12.60	6
Centro Agroalimentare di Napoli S.c.p.A.	Naples	Sanpaolo IMI	15.68	3
Centro Factoring S.p.A.	Florence	Invesp	10.81	3
		Cariforli	0.11	- (A)
			10.92	3
Centro Leasing S.p.A.	Florence	Invesp	12.33	15
		Cariforli	0.05	- (A)
			12.38	15
Cimos International d.d.	Slovenia	Banka Koper	13.55	7
Compagnia Assicuratrice Unipol S.p.A.	Bologna	Invesp	2.02	41
Convergenza S.c.a.	Luxembourg	Sanpaolo IMI Private Equity	6.67	8

(Cont.: Other significant equity investments)

Name	Registered offices	Ownership		Consolidated book values (€/mil)
		Held by	% (*)	
Dyckerhoff A.G.	Germany	IMI Investments	7.76	28
		IMI Finance Luxembourg	4.36	17
			12.12	45
Engineering Ingegneria Informatica S.p.A.	Rome	Sanpaolo IMI Private Equity	1.60	3
Euromedia Venture Belgique S.A.	Belgium	NHS Luxembourg	9.68	3
FIAT S.p.A.	Turin	IMI Investimenti	1.48	63
Fin.Ser. S.p.A.	Padua	Cassa di Risparmio Padova e Rovigo	15.00	4
Fincantieri - Cantieri Navali Italiani S.p.A.	Trieste	IMI Investimenti	1.21	4
		Sanpaolo IMI	0.76	3
			1.97	7
Hera S.p.A.	Bologna	Fin.OPI	1.05	10 (B)
Hutchison 3G Italia S.p.A.	Milan	NHS Investments	5.58	116
		3G Mobile Investments 2	2.23	-(C)
			7.81	116
Istituto Enciclopedia Italiana S.p.A.	Rome	Sanpaolo IMI	8.00	3
Istituto per il Credito Sportivo	Rome	Sanpaolo IMI	10.81	19
Italenergia Bis S.p.A.	Turin	IMI Investimenti	12.48	431
Kiwi II Ventura Servicos de Consultoria S.A.	Madeira	Sanpaolo IMI Private Equity	1.09	5
Kredyt Bank S.A.	Poland	Sanpaolo IMI	5.20	20
Lingotto S.p.A.	Turin	Fin.OPI	17.02	3
Merloni Termosanitari S.p.A.	Ancona	LDV Holding	6.05	22
		Banca Popolare dell'Adriatico	1.37	5
			7.42	27
Praxis Calcolo S.p.A.	Milan	LDV Holding	12.50	4
		Sanpaolo IMI Private Equity	0.25	-
			12.75	4
Santander Central Hispano S.A.	Spain	Sanpaolo IMI International	1.77	551
		Sanpaolo IMI	1.10	344
			2.87	895
Serenissima Infracom S.p.A.	Verona	Cardine Finanziaria	7.35	25
Simest S.p.A.	Rome	Sanpaolo IMI	4.01	6
Spinner Global Technology Fund Ltd	Netherlands Antilles	Sanpaolo IMI Private Equity	1.38	3
Transdev S.A.	France	Fin.OPI	7.00	9
Other minor investments				51
Total other significant equity investments				2,569

Notes to the table "other significant investments":

(*) The percentage refers to the total capital.

(A) The company became part of the Sanpaolo IMI Group holdings following the proportional consolidation of Cassa dei Risparmi di Forlì S.p.A.

(B) Investment acquired in the first half of 2003.

(C) The entry is included in the valuation at equity of the holding company.

Attachments

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

STATEMENT OF CONSOLIDATED CASH FLOWS

RECONCILIATION BETWEEN THE PARENT BANK'S HALF YEAR FINANCIAL STATEMENTS
AND THE CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS

LIST OF EQUITY INVESTMENTS AS OF 30 JUNE 2003 HIGHER THAN 10% IN UNLISTED
COMPANIES, REPRESENTED BY SHARES WITH VOTING RIGHTS AND IN LIMITED
LIABILITY COMPANIES (CONSOB RESOLUTION 11715 OF 24 NOVEMBER 1998)

METHODOLOGICAL NOTES TO DETERMINE THE PRO FORMA CONSOLIDATED STATEMENTS
OF INCOME AND BALANCE SHEETS FOR 2002 AND FOR THE FIRST QUARTER OF 2003

STATEMENT OF PRO FORMA CONSOLIDATED STATEMENTS OF INCOME
AND BALANCE SHEETS FOR 2002 AND FOR THE FIRST QUARTER OF 2003

Statement of changes in consolidated shareholders' equity

SHAREHOLDERS' EQUITY AS PER FINANCIAL STATEMENTS

	Capital	Reserves and retained earnings	Reserve for general banking risks	Goodwill arising on consolidation and on application of the equity method	Net income	Total shareholders' equity
						(€/mil)
Shareholders' equity as of 31/12/2002	5,144	4,396	14	94	889	10,537
Allocation of 2002 net income						
- to reserves	-	214	-	124	-338	-
- to shareholders	-	-	-	-	-551	-551
Changes in the Parent Bank's own shares	-	-	-	-	-	-
Reclassification between reserves	-	7	-	-7	-	-
Change in Reserve for general banking risks	-	-	-	-	-	-
Differences arising on the translation of foreign currency financial statements and other adjustments	-	-4	-	-	-	-4
Net income	-	-	-	-	441	441
Shareholders' equity as of 30/6/2003	5,144	4,613	14	211	441	10,423

STATEMENT OF CONSOLIDATED CASH FLOWS (*)

(€/mil)

APPLICATION OF FUNDS

Use of funds generated by operations	837
Dividends distributed	551
Use of reserve for termination indemnities	64
Use of provisions for risks and charges	200
Use of reserve for possible loan losses	1
Movements in the opening pro forma shareholders' equity	17
Exchange differences on translating the net equity of consolidated companies and other adjustments	4

Increase in funds applied	12,086
Dealing securities	5,586
Loans to customers	2,546
Own shares	2
Investment securities	459
Differences arising on consolidation and on application of the equity method	26
Other assets	3,341
Tangible fixed assets	75
Intangible fixed assets	51
Decrease in funds taken	689
Due to customers and securities issued	639
Minority interests	50

Total	13,612
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(*) The statement of cash flows has been prepared using the reclassified pro forma balance sheet and statement of income as of 31 December 2002.

(€/mil)

SOURCES OF FUNDS

Funds generated by operations	1,151
Net income	441
Provisions to the reserve for general banking risks	-
Provisions for employee termination indemnities	68
Net adjustments to loans	180
Provisions for risks and charges	64
Provisions to the reserve for possible loan losses	7
Adjustments to tangible fixed assets	119
Adjustments to intangible fixed assets	112
Net adjustments to financial fixed assets	81
Adjustments to goodwill arising on consolidation and on application of the equity method	79
Increase in funds taken	10,711
Other liabilities	6,564
Subordinated liabilities	179
Due to banks	3,968
Decrease in funds applied	1,750
Cash and deposits with central banks	528
Due from banks	1,139
Equity investments	83
Total	13,612

RECONCILIATION BETWEEN THE PARENT BANK'S HALF YEAR FINANCIAL STATEMENTS AND THE CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS

	Net income	Capital and reserves	Shareholders' equity	Reserve for possible loan losses	(€/mil) Total
FINANCIAL STATEMENTS OF THE PARENT BANK	50	9,406	9,456	-	9,456
Balance of subsidiary companies consolidated line by line	392	13,057	13,449	238	13,687
Consolidation adjustments:					
- book value of line-by-line consolidated investments	-	-9,978	-9,978	-	-9,978
- dividends of consolidated companies	-144	56	-88	-	-88
- amortization of goodwill arising on consolidation	-79	-481	-560	-	-560
- elimination of goodwill arising on consolidation	-	-1,326	-1,326	-	-1,326
- elimination of gains on sale of investments	-11	-1,404	-1,415	-	-1,415
- valuation of investments at net equity	87	211	298	-	298
- writedowns of equity investments	84	69	153	-	153
- elimination of reserve for possible loan losses	32	122	154	-154	-
- elimination of prior years writedowns made for fiscal purposes	-	229	229	-	229
- elimination of amortization of Banco di Napoli merger deficit	78	155	233	-	233
- portion of tax benefits from the Banco Napoli merger	-13	250	237	-	237
- minority interests	-21	-271	-292	-	-292
- reversal of intragroup goodwill	6	-54	-48	-	-48
- other adjustments	-20	-59	-79	-	-79
CONSOLIDATED FINANCIAL STATEMENTS	441	9,982	10,423	84	10,507

LIST OF EQUITY INVESTMENTS AS OF 30 JUNE 2003 HIGHER THAN 10% IN UNLISTED COMPANIES, REPRESENTED BY SHARES WITH VOTING RIGHTS AND IN LIMITED LIABILITY COMPANIES (CONSOB RESOLUTION 11715 OF 24 NOVEMBER 1998) (1)

Name	Held by	%
Abruzzo Capital S.p.A.	Banca Popolare dell'Adriatico	16.90
Agricola del Varano S.r.l.	Cassa di Risparmio Padova e Rovigo	26.58
Agricola Favorita S.r.l.	Cassa di Risparmio Padova e Rovigo	99.32
Alilaguna S.r.l.	Cassa di Risparmio Venezia	80.00
Banque Galliere S.A. (in liq.)	Cassa di Risparmio Bologna	17.50
Beato Edoardo Materiali Ferrosi S.r.l.	Cassa di Risparmio Padova e Rovigo Cassa di Risparmio Venezia	50.00 50.00
		100.00
Biessefin S.p.A. (in liq.)	Sanpaolo IMI	36.10
Calitri Denim Industries S.p.A.	Isveimer (in liq.)	14.29
Calzaturificio Novella S.r.l.	Cassa di Risparmio Venezia	45.00
Calzaturificio Zampieri S.r.l.	Cassa di Risparmio Venezia	25.00
Cartasi S.p.A.	Sanpaolo IMI	11.16
Celeasing S.r.l.	Sanpaolo IMI	100.00
Cen. Ser. Centro Servizi S.p.A.	Cassa di Risparmio Padova e Rovigo	11.60
Centro S.r.l.	Cassa di Risparmio Padova e Rovigo	100.00
Chateau Bolides S. a r.l. (in liq.)	Immobiliare 21	49.00
Cifrali 8 (in liq.)	Banque Sanpaolo	18.30
Cifrali 9 (in liq.)	Banque Sanpaolo	14.08
Cive S.p.A.	Sanpaolo IMI	68.97
Cogemar S.p.A.	Sanpaolo IMI	100.00
Crif S.p.A.	Invesp Sanpaolo IMI	5.05 5.05
		10.10
Dulevo S.p.A. (bankrupt)	Sanpaolo IMI	16.30
Efrem S.r.l.	Servizi	20.00
Elvetia Edile S.r.l.	Sanpaolo IMI	100.00
Emporium S.r.l.	Cassa di Risparmio Padova e Rovigo	51.27
Esatto S.p.A.	Ge.Ri.Co. S.p.A.	16.33
Esped Spedizioni S.r.l.	Cassa di Risparmio Padova e Rovigo	29.80
Eufigest S.A.	Eptafund S.G.R. P.A.	12.88
Evoluzione 94 S.p.A.	Sanpaolo IMI Cassa di Risparmio Bologna Cassa di Risparmio Gorizia Cassa di Risparmio Udine e Pordenone	5.99 2.55 1.67 0.30
		10.51
Fata Group S.r.l.	IMI Investimenti	13.17
Fides S.p.A. (bankrupt)	Isveimer (in liq.)	20.00

Name	Held by	%
Fin. Tess. S.p.A.	Cassa di Risparmio Padova e Rovigo	98.00
Finlombarda Leasing S.p.A. (in liq.)	Sanpaolo IMI	14.00
Finpaper S.p.A.	Cassa di Risparmio di Gorizia	51.00
Finplozner S.p.A.	Cassa di Risparmio Udine e Pordenone	25.00
Fonti di Gaverina S.p.A.	Sanpaolo IMI	66.62
Fratelli Comunello S.p.A.	Cassa di Risparmio Padova e Rovigo	50.00
Gerard H Polderman S.r.l.	Cassa di Risparmio Padova e Rovigo	100.00
Giraglia Immobiliare S.p.A.	Sanpaolo IMI	17.15
Guinness Peat Aviation ATR Ltd	Sanpaolo IMI Bank Ireland	12.50
I Guardi S.r.l.	Cassa di Risparmio Venezia	56.00
IAM Piaggio S.p.A. (in liq.)	Sanpaolo IMI	9.68
	Banca Fideuram	3.74
		13.42
Idra Partecipazioni S.p.A. (in liq.)	Ldv Holding	11.56
Immobiliare dell'Isola Cattaneo S.p.A.	Sanpaolo IMI	48.57
Immobiliare Femar S.p.A.	Cassa di Risparmio Padova e Rovigo	38.57
Immobiliare Meduna S.r.l.	Cassa di Risparmio Venezia	40.00
Immobiliare Peonia Rosa S.r.l.	Sanpaolo IMI	57.00
Immobiliare Santa Caterina S.r.l.	Sanpaolo IMI	100.00
Impianti S.r.l. (in liq.)	Sanpaolo IMI	14.16
Integrated Shipping Company S.p.A.	Sanpaolo IMI	100.00
Istituto per l'Enciclopedia della Banca e della Borsa S.p.A.	Sanpaolo IMI	12.12
	Banca Fideuram	0.34
		12.46
Isveimer S.p.A. (in liq.)	Sanpaolo IMI	65.22
	Banca Popolare dell'Adriatico	0.17
		65.39
Italpower S.p.A. (in liq.)	IMI Investimenti	15.00
Ittica Ugento S.p.A.	Sanpaolo IMI	26.96
Kall Kwik Italia S.p.A. (in liq.)	Sanpaolo Leasint	15.00
Kish Receivables Co.	Tobuk	20.83
La Compagnia Finanziaria S.p.A.	Sanpaolo IMI	12.09
La Promessa S.r.l.	Cassa di Risparmio Padova e Rovigo	100.00
Lillo S.p.A.	Sanpaolo IMI	50.00
Loop S.p.A.	Sanpaolo Leasint	19.79
Loseri S.p.A.	Sanpaolo IMI	18.40
Marche Capital S.p.A.	Banca Popolare dell'Adriatico	11.99
Mirano Costruzioni S.r.l.	Cassa di Risparmio Venezia	100.00
Pantecna S.p.A. (bankrupt)	Sanpaolo IMI	15.50
Pharmacom S.r.l.	Farbanca	17.00
Pila 2000 S.p.A.	Cassa di Risparmio Padova e Rovigo	37.19
Print S.r.l.	Banca Popolare dell'Adriatico	100.00
Raco S.p.A.	Ldv Holding	12.30

Name	Held by	%
S.A. Imm. De Construction de Monteclin (in liq.)	Banque Sanpaolo	11.30
S.T.C. Servizio Trasporti Combinati S.p.A.	Sanpaolo IMI	100.00
Sago S.p.A. (2)	Sanpaolo IMI	26.67
Sazic S. a r.l.	Société Fonciere d'Investissement Société Immobiliere d'Investissement	99.00 1.00
		100.00
SCI Balcons Sainte Marie	Banque Sanpaolo	17.95
SCI Boissy Griselle 7	Société Fonciere d'Investissement Société Immobiliere d'Investissement	99.00 1.00
		100.00
SCI Boissy RER 5	Société Fonciere d'Investissement Société Immobiliere d'Investissement	98.89 1.11
		100.00
SCI Boissy RER 8	Société Fonciere d'Investissement Société Immobiliere d'Investissement	99.00 1.00
		100.00
SCI Boissy Saint Leger 94	Société Fonciere d'Investissement Société Immobiliere d'Investissement	99.00 1.00
		100.00
SCI La Source de Saint Hilarie	Société Immobiliere d'Investissement	98.00
SCI Le Chevalier	Société Immobiliere d'Investissement Société Fonciere d'Investissement	99.00 1.00
		100.00
SCI Le Clos de Noyer (in liq.)	Banque Sanpaolo	15.00
Serit S.p.A. - Servizi Riscoss. Imposte e Tesoreria (in liq.)	Sanpaolo IMI	18.64
Siteba S.p.A.	Sanpaolo IMI	10.45
Soa Nordest S.p.A.	Cassa di Risparmio Padova e Rovigo	15.00
Società Capua Group Imbottigliamento Bevande Gassate S.p.A.	Sanpaolo IMI	100.00
Società Manifattura del Piave S.r.l.	Cassa di Risparmio Padova e Rovigo	38.52
Società per la Gestione di Attività S.p.A. - S.g.a.	Sanpaolo IMI	100.00
Sofimer S.p.A.	Isveimer (in liq.)	20.00
Sosib Industriale e Commerciale S.r.l.	Sanpaolo IMI	60.00
SSB - Società per i Servizi Bancari S.p.A.	Sanpaolo IMI Banca Fideuram	15.54 0.02
		15.56
Società Trasporto Telematico S.p.A.	Cardine Finanziaria	15.73
Société Fonciere Joseph Vallot S.A.	Société Fonciere d'Investissement	100.00
Sogepi et Cie Le Fournas S.n.c. (in liq.)	Banque Sanpaolo	12.50
Sviluppo Finanza Mobiliare S.p.A.	Sanpaolo IMI	10.87
Sygman Szolgaltato es Kereskedelmi Rt	IE-New York Broker	100.00
Tecnoalimenti S.c.p.A. (2)	Sanpaolo IMI	20.00
Tecnobiomedica S.p.A. (2)	Sanpaolo IMI	26.32
Tecnocittà S.r.l.	Sanpaolo IMI	12.00
Tecnofarmaci S.p.A. (2)	Sanpaolo IMI	20.50

Name	Held by	%
Tecnogen (2)	Sanpaolo IMI	29.96
Tecnotessile S.r.l. (2)	Sanpaolo IMI	40.00
Trieste - Terminal Cereali S.r.l.	Cassa di Risparmio Padova e Rovigo	31.25
Torsyl S.A. (in liq.)	Sanpaolo IMI International	15.79
Venezia Tronchetto Real Estate S.p.A.	Cassa di Risparmio Padova e Rovigo	99.62

(1) This excludes equity investments already listed in Part E - Sections 1 and 2 of the Consolidated Explanatory Notes.

(2) Equity investments originating from transactions as per Law 1089 of 25 October 1968 (Applied Research Fund).

METHODOLOGICAL NOTES TO DETERMINE THE PRO FORMA CONSOLIDATED STATEMENTS OF INCOME AND BALANCE SHEETS FOR 2002 AND FOR THE FIRST QUARTER OF 2003

In order to ensure comparability of the accounting results on a consistent basis in relation to the main changes to the line by line and proportional consolidation area, the consolidated accounts of the SANPAOLO IMI Group for the previous year and the first quarter of 2003 are presented in a pro forma version.

The pro forma results for the year 2002 were prepared conventionally assuming the line by line consolidation of the Eptaconsors Group and Inter-Europa Bank, the proportional consolidation of Cassa dei Risparmi di Forlì and the non-consolidation of IMIWeb Bank and Finconsumo Banca with effect from 1 January 2002. Furthermore, since the consolidated quarterly financial statements of the SANPAOLO IMI Group as of 31 March 2003 did not reflect the line by line consolidation of Inter-Europa Bank, the proportional consolidation of Cassa dei Risparmi di Forlì and the non-consolidation of Finconsumo Banca, a pro forma reconstruction of the results of the first quarter of 2003 has also been made. Finally, it is noted that the pro forma results as of 31 March 2002 also take into consideration the line by line consolidation of the former Cardine Group, which first took place on 30 June 2002, with accounting effect from the beginning of the year.

Attached to these Methodological notes are the statements to determine the pro forma consolidated statements of income and balance sheets for the four quarters of 2002 and for the first quarter of 2003.

In particular, the pro forma results have been prepared using the statements of income and reclassified consolidated balance sheets of the SANPAOLO IMI Group for the year 2002 and for the first quarter of 2003 (column "a" of the attached statements), and reflect the following:

- in column "b" of the attachments
 - the line by line consolidation of the 100% shareholding in Eptaconsors and its subsidiaries, following the reversal in the value of net equity of the 40.48% share already held in the previous year. For this purpose the purchase of the additional 59.52% shareholding has been simulated as of 01/01/2002, as a contra-entry to "customer deposits" for an amount of 55 million euro;
 - the line by line consolidation of the 85.22% shareholding in Inter-Europa Bank, following the reversal in the value of net equity of the 32.51% share already held in the previous year. For this purpose the purchase of the additional 52.71% shareholding has been simulated as of 01/01/2002, as a contra-entry to "customer deposits" for an amount of 30 million euro;
 - the proportional consolidation of the 29.77% shareholding in Cassa dei Risparmi di Forlì, following the reversal in the value of net equity of the 21.02% share already held in the previous year. For this purpose the purchase of the additional 8.75% shareholding has been simulated as of 01/01/2002, as a contra-entry to "customer deposits" for an amount of 68 million euro;
- in column "c" of the attachments
 - the full non-consolidation of IMIWeb Bank, following the disposal of 80% of the entire shareholding previously held, and the valuation in net equity of the residual 20%. In particular, the disposal of the majority shareholding has been simulated with effect from 01/01/2002 and offset against an increase in "loans to banks" for a total amount of 5 million euro, with the subsequent loss recorded directly to net equity reserves, in accordance with relevant accounting principles. Consistently, the statement of consolidated income has been reversed the extraordinary charges arising from the financial statements as of 31/12/2002, for the alignment of the value of the shareholding disposed of to the announced sale price, net of any tax effects;
 - the passage of Finconsumo Banca from the area of proportional non-consolidation, as an effect of the sale agreement and of the end of joint control, with the consequent valuation of the entire investment held using the equity method.

It should be reminded that the aforementioned pro forma schedules are unaudited.

Statements of pro forma consolidated
statements of income and balance sheets
for the year 2002 and for the
first quarter of 2003

First quarter 2002: Statement of reclassified consolidated pro forma statement of income

	(€/mil)			
	SANPAOLO IMI Group pro forma (1)	Expansion of the consolidation area using line by line and proportional methods (2) (b)	Reduction in the consolidation area using line by line and proportional methods (3) (c)	SANPAOLO IMI Group pro forma (d)=(a+b+c)
	(a)	(b)	(c)	(d)
NET INTEREST INCOME	927	12	-10	929
Net commissions and other net dealing revenues	697	17	-2	712
Profits and losses from financial transactions and dividends on shares	84	2	-	86
Profits from companies carried at equity and dividends from shareholdings	49	-1	1	49
NET INTEREST AND OTHER BANKING INCOME	1,757	30	-11	1,776
Administrative costs	-1,120	-23	9	-1,134
- <i>personnel</i>	-699	-13	4	-708
- <i>other administrative costs</i>	-359	-10	4	-365
- <i>indirect duties and taxes</i>	-62	-	1	-61
Other operating income, net	78	2	-2	78
Adjustments to tangible and intangible fixed assets	-111	-4	3	-112
OPERATING INCOME	604	5	-1	608
Adjustments to goodwill and merger and consolidation differences	-41	-1	-	-42
Provisions and net adjustments to loans and financial fixed assets	-156	-2	2	-156
INCOME BEFORE EXTRAORDINARY ITEMS	407	2	1	410
Net extraordinary income	56	-	-	56
INCOME BEFORE TAXES	463	2	1	466
Income taxes for the period	-172	-2	1	-173
Change in reserve for general banking risks	-	-	-	-
Income attributable to minority interests	-14	-	-	-14
NET INCOME	277	-	2	279

(1) Pro forma figures prepared according to the criteria detailed in the Explanatory Notes to the Consolidated financial statements as of 31/12/2002, assuming the merger with Cardine Banca from 1 January 2002.

(2) The figures refer to the conventional assumption of the line by line consolidation of the Eptaconsors Group and of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì with effect from 1 January 2002.

(3) The figures refer to the non consolidation of IMIWeb and Finconsumo Banca, with effect from 1 January 2002.

31 March 2002: Statement of reclassified consolidated pro forma balance sheet

	SANPAOLO IMI Group pro forma (1) (2) (a)	Expansion of the consolidation area using line by line and proportional methods (3) (b)	Reduction in the consolidation area using line by line and proportional methods (4) (c)	SANPAOLO IMI Group pro forma (d)=(a+b+c)
(€/mil)				
ASSETS				
Cash and deposits with central banks and post offices	1,454	58	-	1,512
Loans	147,902	1,241	-316	148,827
- due from banks	21,189	295	113	21,597
- loans to customers	126,713	946	-429	127,230
Dealing securities	25,028	278	-	25,306
Fixed assets	11,732	-32	7	11,707
- investment securities	3,931	21	-2	3,950
- equity investments	4,837	-117	34	4,754
- intangible fixed assets	426	38	-17	447
- tangible fixed assets	2,538	26	-8	2,556
Differences arising on consolidation and on application of the equity method	1,120	55	-	1,175
Other assets	23,116	106	-47	23,175
Total assets	210,352	1,706	-356	211,702
LIABILITIES				
Payables	168,360	1,469	-279	169,550
- due to banks	32,943	360	-87	33,216
- due to customers and securities issued	135,417	1,109	-192	136,334
Provisions	4,565	83	-13	4,635
- for taxation	1,392	59	-6	1,445
- for termination indemnities	993	7	-2	998
- for risks and charges	1,810	12	-5	1,817
- for pensions and similar	370	5	-	375
Other liabilities	19,611	89	-41	19,659
Subordinated liabilities	5,793	-	-8	5,785
Minority interests	797	8	-	805
Shareholders' equity	11,226	57	-15	11,268
Total liabilities	210,352	1,706	-356	211,702

(1) Pro forma figures prepared according to the criteria detailed in the Explanatory Notes to the Consolidated financial statements as of 31/12/2002, assuming the merger with Cardine Banca from 1 January 2002.

(2) On the basis of recent instructions received from the Bank of Italy, capitalization certificates subscribed by the Group (629 million euro) have been reclassified from the caption in the published financial statements "dealing securities" to the caption "loans to customers".

(3) The figures refer to the conventional assumption of the line by line consolidation of the Eptaconsors Group and of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì with effect from 1 January 2002.

(4) The figures refer to the non consolidation of IMIWeb and Finconsumo Banca, with effect from 1 January 2002.

First half 2002: Statement of reclassified consolidated pro forma statement of income

	(€/mil)			
	SANPAOLO IMI Group (a)	Expansion of the consolidation area using line by line and proportional methods (1) (b)	Reduction in the consolidation area using line by line and proportional methods (2) (c)	SANPAOLO IMI Group pro forma (d)=(a+b+c)
NET INTEREST INCOME	1,877	24	-20	1,881
Net commissions and other net dealing revenues	1,386	35	-5	1,416
Profits and losses from financial transactions and dividends on shares	209	6	-1	214
Profits from companies carried at equity and dividends from shareholdings	184	-2	2	184
NET INTEREST AND OTHER BANKING INCOME	3,656	63	-24	3,695
Administrative costs	-2,296	-46	20	-2,322
- <i>personnel</i>	-1,420	-24	8	-1,436
- <i>other administrative costs</i>	-743	-21	10	-754
- <i>indirect duties and taxes</i>	-133	-1	2	-132
Other operating income, net	171	2	-4	169
Adjustments to tangible and intangible fixed assets	-223	-10	5	-228
OPERATING INCOME	1,308	9	-3	1,314
Adjustments to goodwill and merger and consolidation differences	-85	-2	-	-87
Provisions and net adjustments to loans and financial fixed assets	-312	-3	5	-310
INCOME BEFORE EXTRAORDINARY ITEMS	911	4	2	917
Net extraordinary income	136	-	1	137
INCOME BEFORE TAXES	1,047	4	3	1,054
Income taxes for the period	-415	-5	-	-420
Change in reserve for general banking risks	-2	-	-	-2
Income attributable to minority interests	-29	-	-	-29
NET INCOME	601	-1	3	603

(1) The figures refer to the conventional assumption of the line by line consolidation of the Eptaconsors Group and of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì with effect from 1 January 2002.

(2) The figures refer to the non consolidation of IMIWeb and Finconsumo Banca, with effect from 1 January 2002.

30 June 2002: Statement of reclassified consolidated pro forma balance sheet

	SANPAOLO IMI Group (1) (a)	Expansion of the consolidation area using line by line and proportional methods (2) (b)	Reduction in the consolidation area using line by line and proportional methods (3) (c)	SANPAOLO IMI Group pro forma (d)=(a+b+c)
(€/mil)				
ASSETS				
Cash and deposits with central banks and post offices	1,029	70	-1	1,098
Loans	147,242	1,241	-439	148,044
- due from banks	22,735	271	40	23,046
- loans to customers	124,507	970	-479	124,998
Dealing securities	24,465	232	-1	24,696
Fixed assets	10,660	-29	8	10,639
- investment securities	3,642	22	-2	3,662
- equity investments	4,120	-112	35	4,043
- intangible fixed assets	407	35	-16	426
- tangible fixed assets	2,491	26	-9	2,508
Differences arising on consolidation and on application of the equity method	1,141	54	-	1,195
Other assets	22,995	75	-67	23,003
Total assets	207,532	1,643	-500	208,675
LIABILITIES				
Payables	166,657	1,459	-437	167,679
- due to banks	30,201	319	-52	30,468
- due to customers and securities issued	136,456	1,140	-385	137,211
Provisions	4,159	68	-9	4,218
- for taxation	1,058	43	-2	1,099
- for termination indemnities	989	8	-2	995
- for risks and charges	1,769	12	-5	1,776
- for pensions and similar	343	5	-	348
Other liabilities	19,755	57	-32	19,780
Subordinated liabilities	6,155	-	-8	6,147
Minority interests	437	8	-	445
Shareholders' equity	10,369	51	-14	10,406
Total liabilities	207,532	1,643	-500	208,675

(1) On the basis of recent instructions received from the Bank of Italy, capitalization certificates subscribed by the Group (635 million euro) have been reclassified from the caption in the published financial statements "dealing securities" to the caption "loans to customers".

(2) The figures refer to the conventional assumption of the line by line consolidation of the Eptaconsors Group and of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì with effect from 1 January 2002.

(3) The figures refer to the non consolidation of IMIWeb and Finconsumo Banca, with effect from 1 January 2002.

First nine months of 2002: Statement of reclassified consolidated pro forma statement of income

	(€/mil)			
	SANPAOLO IMI Group (a)	Expansion of the consolidation area using line by line and proportional methods (1) (b)	Reduction in the consolidation area using line by line and proportional methods (2) (c)	SANPAOLO IMI Group pro forma (d)=(a+b+c)
NET INTEREST INCOME	2,813	35	-31	2,817
Net commissions and other net dealing revenues	2,054	52	-9	2,097
Profits and losses from financial transactions and dividends on shares	222	11	-	233
Profits from companies carried at equity and dividends from shareholdings	239	-3	3	239
NET INTEREST AND OTHER BANKING INCOME	5,328	95	-37	5,386
Administrative costs	-3,424	-70	30	-3,464
- <i>personnel</i>	-2,111	-36	11	-2,136
- <i>other administrative costs</i>	-1,118	-33	15	-1,136
- <i>indirect duties and taxes</i>	-195	-1	4	-192
Other operating income, net	264	4	-6	262
Adjustments to tangible and intangible fixed assets	-350	-16	7	-359
OPERATING INCOME	1,818	13	-6	1,825
Adjustments to goodwill and merger and consolidation differences	-124	-3	-	-127
Provisions and net adjustments to loans and financial fixed assets	-765	-6	7	-764
INCOME BEFORE EXTRAORDINARY ITEMS	929	4	1	934
Net extraordinary income	170	-	1	171
INCOME BEFORE TAXES	1,099	4	2	1,105
Income taxes for the period	-492	-8	2	-498
Change in reserve for general banking risks	11	-	-	11
Income attributable to minority interests	-43	-	-	-43
NET INCOME	575	-4	4	575

(1) The figures refer to the conventional assumption of the line by line consolidation of the Eptaconsors Group and of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì with effect from 1 January 2002.

(2) The figures refer to the non consolidation of IMIWeb and Finconsumo Banca, with effect from 1 January 2002.

30 September 2002: Statement of reclassified consolidated pro forma balance sheet

	SANPAOLO IMI Group (1) (a)	Expansion of the consolidation area using line by line and proportional methods (2) (b)	Reduction in the consolidation area using line by line and proportional methods (3) (c)	SANPAOLO IMI Group pro forma (d)=(a+b+c)
(€/mil)				
ASSETS				
Cash and deposits with central banks and post offices	1,042	84	-2	1,124
Loans	146,321	1,227	-452	147,096
- due from banks	21,977	244	68	22,289
- loans to customers	124,344	983	-520	124,807
Dealing securities	23,095	198	-	23,293
Fixed assets	10,093	-35	10	10,068
- investment securities	3,117	23	-2	3,138
- equity investments	4,170	-115	36	4,091
- intangible fixed assets	390	31	-15	406
- tangible fixed assets	2,416	26	-9	2,433
Differences arising on consolidation and on application of the equity method	1,095	53	-	1,148
Other assets	23,128	79	-62	23,145
Total assets	204,774	1,606	-506	205,874
LIABILITIES				
Payables	163,743	1,412	-434	164,721
- due to banks	26,902	250	-48	27,104
- due to customers and securities issued	136,841	1,162	-386	137,617
Provisions	4,291	55	-13	4,333
- for taxation	1,194	31	-6	1,219
- for termination indemnities	969	8	-2	975
- for risks and charges	1,786	11	-5	1,792
- for pensions and similar	342	5	-	347
Other liabilities	19,765	82	-38	19,809
Subordinated liabilities	6,218	-	-8	6,210
Minority interests	429	8	-	437
Shareholders' equity	10,328	49	-13	10,364
Total liabilities	204,774	1,606	-506	205,874

(1) On the basis of recent instructions received from the Bank of Italy, capitalization certificates subscribed by the Group (642 million euro) have been reclassified from the caption in the published financial statements "dealing securities" to the caption "loans to customers".

(2) The figures refer to the conventional assumption of the line by line consolidation of the Eptaconsors Group and of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì with effect from 1 January 2002.

(3) The figures refer to the non consolidation of IMIWeb and Finconsumo Banca, with effect from 1 January 2002.

2002: Statement of reclassified consolidated pro forma statement of income

	(€/mil)			
	SANPAOLO IMI Group (a)	Expansion of the consolidation area using line by line and proportional methods (1) (b)	Reduction in the consolidation area using line by line and proportional methods (2) (c)	SANPAOLO IMI Group pro forma (d)=(a+b+c)
NET INTEREST INCOME	3,773	46	-44	3,775
Net commissions and other net dealing revenues	2,809	69	-12	2,866
Profits and losses from financial transactions and dividends on shares	286	15	-1	300
Profits from companies carried at equity and dividends from shareholdings	292	-1	2	293
NET INTEREST AND OTHER BANKING INCOME	7,160	129	-55	7,234
Administrative costs	-4,648	-95	43	-4,700
- <i>personnel</i>	-2,856	-49	17	-2,888
- <i>other administrative costs</i>	-1,528	-44	21	-1,551
- <i>indirect duties and taxes</i>	-264	-2	5	-261
Other operating income, net	358	5	-9	354
Adjustments to tangible and intangible fixed assets	-510	-21	10	-521
OPERATING INCOME	2,360	18	-11	2,367
Adjustments to goodwill and merger and consolidation differences	-212	-6	-	-218
Provisions and net adjustments to loans and financial fixed assets	-1,426	-11	11	-1,426
INCOME BEFORE EXTRAORDINARY ITEMS	722	1	-	723
Net extraordinary income	296	5	20	321
INCOME BEFORE TAXES	1,018	6	20	1,044
Income taxes for the period	-450	-10	-3	-463
Change in reserve for general banking risks	364	-1	-	363
Income attributable to minority interests	-43	-	-	-43
NET INCOME	889	-5	17	901

(1) The figures refer to the conventional assumption of the line by line consolidation of the Eptaconsors Group and of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì with effect from 1 January 2002.

(2) The figures refer to the non consolidation of IMIWeb and Finconsumo Banca, with effect from 1 January 2002.

31 December 2002: Statement of reclassified consolidated pro forma balance sheet

	SANPAOLO IMI Group (1) (a)	Expansion of the consolidation area using line by line and proportional methods (2) (b)	Reduction in the consolidation area using line by line and proportional methods (3) (c)	SANPAOLO IMI Group pro forma (d)=(a+b+c)
(€/mil)				
ASSETS				
Cash and deposits with central banks and post offices	1,406	102	-	1,508
Loans	149,349	1,227	-459	150,117
- due from banks	22,000	168	100	22,268
- loans to customers	127,349	1,059	-559	127,849
Dealing securities	19,046	171	-	19,217
Fixed assets	9,596	-	19	9,615
- investment securities	2,897	25	-2	2,920
- equity investments	4,064	-82	33	4,015
- intangible fixed assets	406	31	-4	433
- tangible fixed assets	2,229	26	-8	2,247
Differences arising on consolidation and on application of the equity method	1,030	50	-	1,080
Other assets	23,346	48	-90	23,304
Total assets	203,773	1,598	-530	204,841
LIABILITIES				
Payables	161,505	1,474	-466	162,513
- due to banks	24,456	231	-58	24,629
- due to customers and securities issued	137,049	1,243	-408	137,884
Provisions	3,813	43	-12	3,844
- for taxation	670	18	-7	681
- for termination indemnities	961	8	-2	967
- for risks and charges	1,839	12	-3	1,848
- for pensions and similar	343	5	-	348
Other liabilities	20,971	56	-44	20,983
Subordinated liabilities	6,613	-	-8	6,605
Minority interests	334	8	-	342
Shareholders' equity	10,537	17	-	10,554
Total liabilities	203,773	1,598	-530	204,841

(1) On the basis of recent instructions received from the Bank of Italy, capitalization certificates subscribed by the Group (648 million euro) have been reclassified from the caption in the published financial statements "dealing securities" to the caption "loans to customers".

(2) The figures refer to the conventional assumption of the line by line consolidation of the Eptaconsors Group and of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì with effect from 1 January 2002.

(3) The figures refer to the non consolidation of IMIWeb and Finconsumo Banca, with effect from 1 January 2002.

First quarter 2003: Statement of reclassified consolidated pro forma statement of income

	(€/mil)			
	SANPAOLO IMI Group (a)	Expansion of the consolidation area using line by line and proportional methods (1) (b)	Reduction in the consolidation area using line by line and proportional methods (2) (c)	SANPAOLO IMI Group pro forma (d)=(a+b+c)
NET INTEREST INCOME	955	12	-12	955
Net commissions and other net dealing revenues	692	4	2	698
Profits and losses from financial transactions and dividends on shares	83	1	-	84
Profits from companies carried at equity and dividends from shareholdings	48	-1	2	49
NET INTEREST AND OTHER BANKING INCOME	1,778	16	-8	1,786
Administrative costs	-1,142	-10	5	-1,147
- <i>personnel</i>	-713	-6	2	-717
- <i>other administrative costs</i>	-361	-4	2	-363
- <i>indirect duties and taxes</i>	-68	-	1	-67
Other operating income, net	84	-	-3	81
Adjustments to tangible and intangible fixed assets	-111	-	1	-110
OPERATING INCOME	609	6	-5	610
Adjustments to goodwill and merger and consolidation differences	-33	-1	-	-34
Provisions and net adjustments to loans and financial fixed assets	-135	-2	3	-134
INCOME BEFORE EXTRAORDINARY ITEMS	441	3	-2	442
Net extraordinary income	42	-	-	42
INCOME BEFORE TAXES	483	3	-2	484
Income taxes for the period	-194	-2	2	-194
Change in reserve for general banking risks	-	-	-	-
Income attributable to minority interests	-9	-	-	-9
NET INCOME	280	1	-	281

(1) The figures refer to the line by line consolidation of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì not recorded to the quarterly report of the SANPAOLO IMI Group as of 31 March 2003.

(2) The figures refer to the non-consolidation of Finconsumo Banca not recorded in the quarterly report of the SANPAOLO IMI Group as of 31 March 2003.

31 March 2003: Statement of reclassified consolidated pro forma balance sheet

	SANPAOLO IMI Group (a)	Expansion of the consolidation area using line by line and proportional methods (1) (b)	Reduction in the consolidation area using line by line and proportional methods (2) (c)	SANPAOLO IMI Group pro forma (d)=(a+b+c)
(€/mil)				
ASSETS				
Cash and deposits with central banks and post offices	891	83	-1	973
Loans	152,571	1,082	-589	153,064
- due from banks	23,638	72	32	23,742
- loans to customers	128,933	1,010	-621	129,322
Dealing securities	20,620	95	-	20,715
Fixed assets	10,079	12	30	10,121
- investment securities	3,455	22	-2	3,475
- equity investments	4,059	-49	34	4,044
- intangible fixed assets	381	24	-1	404
- tangible fixed assets	2,184	15	-1	2,198
Differences arising on consolidation and on application of the equity method	999	56	-	1,055
Other assets	22,363	47	-51	22,359
Total assets	207,523	1,375	-611	208,287
LIABILITIES				
Payables	166,646	1,312	-569	167,389
- due to banks	28,215	175	-273	28,117
- due to customers and securities issued	138,431	1,137	-296	139,272
Provisions	3,946	23	-11	3,958
- for taxation	875	7	-9	873
- for termination indemnities	969	4	-2	971
- for risks and charges	1,759	7	-	1,766
- for pensions and similar	343	5	-	348
Other liabilities	19,196	64	-23	19,237
Subordinated liabilities	6,541	-	-8	6,533
Minority interests	379	-25	-	354
Shareholders' equity	10,815	1	-	10,816
Total liabilities	207,523	1,375	-611	208,287

(1) The figures refer to the line by line consolidation of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì not recorded to the quarterly report of the SANPAOLO IMI Group as of 31 March 2003.

(2) The figures refer to the non-consolidation of Finconsumo Banca not recorded in the quarterly report of the SANPAOLO IMI Group as of 31 March 2003.

Statement of consolidated pro forma balance sheet – official format as of 30 June 2002

	(€/mil)			
	SANPAOLO IMI Group (1)	Expansion of the consolidation area using line by line and proportional methods (2) (b)	Reduction in the consolidation area using line by line and proportional methods (3) (c)	SANPAOLO IMI Group pro forma (d)=(a+b+c)
ASSETS	(a)			
10. Cash and deposits with central banks and post offices	1,029	70	-1	1,098
20. Treasury bills and similar bills eligible for refinancing with central banks	7,382	59	-	7,441
30. Due from banks	22,735	271	40	23,046
a) repayable on demand	8,062	43	2	8,107
b) other loans	14,673	228	38	14,939
40. Loans to customers	124,507	970	-479	124,998
of which:				
- loans using public funds	198	-	-	198
50. Bonds and other debt securities	14,884	180	-3	15,061
a) public entities	7,065	147	-	7,212
b) banks	4,915	24	-1	4,938
of which:				
- own bonds	1,809	3	-	1,812
c) financial institutions	1,126	-	-2	1,124
of which:				
- own bonds	-	-	-	-
d) other issuers	1,778	9	-	1,787
60. Shares, quotas and other equities	5,791	15	-	5,806
70. Equity investments	3,472	-112	35	3,395
a) carried at equity	438	-116	35	357
b) other	3,034	4	-	3,038
80. Investments in Group companies	648	-	-	648
a) carried at equity	648	-	-	648
b) other loans	-	-	-	-
90. Goodwill arising on consolidation	939	168	-	1,107
100. Goodwill arising on application of the equity method	202	-114	-	88
110. Intangible fixed assets	407	35	-16	426
of which:				
- start-up costs	3	1	-	4
- goodwill	8	-	-	8
120. Tangible fixed assets	2,491	26	-9	2,508
140. Own shares or quotas	50	-	-	50
150. Other assets	20,031	60	-42	20,049
160. Accrued income and prepaid expenses	2,964	15	-25	2,954
a) accrued income	2,268	13	-4	2,277
b) prepaid expenses	696	2	-21	677
of which:				
- discounts on bond issues	139	-	-	139
Total assets	207,532	1,643	-500	208,675

(1) On the basis of recent instructions received from the Bank of Italy, capitalization certificates subscribed by the Group (635 million euro) have been reclassified from the caption in the published financial statements "dealing securities" to the caption "loans to customers".

(2) The figures refer to the conventional assumption of the line by line consolidation of the Eptaconsors Group and of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì with effect from 1 January 2002.

(3) The figures refer to the non consolidation of IMIWeb and Finconsumo Banca, with effect from 1 January 2002.

	(€/mil)			
	SANPAOLO IMI Group	Expansion of the consolidation area using line by line and proportional methods (1) (b)	Reduction in the consolidation area using line by line and proportional methods (2) (c)	SANPAOLO IMI Group pro forma
LIABILITIES	(a)			(d)=(a+b+c)
10. Due to banks	30,201	319	-52	30,468
a) repayable on demand	7,032	21	129	7,182
b) time deposits or with notice period	23,169	298	-181	23,286
20. Due to customers	83,826	871	-149	84,548
a) repayable on demand	63,741	407	-147	64,001
b) time deposits or with notice period	20,085	464	-2	20,547
30. Securities issued	52,429	269	-236	52,462
a) bonds	40,211	235	-150	40,296
b) certificates of deposit	7,411	34	-	7,445
c) other	4,807	-	-86	4,721
40. Public funds administered	201	-	-	201
50. Other liabilities	17,202	45	-24	17,223
60. Accrued expenses and deferred income	2,552	12	-8	2,556
a) accrued expenses	2,080	12	-6	2,086
b) deferred income	472	-	-2	470
70. Provisions for employee termination indemnities	989	8	-2	995
80. Provisions for risks and charges	3,092	55	-7	3,140
a) pensions and similar commitments	343	5	-	348
b) taxation	1,058	43	-2	1,099
c) other	1,691	7	-5	1,693
90. Reserve for possible loan losses	79	5	-	84
110. Subordinated liabilities	6,155	-	-8	6,147
120. Negative goodwill arising on consolidation	-	-	-	-
130. Negative goodwill arising on application of the equity method	115	4	-5	114
140. Minority interest	437	8	-	445
Capital and reserves (captions 100, 150, 160, 170, 180)	9,653	48	-12	9,689
200. Net income	601	-1	3	603
Total liabilities and shareholders' equity	207,532	1,643	-500	208,675

(1) The figures refer to the conventional assumption of the line by line consolidation of the Eptaconsors Group and of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì with effect from 1 January 2002.

(2) The figures refer to the non consolidation of IMIWeb and Finconsumo Banca, with effect from 1 January 2002.

Statement of consolidated pro forma statement of income – official format for the first half of 2002

	(€/mil)			
	SANPAOLO IMI Group	Expansion of the consolidation area using line by line and proportional methods (1) (b)	Reduction in the consolidation area using line by line and proportional methods (2) (c)	SANPAOLO IMI Group pro forma
	(a)			(d)=(a+b+c)
10. Interest income and similar revenues	4,357	58	-30	4,385
<i>of which:</i>				
– loans to customers	3,444	38	-22	3,460
– debt securities	492	5	-6	491
20. Interest expense and similar charges	-2,509	-34	10	-2,533
<i>of which:</i>				
– amounts due to customers	-714	-13	1	-726
– securities issued	-1,132	-6	1	-1,137
30. Dividends and other revenues	514	-	-	514
a) shares, quotas and other equities	388	-	-	388
b) equity investments	126	-	-	126
40. Commission income	1,734	105	-17	1,822
50. Commission expense	-359	-70	11	-418
60. Profits (losses) on financial transactions	-159	6	-1	-154
70. Other operating income	204	2	-3	203
80. Administrative costs	-2,296	-46	20	-2,322
a) personnel	-1,420	-24	8	-1,436
<i>of which:</i>				
– wages and salaries	-1,027	-18	6	-1,039
– social security charges	-300	-5	2	-303
– termination indemnities	-73	-1	-	-74
– pensions and similar	-20	-	-	-20
b) other administrative costs	-876	-22	12	-886
90. Adjustments to tangible and intangible fixed assets	-308	-12	5	-315
100. Provisions for risks and charges	-99	-	1	-98
110. Other operating expense	-22	-	-	-22
120. Adjustments to loans and provisions for guarantees and commitments	-339	-3	4	-338
130. Writebacks of adjustments to loans and provisions for guarantees and commitments	206	-	-	206
140. Provisions to the reserve for possible loan losses	-15	-	-	-15
150. Adjustments to financial fixed assets	-71	-	-	-71
160. Writebacks of adjustments to financial fixed assets	15	-	-	15
170. Income (losses) from investments carried at equity	58	-2	2	58
180. Income from ordinary activities	911	4	2	917
190. Extraordinary income	277	-	-1	276
200. Extraordinary expense	-141	-	2	-139
210. Extraordinary net income	136	-	1	137
230. Change in reserves for general banking risks	-2	-	-	-2
240. Income taxes	-415	-5	-	-420
250. Income (loss) attributable to minority interests	-29	-	-	-29
260. Net income	601	-1	3	603

(1) The figures refer to the conventional assumption of the line by line consolidation of the Eptaconsors Group and of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì with effect from 1 January 2002.

(2) The figures refer to the non consolidation of IMIWeb and Finconsumo Banca, with effect from 1 January 2002.

Statement of consolidated pro forma balance sheet – official format as of 31 December 2002

	(€/mil)			
	SANPAOLO IMI Group (1)	Expansion of the consolidation area using line by line and proportional methods (2) (b)	Reduction in the consolidation area using line by line and proportional methods (3) (c)	SANPAOLO IMI Group pro forma
ASSETS	(a)	(b)	(c)	(d)=(a+b+c)
10. Cash and deposits with central banks and post offices	1,406	102	-	1,508
20. Treasury bills and similar bills eligible for refinancing with central banks	3,143	56	-	3,199
30. Due from banks	22,000	168	100	22,268
a) repayable on demand	4,975	33	4	5,012
b) other loans	17,025	135	96	17,256
40. Loans to customers	127,349	1,059	-559	127,849
<i>of which:</i>				
- <i>loans using public funds</i>	206	-	-	206
50. Bonds and other debt securities	16,174	129	-2	16,301
a) public entities	8,628	104	-	8,732
b) banks	5,079	20	-	5,099
<i>of which:</i>				
- <i>own bonds</i>	1,774	3	-	1,777
c) financial institutions	1,132	-	-2	1,130
<i>of which:</i>				
- <i>own bonds</i>	8	-	-	8
d) other issuers	1,335	5	-	1,340
60. Shares, quotas and other equities	2,595	11	-	2,606
70. Equity investments	3,224	-82	33	3,175
a) carried at equity	426	-86	33	373
b) other	2,798	4	-	2,802
80. Investments in Group companies	840	-	-	840
a) carried at equity	840	-	-	840
b) other loans	-	-	-	-
90. Goodwill arising on consolidation	842	158	-	1,000
100. Goodwill arising on application of the equity method	188	-108	-	80
110. Intangible fixed assets	406	31	-4	433
<i>of which:</i>				
- <i>start-up costs</i>	2	1	-	3
- <i>goodwill</i>	16	-	-	16
120. Tangible fixed assets	2,229	26	-8	2,247
140. Own shares or quotas	31	-	-	31
150. Other assets	20,494	37	-62	20,469
160. Accrued income and prepaid expenses	2,852	11	-28	2,835
a) accrued income	2,063	10	-4	2,069
b) prepaid expenses	789	1	-24	766
<i>of which:</i>				
- <i>discounts on bond issues</i>	236	-	-	236
Total assets	203,773	1,598	-530	204,841

(1) On the basis of recent instructions received from the Bank of Italy, capitalization certificates subscribed by the Group (648 million euro) have been reclassified from the caption in the published financial statements "dealing securities" to the caption "loans to customers".

(2) The figures refer to the conventional assumption of the line by line consolidation of the Eptaconsors Group and of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì with effect from 1 January 2002.

(3) The figures refer to the non consolidation of IMIWeb and Finconsumo Banca, with effect from 1 January 2002.

	(€/mil)					
	SANPAOLO IMI Group	Expansion of the consolidation area using line by line and proportional methods (1) (b)	Reduction in the consolidation area using line by line and proportional methods (2) (c)	SANPAOLO IMI Group pro forma		
	(a)	(b)	(c)	(d)=(a+b+c)		
LIABILITIES						
10. Due to banks	24,456	231	-58	24,629		
a) repayable on demand	2,952	34	166	3,152		
b) time deposits or with notice period	21,504	197	-224	21,477		
20. Due to customers	85,280	962	-176	86,066		
a) repayable on demand	60,458	468	-169	60,757		
b) time deposits or with notice period	24,822	494	-7	25,309		
30. Securities issued	51,561	281	-232	51,610		
a) bonds	39,447	248	-150	39,545		
b) certificates of deposit	7,310	33	-	7,343		
c) other	4,804	-	-82	4,722		
40. Public funds administered	208	-	-	208		
50. Other liabilities	18,807	45	-37	18,815		
60. Accrued expenses and deferred income	2,164	11	-7	2,168		
a) accrued expenses	1,622	11	-4	1,629		
b) deferred income	542	-	-3	539		
70. Provisions for employee termination indemnities	961	8	-2	967		
80. Provisions for risks and charges	2,781	30	-10	2,801		
a) pensions and similar commitments	343	5	-	348		
b) taxation	670	18	-7	681		
c) other	1,768	7	-3	1,772		
90. Reserve for possible loan losses	71	5	-	76		
110. Subordinated liabilities	6,613	-	-8	6,605		
120. Negative goodwill arising on consolidation	-	-	-	-		
130. Negative goodwill arising on application of the equity method	94	4	-5	93		
140. Minority interest	334	8	-	342		
Capital and reserves (captions 100, 150, 160, 170, 180)	9,554	18	-12	9,560		
200. Net income	889	-5	17	901		
Total liabilities and shareholders' equity	203,773	1,598	-530	204,841		

(1) The figures refer to the conventional assumption of the line by line consolidation of the Eptaconsors Group and of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì with effect from 1 January 2002.

(2) The figures refer to the non consolidation of IMIWeb and Finconsumo Banca, with effect from 1 January 2002.

Statement of consolidated pro forma statement of income – official format for the year 2002

	(€/mil)			
	SANPAOLO IMI Group (a)	Expansion of the consolidation area using line by line and proportional methods (1) (b)	Reduction in the consolidation area using line by line and proportional methods (2) (c)	SANPAOLO IMI Group pro forma (d)=(a+b+c)
10. Interest income and similar revenues	8,693	116	-67	8,742
<i>of which:</i>				
– loans to customers	6,936	77	-48	6,965
– debt securities	995	11	-12	994
20. Interest expense and similar charges	-4,955	-70	23	-5,002
<i>of which:</i>				
– amounts due to customers	-1,445	-27	3	-1,469
– securities issued	-2,203	-12	5	-2,210
30. Dividends and other revenues	565	-	-	565
a) shares, quotas and other equities	410	-	-	410
b) equity investments	155	-	-	155
40. Commission income	3,467	209	-36	3,640
50. Commission expense	-671	-140	24	-787
60. Profits (losses) on financial transactions	-98	15	-1	-84
70. Other operating income	422	7	-10	419
80. Administrative costs	-4,648	-95	43	-4,700
a) personnel	-2,856	-49	17	-2,888
<i>of which:</i>				
– wages and salaries	-2,061	-34	13	-2,082
– social security charges	-618	-11	4	-625
– termination indemnities	-140	-3	-	-143
– pensions and similar	-37	-1	-	-38
b) other administrative costs	-1,792	-46	26	-1,812
90. Adjustments to tangible and intangible fixed assets	-753	-27	22	-758
100. Provisions for risks and charges	-261	-3	2	-262
110. Other operating expense	-50	-2	1	-51
120. Adjustments to loans and provisions for guarantees and commitments	-889	-10	10	-889
130. Writebacks of adjustments to loans and provisions for guarantees and commitments	320	2	-1	321
140. Provisions to the reserve for possible loan losses	-27	-	-	-27
150. Adjustments to financial fixed assets	-569	-	-	-569
160. Writebacks of adjustments to financial fixed assets	8	-	-	8
170. Income (losses) from investments carried at equity	137	-1	2	138
180. Income from ordinary activities	691	1	12	704
190. Extraordinary income	575	9	-2	582
200. Extraordinary expense	-248	-4	10	-242
210. Extraordinary net income	327	5	8	340
230. Change in reserves for general banking risks	364	-1	-	363
240. Income taxes	-450	-10	-3	-463
250. Income (loss) attributable to minority interests	-43	-	-	-43
260. Net income	889	-5	17	901

(1) The figures refer to the conventional assumption of the line by line consolidation of the Eptaconsors Group and of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì with effect from 1 January 2002.

(2) The figures refer to the non consolidation of IMIWeb and Finconsumo Banca, with effect from 1 January 2002.

Half Year Report on the Parent Bank

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PARENT BANK RECLASSIFIED STATEMENT OF INCOME

PARENT BANK BALANCE SHEET

PARENT BANK STATEMENT OF INCOME

Parent Bank reclassified balance sheet

	30/6/2003 (€/mil)	31/12/2002 pro forma (€/mil)	Change 30/6/03-31/12/02 pro forma (%)	30/6/2002 pro forma (€/mil)
ASSETS				
Cash and deposits with central banks and post offices	654	986	-33.7	661
Loans	106,867	95,815	+11.5	93,764
- due from banks	31,261	20,951	+49.2	20,710
- loans to customers	75,606	74,864	+1.0	73,054
Dealing securities	9,083	11,950	-24.0	11,234
Fixed assets	14,729	13,435	+9.6	14,939
- investment securities	2,519	2,033	+23.9	3,151
- equity investments	9,317	8,373	+11.3	8,596
- intangible fixed assets	1,513	1,613	-6.2	1,686
- tangible fixed assets	1,380	1,416	-2.5	1,506
Other assets	12,861	10,846	+18.6	12,682
Total assets	144,194	133,032	+8.4	133,280
LIABILITIES				
Payables	111,813	104,299	+7.2	105,364
- due to banks	39,463	31,064	+27.0	32,458
- due to customers and securities issued	72,350	73,235	-1.2	72,906
Provisions	2,707	3,123	-13.3	3,704
- for taxation	527	1,047	-49.7	1,622
- for termination indemnities	685	686	-0.1	711
- provisions for risks and charges	1,455	1,349	+7.9	1,330
- for pensions and similar	40	41	-2.4	41
Other liabilities	13,908	9,564	+45.4	8,736
Subordinated liabilities	6,310	6,090	+3.6	5,633
Shareholders' equity	9,456	9,956	-5.0	9,843
of which				
- capital	5,144	5,144	-	5,144
- reserves	4,262	4,048	+5.3	4,454
- net income for the period	50	780	-93.6	217
- adjustment for alignment with net income	-	-16	n.s.	28
Total liabilities and shareholders' equity	144,194	133,032	+8.4	133,280
GUARANTEES AND COMMITMENTS				
Guarantees given	27,594	30,142	-8.5	29,086
Commitments	13,786	13,652	+1.0	13,835

The pro forma data have been prepared according to the criteria detailed in the explanatory notes and are unaudited.

Parent Bank reclassified statement of income

	First half 2003 (€/mil)	First half 2002 pro forma (€/mil)	Change first half 2003 / First half 2002 pro forma (%)	2002 pro forma (€/mil)
NET INTEREST INCOME	1,048	1,042	+0.6	2,081
Net commissions and other net dealing revenues	746	711	+4.9	1,482
Profits and losses from financial transactions and dividends on shares	68	49	+38.8	62
Dividends from shareholdings	56	154	-63.6	700
NET INTEREST AND OTHER BANKING INCOME	1,918	1,956	-1.9	4,325
Administrative costs	-1,349	-1,345	+0.3	-2,758
<i>of which:</i>				
- <i>personnel</i>	-880	-874	+0.7	-1,791
- <i>other administrative costs</i>	-387	-389	-0.5	-809
- <i>indirect duties and taxes</i>	-82	-82	-	-158
Other operating income, net	94	104	-9.6	211
Adjustments to tangible and intangible fixed assets	-144	-140	+2.9	-320
OPERATING INCOME	519	575	-9.7	1,458
Adjustments to goodwill and merger differences	-79	-92	-14.1	-185
Provisions and net adjustments to loans and financial fixed assets	-102	-182	-44.0	-747
INCOME BEFORE EXTRAORDINARY ITEMS	338	301	+12.3	526
Net extraordinary income/expense	-171	122	n.s.	315
INCOME BEFORE TAXES	167	423	-60.5	841
Use of reserve for general banking risks				358
Income taxes for the period	-117	-206	-43.2	-419
NET INCOME	50	217	-77.0	780
Adjustment for alignment with net income		28		-16
Aggregate net income (SANPAOLO IMI + Banco di Napoli)		245		764

The pro forma data have been prepared according to the criteria detailed in the explanatory notes and are unaudited.

Parent Bank balance sheet

(in Euro)

ASSETS	30/06/2003	31/12/2002 SANPAOLO IMI	31/12/2002 pro forma
10. Cash and deposits with central banks and post offices	654,401,474	985,719,740	985,719,740
20. Treasury bills and similar bills eligible for refinancing with central banks	1,161,735,748	1,553,698,471	1,553,698,471
30. Due from banks	31,261,350,573	20,951,323,060	20,951,323,060
a) repayable on demand	7,075,231,720	4,921,480,358	4,921,480,358
b) other loans	24,186,118,853	16,029,842,702	16,029,842,702
40. Loans to customers	75,605,724,519	76,158,636,358	74,864,087,032
of which:			
- loans using public funds	48,082,742	90,404,572	90,404,572
50. Bonds and other debt securities	10,377,102,600	12,813,913,081	12,099,999,426
a) public entities	3,727,935,294	4,563,621,199	4,497,839,144
b) banks	6,079,899,167	6,434,321,388	6,434,321,388
of which:			
- own bonds	877,815,123	986,187,745	986,187,745
c) financial institutions	256,327,518	487,524,975	487,524,975
of which:			
- own bonds	-	-	-
d) other issuers	312,940,621	1,328,445,519	680,313,919
60. Shares, quotas and other equities	37,426,458	329,736,031	329,736,031
70. Equity investments	1,687,501,455	1,619,592,372	1,619,592,372
80. Investments in Group companies	7,629,940,541	6,693,119,740	6,753,119,740
90. Intangible fixed assets	1,513,280,012	1,612,606,208	1,612,606,208
of which:			
- start-up costs	-	-	-
- goodwill	1,332,497,463	1,411,283,306	1,411,283,306
100. Tangible fixed assets	1,379,646,558	1,416,269,773	1,416,269,773
120. Own shares or quotas (nominal value € 2.8)	25,707,648	7	7
130. Other assets	11,065,404,209	9,044,329,784	9,017,488,358
140. Accrued income and prepaid expenses	1,794,425,667	1,828,037,680	1,828,037,680
a) accrued income	1,445,329,990	1,451,080,451	1,451,080,451
b) prepaid expenses	349,095,677	376,957,229	376,957,229
of which:			
- discounts on bond issues	21,345,984	-	-
Total assets	144,193,647,462	135,006,982,305	133,031,677,898

	<i>(in Euro)</i>		
LIABILITIES	30/06/2003	31/12/2002 SANPAOLO IMI	31/12/2002 pro forma
10. Due to banks	39,463,085,102	31,020,049,520	31,064,306,037
a) repayable on demand	4,087,947,581	2,661,073,661	2,661,073,661
b) time deposits or with notice period	35,375,137,521	28,358,975,859	28,403,232,376
20. Due to customers	55,983,788,650	55,741,833,510	53,763,575,349
a) repayable on demand	41,622,663,051	40,490,341,035	40,490,341,035
b) time deposits or with notice period	14,361,125,599	15,251,492,475	13,273,234,314
30. Securities issued	16,145,861,741	19,375,280,452	19,375,280,452
a) bonds	13,320,334,864	16,024,777,812	16,024,777,812
b) certificates of deposit	2,219,742,743	2,845,383,004	2,845,383,004
c) other	605,784,134	505,119,636	505,119,636
40. Public funds administered	48,897,847	90,528,461	90,528,461
50. Other liabilities	12,915,562,763	8,279,336,152	8,278,988,298
60. Accrued expenses and deferred income	1,163,688,315	1,338,243,873	1,289,476,517
a) accrued expenses	916,916,165	1,092,277,336	1,043,509,980
b) deferred income	246,772,150	245,966,537	245,966,537
70. Provisions for termination indemnities	685,191,761	686,918,780	685,731,227
80. Provisions for risks and charges	2,021,837,518	2,427,868,887	2,436,868,887
a) pensions and similar commitments	39,678,791	41,237,000	41,237,000
b) taxation	526,701,393	1,037,458,900	1,046,458,900
c) other	1,455,457,334	1,349,172,987	1,349,172,987
90. Reserve for possible loan losses	-	-	-
100. Reserve for general banking risks	-	-	-
110. Subordinated liabilities	6,309,986,358	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	3,554,275,217	3,340,535,833	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	25,707,739	7	7
c) statutory reserves	-	-	-
d) other reserves	2,499,754,518	2,311,722,866	2,311,722,866
160. Retained earnings	-	-	-
170. Income for the period to be distributed	-	764,079,416	764,079,416
180. Net income for the period	49,640,031	-	-
Total liabilities and shareholders' equity	144,193,647,462	135,006,982,305	133,031,677,898
GUARANTEES AND COMMITMENTS			
	30/06/2003	31/12/2002 SANPAOLO IMI	31/12/2002 pro forma
10. Guarantees given	27,593,598,548	30,142,155,929	30,142,155,929
<i>of which:</i>			
- acceptances	141,740,997	129,978,307	129,978,307
- other guarantees	27,451,857,551	30,012,177,622	30,012,177,622
20. Commitments	13,786,356,317	14,180,832,609	13,652,123,646
<i>of which:</i>			
- for sales with obligation to repurchase	-	789,098,156	789,098,156
30. Commitments for derivatives on loans	-	-	-

Parent Bank statement of income

(in Euro)

	First half 2003	First half 2002 SANPAOLO IMI	First half 2002 pro forma
10. Interest income and similar revenues	2,319,853,955	2,117,440,784	2,710,054,632
<i>of which:</i>			
– loans to customers	1,782,731,017	1,549,893,656	2,007,615,197
– debt securities	210,263,647	258,240,958	341,873,702
20. Interest expense and similar charges	-1,271,999,970	-1,385,797,737	-1,667,189,605
<i>of which:</i>			
– amounts due to customers	-394,660,722	-373,180,830	-497,301,996
– securities issued	-403,530,841	-450,706,538	-569,827,953
30. Dividends and other revenues	55,961,934	150,220,745	160,704,383
a) shares, quotas and other equities	290,461	6,749,909	6,775,824
b) equity investments	55,671,473	143,470,836	149,893,739
c) investments in Group companies	-	-	4,034,820
40. Commission income	795,964,616	632,512,608	764,344,815
50. Commission expense	-49,961,664	-46,177,171	-54,553,510
60. Profits (losses) on financial transactions	67,998,238	27,600,717	34,338,779
70. Other operating income	99,910,032	120,659,015	107,218,763
80. Administrative costs	-1,349,309,426	-1,059,867,796	-1,346,662,152
a) personnel	-880,208,306	-645,391,731	-874,808,522
<i>of which:</i>			
– wages and salaries	-627,654,024	-463,238,547	-625,436,144
– social security charges	-206,722,903	-149,095,600	-196,769,026
– termination indemnities	-45,831,379	-33,057,584	-47,968,089
– pensions and similar	-	-	-4,635,263
b) other administrative costs	-469,101,120	-414,476,065	-471,853,630
90. Adjustments to tangible and intangible fixed assets	-223,377,750	-113,689,728	-231,411,889
100. Provisions for risks and charges	-35,200,604	-43,845,498	-63,153,130
110. Other operating expense	-5,308,707	-2,689,306	-2,689,306
120. Adjustments to loans and provisions for guarantees and commitments	-184,983,029	-136,386,667	-169,758,636
130. Writebacks of adjustments to loans and provisions for guarantees and commitments	135,014,337	95,641,419	111,528,200
140. Provisions for possible loan losses	-	-	-
150. Adjustments to financial fixed assets	-23,747,156	-52,234,510	-52,477,853
160. Writebacks of adjustments to financial fixed assets	6,925,260	460,819	460,819
170. Income from ordinary activities	337,740,066	303,847,694	300,754,310
180. Extraordinary income	108,948,186	193,489,761	236,252,770
190. Extraordinary expense	-280,014,008	-102,391,931	-114,337,080
200. Extraordinary net income	-171,065,822	91,097,830	121,915,690
220. Income taxes for the period	-117,034,213	-194,988,882	-205,681,300
230. Net income for the period	49,640,031	199,956,642	216,988,700

Explanatory Notes to the Half Year Report on the Parent Bank

Introduction

With a view to rationalizing the obligatory aspects of preparing the Half Year Report, the Bank has chosen not to publish explanatory Notes to the Financial Statements of the Parent Bank, as allowed by CONSOB in Art. 81 of Resolution 11971 of 14/5/99 (as amended by Consob Resolution 12475 of 6/4/2000). In fact, the Bank believes that the information published on the Group's performance in the first half of 2003, consisting in a Report on Operations and consolidated financial statements, is perfectly adequate to ensure in-depth analysis of the financial and economic situation of the SANPAOLO IMI Group, both as a whole and by business sector.

The Half Year Report of the Parent Bank is therefore limited to the following documents:

- Statutory statement of income and balance sheet, reclassified for management purposes and prepared on a consistent basis with respect to the Group's annual reports;
- Financial statements of the Parent Bank (Balance sheet and Statement of income prepared in accordance with the compulsory format required by the Bank of Italy);
- Attachments to the financial statements:
 - Intercompany balances between the Parent Bank, subsidiaries and companies subject to significant influence;
 - Statement of changes in shareholders' equity of the Parent Bank.

The Bank's financial statements for the first half of 2003 have been prepared pursuant to D. Lgs. 87 dated 27 January 1992, which implemented EEC Directive 86/635. They also take into account the requirements contained in the Bank of Italy instructions dated 30 July 1992 and subsequent amendments. For all matters not governed by special regulations, reference has been made to the Italian Civil Code and to national accounting standards.

The Bank's financial statements as of 30 June 2003 have been prepared using the accounting policies adopted in relation to the financial statements as of 31 December 2002.

Audit of the Half Year Report on the Parent Bank

The Half Year Report on the Parent Bank has been subjected to a limited audit by PricewaterhouseCoopers S.p.A., in accordance with CONSOB Recommendations 97001574 dated 20 February 1997 and 10867 dated 31 July 1997, and the shareholders' resolution dated 28 April 2000, which appointed them as auditors for the 2001/2003 three-year period.

Pro forma balance sheet and income schedules

The statements of income and balance sheets as of 30/6/2003 show the comparative values as of 30/6/2002. In order to enable comparability of these figures, the following pro forma schedules have been prepared:

- Statement of income in official format as of 30/6/2002 and in reclassified format as of 30/6 and 31/12/2002;
- Balance sheet in official format as of 30/6/2002 and in reclassified format as of 30/6 and 31/12/2002.

These pro forma Financial Statements are unaudited.

The pro forma schedules take into consideration:

- the transfer of the company branch of Cardine Banca to Cardine Finanziaria, effective as of 1 June 2002;
- the merger by incorporation of Banco di Napoli, completed on 31 December 2002, effective for accounting and tax purposes as of 1 January 2002;

- the transfer of the company branch of the public works of the former Banco di Napoli to Banca Opi, with effect from 1 January 2003;
- the transfer of the tax collection sector of the former Banco di Napoli to Esaban, with effect from 1 October 2002.

The above operations made it necessary to prepare a combined pro forma statement of income and balance sheet of the results of SANPAOLO IMI and Banco di Napoli as of 30/6/2002, applying the adjustments necessary to maintain the consistency of the figures.

For the companies merged during the 2002 financial year (Cardine Banca and Banco di Napoli), it was necessary to simulate the effects as if the merger had taken effect from 1 January 2002; similarly, the hypothetical date of transfer used for the transfer of all of the branches of the aforementioned companies was 1 January 2002.

Detail of the pro forma adjustments applied to the balance sheets and statements of income as of 30/6/2002 and 31/12/2002 is provided below.

Transfer of the company branch of Cardine Banca to Cardine Finanziaria

Adjustments made to the statement of income as of 30 June 2002 and 31 December 2002:

Since the transfer of the company branch from Cardine Banca to Cardine Finanziaria became effective from 1 June 2002 and therefore influenced the statement of income of SANPAOLO IMI in its 2002 Half Year Report for five months, the components of income relating to that company branch have been adjusted by the following amounts:

- decrease in administrative costs (€ 70 million);
- decrease in net operating income (- € 40 million);
- decrease in adjustments to the value of fixed assets (€ 10 million).

Net of the tax effect (- € 16 million), the impact on net income as of 30 June 2002 and as of 31 December 2002 is + € 24 million.

Merger by incorporation of Banco di Napoli

Adjustments made to the balance sheet as of 30 June 2002:

- decrease in the caption "shareholdings" of € 2,882 million, for the simulation of the cancellation of the investment following the merger;
- recording of € 1,486 million goodwill, net of € 78 million for the related portion of amortization for the six months.

The pro forma balance sheet as of 30 June 2002 also includes reversals of balances receivable and payable at that date between SANPAOLO IMI and the merged bank, with a consequent decrease in receivables and payables to banks of € 520 million.

Adjustments made to the statement of income as of 30 June 2002:

- the portion for the six months of amortization of the goodwill recorded following the merger for € 78 million.

Net of the tax effect (€ 30 million), the impact on net income as of 30 June 2002 is - € 48 million.

Transfer of the public works company branch of the former Banco di Napoli to Banca Opi, with effect from 1/1/2003

Adjustments made to the balance sheet as of 30 June 2002 and 31 December 2002:

- decrease in loans to customers of € 1,943 million;
- decrease in dealing securities of € 60 million;
- decrease in investment securities of € 6 million;
- decrease in other assets of € 36 million;
- increase in payables to bank of € 43 million;

- decrease in customer deposits of € 1,978 million;
- decrease in provisions for employee termination indemnities of € 1 million;
- decrease in other liabilities of € 49 million.

To fund the transfer, the shareholdings were increased by the net value of the branch asset transferred, equal to € 60 million.

Adjustments made to the statement of income as of 30 June 2002:

- decrease in net interest income (- € 12 million);
- decrease in administrative costs (€ 2 million).

Net of the tax effect (€ 4 million), the impact on net income as of 30 June 2002 is - € 6 million.

Adjustments made to the statement of income as of 31 December 2002:

- decrease in net interest income (- € 24 million);
- decrease in administrative costs (€ 4 million).

Net of the tax effect (€ 8 million), the impact on net income as of 30 June 2002 is - €12 million.

Transfer of the tax collection sector of the former Banco di Napoli to Esaban, with effect from 1 October 2002

Adjustments made to the balance sheet as of 30 June 2002:

- decrease in cash balances of € 6 million;
- decrease in tax revenues due, recorded to other assets, of € 1,159 million;
- decrease in other liabilities of € 1,107 million;
- decrease in provisions for risks and charges of € 52 million.

To fund the transfer, the shareholdings were increased by the net value of the branch asset transferred, equal to € 6 million.

Adjustments made to the statement of income as of 30 June 2002:

- increase in net interest income (€ 2 million);
- decrease in commission income (- € 21 million);
- decrease in administrative costs (€ 22 million);
- decrease in other operating income (- € 1 million);
- decrease in provisions for risks and charges (€ 1 million).

Net of the tax effect (- € 1 million), the impact on net income as of 30 June 2002 is € 2 million.

Adjustments made to the statement of income as of 31 December 2002:

- increase in net interest income (€ 2 million);
- decrease in commission income (- € 30 million);
- decrease in administrative costs (€ 34 million);
- decrease in other operating income (- € 1 million);
- decrease in provisions for risks and charges (€ 1 million);
- decrease in extraordinary income (- € 1 million).

Net of the tax effect (- € 1 million), the impact on income as of 31 December 2002 is € 4 million.

It must be highlighted that, in compliance with instructions issued by the Bank of Italy in the letter 3147 dated 3 March 2003, capitalization contracts subscribed by the Bank, and recorded to the financial statements for € 635 million as of 30/6/2002 and for € 648 million as of 31/12/2002, have been reclassified in the pro forma balance sheets from the caption Securities to the caption Loans to customers.

Reclassified pro forma balance sheet as of 30/06/2002

	30/6/2002 SANPAOLO IIMI (€/mil)	30/6/2002 Banco di Napoli (€/mil)	30/6/2002 pro forma adjustments (€/mil)	30/6/2002 TOTAL pro forma (€/mil)
ASSETS				
Cash and deposits with central banks and post offices	459	208	-6	661
Loans	78,140	18,087	-2,463	93,764
- due from banks	19,254	1,976	-520	20,710
- loans to customers	58,886	16,111	-1,943	73,054
Dealing securities	9,775	1,519	-60	11,234
Fixed assets	13,218	3,057	-1,336	14,939
- investment securities	953	2,204	-6	3,151
- equity investments	11,215	197	-2,816	8,596
- intangible fixed assets	151	49	+1,486	1,686
- tangible fixed assets	899	607	-	1,506
Other assets	9,664	4,166	-1,148	12,682
Total assets	111,256	27,037	-5,013	133,280
LIABILITIES				
Payables	86,147	21,671	-2,454	105,364
- due to banks	31,564	1,370	-476	32,458
- due to customers and securities issued	54,583	20,301	-1,978	72,906
Provisions	2,634	1,140	-70	3,704
- for taxation	1,608	31	-17	1,622
- for termination indemnities	434	278	-1	711
- provisions for risks and charges	551	831	-52	1,330
- for pensions and similar	41	-	-	41
Other liabilities	7,346	2,546	-1,156	8,736
Subordinated liabilities	5,351	282	-	5,633
Shareholders' equity	9,778	1,398	-1,333	9,843
of which				
- capital	5,144	1,036	-1,036	5,144
- reserves	4,434	317	-297	4,454
- net income for the period	200	45	-28	217
- adjustment for alignment with net income	-	-	+28	28
Total liabilities and shareholders' equity	111,256	27,037	-5,013	133,280
GUARANTEES AND COMMITMENTS				
Guarantees given	27,644	1,442	-	29,086
Commitments	12,201	2,163	-529	13,835

Reclassified pro forma balance sheet as of 31/12/2002

	31/12/2002 (€/mil)	Pro forma adjustments (€/mil)	31/12/2002 pro forma (€/mil)
ASSETS			
Cash and deposits with central banks and post offices	986	-	986
Loans	97,758	-1,943	95,815
- due from banks	20,951	-	20,951
- loans to customers	76,807	-1,943	74,864
Dealing securities	12,010	-60	11,950
Fixed assets	13,381	54	13,435
- investment securities	2,039	-6	2,033
- equity investments	8,313	60	8,373
- intangible fixed assets	1,613	-	1,613
- tangible fixed assets	1,416	-	1,416
Other assets	10,872	-26	10,846
Total assets	135,007	-1,975	133,032
LIABILITIES			
Payables	106,233	-1,934	104,299
- due to banks	31,020	44	31,064
- due to customers and securities issued	75,213	-1,978	73,235
Provisions	3,115	8	3,123
- for taxation	1,038	9	1,047
- for termination indemnities	687	-1	686
- provisions for risks and charges	1,349	-	1,349
- for pensions and similar	41	-	41
Other liabilities	9,613	-49	9,564
Subordinated liabilities	6,090	-	6,090
Shareholders' equity	9,956	-	9,956
of which			
- capital	5,144	-	5,144
- reserves	4,048	-	4,048
- pro forma net income for the period	764	16	780
- adjustment for alignment with net income		-16	-16
Total liabilities and shareholders' equity	135,007	-1,975	133,032
GUARANTEES AND COMMITMENTS			
Guarantees given	30,142	-	30,142
Commitments	14,181	-529	13,652

Pro forma reclassified statement of income for the first half of 2002

	First half 2002 SANPAOLO IMI (€/mil)	First half 2002 Banco di Napoli (€/mil)	Pro forma adjustments (€/mil)	First half 2002 Combined pro forma (€/mil)
NET INTEREST INCOME	731	321	-10	1,042
Net commissions and other net dealing revenues	587	145	-21	711
Profits and losses from financial transactions and dividends on shares	42	7	-	49
Dividends from shareholdings	144	10	-	154
NET INTEREST AND OTHER BANKING INCOME	1,504	483	-31	1,956
Administrative costs	-1,059	-380	+94	-1,345
<i>of which:</i>				
- <i>personnel</i>	-645	-251	+22	-874
- <i>other administrative costs</i>	-350	-111	+72	-389
- <i>indirect duties and taxes</i>	-64	-18	-	-82
Other operating income, net	118	27	-41	104
Adjustments to tangible and intangible fixed assets	-100	-50	+10	-140
OPERATING INCOME	463	80	+32	575
Adjustments to goodwill and merger differences	-14	-	-78	-92
Provisions for risks and charges	-44	-21	+1	-64
Net adjustments to loans and provisions for guarantees and commitments	-49	-17	-	-66
Net adjustments to financial fixed assets	-52	-	-	-52
INCOME BEFORE EXTRAORDINARY ITEMS	304	42	-45	301
Net extraordinary income	91	31	-	122
INCOME BEFORE TAXES	395	73	-45	423
Income taxes for the period	-195	-28	+17	-206
NET INCOME	200	45	-28	217

Adjustment for alignment with net income 28

Aggregate net income (SANPAOLO IMI + Banco di Napoli) 245

Pro forma reclassified statement of income for 2002

	2002 SANPAOLO IMI (€/mil)	Pro forma adjustments (€/mil)	2002 pro forma (€/mil)
NET INTEREST INCOME	2,103	-22	2,081
Net commissions and other net dealing revenues	1,512	-30	1,482
Profits and losses from financial transactions and dividends on shares	62	-	62
Dividends from shareholdings	700	-	700
NET INTEREST AND OTHER BANKING INCOME	4,377	-52	4,325
Administrative costs	-2,866	+108	-2,758
<i>of which:</i>			
- <i>personnel</i>	-1,823	+32	-1,791
- <i>other administrative costs</i>	-885	+76	-809
- <i>indirect duties and taxes</i>	-158	-	-158
Other operating income, net	252	-41	211
Adjustments to tangible and intangible fixed assets	-330	+10	-320
OPERATING INCOME	1,433	+25	1,458
Adjustments to goodwill and merger differences	-185	-	-185
Provisions and net adjustments to loans and financial fixed assets	-748	+1	-747
INCOME BEFORE EXTRAORDINARY ITEMS	500	+26	526
Net extraordinary income	316	-1	315
INCOME BEFORE TAXES before the use of reserve for general banking risks	816	+25	841
Use of reserve for general banking risks	358	-	358
INCOME BEFORE TAXES	1,174	+25	1,199
Income taxes for the period	-410	-9	-419
NET INCOME	764	+16	780

Statement of SANPAOLO IMI pro forma balance sheet as of 31 December 2002

	31/12/2002 (€/mil)	Pro forma adjustments (€/mil)	31/12/2002 pro forma (€/mil)
ASSETS			
10. Cash and deposits with central banks and post offices	986	-	986
20. Treasury bills and similar bills eligible for refinancing with central banks	1,554	-	1,554
30. Due from banks	20,951	-	20,951
a) repayable on demand	4,921	-	4,921
b) other deposits	16,030	-	16,030
40. Loans to customers	76,807	-1,943	74,864
<i>of which:</i>			
- <i>loans using public funds</i>	90	-	90
50. Bonds and other debt securities	12,166	-66	12,100
a) public entities	4,564	-66	4,498
b) banks	6,434	-	6,434
<i>of which:</i>			
- <i>own bonds</i>	986	-	986
c) financial institutions	488	-	488
<i>of which:</i>			
- <i>own bonds</i>	-	-	-
d) other issuers	680	-	680
60. Shares, quotas and other equities	330	-	330
70. Equity investments	1,620	-	1,620
80. Investments in Group companies	6,693	60	6,753
90. Intangible fixed assets	1,613	-	1,613
<i>of which:</i>			
- <i>start-up costs</i>	-	-	-
- <i>goodwill</i>	1,411	-	1,411
100. Tangible fixed assets	1,416	-	1,416
120. Own shares or quotas	-	-	-
130. Other assets	9,044	-27	9,017
140. Accrued income and prepaid expenses	1,828	-	1,828
a) accrued income	1,451	-	1,451
b) prepaid expenses	377	-	377
<i>of which:</i>			
- <i>discounts on bond issues</i>	-	-	-
Total assets	135,007	-1,975	133,032

	31/12/2002 (€/mil)	Pro forma adjustments (€/mil)	31/12/2002 pro forma (€/mil)
LIABILITIES			
10. Due to banks	31,020	44	31,064
a) repayable on demand	2,661	-	2,661
b) time deposits or with notice period	28,359	44	28,403
20. Due to customers	55,742	-1,978	53,764
a) repayable on demand	40,490	-	40,490
b) time deposits or with notice period	15,252	-1,978	13,274
30. Securities issued	19,375	-	19,375
a) bonds	16,025	-	16,025
b) certificates of deposit	2,845	-	2,845
c) other securities	505	-	505
40. Public funds administered	91	-	91
50. Other liabilities	8,279	-	8,279
60. Accrued expenses and deferred income	1,338	-49	1,289
a) accrued expenses	1,092	-49	1,043
b) deferred income	246	-	246
70. Provisions for termination indemnities	687	-1	686
80. Provisions for risks and charges	2,428	9	2,437
a) pensions and similar commitments	41	-	41
b) taxation	1,038	9	1,047
c) other	1,349	-	1,349
110. Subordinated liabilities	6,090	-	6,090
120. Capital	5,144	-	5,144
130. Additional paid-in capital	708	-	708
140. Reserves	3,341	-	3,341
a) legal reserve	1,029	-	1,029
b) reserve for own shares or quotas	-	-	-
c) statutory reserves	-	-	-
d) other reserves	2,312	-	2,312
170. Income for the period to be distributed	764	16	780
Adjustment for alignment with net income	-	-16	-16
Total liabilities and shareholders' equity	135,007	-1,975	133,032
GUARANTEES AND COMMITMENTS			
	31/12/2002 (€/mil)	Pro forma adjustments (€/mil)	31/12/2002 pro forma (€/mil)
10. Guarantees given	30,142	-	30,142
<i>of which:</i>			
- acceptances	130	-	130
- other guarantees	30,012	-	30,012
20. Commitments	14,181	-529	13,652
<i>of which:</i>			
- for sales with obligation to repurchase	789	-	789

Attachments

INTERCOMPANY BALANCES BETWEEN THE PARENT BANK, SUBSIDIARIES
AND COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT BANK

Intercompany balances between the Parent Bank, subsidiaries and companies subject to significant influence

Group companies	(€/mil)				
	Assets (a)	Liabilities	Guarantees and commitments (b)	Income (c)	Expenses
Banca d'Intermediazione Mobiliare IMI S.p.A.	2,641	710	353	75	52
Banca Fideuram S.p.A.	1,504	1,531	-	1	4
Banca Opi S.p.A.	15,771	5,278	1,077	155	1
Banca Popolare dell'Adriatico S.p.A.	65	359	32	1	4
Banca Sanpaolo Invest S.p.A.	-	43	-	1	1
Banco di Napoli Asset Management S.G.R. p.A.	-	40	-	25	-
Banque Sanpaolo S.A.	384	45	26	5	1
BN Finrete S.p.A. (in liq.)	-	2	-	-	-
Brokerban S.p.A.	-	5	-	-	-
Cardine Finanziaria S.p.A.	-	53	-	-	1
Cassa di Risparmio di Bologna S.p.A.	754	466	173	10	7
Cassa di Risparmio di Gorizia S.p.A.	34	126	-	1	2
Cassa di Risparmio di Padova e Rovigo S.p.A.	236	2,255	12	3	34
Cassa di Risparmio di Udine e Pordenone S.p.A.	114	639	2	-	7
Cassa di Risparmio di Venezia S.p.A.	133	1,339	11	1	17
Eptasim S.p.A.	-	-	4	-	-
Esaban S.p.A.	106	2	26	4	-
Farbanca S.p.A.	2	53	-	-	-
Fideuram Bank (Suisse) A.G.	-	-	10	-	-
Fin.OPI S.p.A.	-	42	-	-	1
Finemiro Banca S.p.A.	1,281	18	296	17	-
Finemiro Leasing S.p.A.	1,340	-	-	18	-
GE.RI.CO. - Gestione Riscossione Tributi in Concessione S.p.A.	198	-	14	3	-
IMI Bank (Lux) S.A.	1,542	2,012	-	1	6
IMI Investimenti S.p.A.	2	30	2	3	-
Inter-Europa Bank Rt	22	2	8	-	-
Invesp S.p.A.	-	5	-	-	-
Isveimer S.p.A. (in liq.)	-	5	-	-	-
Ldv Holding B.V.	-	10	-	-	-
NHS Mezzogiorno S.G.R. S.p.A.	-	2	-	-	-
Prospettive 2001 S.p.A.	-	20	-	-	-
RSP S.r.l.	1	1	-	-	-
Sanpaolo Bank (Austria) A.G.	2	-	-	-	-
Sanpaolo Bank S.A.	367	2,668	-	3	33
Sanpaolo Fiduciaria S.p.A.	-	2	-	-	-
Sanpaolo IMI Alternative Investments S.G.R. S.p.A.	-	5	-	-	-
Sanpaolo IMI Asset Management S.G.R. S.p.A.	-	78	35	211	1
Sanpaolo IMI Bank (International) S.A.	106	6,985	7,138	1	108

	(€/mil)				
Group companies	Assets (a)	Liabilities	Guarantees and commitments (b)	Income (c)	Expenses
Sanpaolo IMI Bank Ireland Plc	36	533	-	1	7
Sanpaolo IMI Capital Company I L.L.c.	-	1,000	-	-	39
Sanpaolo IMI Fondi Chiusi S.G.R. S.p.A.	-	-	38	-	-
Sanpaolo IMI Institutional Asset Management S.G.R. S.p.A.	-	14	-	-	-
Sanpaolo IMI International S.A.	-	212	-	-	3
Sanpaolo IMI Internazionale S.p.A.	-	12	35	1	-
Sanpaolo IMI Private Equity S.p.A.	-	5	1	-	-
Sanpaolo IMI Us Financial Co.	-	3,198	3,198	-	17
Sanpaolo IMI Wealth Management S.p.A.	-	19	-	1	-
Sanpaolo IMI WM Luxembourg S.A.	-	-	-	28	-
Sanpaolo Leasint G.M.B.H.	10	-	-	-	-
Sanpaolo Leasint S.p.A.	3,419	18	320	46	3
Sanpaolo Life Ltd	-	7	-	-	-
Sanpaolo Riscossioni Genova S.p.A.	29	-	-	2	-
Sanpaolo Riscossioni Prato S.p.A.	4	-	2	-	-
Sanpaolo Vita S.p.A.	145	117	1	39	2
SEP S.p.A.	1	-	-	-	5
Società per la Gestione di Attività S.p.A. - Sga	1,174	13	-	25	-
Sicilsud Leasing S.p.A. (in liq.)	1	-	-	-	-
West Bank S.A.	11	-	-	-	-
Total Group companies	31,435	29,979	12,814	682	356

Jointly held subsidiaries

Banka Koper d.d.	5	-	20	1	-
Finconsumo Banca S.p.A.	41	5	63	2	-
Fc Factor S.r.l.	1	-	-	-	-
Total	47	5	83	3	-

Other companies subject to significant influence

Cassa di Risparmio di Firenze S.p.A.	20	98	12	-	-
Cassa dei Risparmi di Forlì S.p.A.	9	-	-	-	-
Esatri S.p.A.	52	-	168	3	-
G.E.CAP. S.p.A. (in liq.)	-	1	1	-	-
HDI Assicurazioni S.p.A.	-	35	1	-	1
Società Gestione per il Realizzo S.p.A.	4	-	-	-	-
Total	85	134	182	3	1

(a) Excluding the book value of the investment.

(b) Excluding commitments to subscribe to increases in capital.

(c) Excluding dividends received.

Statement of changes in shareholders' equity of the Parent Bank

	(€/mil)										
	Capital	Legal reserve	Additional paid-in capital	Extraordinary reserve	Unrestricted reserve for the acquisition of own shares	Restricted reserve acquisition of own shares	Reserve ex Art. 13 c.6 D.Lgs. 124/93	Reserve D.Lgs. 213/98	Reserve D.Lgs. 153/99	Income for the period	Total
Shareholders' equity as of 1 January 2003	5,144	1,029	708	983	456	-	4	14	854	764	9,956
Allocation of 2002 net income:											
- extraordinary reserve				213						-213	-
- reserve ex art.13 c.6 D.Lgs. 124/93							1			-1	-
- dividends distributed										-550	- 550
Increase in the reserve for purchase of own shares				-544	544						-
Purchase of own shares in the first half					-26	26					-
Net income for the first half of 2003										50	50
Shareholders' equity as of 30 June 2003	5,144	1,029	708	652	974	26	5	14	854	50	9,456

