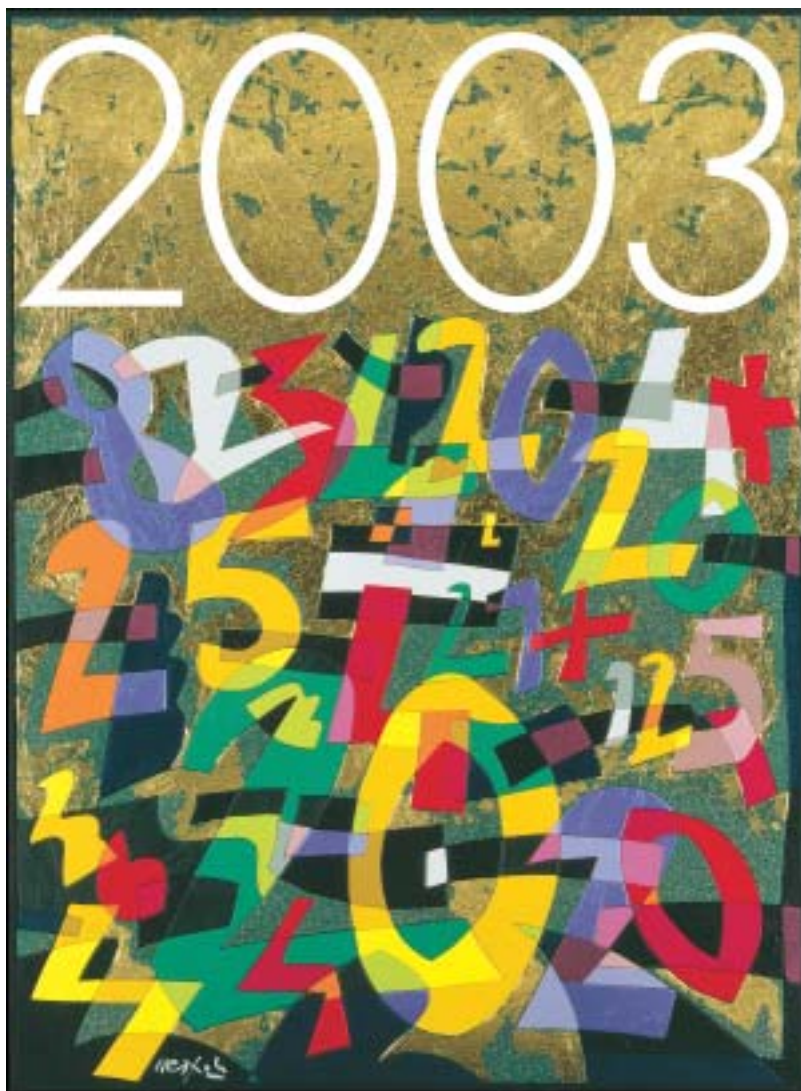


S A N P A O L O I M I



QUARTERLY REPORT 31 DECEMBER 2003

SANPAOLO IMI GROUP

Quarterly Report 31 December 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

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Key figures

	2003	2002 pro forma (1)	Change 2003 / 2002 pro forma (%)
CONSOLIDATED STATEMENT OF INCOME (€/mil)			
Net interest income	3,716	3,653	+1.7
Net commissions and other net dealing revenues	3,045	2,795	+8.9
Administrative costs	-4,606	-4,578	+0.6
Operating income	2,725	2,334	+16.8
Provisions and net adjustments to loans and financial fixed assets	-854	-1,412	-39.5
Income before extraordinary items	1,714	704	+143.5
Net income of the Group	969	901	+7.5
CONSOLIDATED BALANCE SHEET (€/mil)			
Total assets	202,089	199,645	+1.2
Loans to customers (excluding NPLs and SGA loans)	122,361	121,676	+0.6
Securities	25,209	21,406	+17.8
Equity investments	4,560	4,172	+9.3
Subordinated liabilities	6,415	6,605	-2.9
Shareholders' equity of the Group	10,941	10,702	+2.2
CUSTOMER FINANCIAL ASSETS (€/mil)			
Customer financial assets	368,039	352,411	+4.4
- Direct deposits	131,701	133,236	-1.2
- Indirect deposits	236,338	219,175	+7.8
- Asset management	143,712	132,931	+8.1
- Asset administration	92,626	86,244	+7.4
PROFITABILITY RATIOS (%)			
RoE (2)	9.0	8.3	
Cost / Income ratio (3)	61.9	65.1	
Net commissions / Administrative costs	66.1	61.1	
CREDIT RISK RATIOS (%)			
Net non-performing loans / Net loans to customers	0.9	1.0	
Net problem loans and loans in restructuring / Net loans to customers	1.1	1.2	
SOLVENCY RATIOS (%) (4)			
Tier 1 ratio	7.4	7.3	
Total ratio	10.5	10.7	
SHARES (5)			
Number of shares (millions)	1,837	1,837	-
Quoted price per share (€)			
- average	8.158	9.439	-13.6
- low	5.796	5.231	+10.8
- high	11.346	13.702	-17.2
Earnings / Average number of shares in circulation (€)	0.53	0.49	+8.2
Dividend per share (€)	0.39 (6)	0.30	+30.0
Dividend per share / Average annual price (%)	4.78	3.18	
Book value per share (€) (7)	5.97	5.74	+4.0
OPERATING STRUCTURE			
Employees	43,465	45,217	-3.9
Domestic branches	3,168	3,115	+1.7
Foreign branches and representative offices	122	114	+7.0
Financial planners	4,675	4,951	-5.6

(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 and the exclusion of Banque Sanpaolo, Finconsumo Banca and IW Bank, carried at equity, from the consolidation area.

(2) 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) Figures related to 31/12/2003 are estimated; the solvency ratios as of 31/12/2002 are not pro forma.

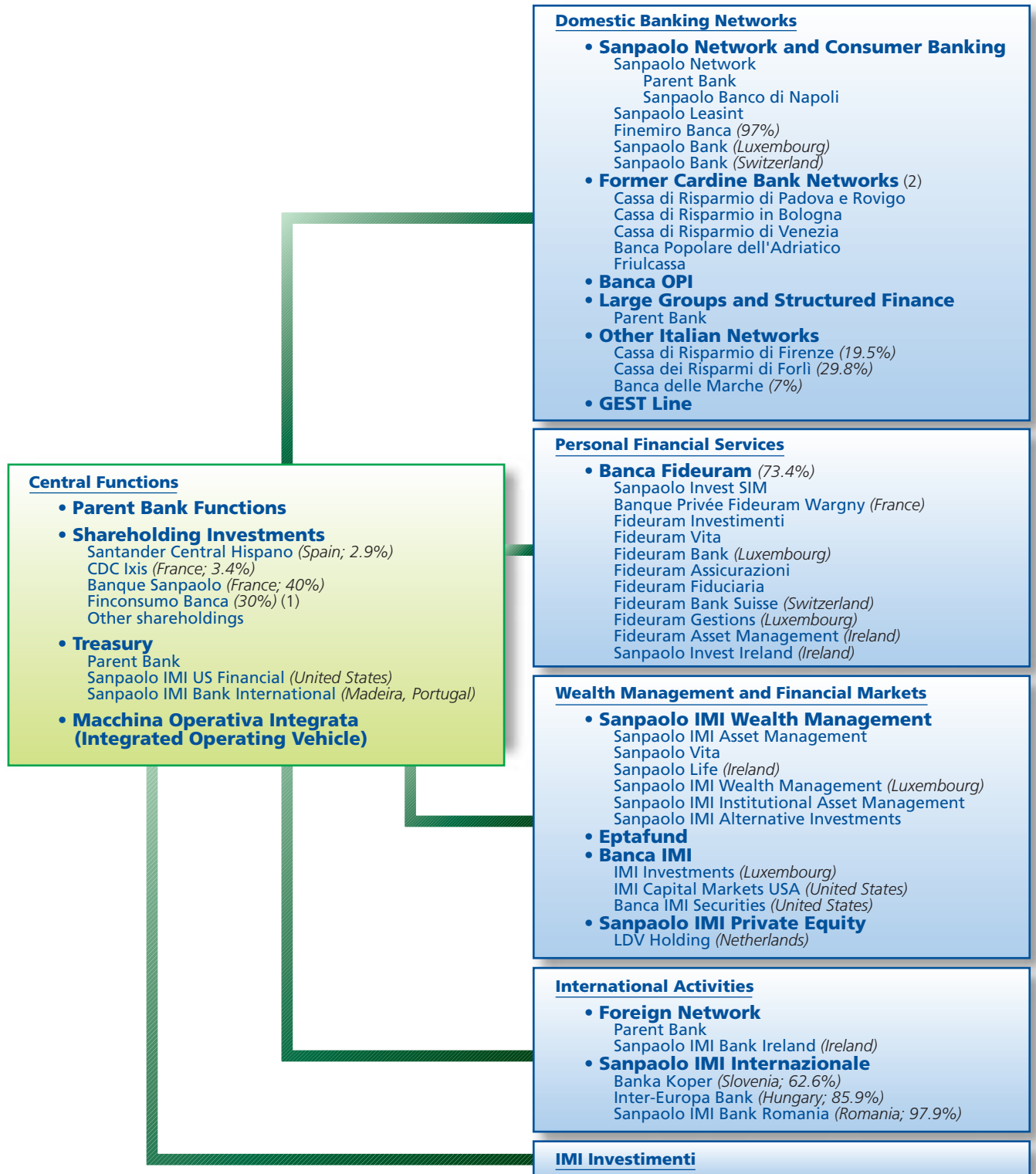
(5) Figures for 2002 are not pro forma.

(6) Dividend to be proposed to the Shareholders' Meeting.

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

The pro forma figures for 2002, as well as the figures for 2003 are unaudited.

Group structure



(1) The sale of the share to Santander Central Hispano was completed on 23 January 2004.

(2) From 1/1/2004, Cassa di Risparmio di Padova e Rovigo, Cassa di Risparmio in Bologna, Cassa di Risparmio di Venezia and Friulcassa operate within the North East Territorial Direction, while Banca Popolare dell'Adriatico has converged into the Sanpaolo Network.

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

	2003 (€/mil)	2002 pro forma (1) (€/mil)	Change 2003 / 2002 pro forma (%)
NET INTEREST INCOME	3,716	3,653	+1.7
Net commissions and other net dealing revenues	3,045	2,795	+8.9
Profits and losses from financial transactions and dividends on shares	451	304	+48.4
Profits from companies carried at equity and dividends from shareholdings	270	314	-14.0
NET INTEREST AND OTHER BANKING INCOME	7,482	7,066	+5.9
Administrative costs	-4,606	-4,578	+0.6
- <i>personnel</i>	-2,841	-2,814	+1.0
- <i>other administrative costs</i>	-1,509	-1,508	+0.1
- <i>indirect duties and taxes</i>	-256	-256	-
Other operating income, net	333	354	-5.9
Adjustments to tangible and intangible fixed assets	-484	-508	-4.7
OPERATING INCOME	2,725	2,334	+16.8
Adjustments to goodwill and merger and consolidation differences	-157	-218	-28.0
Provisions and net adjustments to loans and financial fixed assets	-854	-1,412	-39.5
- <i>provisions for risks and charges</i>	-190	-261	-27.2
- <i>net adjustments to loans and provisions for guarantees and commitments</i>	-727	-590	+23.2
- <i>net adjustments to financial fixed assets</i>	63	-561	n.s.
INCOME BEFORE EXTRAORDINARY ITEMS	1,714	704	+143.5
Net extraordinary income/expense	-43	320	n.s.
INCOME BEFORE TAXES	1,671	1,024	+63.2
Income taxes for the period	-661	-443	+49.2
Change in reserves for general banking risks	7	363	-98.1
Income attributable to minority interests	-48	-43	+11.6
NET INCOME	969	901	+7.5

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

Quarterly analysis of the reclassified consolidated statement of income

	2003					2002 pro forma (1)				
	Fourth quarter	Third quarter pro forma (1)	Second quarter pro forma (1)	First quarter pro forma (1)	Quarterly average	Fourth quarter	Third quarter	Second quarter	First quarter	Quarterly average
	(€/mil)	(€/mil)	(€/mil)	(€/mil)	(€/mil)	(€/mil)	(€/mil)	(€/mil)	(€/mil)	(€/mil)
NET INTEREST INCOME	921	939	932	924	929	926	906	920	901	913
Net commissions and other net dealing revenues	864	786	713	682	761	751	665	686	693	699
Profits and losses from financial transactions and dividends on shares	112	76	178	85	113	68	22	129	85	76
Profits from companies carried at equity and dividends from shareholdings	48	67	99	56	68	58	60	142	54	79
NET INTEREST AND OTHER BANKING INCOME	1,945	1,868	1,922	1,747	1,871	1,803	1,653	1,877	1,733	1,767
Administrative costs	-1,210	-1,128	-1,152	-1,116	-1,152	-1,205	-1,113	-1,157	-1,103	-1,145
- <i>personnel</i>	-735	-696	-713	-697	-710	-733	-683	-709	-689	-704
- <i>other administrative costs</i>	-419	-365	-372	-353	-377	-404	-372	-378	-354	-377
- <i>indirect duties and taxes</i>	-56	-67	-67	-66	-64	-68	-58	-70	-60	-64
Other operating income, net	89	82	81	81	83	92	93	91	78	89
Adjustments to tangible and intangible fixed assets	-148	-113	-116	-107	-121	-159	-128	-112	-109	-127
OPERATING INCOME	676	709	735	605	681	531	505	699	599	584
Adjustments to goodwill and merger and consolidation differences	-42	-35	-46	-34	-39	-91	-40	-45	-42	-55
Provisions and net adjustments to loans and financial fixed assets	-469	-71	-180	-134	-214	-658	-453	-150	-151	-353
- <i>provisions for risks and charges</i>	-83	-44	-36	-27	-48	-98	-65	-53	-45	-65
- <i>net adjustments to loans and provisions for guarantees and commitments</i>	-435	-122	-102	-68	-182	-263	-181	-54	-92	-148
- <i>net adjustments to financial fixed assets</i>	49	95	-42	-39	16	-297	-207	-43	-14	-140
INCOME BEFORE EXTRAORDINARY ITEMS	165	603	509	437	428	-218	12	504	406	176
Net extraordinary income/expense	168	-38	-215	42	-11	150	35	79	56	80
INCOME BEFORE TAXES	333	565	294	479	417	-68	47	583	462	256
Income taxes for the period	-137	-213	-122	-189	-165	42	-74	-242	-169	-111
Change in reserves for general banking risks	1	6	-	-	2	352	13	-2	-	91
Income attributable to minority interests	-14	-13	-12	-9	-12	-	-14	-15	-14	-11
NET INCOME	183	345	160	281	242	326	-28	324	279	225

(1) The pro forma figures, which are unaudited, were prepared 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 Banque Sanpaolo and IIV Bank from the line by line consolidation area and of Finconsumo Banca from the proportional consolidation area as of the same date, and, with exclusive regard to the first quarter of 2002, 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

	31/12/2003 (€/mil)	31/12/2002 pro forma (1) (€/mil)	Change 31/12/03 - 31/12/02 pro forma (%)
ASSETS			
Cash and deposits with central banks and post offices	1,475	1,499	-1.6
Loans	146,362	145,921	+0.3
- due from banks	21,808	21,744	+0.3
- loans to customers	124,554	124,177	+0.3
Dealing securities	22,393	19,015	+17.8
Fixed assets	9,631	9,103	+5.8
- investment securities	2,816	2,391	+17.8
- equity investments	4,560	4,172	+9.3
- intangible fixed assets	343	398	-13.8
- tangible fixed assets	1,912	2,142	-10.7
Differences arising on consolidation and on application of the equity method	958	1,080	-11.3
Other assets	21,270	23,027	-7.6
Total assets	202,089	199,645	+1.2
LIABILITIES			
Payables	159,725	157,369	+1.5
- due to banks	28,024	24,133	+16.1
- due to customers and securities issued	131,701	133,236	-1.2
Provisions	4,164	3,889	+7.1
- for taxation	856	742	+15.4
- for termination indemnities	966	967	-0.1
- for risks and charges	2,034	1,832	+11.0
- for pensions and similar	308	348	-11.5
Other liabilities	20,575	20,738	-0.8
Subordinated liabilities	6,415	6,605	-2.9
Minority interests	269	342	-21.3
Shareholders' equity	10,941	10,702	+2.2
Total liabilities	202,089	199,645	+1.2

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

Quarterly analysis of the reclassified consolidated balance sheet

	31/12 (€/mil)	2003			2002 pro forma (1)			
		30/9 pro forma (1) (€/mil)	30/6 pro forma (1) (€/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	1,475	963	974	967	1,499	965	1,086	1,502
Loans	146,362	139,679	146,381	148,267	145,921	142,835	143,830	144,214
- due from banks	21,808	17,607	20,050	22,741	21,744	21,604	22,450	20,702
- loans to customers	124,554	122,072	126,331	125,526	124,177	121,231	121,380	123,512
Dealing securities	22,393	23,642	24,580	20,489	19,015	23,068	24,384	25,058
Fixed assets	9,631	9,690	9,586	9,866	9,103	9,812	10,406	11,521
- investment securities	2,816	2,864	2,895	2,950	2,391	2,634	3,185	3,484
- equity investments	4,560	4,424	4,253	4,453	4,172	4,478	4,428	5,175
- intangible fixed assets	343	334	339	370	398	371	389	411
- tangible fixed assets	1,912	2,068	2,099	2,093	2,142	2,329	2,404	2,451
Differences arising on consolidation and on application of the equity method	958	992	1,027	1,055	1,080	1,148	1,195	1,175
Other assets	21,270	22,893	26,460	22,131	23,027	22,982	22,781	22,831
Total assets	202,089	197,859	209,008	202,775	199,645	200,810	203,682	206,301
LIABILITIES								
Payables	159,725	155,736	160,518	162,154	157,369	159,913	162,937	164,353
- due to banks	28,024	26,638	28,087	27,896	24,133	26,686	30,155	32,455
- due to customers and securities issued	131,701	129,098	132,431	134,258	133,236	133,227	132,782	131,898
Provisions	4,164	4,026	3,680	3,908	3,889	4,293	4,181	4,585
- for taxation	856	725	436	838	742	1,195	1,078	1,412
- for termination indemnities	966	985	971	971	967	975	995	998
- for risks and charges	2,034	2,007	1,925	1,751	1,832	1,776	1,760	1,800
- for pensions and similar	308	309	348	348	348	347	348	375
Other liabilities	20,575	20,555	27,311	19,010	20,738	19,593	19,566	19,505
Subordinated liabilities	6,415	6,484	6,784	6,533	6,605	6,210	6,147	5,785
Minority interests	269	298	292	354	342	437	445	805
Shareholders' equity	10,941	10,760	10,423	10,816	10,702	10,364	10,406	11,268
Total liabilities	202,089	197,859	209,008	202,775	199,645	200,810	203,682	206,301

(1) The pro forma figures, which are unaudited, were prepared 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 Banque Sanpaolo and IW Bank from the line by line consolidation area and of Finconsumo Banca from the proportional consolidation area as of the same date, and, with exclusive regard to the first quarter of 2002, 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 Group Operations

ACTION POINTS AND INITIATIVES IN THE QUARTER

CONSOLIDATED RESULTS

CAPITAL AND RESERVES

FINANCIAL RISK MANAGEMENT AND CONTROL

SUPPLEMENTARY INFORMATION

Performance of share prices

Shareholders

Ratings

GROUP BUSINESS AREAS

Action points and initiatives in the quarter

The initiatives undertaken by the SANPAOLO IMI Group during the year were aimed at the pursuit of the targets of the 2003-2005 Plan, articulated in five issues: the improvement of the core business performance, the control of operating costs, the exploitation of other assets, the active management of the investment portfolio, and the transparent communication and constant monitoring of the progress of the same Plan. Significant results were achieved during the year with reference to all the lines of action mentioned above, through the integration of the banking networks, the optimization of the IT platform and the rationalization of the Group structure. The initiatives carried out during the fourth quarter are described below.

Plan to develop and rationalize the distribution networks

During the fourth quarter, the initiatives taken to put into effect the plan to develop and rationalize the distribution networks of the Group continued, aiming at extending gradually the model already successfully adopted by the Sanpaolo Network and recently introduced into Sanpaolo Banco di Napoli. The plan envisages that, at full capacity, the Group's geographical presence will cover a certain number of territorial areas and bank networks with light central structures, providing uniform and complete supervision of the respective territory.

Integration of the Cardine network

On 25 November 2003, the Shareholders' Meeting approved the merger by incorporation of Cardine Finanziaria into the Parent Bank, becoming legally effective from 31 December 2003 and effective for accounting and tax purposes from 1 January 2003. The aim of this integration is:

- realization of scale and scope economies with the gradual centralization in the Parent Bank of the operating support functions (MOI and Logistics);
- best exploitation of local brands, deeply rooted in the regional reference markets;
- maximizing distributive effectiveness through a common commercial policy.

The merger has led, as already envisaged in the 2003-2005 Plan, to the creation of the North East Territorial Direction, in support of the bank networks operating in the Triveneto (comprising the regions Veneto, Friuli Venezia Giulia and Trentino Alto Adige) and Emilia areas. The Direction, based in Padua, controls the commercial and credit activities of the Group branches operating in this area. It also supports the development activities on its reference market, coordinating the distribution networks and the other Group structures.

In the same month of November the merger between Cassa di Risparmio di Udine e Pordenone and Cassa di Risparmio di Gorizia was effected, with the establishment of a regional bank named Friulcassa S.p.A. Cassa di Risparmio Regionale (becoming legally effective from 1 December 2003 and effective for accounting and tax purposes from 1 January 2003).

The territorial reorganization processes

The integration between SANPAOLO IMI and Banco di Napoli and the need for coordination with the former Cardine bank networks highlighted the opportunity of several interventions on the territorial organization, which were carried out through the incorporation of certain areas and the redefinition of the outline of others, adopting criteria aiming, on the one hand, at providing efficient management of the network and, on the other, at enabling integration in the territories characterized by the presence of various historical brands.

Development initiatives in Italy

On 18 November 2003 SANPAOLO IMI acquired 7% of the capital of Banca delle Marche, in accordance with the agreement signed in July with Banca delle Marche, Fondazione CR Jesi, Fondazione CR Provincia di Macerata and Fondazione CR Pesaro. In particular, a 4.8% share was purchased directly from Banca delle Marche and 2.2% was purchased from the Fondazioni. The purchase price of 1.77 euro per share, involved a total outlay of 92 million euro. SANPAOLO IMI also granted the Fondazioni a put option on a further 8% of the bank's capital, exercisable before 31/12/2006.

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 262 branches in Central Italy, of which 230 situated in the Marche.

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.

Agreements and alliances with international partners

On 3 December 2003, the disposal of 60% of the French subsidiary Banque Sanpaolo to Caisse Nationale des Caisses d'Epargne (CNCE) was completed by SANPAOLO IMI. The transaction, which generated a gross capital gain of 239 million euro for the Group, implemented the first part of the agreement signed on 31 July which, for the remaining 40%, provides for a put and call option system 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, enables the creation of a partnership of significant importance. The latter will serve the realization of a leading entity in banking services to small- and medium-sized companies on the French market, combining the potential for market penetration of the distribution network of the Caisse d'Epargne Group with the experience acquired by Banque Sanpaolo in the SME segment.

In the context of the industrial collaboration program between SANPAOLO IMI and Santander Central Hispano (SCH), on 9 October 2003 the purchase/sale contract was signed for the taking over by the Group of 50% of All Funds Bank S.A. (AFB). The company, wholly owned by SCH, has a platform offering access to third party funds available to institutional customers. The agreement between the partners regulating the aspects of governance and way out and the operational and commercial relationships between AFB and the two promoting Groups was also signed. In particular, the latter undertook to ensure that each Group's unlisted subsidiaries refer exclusively to AFB for the distribution and place-

ment of third party funds and for connected and instrumental activities.

The initiatives fall within the context of the agreement reached in the first half of the year for the development of a pan European project in the wholesale distribution of third party mutual funds through the activation of a joint venture to consolidate their leadership at European level and identify potential strategic partners in the main European markets.

The initiatives to rationalize the Group structure

On 3 December 2003, full control was acquired in Noricum Vita, an insurance company which sells its own products through the branches of Cassa di Risparmio in Bologna and Banca Popolare dell'Adriatico, with the acquisition (by Sanpaolo Vita) of the 51% share belonging to Unipol Assicurazioni and (directly by the Parent Bank) of the 5% share belonging to Reale Mutua, which join the 44% already held by SANPAOLO IMI. The transaction, which involved a total outlay of 44 million euro, is part of the rationalization of the activities taken over with the merger with Cardine Banca and allows consolidation of the Group's already relevant presence in the insurance sector.

Noricum Vita is the corporate vehicle identified for the realization of the plan to concentrate the Group's insurance activities. The strategic lines of the feasibility study, implemented towards the end of the fourth quarter, are subject to approval by the Boards of Directors of the Parent Bank and Banca Fideuram. This plan provides for the concentration of all the life insurance companies and those in the property and casualty branch into a single pole, and is aimed at expanding and strengthening the range and innovative capacity of products in sectors such as pensions, personal protection and property insurance.

The completion, on 12 November 2003, of the sale of the 24.5% shareholding in Adriavita S.p.A., held by Cardine Finanziaria, to Generali Assicurazioni (who already held 75.5% of the company) following the dissolution of the business partnership between Generali and Casse Venete, also falls within the scope of the same rationalization project.

In relation to the tax collection sector, effective on 1 October 2003, the following tax collection subsidiaries underwent the merger by incorporation into Esaban,

which adopted the name GEST Line S.p.A: Ge.Ri.Co., Sanpaolo Riscossioni Genova and Sanpaolo Riscossioni Prato. The incorporation of the Group's tax collection business into a single company enables an increase in operating efficiency, with the achievement of significant scale economies on structural costs.

On 16 December 2003 the Board of Directors approved the merger by incorporation of IMI Bank (Luxembourg) into Sanpaolo Bank (Luxembourg). The evolution of the reference markets and the convergence of the supply systems enable the integration of the two companies and the rationalization of the structures, with consequent obtainment of cost synergies. The termination of the activity of Sanpaolo Bank (Austria) was authorized on the same date, taking into consideration the presence of a foreign branch of the Parent Bank in the same area and the progressive reduction in the interest of savers for Austria.

It should be noted that, in implementing the agreements subscribed between SANPAOLO IMI and SCH for the transfer to the latter of the control of Finconsumo Banca, the put option on the remaining 30% share of Finconsumo Banca still held by SANPAOLO IMI was exercised on 20 January 2004. The transaction was completed on 23 January at a price of 80 million euro, determining, at consolidated level, a gross capital gain of 55 million.

Corporate bond risk and the protection of savers

The considerable decline in medium- and long-term interest rates and the elimination of the exchange rate risk following the introduction of the single currency have favored transactions on the international debt market involving companies operating in the euro-zone. The development of corporate bonds has been quicker in Italy than in other countries, has involved a limited number of companies and has been characterized by final investors from the retail sector. To offset the drastic drop in rates, these investors have increased the demand for corporate and/or emerging market bonds, sometimes lacking an official rating or with a rating below the investment grade. In this context, to deal with the heavy repercussions of defaults at domestic and international level on savers' portfolios, the Group has taken several initiatives to protect its customers.

In the belief that it has maintained an attitude focused on maximum correctness in the performance of investment

services, SANPAOLO IMI has adopted an approach aimed at examining those areas in which customers complain of specific shortcomings in the relationship with the reference branch. The aim of this activity is to amicably resolve any controversy.

With particular regard to the Parmalat case, SANPAOLO IMI's openness towards its customers has been confirmed by the agreement stipulated with the "Committee to defend SANPAOLO IMI Group Parmalat bondholders". This committee was founded on 2 February 2004 as the result of the initiative of several Group customers, with the aim of taking all actions necessary for the admission of their credits into the extraordinary administration procedures and instigating any collective legal proceedings for compensation. In accordance with this agreement, SANPAOLO IMI has undertaken to provide organizational and financial support to guarantee the protection of the interests of its customers free of charge.

In the context of a more comprehensive attention to the problems linked with the performance of investment services and the safeguard of investors, since 2002 SANPAOLO IMI has adopted even more cautious policies when offering securities for placement, which are currently being extended to the other banks within the Group. This has excluded from securities management issues without rating or with official creditworthiness equal to or lower than Baa3/BBB-. Furthermore, during 2003, the Bank intensified its monitoring of the composition of customer portfolios, helping customers search for the best solutions, in order to pursue the reduction of the risk profile by adopting diversification policies.

With reference to the need for clear, comprehensible and transparent customer advisory activities, the banks belonging to the SANPAOLO IMI Group have also joined the "PattiChiari" initiative promoted by ABI (the Italian Bankers' Association). This initiative is split into eight projects related to savings, credit and services, aimed at improving the information available to potential users and facilitating comparison of the products on offer. As regards savings, the member banks supply the list of low risk and low earning bonds. The concept of diversifying investments continues to be the mainstay of the Group's Investment Policy, confident that no security, issued by anyone with any rating, is completely risk free. Therefore, adequate diversification is based on the use of asset management products and systems focused on promptly indicating concentrations on individual securities, issuers or sectors.

Consolidated results

The real cycle indicators in the fourth quarter of 2003 showed an improved trend in the international market situation. The gradual recovery of the euro-zone was flanked by the economic growth in the United States, in Japan and in the emerging areas in general. Share prices, sustained by the publication of positive rates on company earnings and contained interest rates at international level, have climbed further in the major financial marketplaces. The portfolios of Italian households, while suffering the effects of the default of some large companies, have benefited, on the whole, from the good performance of the market indices and asset management portfolios.

Summary of results

During 2003, the SANPAOLO IMI Group, in the configuration following variations in the consolidation setting during the period, showed a positive evolution of the income margins compared with the pro forma figures for 2002.

The lively trend in operating revenues and the cost containment actions, together with the writebacks and profits made on the investment portfolio, enabled extensive compensation for adjustments to loans and extraordinary expenses linked with the staff leaving incentives. The net income of 969 million euro for the year, showed a growth of 7.5% compared

with 2002. The flow of 183 million for the fourth quarter was lower than the quarterly average of the year, largely due to major adjustments to the loan portfolio. The net income exceeded the 2003 budget target, confirming the growth forecast in the 2003-2005 Plan.

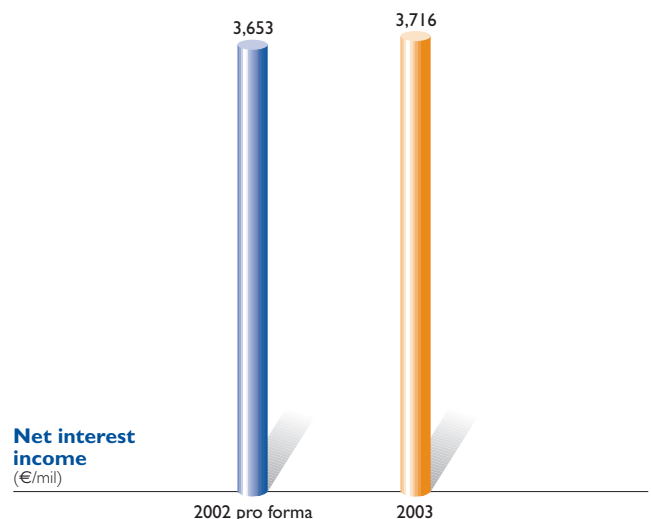
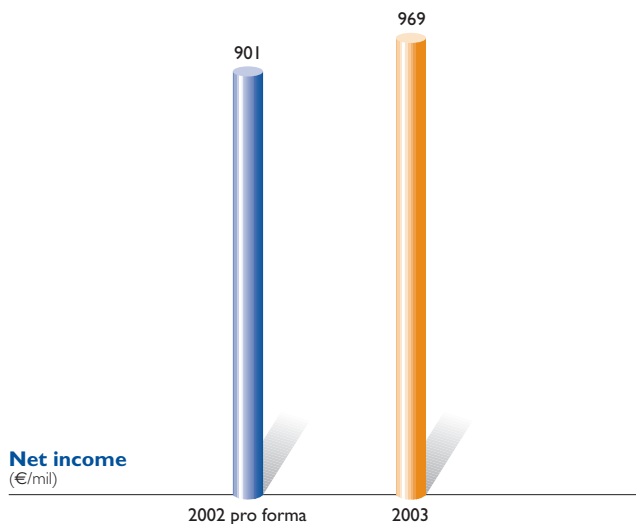
A dividend of 0.39 euro per share will be proposed to the Shareholders' Meeting.

Net interest income

The net interest income for 2003 was 3,716 million euro; the 1.7% increase compared with last year was the result of the positive contribution of volumes, joined by a greater spread in transactions with customers, partially cancelled by lower contribution of the fund imbalance, both in terms of amount and return.

In terms of market rates, three-month Euribor, decreasing from 2.96% in December 2002 to 2.15% in December 2003, averaged 99 basis points lower when compared to 2002, moving from 3.32% to 2.33%.

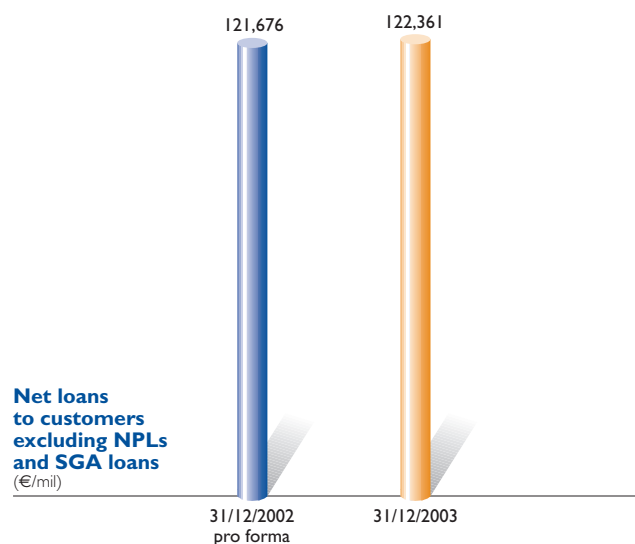
The return on the Group's interest-earning assets was 4.53% and the cost of interest-bearing liabilities was 2.20%. As a consequence, the total spread of 2.33% is largely in line with that recorded in 2002. Customer transactions on the other hand generated an average spread which was 10 basis points higher.



The average amounts of the Group's interest-earning assets showed a growth of 4.5% compared with 2002, despite the 10.5% reduction in the securities portfolio following the rationalization measures undertaken by the centralized Group finance. The positive trend in the total aggregate was determined by the increase in loans to customers (+2.9%) and other interest-earning assets (+25.9%), led by repurchase agreements. On the liability side, average interest-bearing liabilities rose by 5.2%, favored by interbank expansion and repurchase agreements; the 0.8% drop in average volumes of customer deposits on the other hand is the result of a drop in securities issued (-5.8%), only partially compensated for by an increase in other customer deposits (+2.9%).

Considering the volumes expressed in terms of stock, net loans to Group customers, excluding non-performing loans and loans to SGA, were 122.4 billion euro at the end of December 2003, largely stable compared with the beginning of the year (+0.6%). Within this aggregate, there was a lively trend in medium- and long-term loans (+8%) against a drop in short-term loans (-10.8%).

The main events that have positively influenced the trend of loans to customers include the expansion of Banca OPI's loans to the public sector and the growth of financing by the former Cardine bank networks and the Sanpaolo



Analysis of average amounts and interest rates

	2003		2002 pro forma		Change 2003 / 2002 pro forma	
	Average amounts (€mil)	Average rate (%)	Average amounts (€mil)	Average rate (%)	Change in average amounts (%)	Difference in rates (points %)
Interest-earning assets	155,977	4.53	149,297	5.31	+4.5	-0.78
- loans to customers (excluding repos)	116,659	5.17	113,369	5.83	+2.9	-0.66
- securities	14,528	3.17	16,240	4.16	-10.5	-0.99
- other interest-earning assets	24,790	2.30	19,688	3.24	+25.9	-0.94
Non interest-earning assets (1)	46,976		53,313		-11.9	
Total assets	202,953		202,610		+0.2	
Interest-bearing liabilities	152,223	2.20	144,687	2.95	+5.2	-0.75
- direct customer deposits (excluding repos)	110,360	2.03	111,196	2.79	-0.8	-0.76
- due to customers	66,822	1.14	64,957	1.54	+2.9	-0.40
- securities issued	43,538	3.39	46,239	4.54	-5.8	-1.15
- other interest-bearing liabilities	41,863	2.65	33,491	3.48	+25.0	-0.83
Non interest-bearing liabilities (1)	39,909		47,078		-15.2	
Shareholders' equity	10,821		10,845		-0.2	
Total liabilities and shareholders' equity	202,953		202,610		+0.2	

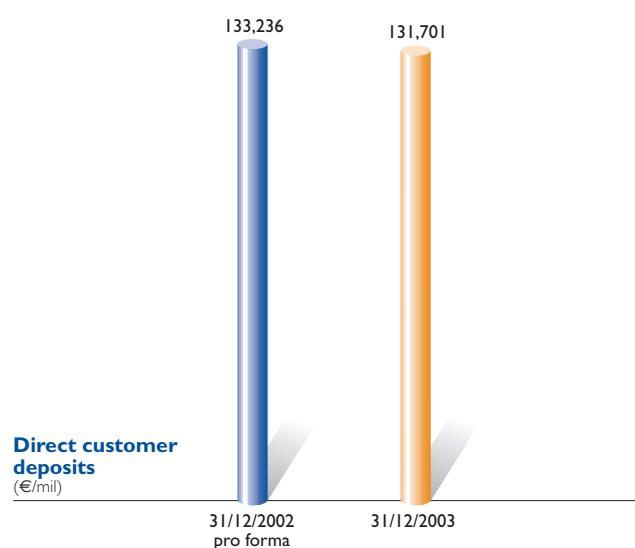
(1) This figure includes Banca IMI group's average volumes, in line with the reclassification of the related interest income and expense, reported in the "profits and losses from financial transactions and dividends on shares" caption, being closely connected, from an operating point of view, with the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

Network to private customers and small- and medium-sized companies. This was countered by reduced utilization on the part of customers of the Parent Bank's foreign branches, reduction of exposures to corporate and institutional customers and a drop in loans linked with transactions in securities of Banca IMI.

In medium- and long-term loans, good progress in financings directed to the retail sector continued: mortgage disbursements to households by the Sanpaolo Network were 2.3 billion euro during the year, joined by 1.3 billion euro disbursed by the former Cardine bank networks and 0.3 billion issued by Sanpaolo Banco di Napoli. The total disbursements of the banking networks were 22% higher than in 2002. The above mentioned evolution in terms of loans made by Banca OPI for public works and infrastructure, which rose to 18.7 billion euro at the end of December, with an annual increase of 12.1%, was also positive.

Direct customer deposits, 131.7 billion euro at the end of 2003, showed a 1.2% reduction over the 12 months due to the diverging trends of the various components. In more

detail, declines were registered by current accounts and deposits (-0.7%), commercial paper (-8.5%) and repurchase agreements (-19.5%). On the other hand, certificates of deposit showed a positive change during the year (+26.5%) thanks to the high number of placements of foreign curren-



Loans to customers

	31/12/2003		31/12/2002 pro forma		Change 31/12/03-31/12/02 pro forma (%)
	Amount (€ mil)	%	Amount (€ mil)	%	
Short-term loans	42,908	34.4	48,105	38.7	-10.8
Medium- and long-term loans	79,453	63.8	73,571	59.3	+8.0
Loans to customers excluding NPLs and loans to SGA	122,361	98.2	121,676	98.0	+0.6
Non-performing loans	1,180	0.9	1,249	1.0	-5.5
SGA loans	1,013	0.9	1,252	1.0	-19.1
Loans to customers	124,554	100.0	124,177	100.0	+0.3

Direct customer deposits

	31/12/2003		31/12/2002 pro forma		Change 31/12/03-31/12/02 pro forma (%)
	Amount (€ mil)	%	Amount (€ mil)	%	
Current accounts and deposits	68,407	51.9	68,894	51.7	-0.7
Certificates of deposit	7,142	5.4	5,646	4.2	+26.5
Bonds	39,979	30.4	39,161	29.4	+2.1
Commercial paper	3,713	2.8	4,057	3.1	-8.5
Reverse repurchase agreements and securities lending	10,095	7.7	12,543	9.4	-19.5
Other deposits	2,365	1.8	2,935	2.2	-19.4
Direct customer deposits	131,701	100.0	133,236	100.0	-1.2

cy certificates by the Parent Bank's London branch, as well as the bonds issued by Group companies (+2.1%).

At the end of December the Group's domestic market shares were 10.8% in loans and 10.2% in direct customer deposits.

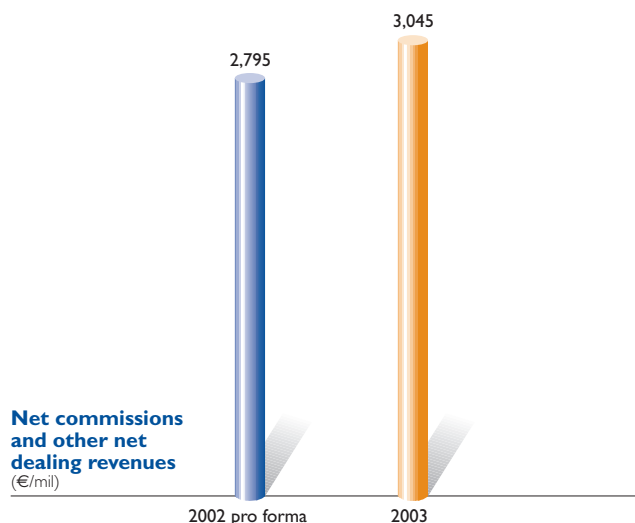
Net commissions and other net dealing revenues

Group net commissions in 2003 amounted to 3,045 million euro, up 8.9% compared with the previous year. The flow in the last quarter was 864 million, the highest of the year. The dynamics of the aggregate, partially attributable to the recovery of the financial markets, have improved gradually since the beginning of the year.

The growing trend of commission revenues characterized all areas. Management, dealing and advisory services increased by 6.4% thanks to the positive trend of revenues from brokerage and custody of securities and currencies (+9.8%), and asset management related commissions (+5.8%). The last, which had registered largely negative variations during the year, showed a progressive recovery, attributable to the evolution of assets under management.

Among other commission revenues, loans and guarantees and deposits and current accounts registered increases higher than 15%.

Indirect deposits showed an increase on the end of December 2002 of 7.8%, reaching 236.3 billion euro,

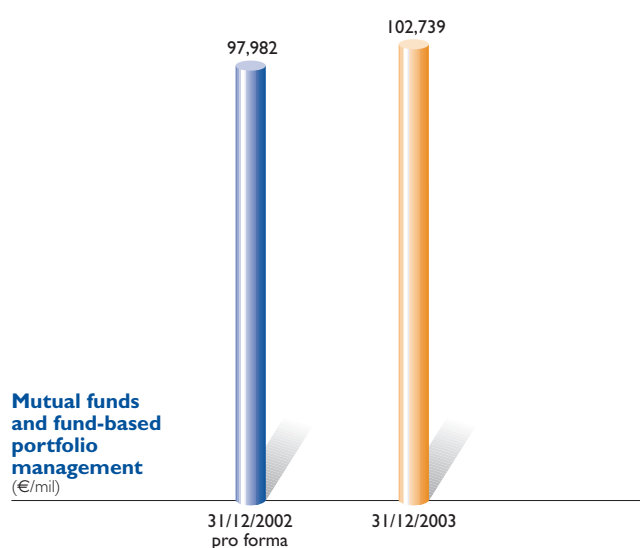


Net commissions and other net dealing revenues

	2003 (€ mil)	2002 pro forma (€ mil)	Change 2003 / 2002 pro forma (%)
Management, dealing and advisory services	1,780	1,673	+6.4
- <i>asset management</i>	1,489	1,408	+5.8
- <i>brokerage and custody of securities and currencies</i>	291	265	+9.8
Loans and guarantees	286	248	+15.3
Collection and payment services	241	229	+5.2
Deposits and current accounts	489	425	+15.1
Other services and net dealing revenues	249	220	+13.2
Net commissions and other net dealing revenues	3,045	2,795	+8.9

Customer financial assets

	31/12/2003		31/12/2002 pro forma		Change 31/12/03-31/12/02 pro forma (%)
	Amount (€ mil)	%	Amount (€ mil)	%	
Asset management	143,712	39.0	132,931	37.7	+8.1
Asset administration	92,626	25.2	86,244	24.5	+7.4
Direct deposits	131,701	35.8	133,236	37.8	-1.2
Customer financial assets	368,039	100.0	352,411	100.0	+4.4



owing to the favorable development of both asset management and asset administration.

The stock of asset management, 143.7 billion euro at the end of the year, showed a growth of 8.1% over the 12 months. This evolution was made possible by significant net inflows through the distribution networks (7.7 billion) and by the positive performance effect (3 billion).

With reference to the various asset management products, at the end of December 2003:

- the volumes of mutual funds and fund-based portfolio management came to 102.7 billion euro, up 4.9% over the 12 months, benefiting from a net inflow of 2.7 billion euro. In the context of the various types, there was a shift from the balanced funds to the equity, bond and

Asset management

	31/12/2003		31/12/2002 pro forma		Change 31/12/03-31/12/02 pro forma (%)
	Amount (€/mil)	%	Amount (€/mil)	%	
Mutual funds and fund-based portfolio management	102,739	71.5	97,982	73.7	+4.9
Portfolio management	7,437	5.2	8,586	6.5	-13.4
Life technical reserves	33,536	23.3	26,363	19.8	+27.2
Asset management	143,712	100.0	132,931	100.0	+8.1

Change in assets under management

	2003 (€/mil)	2002 pro forma (€/mil)
Net inflow for the period	7,748	3,176
- Mutual funds and fund-based portfolio management	2,659	-3,715
- Portfolio management	-1,251	-687
- Life policies	6,340	7,578
Performance effect	3,033	-9,850
Change in assets under management	10,781	-6,674

Mutual funds by type

	31/12/2003 (%)	31/12/2002 pro forma (%)
Equity	23.6	22.5
Balanced	7.4	10.2
Bond	41.5	40.3
Liquidity	27.5	27.0
Total Group mutual funds	100.0	100.0

liquidity funds. At the end of December 2003, the SAN-PAOLO IMI Group held the top position in the domestic market, with a share of 21.1%;

- life technical reserves, amounting to 33.5 billion euro, confirmed last year's growth, up 27.2% on an annual basis; net inflow through the distribution networks in the year came to 6.3 billion euro. The forms of investment preferred by customers included index and unit linked policies.

Asset administration reached 92.6 billion euro, up 7.4% since the end of December 2002.

Profits from financial transactions, profits from companies carried at equity and dividends

During 2003, profits from financial transactions and dividends on shares were 451 million euro, up 48.4% compared with the previous year. The flow of the fourth quarter, equal to 112 million euro, is in line with the quarterly average of 2003 and considerably higher than that of 2002, equal to 76 million euro. More than two thirds of these revenues were formed by income generated by Banca IMI's and the Parent Bank's dealing activities in securities, foreign exchange and derivatives. In particular, the distribution networks increased the placement of interest and exchange rate derivatives for companies structured by Banca IMI.

Profits from companies carried at equity and dividends from shareholdings, amounting to 270 million euro,

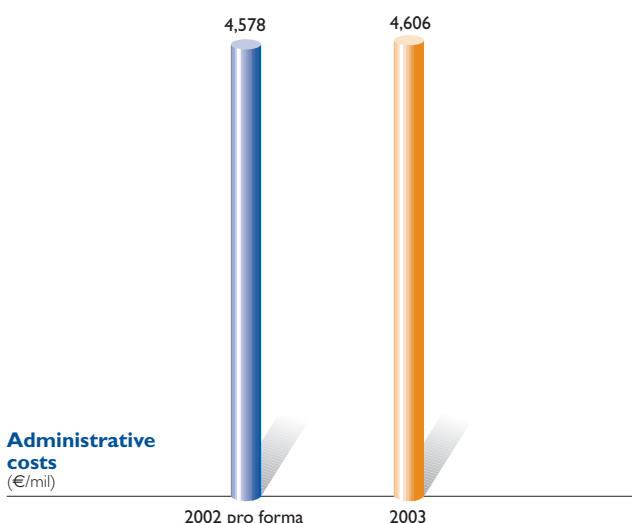
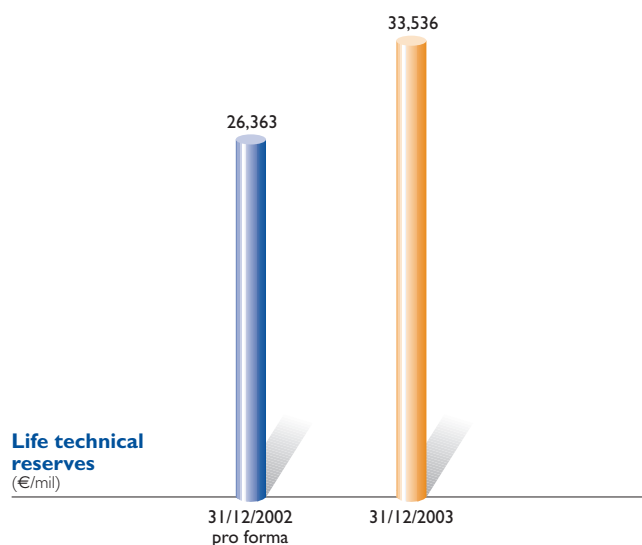
decreased by 14% compared with 2002. In particular:

- profits from companies carried at equity were 185 million euro against 159 million in the previous year. The increase was mainly attributable to the results achieved by the insurance companies of Sanpaolo IMI Wealth Management and to the fact that the negative results of several minor shareholdings ceased to apply;
- dividends paid to the Group by minority shareholdings not included in the consolidation area amounted to 85 million euro, compared with 155 million euro collected for 2002, which discounted unrepeatable components.

Costs

Administrative costs amounted to 4,606 million euro, against 4,578 million euro incurred during 2002. The 0.6% annual increase, significantly lower than the rate of inflation (2.7%), is attributable to the growth in personnel costs, while other administrative costs and indirect duties and taxes were stable.

Despite the increases induced by the national collective labor contract (expired, for the economic part, at the end of 2003), personnel costs showed a contained growth of 1%, reaching 2,841 million euro. This result was achieved thanks to the actions to contain and optimize staff, diminished by 2.9% in average terms compared with 2002. The benefits expected from the staff leaving incentives using the "Fund for staff in the banking industry", while becoming fully effective from 2004, began in 2003.



Other administrative costs, 1,509 million euro, reached similar levels to those of 2002, confirming the meticulous control over all types of costs, which enabled savings especially in the context of professional, general, promotional and advertising and utilities costs. As regards other expense captions, where property costs were stable, there has been an increase in IT costs and indirect personnel costs. The growth of IT costs must be placed in relation to the charges connected with the unification of the IT systems of the banking networks in the Parent Bank's Macchina Operativa Integrata (MOI); the increase in indirect personnel costs is attributable to transfer and training charges related to the processes underway aimed at integrating the distribution networks.

Adjustments to tangible and intangible fixed assets came to 484 million euro, compared with the 508 million of 2002 (-4.7%). The drop is in line with the trend of investments which, despite reaching high levels, were lower than those made in the previous year. A relevant share of these investments was destined to improve the central processing capacity and modernize technological infrastructure in the context of the integration of the IT systems of the bank networks in the MOI. Relevant resources were also allocated to the development of new applications and new products and to the reorganization and specialization of the commercial network.

The cost / income ratio fell from 65.1% to 61.9%, improving by more than 3 percentage points on 2002, owing to the more favorable trend in revenues.

Provisions and adjustments

Adjustments to goodwill and merger and consolidation differences, 157 million euro, were 28% lower than the

values booked last year. This drop is mainly attributable to the completion, at the end of 2002, of the ten-year amortization related to the incorporation of the former Banca Provinciale Lombarda and the former Banco Lariano. The 2002 statement of income also discounted the registration of adjustments to the positive consolidation differences for the French group Fideuram Wargny.

Provisions and net adjustments to loans and financial fixed assets in 2003 were 854 million euro, falling 39.5% from the 1,412 million of 2002. This reduction was largely attributable to the writeback of 215 million euro related to the shareholding in Santander Central Hispano (SCH), against the 399 million adjustment which significantly influenced the 2002 statement of income.

Provisions for risks and charges came to 190 million euro, lower than the 261 million euro of 2002. The reduction is mainly related to:

- the recalculation of the potential charge in connection with the renegotiation of subsidized home mortgage loans (Art. 29 of Law 133/99), in compliance with the terms established by the Government with the Ministerial Decree dated 31/3/2003;
- the termination of charges for restructuring accrued in 2002 by Banca Fideuram for the integration with Banca Sanpaolo Invest.

Provisions and adjustments to loans deriving from adjusting the estimated realizable value of specific accounts and from the coverage of the physiological risk of the performing loans, include the provision of 90% of the exposure to the Parmalat group (273 million euro) and the provision aimed at the full writedown of the exposure to the Cirio group (10 million). The total amount of provisions and

Other administrative costs

	2003 (€/mil)	2002 pro forma (€/mil)	Change 2003 / 2002 pro forma (%)
IT costs	421	401	+5.0
Property costs	291	291	-
General expenses	265	277	-4.3
Professional and insurance fees	260	282	-7.8
Utilities	88	90	-2.2
Promotion, advertising and marketing expenses	91	93	-2.2
Indirect personnel costs	93	74	+25.7
Other administrative costs	1,509	1,508	+0.1

adjustments was higher than in 2002 (727 million euro against 590 million).

At the end of December 2003 Group net doubtful loans were 2,573 million euro, down 8.7% over the 12 months. The drop was determined mainly by the reduction of problem, restructured and in course of restructuring loans. More specifically, in loans to customers:

- net non-performing loans, equal to 1,180 million euro, were down 5.5% compared with 1,249 million at the end of December 2002; the net non-performing loans/net loans to customers ratio was 0.9%;
- problem, restructured and in course of restructuring loans were 1,341 million euro, down 8.2% compared with the 1,460 million of the end of 2002;
- non-guaranteed loans to customers in countries subject to country risk amounted to 22 million euro, against the 58 million of the beginning of the year.

As of 31 December 2003, the degree of coverage of loans to customers reached 73% for non-performing loans and 34% for problem, restructured and in course of restructuring loans. The Group's general reserves amounted to 1,103 million euro, a level which maintains the level of coverage of performing loans at 0.9%.

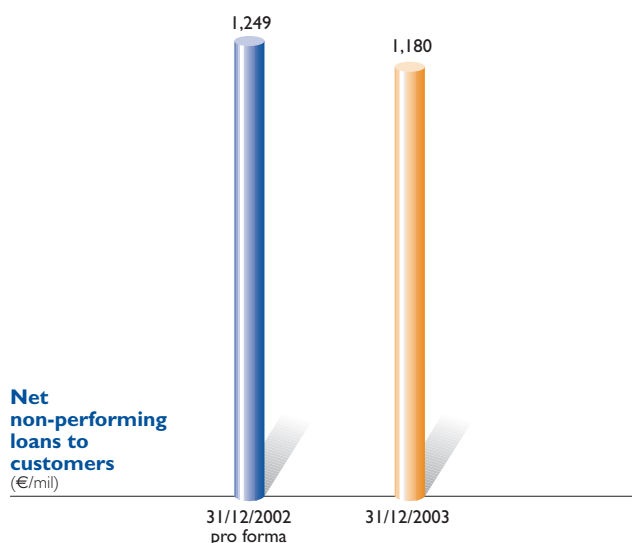
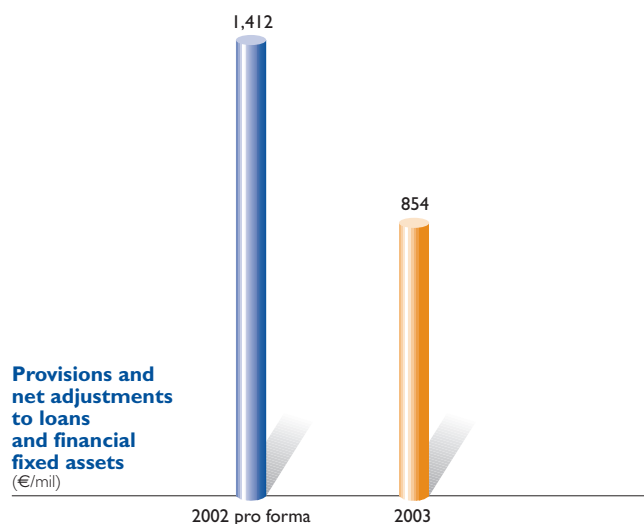
The valuation of fixed financial assets determined net writebacks of 63 million euro, compared with the 561 million net adjustments for 2002. Equity investments registered net writebacks for 70 million while 7 million of adjustments were made to investment securities. With

regard to the investment portfolio, there was, as already mentioned, a significant rise in the shares of SCH which, in accordance with the average price for the last six months (8.075 euro), produced a writeback of 215 million euro. The adjustment of the value of the shareholding in H3G involved the booking of a capital loss of 101 million euro, corresponding to the Group's share of the estimated year loss of the telecoms company. Lastly, the adaptation of the stake in FIAT to market values in December (6.397 euro) determined the booking of a loss of 12 million euro in the statement of income for the year.

Extraordinary income/charges and taxes

The Group's net extraordinary charges in 2003 were 43 million euro, compared with the 320 million euro net income for the previous year. The net flow of the year includes:

- 470 million euro in provisions for staff leaving, largely attributable to the "Income, employment and re-training fund for staff in the banking industry";
- 17 million euro in expenses for use of the tax reform. This amount corresponds to part of the Group's total outlay, which also includes 11 million related to insurance subsidiaries, the results of which are recorded using the net equity method, and 20 million for which existing tax reserves were used;
- 318 million gains on the sale of shareholdings, of which 239 million attributable to the sale of the majority share of the capital (60%) of Banque Sanpaolo and 44 million



to the sale of the first tranche (20%) of Finconsumo Banca;

- 73 million euro income from the release of reserves for potential expenses in excess, largely owing to the renegotiation of subsidized home mortgage loans.

The flow of 2002 was largely characterized by the disposal of shareholdings and the use of funds considered in excess on the basis of actuarial estimates, as well as real estate sales.

Income taxes for the year, totaling 661 million euro, established a Group tax rate of 39.6%, lower than that registered in 2002 (43.3%). The improvement was the result of the two percentage point reduction in IRPEG (Corporate Income Tax) and the half percentage point reduction in IRAP (Regional Income Tax), and by the higher amount of income taxable at reduced rates or not subject to IRAP, such as writebacks of equity investments, gains for the sale of shareholdings and dividends, which balanced the non-deductibility in terms of IRAP of staff leaving incentives expenses.

Analysis of loan portfolio

	31/12/2003		31/12/2002 pro forma		Change 31/12/03-31/12/02 pro forma (%)
	Amount (€/mil)	%	Amount (€/mil)	%	
Non-performing loans	1,180	0.9	1,249	1.0	-5.5
Problem, restructured and in course of restructuring loans	1,341	1.1	1,460	1.2	-8.2
Loans to countries at risk	22	0.0	58	0.0	-62.1
Doubtful loans - customers	2,543	2.0	2,767	2.2	-8.1
Performing loans	122,011	98.0	121,410	97.8	+0.5
Total loans to customers	124,554	100.0	124,177	100.0	+0.3
Non-performing and problem loans - banks	-		1		n.s.
Loans to countries at risk - banks	30		50		-40.0
Total doubtful loans - customers and banks	2,573		2,818		-8.7

Capital and reserves

Net shareholders' equity

Group shareholders' equity, 10,941 million euro as of 31 December 2003, showed in the year the following movements:

<i>Movements in Group shareholders' equity</i>	<i>(€/mil)</i>
Pro forma shareholders' equity as of 31 December 2002	10,702
Pro forma adjustments	-165
Shareholders' equity as of 1 January 2003	10,537
Decreases	-565
- Dividends	-550
- Use of reserve for general banking risks	-7
- Exchange and other adjustments	-8
Increases	969
- Income for the period	969
Shareholders' equity as of 31 December 2003	10,941

The pro forma adjustments applied to the equity as of 31 December 2002 are mainly the result of recording the capital gains from the sale of Banque Sanpaolo, net of the related tax effects, to the net equity reserves. More information on the subject is supplied in the attached method-

ological notes and statements to determine the pro forma statement of income and balance sheet for 2002.

Own shares

As of 31 December 2003, the Parent Bank alone held 3,220,919 SANPAOLO IMI shares in its portfolio, equal to 0.18% of the share capital, which were recorded, among the assets in the balance sheet, at market value for 33.5 million euro (10.413 euro unit cost).

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.

The Parent Bank's dealing in own shares was particularly aimed at purchasing securities for the dealing portfolio, later assigned to employees in relation to the extended employee stock plan.

Regulatory capital and solvency ratios

At the end of December 2003 the ratio of regulatory capital to total weighted assets against credit and market risks was estimated at around 10.5%; the ratio of Group primary capital to total weighted assets was estimated at 7.4%.

Financial risk management and control

Financial risks from lending activities

Market risk generated by the lending activities of the Group in 2003 was considerably lower than the average level observed in the previous year, suitably restated to take the inclusion of the Cardine bank networks into consideration. 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 in 2003 an average negative value of 131 million euro, against an average negative value of 231 million in 2002. The average shift sensitivity observed in the fourth quarter (-130 million euro) was in line with the value for the first nine months of the year.

The Value at Risk (VaR) of the banking book, calculated as the maximum “unexpected” potential loss of the market value of the portfolio which could occur in the 10 following working days with a statistical confidence interval of 99%, oscillated around an average value of 78 million euro in 2003 (the average value for 2002 being 97 million). At the end of the year the VaR was 75 million euro.

Non-Group listed equity investments

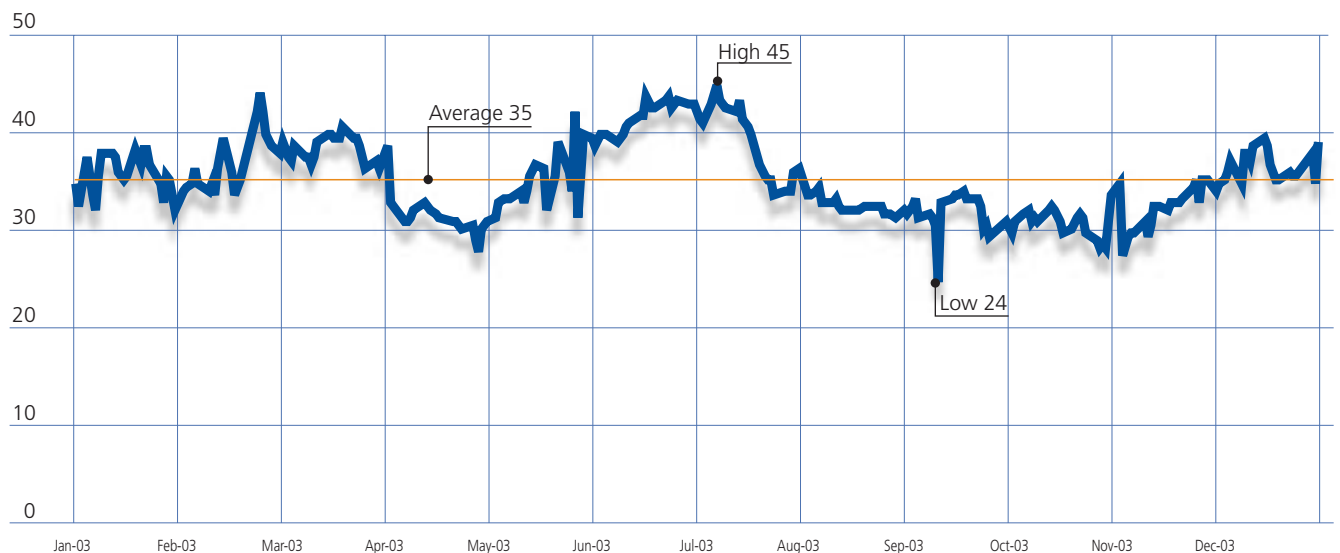
At the end of the year, equity investments in listed companies not consolidated on a line by line or equity basis were worth 1,674 million euro (270 million euro of which held by IMI Investimenti), increasing considerably since the end of September following further recovery of the share prices registered in the period. The market value of equity investments showed, according to prices at the end of December, a net potential capital gain on book value of 197 million euro (after economic adjustments of the value during the quarter).

The VaR related to the minority investments in quoted companies came to 217 million euro at the end of the year, in line with the level observed at the end of September (208 million euro); the effect linked with the increase in the market value of the portfolio during the year was substantially compensated for by the decrease in average volatility of share prices.

Trading activities

Dealing activities, mainly in fixed income and equity securities, exchanges and derivatives, are measured here.

The VaR of the trading activities, concentrated in Banca IMI and its subsidiaries, registered an average value during the



Maximum potential daily loss in trading (€/mil)

year of 12.1 million euro (compared with 8.8 million in 2002), oscillating between a minimum of 6.3 million euro and a maximum of 18.3 million. In the fourth quarter the average VaR was 12.5 million euro, rising slightly compared with the 11.9 million of the first nine months of the year; at the end of December the VaR was 14.8 million.

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. In this context, the “maximum potential daily loss” in 2003 showed an average value of 35 million euro, compared with 33 million last year.

Backtesting showed the prudential nature of the internal measurement techniques used. In no case was the ex ante potential daily exposure, in terms of VaR and maximum potential loss, exceeded by actual losses.

Supplementary information

Performance of share prices

At the end of December 2003, SANPAOLO IMI's share price was 10.34 euro, up 66.8% from the beginning of the year,

against an increase of 30.3% in the MIB bancario. On the same date, the SANPAOLO IMI share traded on a price/book value of 1.7 and a price/earnings, calculated on consensus earnings for 2004, of 14.6.

On 10 February 2004, the quoted price was 10.671 euro, representing a growth of 3.2% since the start of the year.

Market comparison

	10/2/2004	30/12/2003	30/12/2002	Change 30/12/03-30/12/02 (%)
SANPAOLO IMI share (€)	10.671	10.340	6.200	+66.8
Banking index (historical MIB bancario)	2,301	2,251	1,727	+30.3

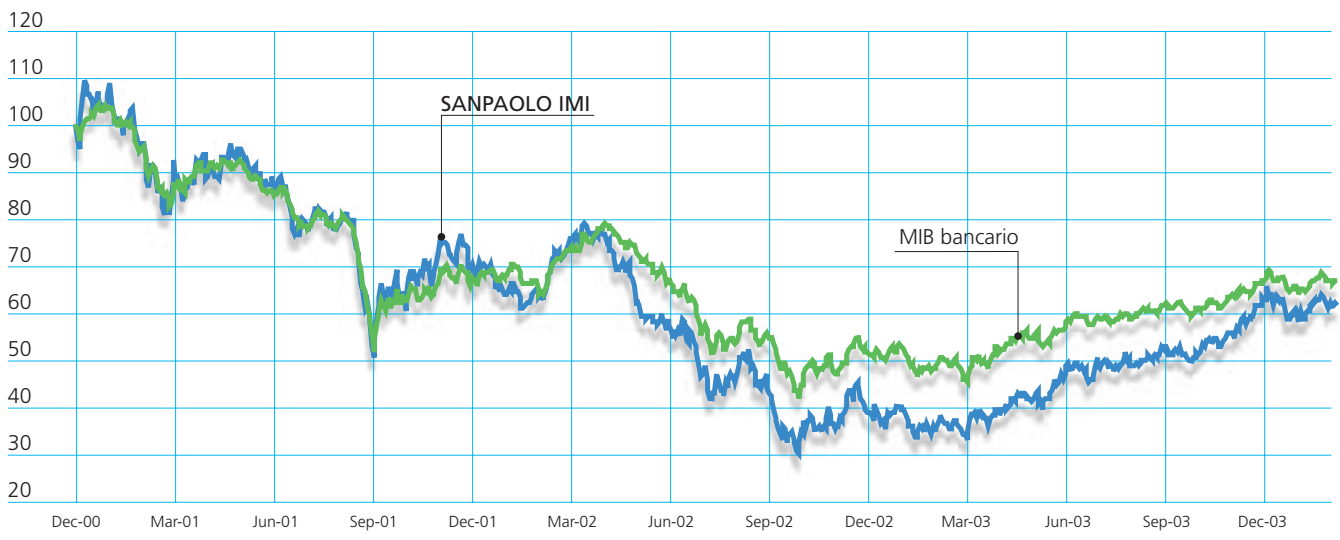
SANPAOLO IMI share price (1)

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	11.346	5.796	8.158
2004 (up to 10/2/2004)	11.072	10.037	10.617

SANPAOLO IMI income and balance sheet indicators

	30/12/2003	30/12/2002
Book value per share (€)	5.97	5.74
Consensus earnings per share (EPS) (€)	2004E 0.71	2005E 0.86

(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 31 December 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
Santander Central Hispano	7.71	9.78
Fondazione CR in Bologna	7.69	3.12
Giovanni AGNELLI e C.	3.83	4.86
Deutsche Bank	2.13	2.71
Mediobanca	1.93	2.45
Fondazione Cariplo	1.75	2.21
Caisse des Dépôts et Consignations (CDC)	1.70	2.16
Società Reale Mutua di Assicurazioni	1.53	1.94
Ente CR Firenze	1.53	1.94
Fondazione CR Venezia	1.50	1.90
Other shareholders (1)	43.42	55.05
Total	100.00	100.00

(1) Includes own shares held by the Group.

After 31 December 2003, Santander Central Hispano issued news of the increase of the shareholding in the total share capital of SANPAOLO IMI to 8.6%.

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+

In October 2003 Moody's officially assigned to Banca IMI the following ratings: Aa3 on medium/long-term debt, P-1 on short-term debt and C+ on financial solidity, all with a stable outlook.

Group Business Areas

Organization by Business Areas

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 mainland South, through Sanpaolo Banco di Napoli; the former Cardine bank networks, 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, GEST Line in which the Group's tax collection activities converged, 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 handles the Group's shareholdings in Cassa di Risparmio di Firenze, in Cassa dei Risparmi di Forlì and in Banca delle Marche, 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; Eptafund, operating mainly in asset management; 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 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, including the former Cardine Finanziaria, finance, the Macchina Operativa Integrata and the management of property, shareholding investments and Group lending policy, are included in the Central Functions.

The most important initiatives of the main business Areas for the fourth quarter are presented below; the operating and income results for the year will be detailed in the 2003 Annual Report.

Domestic Banking Networks

Sanpaolo Network and Consumer Banking

Sanpaolo Network and Consumer Banking operates according to an activity base comprising the following business units:

- the Sanpaolo Network, consisting of more than 2,400 branches and operating points of the Parent Bank and of Sanpaolo 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 and Sanpaolo Bank Switzerland).

The last quarter of 2003 was characterized by important organizational events. In particular, following the start-up of Sanpaolo Banco di Napoli, work continued on the rationalization of the territorial organization of the whole Sanpaolo Network, aiming at enabling the integration in the territories characterized by the presence of various historical brands and at consolidating further the distribution model adopted by the Group, which combines specialization with strong local coordination. The organizational intervention reduced the territorial management Areas from 22 to 17. Of these, 14 coordinate the operations of the Parent Bank branches and three address the operations of the Sanpaolo Banco di Napoli branches. In more detail:

- considering the importance of the proximity to the reference market for operations with private customers, some Areas have been subdivided into several Markets. A total of 28 Markets have been set up to supervise the operations performed by over 2,200 private and retail operating points;
- the rationalization of the branches specialized in services to companies has been completed. The network dedicated to companies is now organized into 17 Markets and comprises 151 branches and 63 specialist teams;
- specific Markets dedicated to operations with Public Bodies and Companies have been set up to support operational development for services to the public sector in the areas with the greatest growth potential, especially in Southern Italy.

In the same period, the Sanpaolo Network continued to pursue the budget targets set out for the year, which provided for the strengthening of the market position in terms of private and retail customers as well as the development

of relations with companies with reasonable creditworthiness. In particular:

- regarding private and retail segments, the initiatives aimed at improving relations with customers and specializing and personalizing the product range continued. In more detail:
 - work continued on the consolidation of the distribution model based on the specialization of operating points by customer segments, extended throughout the network at the beginning of the year. In the current organizational structure, the retail branches are articulated in modules dedicated to serving the customers of its various submarkets: personal, family market and small business, dedicated respectively to customers with significant financial funds, to households and to customers comprising professionals, artisans, farmers and small companies. Within the retail branches, there are also modules specialized in serving private customers, which, together with the branches specifically dedicated to this type of customer, ensure a better coverage of the territory;
 - an intense training activity and more evolved models were implemented to provide branch operators with more effective means for a financial planning tailored to suit customer needs. This meets the requirements of the Investment Policy, presented in April 2003, which establishes the guidelines to be followed in the assistance provided by branches to customers in relation to investments;
 - work continued on the design of new products, particularly with guaranteed capital;
 - initiatives aimed at increasing operations with small businesses with reasonable creditworthiness continued. This was carried out by making specific products and instruments for this segment available to branch specialists;
 - the spread of the multi-channel infrastructure continued: at the end of December, direct banking contracts rose to more than 457,000, with a growth of around 40% on an annual basis;
- as regards companies, work continued on consolidating the position of excellence on this segment. Particular emphasis has been placed on small- and medium-sized companies, also through the activation of commercial campaigns. The commercial effort related to several specific strategic areas was also further intensified. These areas include:
 - risk hedging: about 3,000 companies used Sanpaolo products to hedge financial and exchange risks connected with operations, compared with 1,000 in 2002;

- telematic channels: intense activity aimed at maximizing the dissemination and use of remote stations continued: at the end of 2003, the number of Internet banking contracts, including small business, reached 31,000 units, climbing 45% from the beginning of the year;
- foreign: the relaunch of the sector, pursued through the strengthening of the offer and operational rationalization, showed the first results; trading flows and revenues for the last months of 2003 appear to have increased compared with the previous year, despite the stable market trend.

Lastly, also worth noting are:

- the dissemination of the new Commercial Policy, which represents the “charter of values” to which the daily management of business with companies aims to comply;
- the issue to consultants of new instruments to facilitate the identification of commercial actions, as well as the definition of pricing in relation to the risk undertaken and to operating costs.

Under the operational profile, the Sanpaolo Network, including the operations of Sanpaolo Banco di Napoli, showed an annual growth of customer financial assets of approximately 7%, attributable to asset management and administration. The net asset management flow in particular was around doubled if compared to the whole of 2002. Loans to customers increased by almost 5% compared with the end of 2002. The particularly strong performance of retail mortgages for households was confirmed: 2.8 billion euro have been disbursed during the year, of which 1 billion euro in the fourth quarter.

The income results of the Sanpaolo Network in 2003 presented a growth compared with last year, thanks to the positive trend in all revenue components and to the limited movement registered in costs.

Former Cardine Bank Networks

The former Cardine bank networks include the 855 branches of Cassa di Risparmio di Padova e Rovigo, Cassa di Risparmio in Bologna, Cassa di Risparmio di Venezia, Banca Popolare dell'Adriatico and Friulcassa (resulting from the merger between Cassa di Risparmio di Udine e Pordenone and Cassa di Risparmio di Gorizia).

As described in more detail in a previous chapter of this Report, to which reference should be made, the merger by incorporation of Cardine Finanziaria into the Parent Bank

took place on 31 December 2003, leading to the creation of the North East Territorial Direction, to control and supervise the commercial and credit activities of the Group branches operating in the areas of Triveneto (comprising the regions Veneto, Friuli Venezia Giulia and Trentino Alto Adige) and Emilia.

In order to favor integration at Group level, towards the end of the year the first interventions on the organization and commercial direction began in preparation for the migration of the bank networks' IT systems towards the SANPAOLO IMI target.

From the commercial viewpoint, during the fourth quarter, the activity of the former Cardine bank networks was focused on the retail market, organized into personal, family market and small business segments, in particular offering products originating from the SANPAOLO IMI Group's companies, notably in relation to asset management and bancassurance products. With reference to the other customer segments, the networks operated aiming towards selective growth of volumes - with particular attention to the containment of risks - and at expanding margins, in relation to the corporate sector, as well as increasing the number of customers and the amounts managed, for the private sector.

During 2003, the activities of former Cardine bank networks were characterized by the favorable development of the main operational aggregates. Customer financial assets showed a growth of about 6%, supported by asset management and administration. Also positive was the development of loans to customers, net of non-performing loans, which were up around 8% on an annual basis; new disbursements to households in connection with retail mortgages were particularly relevant at 1.3 billion euro, of which 0.5 billion in the fourth quarter. As regards the economic profile, the positive trend of operating revenues and fewer provisions fully offset the higher extraordinary expenses linked with staff leaving incentives, enabling an increase in net income on 2002.

Banca OPI

Banca OPI provides financial services to the public sector, with particular reference to the financing of infrastructure investments and public 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 fourth quarter of 2003, the bank:

- issued new loans mainly concerning the rail sector, land preservation, the road and freeway infrastructure sector in Italy and abroad and local public services, with particular reference to water cycle systems and environmental hygiene; supported local authority investment programs (regional, provincial and municipal councils); carried out significant interventions in the re-qualification of urban infrastructure, especially through government financings;
- subscribed securities from public issuers (mainly local authorities and foreign counterparties from government sector);
- in the advisory sector, carried out mandates regarding the privatization of APS S.p.A., a public utility in Padua, and the valuation of a company for its acquisition by the public utility of Settimo Torinese, ASM S.p.A.; assisted AMA S.p.A. in the selection procedure for investors in the privatization of the subsidiary AMA International S.p.A.;
- in project financing, structured, together with an important German bank, the FIBE project for the construction and management of an integrated waste disposal system for the Province of Naples, for which the subunderwriting phase has been completed;
- continued, together with Bank Austria, the arranging mandate for the Europpass project (sponsored by Autostrade S.p.A.) in relation to the construction of a toll paying system for heavy vehicles on the Austrian road network, for which the inspection phase has begun;
- assisted – in the presentation of proposals for the assignment of new concessions – companies operating in the freeway transport sector, such as Pedemontana Veneta S.p.A., Astaldi S.p.A.-Giustino Costruzioni S.p.A. (Avellino-Sicignano) and Nuova Romea S.p.A. (Ravenna-Mestre) and took part in the project finance transaction for the acquisition of Empresa Nacional de Autopistas (ENA), a company managing freeways in Northern Spain and Chile.

In 2003 the bank made new disbursements for 5.2 billion euro, of which 2 billion euro in the fourth quarter; these were joined by a flow of new subscriptions of securities issued by Public Bodies, amounting to 1.7 billion euro. Total financings rose at the end of December to 18.7 billion euro, up 12.1% in the 12 months, while securities in portfolio issued by reference customers reached 2.1 billion.

The positive trend in operating volumes was accompanied by a significant growth in income margins, mainly net

interest and other banking income and operating income, generating net income which was more than 50% higher than in 2002.

Large Groups and Structured Finance

Large Groups and Structured Finance are the Group's two specialist units, the first appointed to manage relations with the major groups of domestic and international importance, the latter project financing and specialized structured lending.

In 2003, despite improved operating revenues, the economic results of the Large Groups unit were penalized by major provisions to deal with the Parmalat group default in the last quarter of the year.

The Structured Finance unit defined important transactions, the effects of which will become evident from the current year: the positive evolution of several transactions registered towards the end of the year also enabled the realization of significant recoveries on provisions already made.

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%, the Cassa dei Risparmi di Forlì (29.8% stake), and the Banca delle Marche, in which SANPAOLO IMI acquired a 7% share in December.

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 fourth quarter, equal to 477 million euro, brought the flow for the year to 1.6 billion euro and total amounts at the end of December to 3.9 billion euro;
- placement by the Cariforlì network, in the year, of SANPAOLO IMI Group asset management products for 69 million euro, of which 34 million in the fourth quarter; this net flow took the stock, at the end of December, to 234 million euro, up 41% in the 12 months.

Personal Financial Services

Banca Fideuram

Banca Fideuram has a network of 4,543 financial planners and 88 branches in Italy and operates using its own specialized companies dedicated to the production of asset management services.

During the fourth quarter of 2003, Banca Fideuram's activities were aimed at the completion of the integration process with Banca Sanpaolo Invest. In particular, in December the transformation of Banca Sanpaolo Invest into a SIM was completed. After the transfer in favor of Banca Fideuram of the banking activities became legally effective (from 1 July), Banca Sanpaolo Invest ceased performance of

banking activity, focusing on investment services through its own network of financial planners. The reorganization of the French subsidiary Fideuram Wargny also continued.

Under the operational profile, Banca Fideuram completed the strategy to reconvert the assets under administration, aimed at increasing the weight of asset management. The success of this strategy was confirmed by the achievement of a net inflow of asset management equal to 3.6 billion euro, reversing the trend with respect to the outflow registered the previous year.

Net income for 2003 registered a growth compared with the previous year, benefiting both from the defense of revenues at 2002 levels, thanks mainly to the acceleration during the last quarter of the year, and from fewer provisions.

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.

The main initiatives realized by the Area in the fourth quarter concerned:

- the rationalization of the corporate structure: in particular Sanpaolo Vita acquired from Banca Fideuram its shareholding in Sanpaolo Life (Ireland), thus gaining complete control, and took over the Noricum Vita share held by Unipol Assicurazioni; Universo Servizi, a company offering IT-administration insurance services was set up following a spin off from Sanpaolo Vita;
- the widening of the product range, through the placement of two new index linked policies (worth 550 and 170 million euro respectively), the launch of the new GP PrivateSolution dedicated to the private customer segment and the start-up of the marketing of the Sanpaolo Etico Venezia Serenissima ethical fund in conjunction with the reopening of the "La Fenice Theater";
- the opening of the twelfth season of the "Active Portfolio" protected capital unit linked policy;
- the commercial relaunch of the range of funds of hedge funds by Sanpaolo IMI Alternative Investments;
- the technical and commercial support of the activity to rationalize the product range, mainly mutual funds, pension funds and portfolio management, in view of the integration with Eptafund.

The Area's assets under management showed an increase of around 12% on an annual basis; in the context of the total aggregate, it should be noted a consistent increase in life technical reserves, which rose by more than a third compared with the end of 2002. In profit terms, the income for the period was in line with that of the previous year. This was a consequence of the positive trend of revenues, largely attributable to the increased contribution of the insurance companies Sanpaolo Vita and Sanpaolo Life, which offset the extraordinary expenses referable to use of the Budget Law 2003 for the tax reform.

Banca IMI

Banca IMI, the Group's investment bank, covers securities dealing both on own account and for customers, the raising of risk and debt capital for companies, as well as corporate finance consultancy.

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

- with regard to Public Offers, completed the residual Public Offer for Italdesign Giugiaro shares, which led to the cancellation of the share from the list at the end of October;
- in the context of equity placements, completed the quotation of Isagro, one of the two Initial Public Offers carried out on the Italian market during the fourth quarter, and made a private placement with leading institutional investors of 5% of the capital of CDC, a company quoted on the New Market, which distributes IT products;
- with reference to capital increases, performed three tranches of the Mondo TV capital increase and participated in the capital increase option of Banca Antoniana Popolare Veneta;
- in the debt market, performed the role of lead manager and placer in 19 transactions. In particular, was joint-lead manager and bookrunner for the reopening of the first inflation indexed BTP. In the financial institutions sector, acted as lead manager and bookrunner for the public issues of Credito Valtellinese, Landsbanki Islands, Kaupthing Bunadarbanki, Cassa di Risparmio di Firenze and SANPAOLO IMI, as sole manager for private placement issues by SANPAOLO IMI, Natexis Banque Populaire and Caixa General de Depositos and as arranger of the EMTN program of Mediocredito Trentino Alto Adige. As regards corporate issuers, it was co-arranger for Edison's EMTN program and joint-lead manager and bookrunner for the related debut issue. In relation to activity with local authorities, acted as joint bookrunner for an issue by Pisa Municipal Council and obtained a mandate as joint-lead manager and bookrunner for the issue by Piedmont Region. Lastly, in securitization, acted as joint arranger of the Master Dolphin (the master trust of Findomestic Banca) structuring and acted as joint-lead manager and bookrunner of the opening issue.

As regards corporate finance advisory, Banca IMI:

- assisted SANPAOLO IMI (acquisition of a 7% share of Banca delle Marche) and completed the advisory activi-

- ty for Sanpaolo IMI Wealth Management (setting up a joint venture in the context of a framework agreement);
- with regard to current transactions, continued global advisory activity for the FIAT Group and advisory activities for the Albanian government (privatization of the fixed telecommunication and energy sectors), and for Edison (sale of a gas transportation network).

In 2003 the total revenues of Banca IMI showed sustained growth in comparison with the previous year, benefiting from the recovery of capital markets activity, the positive trend in risk management sector, as well as an improvement in the sales sector margin. This, together with the reduction in operating costs, allowed the bank to achieve a net income in significant progress on 2002.

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 dedicated to equity investment in small- and medium-sized companies.

The company, which performs sectorial sub-holding functions, heads two SGR in Italy authorized to manage closed-end investment funds (Sanpaolo IMI Fondi Chiusi SGR and NHS Mezzogiorno SGR), as well as an advisory company to support their activity, while the subsidiaries instrumental to the management of international law closed-end investment funds and the merchant banking activity are located abroad.

Two important private equity transactions in small- and medium-sized companies were completed towards the end of the year, through coinvestments from three funds managed by the Group's two SGR (Cardine Impresa, Eptasviluppo and Fondo Mezzogiorno); in particular, the latter set up its activity with these interventions, while the other two funds have already invested approximately half of the portfolio.

The first transaction, for a total of 13 million euro, regarded the Kedrion group, operating in the haemoderivatives sector; while the second, amounting to 7.5 million, concerned the Teramo-based company Proel S.p.A., leader in the sector of instruments and accessories for the entertainment sector.

During the fourth quarter, Sanpaolo IMI Fondi Chiusi SGR continued the preliminary activities for the launch of the two new multi-regional funds Nord Ovest Impresa and Centro Impresa, dedicated to investments in small- and medium-sized companies in their respective areas of competence, for which authorization from the Bank of Italy was received in January 2004.

With reference to NHS Mezzogiorno SGR, work began on the procedures to change the name to Sanpaolo IMI Investimenti per lo Sviluppo SGR, in order to exploit the Group brand and in view of an extension of the field of action also to other areas of activity, such as investments in infrastructure.

As regards the activity of foreign funds, in addition to SIPEF1, which is already operational, work continued on the structuring of the new pan European fund E.A. Partners, in conjunction with CDC IXIS and Bayerische Landesbank. In this context a first bridge transaction for the new fund was completed towards the end of the year, with a 10 million euro investment in the Modena-based group Argenta, leader in the sector of beverage and snack vending machines.

Lastly, consistent with the strategic plan which provides for the gradual disposal of merchant banking shareholdings, the Dutch subsidiary LDV completed the disposal of the entire shareholding in AMPS, the former municipal company of Parma.

With reference to the income results, in 2003 Sanpaolo IMI Private Equity, along with its subsidiaries, showed a slight net income compared with the loss registered for the previous year, the first year of operation after the spin off of the former NHS.

International Activities

Foreign Network

The Area is responsible for the foreign network of the Parent Bank composed, at the end of December 2003, of 12 branches, 18 representative offices and 1 operating desk, as well as for the Irish subsidiary Sanpaolo IMI Bank Ireland. The strategic position in the reference markets is supervised through three territorial structures (Americas, Europe and Asia), giving direction and controlling the various operating points which guarantee a total direct presence in 27 countries.

Moreover, to optimize the synergies with Sanpaolo IMI Internazionale, the latter was assigned, as of 2003, the hierarchical responsibility for the 6 representative offices in Central Eastern Europe, which will however continue to remain, from the corporate point of view, within the Parent Bank.

The Area is evolving consistently with the Group's global objectives, aimed at encouraging the internationalization of Italian companies and increasing the presence of foreign multinationals in the Italian market.

During 2003, the lending activities with foreign counterparties were marked by the selectivity and safeguarding the quality of the portfolio rather than increasing operating volumes, confirming a strong customer oriented policy. The synergies with the Group's product factories and domestic networks have gained strength. In relation to the cross selling of products and services, significant results were achieved in the sale of international cash management services.

The amount of loans fell compared with the end of December 2002, partly attributable to the rise in the value of the euro compared to the dollar and the pound.

Under the economic profile, the fourth quarter of 2003 confirmed the positive income trend of the first nine months. The good quality of the loans disbursed enabled maintenance of reservation levels at physiological values.

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.

So far, the Parent Bank has assigned the company the shareholding in the Hungarian Inter-Europa Bank, which has 25 branches, the 3.6% 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 Sanpaolo IMI Bank Romania (97.9%), operating in Romania through 22 branches, received the necessary authorization from the Central Bank on 12 January 2004 and is currently being completed. Sanpaolo IMI Internazionale is also responsible for the operational control of Banka Koper, operating in Slovenia through a network of 39 branches, of which 62.6% is held by the Parent Bank.

The plan to restructure and strengthen the capital of Sanpaolo IMI Bank Romania continued during the fourth quarter, with the payment of a first tranche of capital increase of 5 million euro. In this context, the name was changed from West Bank to Sanpaolo IMI Bank Romania in October.

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.

In the context of the plan to reallocate the minority investment portfolio within the Group which sees IMI Investimenti, on the one hand, as the seller of several assets such as SAGAT and AEM Torino and, on the other, as the buyer of shareholdings in Merloni Termosanitari,

Fincantieri, Infracom and Sitcom, the sale of the stake in AEM Torino (3% of the capital) to FIN.OPI for 18 million euro was completed in December.

After the end of the year, IMI Investimenti also acquired, in January, the SANPAOLO IMI stake in Fincantieri and in Infracom, and, in February, the Finemiro Banca stake in Sitcom.

The economic performance in 2003 is still penalized by significant adjustments to the investment portfolio (in particular H3G) which have resulted in negatively influencing the Group's net income.

Explanatory Notes

ACCOUNTING AND VALUATION PRINCIPLES

CHANGES IN THE CONSOLIDATION AREA

CONSOLIDATED PRO FORMA STATEMENTS FOR 2002
AND THE FIRST NINE MONTHS OF 2003

Accounting and valuation principles

The Quarterly Report of the SANPAOLO IMI Group as of 31 December 2003 has been prepared according to Consob Regulation 11971 of 14 May 1999 and successive modifications and integration.

The balance sheet and the statement of income as of 31 December 2003 have been prepared using accounting and valuation principles consistent with the Annual Report 2002, to which reference is made for further detail. Here, the following should be noted:

- the accounting situations used for consolidation are those prepared by subsidiary companies (consolidated line by line, proportionally or at net equity) with reference to 31 December 2003, as adjusted when necessary in line with Group accounting principles;
- valuations according to the net equity method of subsidiaries subject to a significant degree of influence have been made on the basis of information made available by them also using, for the statement of income for the period, prudent estimates;
- the positive differences, generated by line by line, proportional and net equity consolidation, have been taken against the total of negative differences at first consolidation pre-existing or arising in the same year and to their extent, pursuant to Art. 32 of D. Lgs. n. 87 of 27/1/1992 and successive applicative instructions issued by Bank of Italy;
- adjustments and provisions made exclusively for tax purposes by the Parent Bank and by consolidated companies are reversed;
- only significant balances and transactions with Group companies have been eliminated.

The quarterly balance sheet and statement of income have not been independently audited.

Changes in the consolidation area

The main changes in the consolidation area when compared to 31 December 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, because of the increase in the investment held by the Group, from 40.48% as of 31 December 2002 to 100% following additional acquisitions of 20.24% and

39.28% made in January and June 2003 respectively;

- 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 Szolgáltató Kft) following the increase of interest held by the Group, which rose in 2003 from 32.51% to 85.87%;

- the passage from the area of consolidation on a line by line basis to consolidation according to the equity method of:
 - IW Bank S.p.A. following the disposal in May 2003 of 80% of its shares previously held by Banca IMI S.p.A.;
 - Banque Sanpaolo S.A. and its subsidiaries following the disposal in December 2003 of 60% of its shares previously held by SANPAOLO 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 in September 2003 of 20% of the interest held and of the end of joint control;
- inclusion in the area of consolidation according to the equity method as of May 2003 of the interest in Synesis Finanziaria S.p.A. (25%), holder of the shares in Fidis Retail Italia;
- 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%.

Lastly, the establishment in December of Friulcassa S.p.A., rising from the merger between Cassa di Risparmio di Udine e Pordenone S.p.A. and Cassa di Risparmio di Gorizia S.p.A., should also be noted.

Consolidated pro forma statements for 2002 and the first nine months of 2003

In order to ensure comparability of the accounting results on a consistent basis in relation to the main changes to the consolidation area, the reclassified consolidated statements of income and balance sheets of the SANPAOLO IMI Group for the previous year and the first nine months of 2003, shown in comparison with the current results, are presented in a pro forma version.

The pro forma results for the year 2002 were prepared 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 passage from line by line/proportional consolidation to consolidation using the equity method of Banque Sanpaolo, IW Bank and Finconsumo Banca with effect from 1 January 2002.

It is also 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.

The pro forma results for the first nine months of 2003 were prepared assuming the passage from line by line consolidation to consolidation using the equity method of Banque Sanpaolo from the beginning of the year. Lastly, 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, consideration was also given to the effects of these transactions in the pro forma reconstruction of the results of the first quarter of 2003.

In particular, the pro forma results have been prepared using the statements of income and consolidated balance sheets of the SANPAOLO IMI Group for the year 2002 and for the first three quarters 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 valuation in 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 1/1/2002, as a contra-entry to "customer deposits" for an amount of 55 million euro;
 - the line by line consolidation of the 85.87% 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 53.36% shareholding has been simulated as of 1/1/2002, 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 valuation in 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 1/1/2002, 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 IW 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 1/1/2002 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 consolidated statement of income has been reversed by 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 proportional non-consolidation of Finconsumo Banca, 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;
- in column "d" of the attachments:
 - the full non-consolidation of Banque Sanpaolo, following the disposal of 60% of the entire shareholding previously held, and the valuation at equity of the company in which the investment is held. In particular, the disposal of the majority shareholding has been simulated with effect from 31/12/2002 and offset against an increase in "loans to banks" for 481 million euro, with the subsequent capital gain recorded directly to net equity reserves, net of the related tax effects.

Lastly, it should be remembered that the above pro forma schedules are unaudited.

Turin, 13 February 2004

The Board of Directors

Attachments

First quarter of 2002: statement of reclassified consolidated pro forma statement of income

	(€/mil)				
	SANPAOLO IMI Group (pro forma) (1)	Expansion of the line by line and proportional consolidation area (2)	Reduction of the line by line and proportional consolidation area (3)	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity (d)	SANPAOLO IMI Group pro forma (e)=(a+b+c+d)
	(a)	(b)	(c)	(d)	(e)
NET INTEREST INCOME	927	12	-10	-28	901
Net commissions and other net dealing revenues	697	17	-2	-19	693
Profits and losses from financial transactions and dividends on shares	84	2	-	-1	85
Profits from companies carried at equity and dividends from shareholdings	49	-1	1	5	54
NET INTEREST AND OTHER BANKING INCOME	1,757	30	-11	-43	1,733
Administrative costs	-1,120	-23	9	31	-1,103
- <i>personnel</i>	-699	-13	4	19	-689
- <i>other administrative costs</i>	-359	-10	4	11	-354
- <i>indirect duties and taxes</i>	-62	-	1	1	-60
Other operating income, net	78	2	-2	-	78
Adjustments to tangible and intangible fixed assets	-111	-4	3	3	-109
OPERATING INCOME	604	5	-1	-9	599
Adjustments to goodwill and merger and consolidation differences	-41	-1	-	-	-42
Provisions and net adjustments to loans and financial fixed assets	-156	-2	2	5	-151
INCOME BEFORE EXTRAORDINARY ITEMS	407	2	1	-4	406
Net extraordinary income/expense	56	-	-	-	56
INCOME BEFORE TAXES	463	2	1	-4	462
Income taxes for the period	-172	-2	1	4	-169
Change in reserves 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 conventional assumption of the non consolidation of IW Bank and Finconsumo Banca, with effect from 1 January 2002.

31/3/2002: statement of reclassified consolidated pro forma balance sheet

	(€/mil)				
	SANPAOLO IMI Group (pro forma) (1) (2)	Expansion of the line by line and proportional consolidation area (3)	Reduction of the line by line and proportional consolidation area (4)	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity (d)	SANPAOLO IMI Group pro forma (e)=(a+b+c+d)
	(a)	(b)	(c)	(d)	(e)
ASSETS					
Cash and deposits with central banks and post offices	1,454	58	-	-10	1,502
Loans	147,902	1,241	-316	-4,613	144,214
- due from banks	21,189	295	113	-895	20,702
- loans to customers	126,713	946	-429	-3,718	123,512
Dealing securities	25,028	278	-	-248	25,058
Fixed assets	11,732	-32	7	-186	11,521
- investment securities	3,931	21	-2	-466	3,484
- equity investments	4,837	-117	34	421	5,175
- intangible fixed assets	426	38	-17	-36	411
- tangible fixed assets	2,538	26	-8	-105	2,451
Differences arising on consolidation and on application of the equity method	1,120	55	-	-	1,175
Other assets	23,116	106	-47	-344	22,831
Total assets	210,352	1,706	-356	-5,401	206,301
LIABILITIES					
Payables	168,360	1,469	-279	-5,197	164,353
- due to banks	32,943	360	-87	-761	32,455
- due to customers and securities issued	135,417	1,109	-192	-4,436	131,898
Provisions	4,565	83	-13	-50	4,585
- for taxation	1,392	59	-6	-33	1,412
- for termination indemnities	993	7	-2	-	998
- for risks and charges	1,810	12	-5	-17	1,800
- for pensions and similar	370	5	-	-	375
Other liabilities	19,611	89	-41	-154	19,505
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	-5,401	206,301

(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 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 conventional assumption of the non consolidation of IW Bank 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 (pro forma)	Expansion of the line by line and proportional consolidation area (1)	Reduction of the line by line and proportional consolidation area (2)	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity (d)	SANPAOLO IMI Group pro forma
	(a)	(b)	(c)	(d)	(e)=(a+b+c+d)
NET INTEREST INCOME	1,877	24	-20	-60	1,821
Net commissions and other net dealing revenues	1,386	35	-5	-37	1,379
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	12	196
NET INTEREST AND OTHER BANKING INCOME	3,656	63	-24	-85	3,610
Administrative costs	-2,296	-46	20	62	-2,260
- <i>personnel</i>	-1,420	-24	8	38	-1,398
- <i>other administrative costs</i>	-743	-21	10	22	-732
- <i>indirect duties and taxes</i>	-133	-1	2	2	-130
Other operating income, net	171	2	-4	-	169
Adjustments to tangible and intangible fixed assets	-223	-10	5	7	-221
OPERATING INCOME	1,308	9	-3	-16	1,298
Adjustments to goodwill and merger and consolidation differences	-85	-2	-	-	-87
Provisions and net adjustments to loans and financial fixed assets	-312	-3	5	9	-301
INCOME BEFORE EXTRAORDINARY ITEMS	911	4	2	-7	910
Net extraordinary income/expense	136	-	1	-2	135
INCOME BEFORE TAXES	1,047	4	3	-9	1,045
Income taxes for the period	-415	-5	-	9	-411
Change in reserves 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 conventional assumption of the non consolidation of IW Bank and Finconsumo Banca, with effect from 1 January 2002.

30/6/2002: statement of reclassified consolidated pro forma balance sheet

	(€/mil)				
	SANPAOLO IMI Group (pro forma) (1)	Expansion of the line by line and proportional consolidation area (2)	Reduction of the line by line and proportional consolidation area (3)	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity (d)	SANPAOLO IMI Group pro forma (e)=(a+b+c+d)
	(a)	(b)	(c)	(d)	(e)
ASSETS					
Cash and deposits with central banks and post offices	1,029	70	-1	-12	1,086
Loans	147,242	1,241	-439	-4,214	143,830
- due from banks	22,735	271	40	-596	22,450
- loans to customers	124,507	970	-479	-3,618	121,380
Dealing securities	24,465	232	-1	-312	24,384
Fixed assets	10,660	-29	8	-233	10,406
- investment securities	3,642	22	-2	-477	3,185
- equity investments	4,120	-112	35	385	4,428
- intangible fixed assets	407	35	-16	-37	389
- tangible fixed assets	2,491	26	-9	-104	2,404
Differences arising on consolidation and on application of the equity method	1,141	54	-	-	1,195
Other assets	22,995	75	-67	-222	22,781
Total assets	207,532	1,643	-500	-4,993	203,682
LIABILITIES					
Payables	166,657	1,459	-437	-4,742	162,937
- due to banks	30,201	319	-52	-313	30,155
- due to customers and securities issued	136,456	1,140	-385	-4,429	132,782
Provisions	4,159	68	-9	-37	4,181
- for taxation	1,058	43	-2	-21	1,078
- for termination indemnities	989	8	-2	-	995
- for risks and charges	1,769	12	-5	-16	1,760
- for pensions and similar	343	5	-	-	348
Other liabilities	19,755	57	-32	-214	19,566
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	-4,993	203,682

(1) On the basis of recent instructions received from 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 conventional assumption of the non consolidation of IW Bank 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 (pro forma)	Expansion of the line by line and proportional consolidation area (1)	Reduction of the line by line and proportional consolidation area (2)	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity (d)	SANPAOLO IMI Group pro forma
	(a)	(b)	(c)	(d)	(e)=(a+b+c+d)
NET INTEREST INCOME	2,813	35	-31	-90	2,727
Net commissions and other net dealing revenues	2,054	52	-9	-53	2,044
Profits and losses from financial transactions and dividends on shares	222	11	-	3	236
Profits from companies carried at equity and dividends from shareholdings	239	-3	3	17	256
NET INTEREST AND OTHER BANKING INCOME	5,328	95	-37	-123	5,263
Administrative costs	-3,424	-70	30	91	-3,373
- <i>personnel</i>	-2,111	-36	11	55	-2,081
- <i>other administrative costs</i>	-1,118	-33	15	32	-1,104
- <i>indirect duties and taxes</i>	-195	-1	4	4	-188
Other operating income, net	264	4	-6	-	262
Adjustments to tangible and intangible fixed assets	-350	-16	7	10	-349
OPERATING INCOME	1,818	13	-6	-22	1,803
Adjustments to goodwill and merger and consolidation differences	-124	-3	-	-	-127
Provisions and net adjustments to loans and financial fixed assets	-765	-6	7	10	-754
INCOME BEFORE EXTRAORDINARY ITEMS	929	4	1	-12	922
Net extraordinary income/expense	170	-	1	-1	170
INCOME BEFORE TAXES	1,099	4	2	-13	1,092
Income taxes for the period	-492	-8	2	13	-485
Change in reserves 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 conventional assumption of the non consolidation of IW Bank and Finconsumo Banca, with effect from 1 January 2002.

30/9/2002: statement of reclassified consolidated pro forma balance sheet

	(€/mil)				
	SANPAOLO IMI Group (pro forma) (1)	Expansion of the line by line and proportional consolidation area (2)	Reduction of the line by line and proportional consolidation area (3)	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity (d)	SANPAOLO IMI Group pro forma (e)=(a+b+c+d)
	(a)	(b)	(c)	(d)	(e)
ASSETS					
Cash and deposits with central banks and post offices	1,042	84	-2	-159	965
Loans	146,321	1,227	-452	-4,261	142,835
- due from banks	21,977	244	68	-685	21,604
- loans to customers	124,344	983	-520	-3,576	121,231
Dealing securities	23,095	198	-	-225	23,068
Fixed assets	10,093	-35	10	-256	9,812
- investment securities	3,117	23	-2	-504	2,634
- equity investments	4,170	-115	36	387	4,478
- intangible fixed assets	390	31	-15	-35	371
- tangible fixed assets	2,416	26	-9	-104	2,329
Differences arising on consolidation and on application of the equity method	1,095	53	-	-	1,148
Other assets	23,128	79	-62	-163	22,982
Total assets	204,774	1,606	-506	-5,064	200,810
LIABILITIES					
Payables	163,743	1,412	-434	-4,808	159,913
- due to banks	26,902	250	-48	-418	26,686
- due to customers and securities issued	136,841	1,162	-386	-4,390	133,227
Provisions	4,291	55	-13	-40	4,293
- for taxation	1,194	31	-6	-24	1,195
- for termination indemnities	969	8	-2	-	975
- for risks and charges	1,786	11	-5	-16	1,776
- for pensions and similar	342	5	-	-	347
Other liabilities	19,765	82	-38	-216	19,593
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	-5,064	200,810

(1) On the basis of recent instructions received from 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 conventional assumption of the non consolidation of IW Bank and Finconsumo Banca, with effect from 1 January 2002.

2002: statement of reclassified consolidated pro forma statement of income

	(€/mil)				
	SANPAOLO IMI Group (pro forma)	Expansion of the line by line and proportional consolidation area (1)	Reduction of the line by line and proportional consolidation area (2)	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity (d)	SANPAOLO IMI Group pro forma
	(a)	(b)	(c)	(d)	(e)=(a+b+c+d)
NET INTEREST INCOME	3,773	46	-44	-122	3,653
Net commissions and other net dealing revenues	2,809	69	-12	-71	2,795
Profits and losses from financial transactions and dividends on shares	286	15	-1	4	304
Profits from companies carried at equity and dividends from shareholdings	292	-1	2	21	314
NET INTEREST AND OTHER BANKING INCOME	7,160	129	-55	-168	7,066
Administrative costs	-4,648	-95	43	122	-4,578
- <i>personnel</i>	-2,856	-49	17	74	-2,814
- <i>other administrative costs</i>	-1,528	-44	21	43	-1,508
- <i>indirect duties and taxes</i>	-264	-2	5	5	-256
Other operating income, net	358	5	-9	-	354
Adjustments to tangible and intangible fixed assets	-510	-21	10	13	-508
OPERATING INCOME	2,360	18	-11	-33	2,334
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	14	-1,412
INCOME BEFORE EXTRAORDINARY ITEMS	722	1	-	-19	704
Net extraordinary income/expense	296	5	20	-1	320
INCOME BEFORE TAXES	1,018	6	20	-20	1,024
Income taxes for the period	-450	-10	-3	20	-443
Change in reserves 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 conventional assumption of the non consolidation of IW Bank and Finconsumo Banca, with effect from 1 January 2002.

31/12/2002: statement of reclassified consolidated pro forma balance sheet

	(€/mil)				
	SANPAOLO IMI Group (pro forma) (1)	Expansion of the line by line and proportional consolidation area (2)	Reduction of the line by line and proportional consolidation area (3)	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity (d)	SANPAOLO IMI Group pro forma (e)=(a+b+c+d)
	(a)	(b)	(c)	(d)	(e)
ASSETS					
Cash and deposits with central banks and post offices	1,406	102	-	-9	1,499
Loans	149,349	1,227	-459	-4,196	145,921
- due from banks	22,000	168	100	-524	21,744
- loans to customers	127,349	1,059	-559	-3,672	124,177
Dealing securities	19,046	171	-	-202	19,015
Fixed assets	9,596	-	19	-512	9,103
- investment securities	2,897	25	-2	-529	2,391
- equity investments	4,064	-82	33	157	4,172
- intangible fixed assets	406	31	-4	-35	398
- tangible fixed assets	2,229	26	-8	-105	2,142
Differences arising on consolidation and on application of the equity method	1,030	50	-	-	1,080
Other assets	23,346	48	-90	-277	23,027
Total assets	203,773	1,598	-530	-5,196	199,645
LIABILITIES					
Payables	161,505	1,474	-466	-5,144	157,369
- due to banks	24,456	231	-58	-496	24,133
- due to customers and securities issued	137,049	1,243	-408	-4,648	133,236
Provisions	3,813	43	-12	45	3,889
- for taxation	670	18	-7	61	742
- for termination indemnities	961	8	-2	-	967
- for risks and charges	1,839	12	-3	-16	1,832
- for pensions and similar	343	5	-	-	348
Other liabilities	20,971	56	-44	-245	20,738
Subordinated liabilities	6,613	-	-8	-	6,605
Minority interests	334	8	-	-	342
Shareholders' equity	10,537	17	-	148	10,702
Total liabilities	203,773	1,598	-530	-5,196	199,645

(1) On the basis of recent instructions received from 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 conventional assumption of the non consolidation of IW Bank and Finconsumo Banca, with effect from 1 January 2002.

First quarter of 2003: statement of reclassified consolidated pro forma statement of income

	(€/mil)				
	SANPAOLO IMI Group (pro forma)	Expansion of the line by line and proportional consolidation area (1)	Reduction of the line by line and proportional consolidation area (2)	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity (d)	SANPAOLO IMI Group pro forma
	(a)	(b)	(c)	(d)	(e)=(a+b+c+d)
NET INTEREST INCOME	955	12	-12	-31	924
Net commissions and other net dealing revenues	692	4	2	-16	682
Profits and losses from financial transactions and dividends on shares	83	1	-	1	85
Profits from companies carried at equity and dividends from shareholdings	48	-1	2	7	56
NET INTEREST AND OTHER BANKING INCOME	1,778	16	-8	-39	1,747
Administrative costs	-1,142	-10	5	31	-1,116
- <i>personnel</i>	-713	-6	2	20	-697
- <i>other administrative costs</i>	-361	-4	2	10	-353
- <i>indirect duties and taxes</i>	-68	-	1	1	-66
Other operating income, net	84	-	-3	-	81
Adjustments to tangible and intangible fixed assets	-111	-	1	3	-107
OPERATING INCOME	609	6	-5	-5	605
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	-5	437
Net extraordinary income/expense	42	-	-	-	42
INCOME BEFORE TAXES	483	3	-2	-5	479
Income taxes for the period	-194	-2	2	5	-189
Change in reserves 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 31/3/2003.

(2) The figures refer to the non-consolidation of Finconsumo Banca not recorded in the quarterly report of the SANPAOLO IMI Group as of 31/3/2003.

31/3/2003: statement of reclassified consolidated pro forma balance sheet

	(€/mil)				
	SANPAOLO IMI Group (pro forma)	Expansion of the line by line and proportional consolidation area (1)	Reduction of the line by line and proportional consolidation area (2)	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity (d)	SANPAOLO IMI Group pro forma
	(a)	(b)	(c)	(d)	(e)=(a+b+c+d)
ASSETS					
Cash and deposits with central banks and post offices	891	83	-1	-6	967
Loans	152,571	1,082	-589	-4,797	148,267
- due from banks	23,638	72	32	-1,001	22,741
- loans to customers	128,933	1,010	-621	-3,796	125,526
Dealing securities	20,620	95	-	-226	20,489
Fixed assets	10,079	12	30	-255	9,866
- investment securities	3,455	22	-2	-525	2,950
- equity investments	4,059	-49	34	409	4,453
- intangible fixed assets	381	24	-1	-34	370
- tangible fixed assets	2,184	15	-1	-105	2,093
Differences arising on consolidation and on application of the equity method	999	56	-	-	1,055
Other assets	22,363	47	-51	-228	22,131
Total assets	207,523	1,375	-611	-5,512	202,775
LIABILITIES					
Payables	166,646	1,312	-569	-5,235	162,154
- due to banks	28,215	175	-273	-221	27,896
- due to customers and securities issued	138,431	1,137	-296	-5,014	134,258
Provisions	3,946	23	-11	-50	3,908
- for taxation	875	7	-9	-35	838
- for termination indemnities	969	4	-2	-	971
- for risks and charges	1,759	7	-	-15	1,751
- for pensions and similar	343	5	-	-	348
Other liabilities	19,196	64	-23	-227	19,010
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	-5,512	202,775

(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 31/3/2003.

(2) The figures refer to the non-consolidation of Finconsumo Banca not recorded in the quarterly report of the SANPAOLO IMI Group as of 31/3/2003.

First half 2003: statement of reclassified consolidated pro forma statement of income

	(€/mil)		
	SANPAOLO IMI Group (pro forma)	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity (b)	SANPAOLO IMI Group pro forma (c)=(a+b)
	(a)	(b)	(c)
NET INTEREST INCOME	1,919	-63	1,856
Net commissions and other net dealing revenues	1,428	-33	1,395
Profits and losses from financial transactions and dividends on shares	267	-4	263
Profits from companies carried at equity and dividends from shareholdings	139	16	155
NET INTEREST AND OTHER BANKING INCOME	3,753	-84	3,669
Administrative costs	-2,329	61	-2,268
- <i>personnel</i>	-1,449	39	-1,410
- <i>other administrative costs</i>	-745	20	-725
- <i>indirect duties and taxes</i>	-135	2	-133
Other operating income, net	162	-	162
Adjustments to tangible and intangible fixed assets	-230	7	-223
OPERATING INCOME	1,356	-16	1,340
Adjustments to goodwill and merger and consolidation differences	-80	-	-80
Provisions and net adjustments to loans and financial fixed assets	-320	6	-314
INCOME BEFORE EXTRAORDINARY ITEMS	956	-10	946
Net extraordinary income/expense	-172	-1	-173
INCOME BEFORE TAXES	784	-11	773
Income taxes for the period	-322	11	-311
Change in reserves for general banking risks	-	-	-
Income attributable to minority interests	-21	-	-21
NET INCOME	441	-	441

30/6/2003: statement of reclassified consolidated pro forma balance sheet

	SANPAOLO IMI Group (pro forma)	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity	(€/mil) SANPAOLO IMI Group pro forma
	(a)	(b)	(c)=(a+b)
ASSETS			
Cash and deposits with central banks and post offices	980	-6	974
Loans	151,344	-4,963	146,381
- due from banks	21,129	-1,079	20,050
- loans to customers	130,215	-3,884	126,331
Dealing securities	24,805	-225	24,580
Fixed assets	9,804	-218	9,586
- investment securities	3,369	-474	2,895
- equity investments	3,860	393	4,253
- intangible fixed assets	372	-33	339
- tangible fixed assets	2,203	-104	2,099
Differences arising on consolidation and on application of the equity method	1,027	-	1,027
Other assets	26,645	-185	26,460
Total assets	214,605	-5,597	209,008
LIABILITIES			
Payables	165,842	-5,324	160,518
- due to banks	28,597	-510	28,087
- due to customers and securities issued	137,245	-4,814	132,431
Provisions	3,718	-38	3,680
- for taxation	460	-24	436
- for termination indemnities	971	-	971
- for risks and charges	1,939	-14	1,925
- for pensions and similar	348	-	348
Other liabilities	27,546	-235	27,311
Subordinated liabilities	6,784	-	6,784
Minority interests	292	-	292
Shareholders' equity	10,423	-	10,423
Total liabilities	214,605	-5,597	209,008

First nine months of 2003: statement of reclassified consolidated pro forma statement of income

	(€/mil)		
	SANPAOLO IMI Group (pro forma)	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity (b)	SANPAOLO IMI Group pro forma (c)=(a+b)
	(a)	(b)	(c)
NET INTEREST INCOME	2,889	-94	2,795
Net commissions and other net dealing revenues	2,234	-53	2,181
Profits and losses from financial transactions and dividends on shares	344	-5	339
Profits from companies carried at equity and dividends from shareholdings	196	26	222
NET INTEREST AND OTHER BANKING INCOME	5,663	-126	5,537
Administrative costs	-3,489	93	-3,396
- <i>personnel</i>	-2,165	59	-2,106
- <i>other administrative costs</i>	-1,121	31	-1,090
- <i>indirect duties and taxes</i>	-203	3	-200
Other operating income, net	244	-	244
Adjustments to tangible and intangible fixed assets	-347	11	-336
OPERATING INCOME	2,071	-22	2,049
Adjustments to goodwill and merger and consolidation differences	-115	-	-115
Provisions and net adjustments to loans and financial fixed assets	-390	5	-385
INCOME BEFORE EXTRAORDINARY ITEMS	1,566	-17	1,549
Net extraordinary income/expense	-211	-	-211
INCOME BEFORE TAXES	1,355	-17	1,338
Income taxes for the period	-541	17	-524
Change in reserves for general banking risks	6	-	6
Income attributable to minority interests	-34	-	-34
NET INCOME	786	-	786

30/9/2003: statement of reclassified consolidated pro forma balance sheet

	SANPAOLO IMI Group (pro forma)	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity	(€/mil) SANPAOLO IMI Group pro forma
	(a)	(b)	(c)=(a+b)
ASSETS			
Cash and deposits with central banks and post offices	968	-5	963
Loans	144,654	-4,975	139,679
- due from banks	18,794	-1,187	17,607
- loans to customers	125,860	-3,788	122,072
Dealing securities	23,841	-199	23,642
Fixed assets	9,869	-179	9,690
- investment securities	3,310	-446	2,864
- equity investments	4,021	403	4,424
- intangible fixed assets	366	-32	334
- tangible fixed assets	2,172	-104	2,068
Differences arising on consolidation and on application of the equity method	992	-	992
Other assets	23,127	-234	22,893
Total assets	203,451	-5,592	197,859
LIABILITIES			
Payables	161,072	-5,336	155,736
- due to banks	27,105	-467	26,638
- due to customers and securities issued	133,967	-4,869	129,098
Provisions	4,070	-44	4,026
- for taxation	755	-30	725
- for termination indemnities	985	-	985
- for risks and charges	2,021	-14	2,007
- for pensions and similar	309	-	309
Other liabilities	20,767	-212	20,555
Subordinated liabilities	6,484	-	6,484
Minority interests	298	-	298
Shareholders' equity	10,760	-	10,760
Total liabilities	203,451	-5,592	197,859

