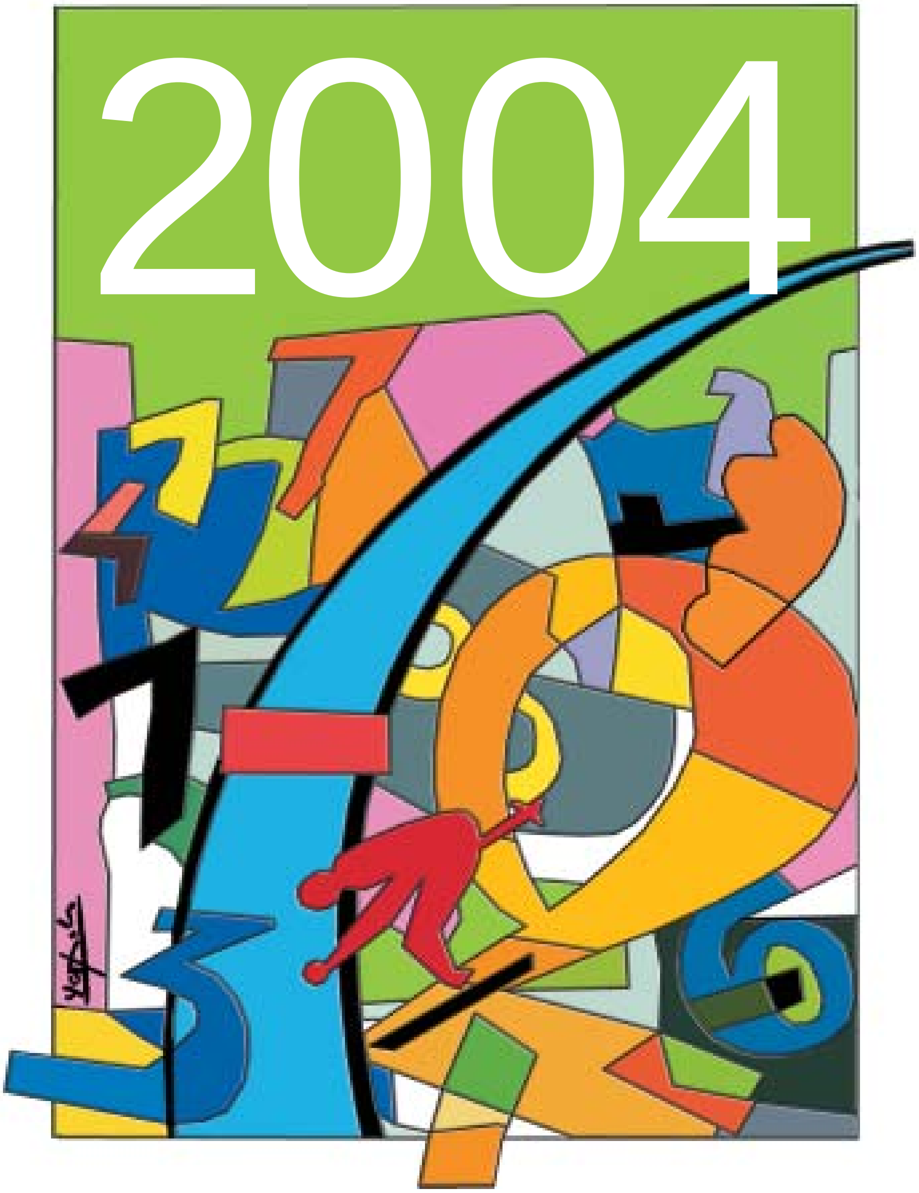
S A N P A O L O   I M I



HALF YEAR REPORT 2004

SANPAOLO IMI GROUP

Half Year Report 2004

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

	Luigi Arcuti	*Honorary Chairman*
Board of Directors	Enrico Salza (*)	*Chairman*
	Maurizio Barracco	*Director*
	Pio Bussolotto (*)	*Director*
	Giuseppe Fontana	*Director*
	Ettore Gotti Tedeschi (*)	*Director*
	Alfonso Iozzo (*)	*Managing Director*
	Virgilio Marrone	*Director*
	Iti Mihalich	*Director*
	Anthony Orsatelli	*Director*
	Emilio Ottolenghi (*)	*Director*
	Orazio Rossi (*)	*Deputy Chairman*
	Gian Guido Sacchi Morsiani (*)	*Director*
	Alfredo Saenz Abad	*Director*
	Mario Sarcinelli	*Director*
	Leone Sibani	*Director*
	Alberto Tazzetti	*Director*
	Josè Manuel Varela (*)	*Director*
	(*) Members of the Executive Committee.	
Board of Statutory Auditors	Mario Paolillo	*Chairman*
	Aureliano Benedetti	*Auditor*
	Maurizio Dallocchio	*Auditor*
	Paolo Mazzi	*Auditor*
	Enrico Vitali	*Auditor*
	Stefania Bortoletti	*Supplementary Auditor*
	Gianluca Galletti	*Supplementary Auditor*
Independent Auditors	PricewaterhouseCoopers S.p.A.	

Contents

Key figures

	First half 2004	First half 2003 pro forma (1) (2)	Change first half 2004 / First half 2003 pro forma (%)	2003 (2)
CONSOLIDATED STATEMENT OF INCOME (€/mil)				
Net interest income	1,811	1,856	-2.4	3,716
Net commissions and other net dealing revenues	1,602	1,395	+14.8	3,036
Administrative costs	-2,258	-2,268	-0.4	-4,610
Operating income	1,493	1,331	+12.2	2,704
Provisions and net adjustments to loans and financial fixed assets	-365	-314	+16.2	-859
Income before extraordinary items	1,056	937	+12.7	1,687
Net income of the Group	691	441	+56.7	972
CONSOLIDATED BALANCE SHEET (€/mil)				
Total assets	212,925	209,008	+1.9	202,580
Loans to customers (excluding NPLs and loans to SGA)	122,658	123,949	-1.0	122,415
Securities	34,689	27,475	+26.3	25,292
Equity investments	4,559	4,253	+7.2	4,572
Subordinated liabilities	6,801	6,784	+0.3	6,414
Shareholders' equity of the Group	10,973	10,423	+5.3	10,995
CUSTOMER FINANCIAL ASSETS (€/mil)				
Customer financial assets	373,963	363,582	+2.9	368,042
- Direct deposits	135,579	132,431	+2.4	131,721
- Indirect deposits	238,384	231,151	+3.1	236,321
- Asset management	143,803	140,003	+2.7	143,711
- Asset administration	94,581	91,148	+3.8	92,610
PROFITABILITY RATIOS (%)				
Annualized RoE (3)	12.6	8.3		9.0
Cost / Income ratio (4)	58.9	61.7		62.0
Net commissions / Administrative costs	70.9	61.5		65.9
CREDIT RISK RATIOS (%)				
Net non-performing loans / Net loans to customers	1.0	1.0		0.9
Net problem loans and loans in restructuring / Net loans to customers	1.0	1.2		1.1
SOLVENCY RATIOS (%) (5)				
Core tier 1 ratio	6.9	6.3		6.6
Tier 1 ratio	7.7	7.1		7.4
Total risk ratio	11.3	10.4		10.5
SHARES (6)				
Number of shares (millions)	1,837	1,837	-	1,837
Quoted price per share (€)				
- average	9.950	6.964	+42.9	8.158
- low	9.060	5.796	+56.3	5.796
- high	11.072	8.539	+29.7	11.346
Earnings / Average number of shares in circulation (€)	0.38	0.24	+58.3	0.53
Dividend per share (€)				0.39
Dividend per share / Average annual price (%)				4.78
Book value per share (€) (7)	5.98	5.74	+4.2	6.00
OPERATING STRUCTURE				
Employees	43,251	45,008	-3.9	43,465
Domestic branches	3,191	3,126	+2.1	3,168
Foreign branches and representative offices	123	116	+6.0	122
Financial planners	4,446	4,828	-7.9	4,675

(1) The pro forma figures have been prepared, according to the criteria detailed in the Explanatory Notes, assuming the exclusion from the line by line consolidation of Banque Sanpaolo as of 1 January 2003.

(2) To guarantee easy comparison of the figures presented for the first half of 2003 and for the year 2003, tax credits on dividends from shareholdings previously booked under "Profits from companies carried at equity and dividends from shareholdings", have been reclassified among "Income taxes for the period".

(3) Net annualized income / Average net shareholders' equity (calculated as the average of the values at period end).

(4) 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).

(5) Solvency ratios as of 30/6/2003 are not pro forma.

(6) Figures for the first half of 2003 are not pro forma.

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

The pro forma figures for the first half of 2003 are unaudited.

Group structure

Central Functions

- **Strategic direction, governance and control functions**
  - Parent Bank
- **Shareholdings**
  - Parent Bank
  - Santander Central Hispano *(Spain; 2.9%)*
  - CDC Ixis *(France; 3.4%)*
  - Banque Sanpaolo *(France; 40%)*
  - Cassa di Risparmio di Firenze *(18.7%)*
  - Cassa dei Risparmi di Forlì *(29.8%)*
  - Banca delle Marche *(7%)*
  - Other shareholdings
- **GEST Line**
- **Finance**
  - Parent Bank
  - Sanpaolo IMI US Financial *(United States)*
  - Sanpaolo IMI Bank International *(Madeira, Portugal)*
- **Macchina Operativa Integrata** (Integrated Operating Vehicle)
  - Parent Bank

Commercial Banking

- **Sanpaolo**
  - Parent Bank
  - Sanpaolo IMI Bank Ireland *(Ireland)*
  - Sanpaolo IMI Internazionale
  - Sanpaolo Leasint
  - Finemiro Banca *(96.8%)*
  - Farbanca *(19.4%)*
  - Sanpaolo Fiduciaria
  - Sanpaolo Bank *(Luxembourg)* (1)
- **Cassa di Risparmio di Padova e Rovigo**
- **Cassa di Risparmio in Bologna**
- **Cassa di Risparmio di Venezia**
- **Friulcassa**
- **Banca Popolare dell'Adriatico**
- **Sanpaolo Banco di Napoli**

Asset Management

- **Sanpaolo IMI Wealth Management**
  - Sanpaolo IMI Asset Management
  - Sanpaolo IMI Wealth Management *(Luxembourg)*
  - Sanpaolo IMI Institutional Asset Management
  - Sanpaolo IMI Alternative Investments

Investment Banking

- **Banca IMI**
  - IMI Bank *(Luxembourg)* (1)
  - IMI Investments *(Luxembourg)*
  - IMI Capital Markets USA *(United States)*
  - Banca IMI Securities *(United States)*
- **Sanpaolo IMI Private Equity**
  - LDV Holding *(Netherlands)*
- **IMI Investimenti**
- **Structured Finance**
  - Parent Bank

Personal Financial Services

- **Banca Fideuram** *(73.4%)*
  - Sanpaolo Invest SIM
  - Banque Privée Fideuram Wargny *(France)*
  - Fideuram Investimenti
  - Fideuram Bank *(Luxembourg)*
  - Fideuram Fiduciaria
  - Fideuram Bank Suisse *(Switzerland)*
  - Fideuram Gestions *(Luxembourg)*
  - Fideuram Asset Management *(Ireland)*
  - Sanpaolo Invest Ireland *(Ireland)*

Insurance Pole

- **Assicurazioni Internazionali di Previdenza** (A.I.P.)
  - Sanpaolo Vita
  - Sanpaolo Life *(Ireland)*
  - Universo Servizi
  - Fideuram Vita
  - Egida *(50%)*

Local Authorities and Public Entities

- **Banca OPI**
- **Local Authorities**
  - Parent Bank

(1) The merger by incorporation of IMI Bank (Luxembourg) into Sanpaolo Bank (Luxembourg), approved on 16 December 2003, was completed on 1 September 2004.

Consolidated Half Year Report

Reclassified consolidated financial statements

Reclassified consolidated statement of income

	First half 2004 (€/mil)	First half 2003 pro forma (1) (2) (€/mil)	Change first half 2004 / First half 2003 pro forma (%)	2003 (2) (€/mil)
NET INTEREST INCOME	**1,811**	**1,856**	**-2.4**	**3,716**
Net commissions and other net dealing revenues	1,602	1,395	+14.8	3,036
Profits and losses from financial transactions and dividends on shares	195	263	-25.9	447
Profits from companies carried at equity and dividends from shareholdings	191	146	+30.8	270
NET INTEREST AND OTHER BANKING INCOME	**3,799**	**3,660**	**+3.8**	**7,469**
Administrative costs	-2,258	-2,268	-0.4	-4,610
- personnel	*-1,388*	*-1,410*	*-1.6*	*-2,841*
- other administrative costs	*-738*	*-725*	*+1.8*	*-1,512*
- indirect duties and taxes	*-132*	*-133*	*-0.8*	*-257*
Other operating income, net	159	162	-1.9	329
Adjustments to tangible and intangible fixed assets	-207	-223	-7.2	-484
OPERATING INCOME	**1,493**	**1,331**	**+12.2**	**2,704**
Adjustments to goodwill and merger and consolidation differences	-72	-80	-10.0	-158
Provisions and net adjustments to loans and financial fixed assets	-365	-314	+16.2	-859
- provisions for risks and charges	*-78*	*-63*	*+23.8*	*-195*
- net adjustments to loans and provisions for guarantees and commitments	*-267*	*-170*	*+57.1*	*-724*
- net adjustments to financial fixed assets	*-20*	*-81*	*-75.3*	*60*
INCOME BEFORE EXTRAORDINARY ITEMS	**1,056**	**937**	**+12.7**	**1,687**
Net extraordinary income/expense	72	-173	n.s.	-32
INCOME BEFORE TAXES	**1,128**	**764**	**+47.6**	**1,655**
Income taxes for the period	-402	-302	+33.1	-644
Change in reserve for general banking risks	-	-	-	9
Income attributable to minority interests	-35	-21	+66.7	-48
NET INCOME	**691**	**441**	**+56.7**	**972**

(1) The pro forma figures for the first half of 2003 were prepared to enable consistent comparison with the figures for 2004. The above-mentioned pro forma schedules reflect the exclusion of Banque Sanpaolo from the line by line consolidation area as of 1/1/2003.

(2) To guarantee easy comparison of the figures presented for the first half of 2003 and for the year 2003, tax credits on dividends from shareholdings previously booked under "Profits from companies carried at equity and dividends from shareholdings", have been reclassified among "Income taxes for the period".

The pro forma statement of income for the first half of 2003 is unaudited.

Quarterly analysis of the reclassified consolidated statement of income

	2004		2003 (1)				
	Second quarter (€/mil)	First quarter (€/mil)	Fourth quarter (€/mil)	Third quarter pro forma (€/mil)	Second quarter pro forma (€/mil)	First quarter pro forma (€/mil)	Quarterly average (€/mil)
NET INTEREST INCOME	**907**	**904**	**921**	**939**	**932**	**924**	**929**
Net commissions and other net dealing revenues	817	785	855	786	713	682	759
Profits and losses from financial transactions and dividends on shares	114	81	108	76	178	85	112
Profits from companies carried at equity and dividends from shareholdings	102	89	61	63	90	56	68
NET INTEREST AND OTHER BANKING INCOME	**1,940**	**1,859**	**1,945**	**1,864**	**1,913**	**1,747**	**1,868**
Administrative costs	-1,143	-1,115	-1,214	-1,128	-1,152	-1,116	-1,153
- personnel	*-695*	*-693*	*-735*	*-696*	*-713*	*-697*	*-710*
- other administrative costs	*-380*	*-358*	*-422*	*-365*	*-372*	*-353*	*-378*
- indirect duties and taxes	*-68*	*-64*	*-57*	*-67*	*-67*	*-66*	*-64*
Other operating income, net	83	76	85	82	81	81	82
Adjustments to tangible and intangible fixed assets	-107	-100	-148	-113	-116	-107	-121
OPERATING INCOME	**773**	**720**	**668**	**705**	**726**	**605**	**676**
Adjustments to goodwill and merger and consolidation differences	-37	-35	-43	-35	-46	-34	-40
Provisions and net adjustments to loans and financial fixed assets	-215	-150	-474	-71	-180	-134	-215
- provisions for risks and charges	*-51*	*-27*	*-88*	*-44*	*-36*	*-27*	*-49*
- net adjustments to loans and provisions for guarantees and commitments	*-137*	*-130*	*-432*	*-122*	*-102*	*-68*	*-181*
- net adjustments to financial fixed assets	*-27*	*7*	*46*	*95*	*-42*	*-39*	*15*
INCOME BEFORE EXTRAORDINARY ITEMS	**521**	**535**	**151**	**599**	**500**	**437**	**421**
Net extraordinary income/expense	13	59	179	-38	-215	42	-8
INCOME BEFORE TAXES	**534**	**594**	**330**	**561**	**285**	**479**	**413**
Income taxes for the period	-212	-190	-133	-209	-113	-189	-161
Change in reserve for general banking risks	-	-	3	6	-	-	2
Income attributable to minority interests	-17	-18	-14	-13	-12	-9	-12
NET INCOME	**305**	**386**	**186**	**345**	**160**	**281**	**242**

(1) The pro forma figures of the first three quarters of 2003 were prepared to enable consistent comparison. The pro forma schedules reflect the line by line consolidation of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì commencing from 1/1/2003, as well as the exclusion of Banque Sanpaolo from the line by line consolidation area and of Finconsumo Banca from the proportional consolidation area as of the same date. For the second and third quarters of 2003 only, tax credits on dividends from shareholdings previously booked under "Profits from companies carried at equity and dividends from shareholdings", have been reclassified among "Income taxes for the period".

The pro forma quarterly statements of income and the statement of income for the first quarter of 2004 are unaudited.

Reclassified consolidated balance sheet

	30/6/2004 (€/mil)	30/6/2003 pro forma (1) (€/mil)	Change 30/6/04-30/6/03 pro forma (%)	31/12/2003 (€/mil)
ASSETS				
Cash and deposits with central banks and post offices	1,037	974	+6.5	1,474
Loans	146,924	146,381	+0.4	146,877
- due from banks	*22,147*	*20,050*	*+10.5*	*22,278*
- loans to customers	*124,777*	*126,331*	*-1.2*	*124,599*
Dealing securities	31,772	24,580	+29.3	22,357
Fixed assets	9,682	9,586	+1.0	9,822
- investment securities	*2,917*	*2,895*	*+0.8*	*2,935*
- equity investments	*4,559*	*4,253*	*+7.2*	*4,572*
- intangible fixed assets	*305*	*339*	*-10.0*	*343*
- tangible fixed assets	*1,901*	*2,099*	*-9.4*	*1,972*
Differences arising on consolidation and on application of the equity method	896	1,027	-12.8	959
Other assets	22,614	26,460	-14.5	21,091
Total assets	**212,925**	**209,008**	**+1.9**	**202,580**
LIABILITIES				
Payables	168,149	160,518	+4.8	160,255
- due to banks	*32,570*	*28,087*	*+16.0*	*28,534*
- due to customers and securities issued	*135,579*	*132,431*	*+2.4*	*131,721*
Provisions	4,001	3,680	+8.7	4,019
- for taxation	*795*	*436*	*+82.3*	*732*
- for termination indemnities	*929*	*971*	*-4.3*	*946*
- for risks and charges	*1,973*	*1,925*	*+2.5*	*2,037*
- for pensions and similar	*304*	*348*	*-12.6*	*304*
Other liabilities	22,683	27,311	-16.9	20,626
Subordinated liabilities	6,801	6,784	+0.3	6,414
Minority interests	318	292	+8.9	271
Shareholders' equity	10,973	10,423	+5.3	10,995
Total liabilities	**212,925**	**209,008**	**+1.9**	**202,580**
GUARANTEES AND COMMITMENTS				
Guarantees given	17,500	17,684	-1.0	19,912
Commitments	28,423	31,077	-8.5	25,839

(1) The pro forma figures as of 30/6/2003 were prepared to enable consistent comparison with the figures as of 30/6/2004. The above-mentioned pro forma schedules reflect the exclusion of Banque Sanpaolo from the line by line consolidation area as of 1/1/2003.

The pro forma balance sheet figures as of 30/6/2003 are unaudited.

Quarterly analysis of the reclassified consolidated balance sheet

	2004		2003			
	30/6 (€/mil)	31/3 (€/mil)	31/12 (€/mil)	30/9 pro forma (1) (€/mil)	30/6 pro forma (1) (€/mil)	31/3 pro forma (1) (€/mil)
ASSETS						
Cash and deposits with central banks and post offices	1,037	914	1,474	963	974	967
Loans	146,924	144,342	146,877	139,679	146,381	148,267
- due from banks	*22,147*	*21,527*	*22,278*	*17,607*	*20,050*	*22,741*
- loans to customers	*124,777*	*122,815*	*124,599*	*122,072*	*126,331*	*125,526*
Dealing securities	31,772	28,557	22,357	23,642	24,580	20,489
Fixed assets	9,682	9,755	9,822	9,690	9,586	9,866
- investment securities	*2,917*	*2,913*	*2,935*	*2,864*	*2,895*	*2,950*
- equity investments	*4,559*	*4,586*	*4,572*	*4,424*	*4,253*	*4,453*
- intangible fixed assets	*305*	*327*	*343*	*334*	*339*	*370*
- tangible fixed assets	*1,901*	*1,929*	*1,972*	*2,068*	*2,099*	*2,093*
Differences arising on consolidation and on application of the equity method	896	933	959	992	1,027	1,055
Other assets	22,614	22,496	21,091	22,893	26,460	22,131
Total assets	**212,925**	**206,997**	**202,580**	**197,859**	**209,008**	**202,775**
LIABILITIES						
Payables	168,149	164,476	160,255	155,736	160,518	162,154
- due to banks	*32,570*	*29,613*	*28,534*	*26,638*	*28,087*	*27,896*
- due to customers and securities issued	*135,579*	*134,863*	*131,721*	*129,098*	*132,431*	*134,258*
Provisions	4,001	4,304	4,019	4,026	3,680	3,908
- for taxation	*795*	*1,000*	*732*	*725*	*436*	*838*
- for termination indemnities	*929*	*946*	*946*	*985*	*971*	*971*
- for risks and charges	*1,973*	*2,055*	*2,037*	*2,007*	*1,925*	*1,751*
- for pensions and similar	*304*	*303*	*304*	*309*	*348*	*348*
Other liabilities	22,683	19,878	20,626	20,555	27,311	19,010
Subordinated liabilities	6,801	6,666	6,414	6,484	6,784	6,533
Minority interests	318	290	271	298	292	354
Shareholders' equity	10,973	11,383	10,995	10,760	10,423	10,816
Total liabilities	**212,925**	**206,997**	**202,580**	**197,859**	**209,008**	**202,775**

(1) The pro forma figures for the first three quarters of 2003 were prepared to enable consistent comparison with the figures as of 30/6/2004. The pro forma schedules reflect the line by line consolidation of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì commencing from 1/1/2003, as well as the exclusion of Banque Sanpaolo from the line by line consolidation area and of Finconsumo Banca from the proportional consolidation area as of the same date.

The pro forma balance sheet figures and the balance sheet figures as of 31/3/2004 are unaudited.

Report on Group Operations

Economic background

The international context

The world economic trend has gained strength, showing an increase in the first six months of 2004. The trends in the cycle differed in the two quarters: accelerating sensibly in the first quarter, led principally by the United States and by China, and decelerating in the second quarter. The change in the economy was affected by a large increase in the prices of raw materials and by the slowing down of activities in the United States and in some Asian countries. Still in the initial stages of recovery, changes in the euro-zone remained modest in both quarters.

The period of growth involved all the major geographical areas, even if at different levels. In the United States, GDP increased in the first half of 2004 by an annualized rate of 3.7%. The performance was particularly lively in the first quarter (+4.5%) and less so in the second (+2.8%). The expansion of production activities was accompanied by a consistent increase in profits recorded by businesses, reaching historically high levels in relation to GDP. The trend of investments in property and machinery were sustained whereas private consumption, which was noticeably resilient in the first quarter, slowed down in the second quarter, affected by the buying power of households negatively influenced by the increase in prices of energy and the disappointing job market.

The strain on the prices of raw materials pushed inflation higher, with it passing from less than 2% at the end of 2003, to reach 3.3% in June 2004. However, net of the volatile components (among which energy), consumer price trends remained moderate (1.9% in June), thanks to the increase in productivity and the trend in salaries which kept internal inflationary pressures under control.

During the phase of recovery in the cycle and increasing inflation, the Fed changed the orientation of monetary policy, guiding market expectations toward the prospect of gradual restriction. In this context, at the end of June the American Central Bank applied its first quarter point increase to the policy rate, which was held at 1% for the entire first six months of 2004.

In the presence of an increasing current account deficit and a weakening of capital flows from abroad, the dollar has depreciated considerably against the major currencies characterized by a flexible exchange system, particularly the euro. After almost reaching an exchange rate of 1.30 against the euro in the first quarter of 2004, the US currency rose again in the second quarter to around 1.20. According to some observers, the imbalances in exchange rates between the dollar and some Asian currencies linked to the dollar, are partly responsible for the persistent foreign deficit of the United States.

In Japan the recovery at the beginning of the year was higher than expected. In the first half of the year GDP grew at an annualized rate of more than 5%. This economic trend benefited from foreign demand, particularly from China, and from domestic demand for investments by businesses and for consumption by households, confirming the hypothesis of a possible definitive recovery, after the false starts seen in the past ten years. The trend in production prices, which have been rising for some time, appears to indicate an end in deflation in the near future.

The international growth in demand for raw materials and the consolidation of the American cycle have favored the expansion of production activities in Latin America. Nevertheless, the improvement in the economy has not mitigated the degree of financial vulnerability of some countries. In the first half of the year, international investors had to face the uncertainty generated by the complex internal political conditions of Venezuela, the scandals surfacing in Brazil and the difficult negotiations between the International Monetary Fund and the Argentinian government in relation to the restructuring of the debt in default.

On 1 May 2004 Malta, Cyprus, Poland, Hungary, the Czech Republic, Slovakia, Slovenia and the three Baltic Republics formally joined the European Union. The new member countries, characterized by considerable differences in terms of economic structure and degree of real and nominal convergence to European standards, are now candidates for entry into the EMS II, an essential condition for subsequent entry into the European Monetary Union. The higher degree of real convergence and political determination of Estonia, Lithuania and Slovenia permitted the entry of their respective local currencies into the EMS II at the end of June. Turkey and Russia have recorded satisfactory growth in the first half of the year, thanks respectively, to the adoption of macro economical reform policies and to the considerable revenues generated by oil.

Asia benefited from the dynamism of the Chinese economy which was the driving force in intra-regional commerce. Some of the economies showed signs of overactivity, in the light of which the local authorities had to intervene with restrictive measures, as in the case of China.

The euro-zone and Italy

In the first half of 2004, the recovery in the economic cycle of the euro-zone gradually consolidated, nevertheless demonstrating modest growth rates. In the first half of the year, GDP grew at an annualized rate of around 2%, thanks, above all, to the positive trend in exports. Household consumption showed signs of recovery while expenditure for investments remained weak. Industrial production, which grew by 1% in the previous half year, was negatively affected in some countries, such as Germany and Italy, by the process applied by companies of reducing stock.

In a business climate which is still difficult, the central authorities of all of the major European countries recorded a deterioration in their financial statements. The trend in public accounts could mean that Germany and France will, also for the current year, record a deficit/GDP ratio higher than the threshold set by the Maastricht Treaty. In Italy, the net debt of the Public Administration could, in 2004, move away from the objectives previously set and, according to the most recent government estimates, get closer to the threshold of 3%.

Due to the increase in the prices of energy, the rate of inflation in the area started to rise again in the first half of the year, above the ECB reference target (2%). The rate of inflation showed a geographical spread. In Italy the trend in consumer prices, higher at the beginning of the year when compared to the European average, remained substantially stable at 2.3% for the entire six months period, despite rising oil prices and an increase in the taxation on tobacco and alcohol. As an effect of these different trends, the gap between the Italian and European rate of inflation was gradually reabsorbed. The acceleration of prices in the euro-zone is considered to be temporary by the ECB which, for the period in question, maintained its policy rate of 2%.

During the half year the trend in the Italian economy showed signs of improvement when compared to the previous year, with a growth rate in GDP of 0.4% in the first quarter and of 0.3% in the second. The cyclical recovery was supported by the trend in private expenditure, particularly for investments in fixed assets, both residential and non residential, and in exports.

The trend in foreign sales was lower than the estimated growth of international commerce. The trend in foreign trade from Italy continued to reflect negatively the orientation toward industrial sectors and geographical areas with lower growth, as well as the loss in competitiveness in respect of rival countries.

Banking industry

During the first half of 2004, there was a slight deceleration in the trend of bank loans compared to the same period for 2003, while remaining above nominal economic growth.

The total aggregate increase (+1.8% for December 2003 and +5.2% for June 2003) was supported mainly by medium/long-term loans to non-financial businesses and to households (+5.5% for the six months), while short-term loans fell again (-0.3% for the six months).

The household sector was particularly active in requests for mortgages, in an increasingly more lively property market, highlighted by the increase in property prices (estimated at around 5.4%) and the substantial number of purchase/sale transactions.

During the first half of the year, banking deposits rose by 1.9%, against a slight drop (-0.1%) in the first half of the previous year. This trend was affected by the high number of families preferring to hold their financial assets as cash in the light of considerable doubts about the performance of stock markets. Bonds and current account deposits which increased in the first half by, respectively, 4.5% and 2.3%, supported funding which suffered a structural drop in certificates of deposit and the lower demand for repurchase agreements.

During the period, there was a slight reduction in rates on the total bank aggregates, particularly evident on medium and long-term loans. In June the spread of short-term loans to households and non-financial companies, showed a lesser drop when compared to December 2003, equal to 3 basis points.

Securities brokerage

Despite the positive trend in company profits, the international stock exchanges showed modest earnings in the first half of 2004. The performance was affected negatively by the trend in oil prices, which rose significantly and was characterized by moments of extreme uncertainty, which led to fears for the future trends in the cycle of major economies and, as a consequence, company profits. In the United States, the S&P500 earned 2.6% and the Nasdaq Composite 2.2%. In Europe, the DJ Euro Stoxx rose by 3.7% while in Italy the MIB30 earned 5.6% and the MIBTEL 6%. In Japan the rise in the Nikkei 225 was higher (+11.1%), thanks to the higher than expected trend of the country's economy.

In the first half exchanges on the Italian stock market amounted to 384 billion euro, a daily average of about 3 billion, up compared with the 2.8 billion for the same period in the previous year. Stock market capitalization at the end of June rose to 518 billion euro (38.8% of GDP) compared with the 487 billion at the end of 2003. On the primary market, investment flows channeled through a Public Offer amounted to 1.8 billion (0.4 billion in the first half of 2003), connected to 4 transactions (of which 3 were aimed at the stock exchange introduction). The funds obtained by the listed companies through capital increases totaled 1.3 billion euro (compared with 4.6 billion in the first half of 2003), associated with 8 transactions (16 in the first half of 2003).

Asset management

During the first half of the year, mutual investment funds suffered a consistent outflow of capital (-5.3 billion). In particular, bond funds suffered considerably, because of both the fear of possible rises in interest rates over the long-term and the climate of distrust among investors following the cases of default by Cirio and Parmalat.

Despite the deficit in flows, the amounts outstanding rose in the first six months to 513.6 billion (+0.9%), thanks to the positive effect of the revaluation of assets (+1.9%).

Among the other asset management components, it is estimated that the insurance-pensions sector has substantially maintained its performance of premium flows to that recorded in the same period of 2003.

Action points and initiatives in the first half

In the first half of 2004 action continued to rationalize the SANPAOLO IMI Group and strengthen its distribution capacity in line with the business model defined in the 2003-2005 Plan. This model intends to combine efficiency, achieved thanks to the single nature of the strategic and commercial management and to common support structures, with the strengthening of relationships with customers, generated by the strong territorial roots of the various historical brands that are now part of the Group. The Plan aims to extend gradually the model successfully adopted by the Sanpaolo Network to all the Group's banking networks. This model is divided into a certain number of territorial areas and bank networks with light central structures, which uniformly and completely supervise the respective territory and coordinate branches specialized by market segment.

The initiatives to rationalize and develop the Group

The new organizational model

When the new company executives were appointed, the Board of Directors, nominated on 29 April 2004 by the SANPAOLO IMI Shareholders' Meeting, defined the Group's new organizational model, effective from 1 May. The new organizational model, focused on the commercial bank, has improved corporate governance and strengthened the specialization in customer segments of the distribution networks, extending the commercial coordination for markets to all the bank networks.

Plan to develop and rationalize the distribution networks

Having completed the integration of the branches of the former Banco di Napoli, the process has now commenced on the banks in the Triveneto and Emilia areas and on Banca Popolare dell'Adriatico.

The integration process involved the organizational and commercial models of the networks and continued with the migration to SANPAOLO IMI of the IT systems of the branches of Cassa di Risparmio di Venezia at the end of March, of Cassa di Risparmio in Bologna in April, of Friulcassa in June and of Cassa di Risparmio di Padova e Rovigo in mid July. The migration of the branches of Banca Popolare dell'Adriatico will take place in October. Supporting the first four bank networks is the North East Coordination Direction, which is responsible for coordinating the commercial activities and developing customer relations within the reference territory.

The reorganization process envisages that branches within a reference territory of a specific historical brand should belong to the bank holding such brand, with the aim of taking advantage of the potential generated locally by its roots. In this respect, before the end of Autumn, work will commence to transfer to the four bank networks the 114 Sanpaolo network operating points located within the Triveneto and Emilia areas and to transfer to the Sanpaolo network the 30 Cassa di Risparmio di Padova e Rovigo and Cassa di Risparmio in Bologna operating points located outside of their respective territories.

Insurance Pole

In the first half of the year, work commenced on the project to reorganize the Group's insurance activities, the guidelines of which were approved by the Board of Directors on 13 February 2004. This plan provides for the creation of a single insurance pole into which all the different companies operating in the life and property and casualty sector will be brought together, with the aim of:
- rationalizing the presence in the market, achieving a critical volume capable of encouraging increased efficiency through cost synergies and scale economies;
- increasing the focus on the insurance business, encouraging product innovation in sectors such as welfare and personal insurance;
- exploiting the complementary nature of insurance and financial needs.

This plan will be implemented through a process to concentrate the insurance subsidiaries into a single company. The corporate vehicle identified for such purpose is Assicurazioni Internazionali di Previdenza S.p.A. (previously called Noricum Vita), of which the Group has held total control since December 2003.

The main steps toward achieving this plan will be made by the following operations:
- spin off in favor of SANPAOLO IMI of the stake held by Banca Fideuram in Fideuram Vita;
- spin off in favor of Assicurazioni Internazionali di Previdenza (A.I.P.) of the total stake held by Sanpaolo IMI Wealth Management in Sanpaolo Vita;

- merger by incorporation of Sanpaolo Vita and Fideuram Vita into A.I.P..

On 30 June 2004 the first of the above steps was taken: the Shareholders' Meetings of SANPAOLO IMI and of Banca Fideuram approved the spin off to SANPAOLO IMI of the stake held by Banca Fideuram in Fideuram Vita, assigning stake in the beneficiary to Banca Fideuram minority shareholders (at a ratio of 0.07470 ordinary SANPAOLO IMI shares for each Banca Fideuram share).

Through the reorganization process it is intended to create the conditions for further possibilities of growth, also by way of subsequent aggregations.

Other rationalization initiatives

On 20 January 2004, SANPAOLO IMI exercised a put option for the remaining share of Finconsumo Banca still held (30%), implementing the agreements subscribed with Santander Central Hispano (SCH) for the sale to the latter of the whole share held in the bank in question. The transaction, which is part of the rationalization of the shareholdings of both banks, was also completed in January at a price of 80 million euro, determining a capital gain of 55 million at consolidated level.

On 30 June 2004, the SANPAOLO IMI Board of Directors approved the plans to exploit the portfolio of real estate not instrumental to the Group. This project envisages the disposal to the Carlyle Group of 100% of CSP Investimenti – the subsidiary to which, with effect from 31 December 2003, SANPAOLO IMI transferred 105 properties – along with a further 126 properties belonging to different Group companies. This transaction, the aim of which is the rationalization of the management of real estate, on the basis of organizational requirements and the opportunities for income, will realize a total gross capital gain of almost 100 million euro. As of 31 December 2003 around one third of this capital gain was booked to the equity of the Group's bank networks involved in the disposal in accordance with law 350/2003, while the remainder will be booked to the statement of income in the second half of 2004, upon completion of the operation, which is forecast for the end of the current year.

Commercial development initiatives in Italy

The cooperation between SANPAOLO IMI, Cassa di Risparmio di Firenze and Cassa dei Risparmi di Forlì resulted, at the end of March, in a transaction to enable the development of activity in the small- and medium-sized company segment (SME). The banks promoting the initiative approved a 500 million euro plafond of loans to SMEs in Northern Italy, Tuscany and Emilia Romagna, with the cooperation of the leading Loans Consortia in the regions in question, intervening to guarantee the loans and also in view of a subsequent securitization of the portfolio generated. The transaction is aimed at creating a "system product" with uniform characteristics and conditions throughout the whole territory considered, which will offer a prompt and streamlined operating response to financial needs linked with the development of the companies receiving the loans.

Confirming the strategic importance of the SMEs, at the beginning of July SANPAOLO IMI also set up a plafond of 250 million euro destined to medium-term loans for applied research projects. In addition to financial support is the offer of a technological and industrial advisory service for projects, made possible by the Group's know how gained over the years through the management of research and development benefits on behalf of Public Administration.

In relation to the Torino 2006 Olympic Winter Games, SANPAOLO IMI, through the "Torino 2006" project specifically dedicated to the sporting event, has undertaken some activities aimed at exploiting the role of the Group as Principal Sponsor of the Games. During the first six months of the year, a master plan has been prepared containing the commercial and communication initiatives to be developed over the 2004-2006 three year period, with the aim of maximizing the economic and commercial return of the sponsorship. Among the promotional activities it is worth noting the advertising campaign realized for the Athens 2004 XXVIII Olympic Games.

Agreements with international partners and development initiatives in foreign markets

On 16 February 2004 the Group, through Sanpaolo IMI Wealth Management, took over 50% of All Funds Bank (AFB). The company, wholly owned, through Banco Banif, by SCH, has a platform offering access to third party mutual funds available to institutional customers. The purchase of the shareholding falls within the context of the cooperation agreements for the development of a pan European project in the wholesale distribution of third party mutual funds, through the formation of a joint venture.

With these agreements, SANPAOLO IMI and SCH intend to consolidate their leadership in the sector at European level and identify potential strategic partners in the main European markets.

On 14 April 2004, SANPAOLO IMI and Banque Marocaine du Commerce Extérieur (BMCE), a leading bank in Morocco with 219 branches, signed a commercial cooperation agreement. The agreement is part of the initiatives to strengthen the Group's presence in the countries of the Mediterranean area. It aims at encouraging the internationalization of Italian companies and at promoting the development of import-export flows between Italy and its commercial partners, offering a complete range of products and services to retail and corporate customers operating in Morocco and Italy.

On 1 April 2004 the Inter-Europa Ertekesitesi initiative commenced operations; the company is wholly owned by the Hungarian Inter-Europa Bank which is, in turn, a subsidiary of the Group which holds 85.9%. The activities of the new company consist of promotions and the placement of financial products on commission, operating in particular as an agent of the Inter-Europa Bank for the exclusive placement of traditional bank products with private and small entrepreneurs not yet customers of the bank. Furthermore, it will, on commission, place third party financial and insurance products, providing significant opportunities for cross selling.

Corporate bond risk and the protection of savers

The heavy repercussions of the recent corporate bond defaults, which have affected savers' portfolios at domestic and international level, have led the Group to take several precautions 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 is to verify the adequacy and formal and substantive consistency of the investment to the risk profile attributable to the customer and, consequently, where conditions avail, to resolve amicably any controversy. In the first half of 2004 an analysis was completed on the majority of complaints received and the first transactions with customers were defined.

During the half year, SANPAOLO IMI signed an agreement 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. The collection of applications to join the Committee and for admission as creditors in respect of the administration procedure related to the insolvency of Parmalat S.p.A. was concluded on 30 July. Applications totaled more than 98% of the credits of SANPAOLO IMI Group customers with the Parmalat group, including the proof of debt provided by ABI (the Italian Bankers' Association) and individual procedures. In the second half of the year the Committee, in addition to managing the administrative requirements and preparing the material necessary for voting, will provide a non-binding opinion on the conversion of the credit into shares and will make its findings known to the applicants. At the same time, study and research will be made into the possibility of claiming damages.

With reference to the need for clear, comprehensible and transparent customer advisory activities, the "PattiChiari" (Clear Deal) initiative promoted by ABI continued to develop through the eight initiatives aimed at providing customers with simple and concrete instruments to facilitate the understanding and the comparison of products on offer. "PattiChiari" also envisages the use of a specific trademark for quality for each single initiative, guaranteeing the compliance of the Bank to the principles of the project. Especially significant, for the purpose of applying correct protocols, is the certificate received from an external body which confirms the compliance with the regulations and procedures provided by each initiative. In June and July tests were carried out on the head office and in 38 branches of Sanpaolo, 26 branches of Sanpaolo Banco di Napoli, 14 branches of Cassa di Risparmio di Venezia and 16 branches of Cassa di Risparmio in Bologna. The report issued by the certifying body will be examined by the Committee managing the "PattiChiari" trademark and the official trademark for quality is expected to be issued by the Consortium before the end of September.

Proceedings sanctioned by Consob against SANPAOLO IMI and its company representatives in relation to the dealings in bonds issued by Cirio group companies

Following the investigations carried out in April-October 2003, in relation to SANPAOLO IMI's dealings in Cirio bonds during the 2000-2002 three year period, in a letter of May 2004, Consob raises a series of claims of presumed violation of regulations of the sector in which the Bank supposedly operated when performing dealing activities in the aforementioned bonds.

These claims were notified to the Bank and to the members of the Board of Directors and of the Board of Statutory Auditors in office at the time of the dealings, as well as to some company directors who, at various levels, are considered responsible for acts of omission and commission, in connection with the presumed irregularities.

Both the Bank and its representatives have moved to formulate the statements for the defense and await further developments in the proceedings. Where the defense statements are unaccepted, proceedings may be concluded with a monetary fine on the authors of the violations for whose payment the Bank will be jointly liable.

Consolidated results

Summary of results

During the first half of 2004, the SANPAOLO IMI Group showed a positive evolution of the principal income margins compared with the pro forma figures for the same period of the previous year, which take into consideration the variations in consolidation during the period, as illustrated in the Explanatory Notes.

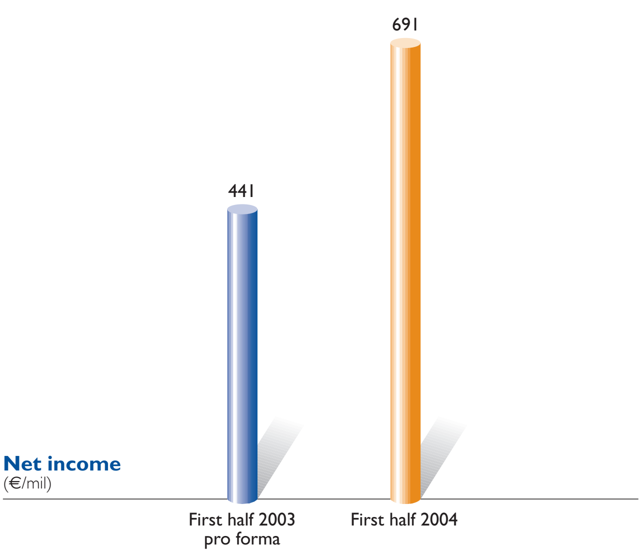
Operating income rose by 12.2% in relation both to the increase in net interest and other banking income – as a result of the positive trend in commissions, which more than compensated for the drop in net interest income owing to a decline in market rates – and to the containment of operating costs.

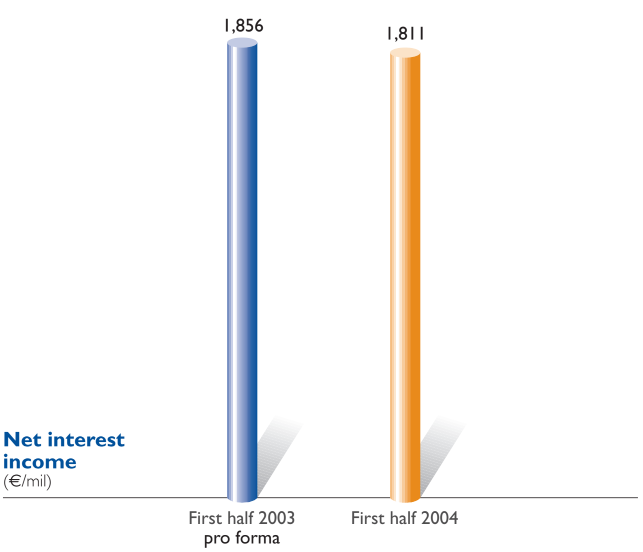
Net income, equal to 691 million euro, showed a growth of 56.7%, also aided by the increase in net extraordinary income which, in the first half of 2003, included charges concerning the start up of the staff leaving incentive scheme.

Net interest income

Net interest income in the first half of 2004, equal to 1,811 million euro, fell by 2.4% compared with the same period in 2003. This trend is attributable to the deterioration of the total spread between interest-earning assets and interest-bearing liabilities, mitigated by the increase in average trading volumes and the lower profitability of the fund imbalance.

The reduction in spread can be ascribed to the trend in market rates: three-month Euribor showed a drop of 46 basis points when comparing the average for the first half of 2004 (2.07%) with that for the same period in 2003 (2.53%).





Net interest income

	First half 2004 (€/mil)	First half 2003 pro forma (€/mil)	Change first half 2004 / First half 2003 pro forma (%)	2003 (€/mil)
Interest income and similar revenues	3,570	3,828	-6.7	7,443
Interest expense and similar charges	-1,711	-1,990	-14.0	-3,701
Reclassification (1)	-48	18	n.s.	-26
Net interest income	**1,811**	**1,856**	**-2.4**	**3,716**

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

In the first half of the year the total spread was 2.22%, 11 basis points lower than that recorded in the same period of 2003, owing to the rates of interest-earning assets suffering a greater drop in rates than the cost of interest-bearing liabilities.

The average amount of the Group's interest-earning assets rose by 2.4% compared with the first half of 2003. The increase was an effect of the growth of loans to customers (+2.7%), of loans to banks (+38.3%) and of securities (+3.3%). By comparison, repurchase agreements registered a decrease of 30%. On the liability side, average interest-bearing liabilities rose by 2.3%, favored by the increase in customer and interbank deposits (respectively +2.8% and +10.9%). Repurchase agreements however fell by 17.7%.

Net interest and other banking income

The Group's net interest and other banking income in the first half of 2004 was 3,799 million euro, up 3.8% compared with the same period of the previous year. This activity can be attributed to the positive trend in net commissions, profits from companies carried at equity and dividends from shareholdings which more than compensated for the drop in net interest income and profits and losses from financial transactions.

Net commissions amounted to 1,602 million euro, a growth of 14.8% compared with the first half of 2003. The trend of this aggregate benefited from the recovery of the financial markets, already evident in May of last year: between the end of June 2003 and the end of June 2004, the Comit index registered a positive performance of 14%.

The positive trend in commission revenues is evident in all the main types; in particular, commissions deriving from management, dealing and advisory services showed an increase of 15.8%. In this sector, asset management related commissions increased by 19.4% when compared to the first half of 2003, increasing their effect on the total aggregate to 50.6% from 48.7% for the same period of the previous year. This result has been influenced, among others, by the change in the mix of asset management attributable to the orientation of the customers towards products with a higher added value, such as equity funds and life policies.

Among other commission revenues, loans and guarantees and deposits and current accounts rose by 38.5% and 10% respectively.

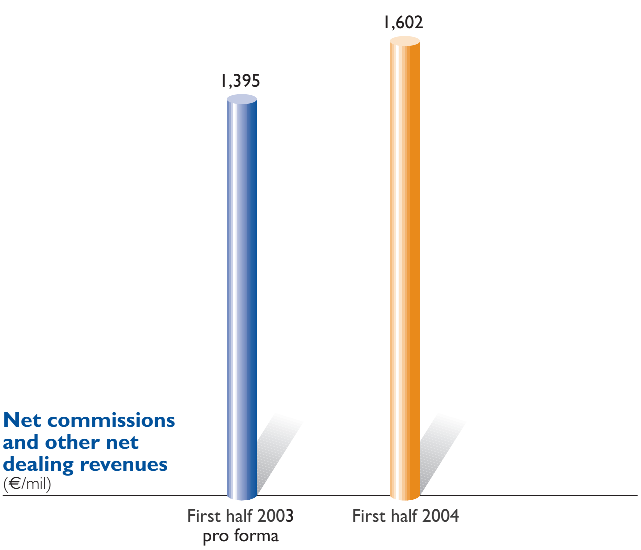
Analysis of average amounts and interest rates

	First half 2004		First half 2003 pro forma		Change first half 2004 / First half 2003 pro forma	
	Average amounts (€/mil)	Annualized average rate (%)	Average amounts (€/mil)	Annualized average rate (%)	Change in average amounts (%)	Difference in rates (points %)
Interest-earning assets	157,665	4.27	153,937	4.67	+2.4	-0.40
- loans to customers (excluding repurchase agreements)	119,499	4.88	116,411	5.33	+2.7	-0.45
- securities	15,350	3.09	14,866	3.13	+3.3	-0.04
- other interest-earning assets	22,816	1.91	22,660	2.31	+0.7	-0.40
Non interest-earning assets (1)	51,365		49,614		+3.5	
Total assets	**209,030**		**203,551**		**+2.7**	
Interest-bearing liabilities	152,371	2.05	148,924	2.34	+2.3	-0.29
- direct customer deposits (excluding repurchase agreements)	114,219	1.78	111,141	2.16	+2.8	-0.38
- due to customers	*69,349*	*0.91*	*66,887*	*1.27*	*+3.7*	*-0.36*
- securities issued	*44,870*	*3.12*	*44,254*	*3.50*	*+1.4*	*-0.38*
- other interest-bearing liabilities	38,152	2.85	37,783	2.87	+1.0	-0.02
Non interest-bearing liabilities (1)	45,675		44,064		+3.7	
Shareholders' equity	10,984		10,563		+4.0	
Total liabilities and shareholders' equity	**209,030**		**203,551**		**+2.7**	

(1) This figure includes Banca IMI group's average volumes, in line with the reclassification of the related interest income and expense.

During the half year the Group's total net commissions accounted for 70.9% of administrative costs and 115.4% of personnel costs, an increase of, respectively, 61.5% and 98.9% on the values for the first half of 2003.

Profits from financial transactions and dividends on shares reached 195 million euro, a drop of 25.9% compared with the 263 million for the same period of 2003. This drop reflects the slowing down of Banca IMI and the Parent Bank's dealing activities in securities, foreign exchange and derivatives and the reduction in profits related to IMI Investimenti, for the valuation at market price of some investments in the dealing portfolio.



Profits from companies carried at equity and dividends from shareholdings, 191 million euro, increased by 30.8% compared with the first half of 2003. In particular during the first six months of the current year:

- profit from companies carried at equity came to 140 million euro compared with 103 million euro for the same period in 2003. This rise is mainly attributable to the insurance subsidiaries, which are significantly expanding;
- dividends paid to the Group by minority shareholdings not included in the consolidation area amounted to 51 million euro, compared with 43 million euro for the first half of 2003.

Operating income

Operating income for the first half of the year amounted to 1,493 million euro, an increase of 12.2% on the first half of 2003. This evolution benefited both from the positive trend of net interest and other banking income and from the reduction in operating costs.

Cost containment actions enabled administrative costs, which amounted to 2,258 million euro, to be reduced by 0.4%.

Net interest and other banking income

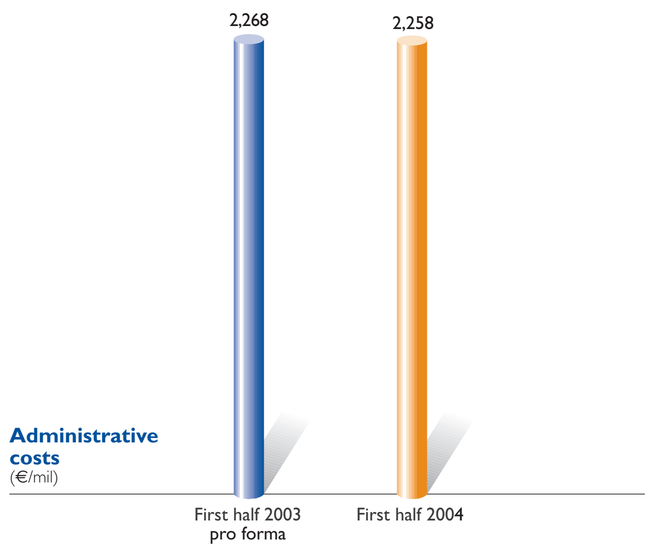
	First half 2004 (€/mil)	First half 2003 pro forma (€/mil)	Change first half 2004 / First half 2003 pro forma (%)	2003 (€/mil)
Net interest income	1,811	1,856	-2.4	3,716
Net commissions and other net dealing revenues	1,602	1,395	+14.8	3,036
- management, dealing and advisory services	947	818	+15.8	1,776
- asset management	*811*	*679*	*+19.4*	*1,479*
- brokerage and custody of securities and currencies	*136*	*139*	*-2.2*	*297*
- loans and guarantees	169	122	+38.5	281
- collection and payment services	122	117	+4.3	239
- deposits and current accounts	254	231	+10.0	488
- other services and net dealing revenues	110	107	+2.8	252
Profits and losses from financial transactions and dividends on shares	195	263	-25.9	447
Profits from companies carried at equity and dividends from shareholdings	191	146	+30.8	270
Net interest and other banking income	**3,799**	**3,660**	**+3.8**	**7,469**

In particular, personnel costs, equal to 1,388 million euro, showed a decrease of 1.6% on the same period for 2003. These costs were contained through the rationalization of the structure of the corporate center and the integration of the distribution networks. The staff reduction, realized through staff leaving incentives, and by using the "Income, employment and re-training fund for staff in the banking industry" ("Fondo di solidarietà per il sostegno del reddito, dell'occupazione e della riconversione e riqualificazione professionale del Personale del Credito"), more than compensated for the ordinary dynamics of payroll, which includes the estimate of charges for the renewal of the national collective labor contract. In the first half of 2004, the above initiatives resulted in the departure of 1,170 people from the Group, 1,000 of which made use of the "Fund for staff in the banking industry" and 170 left through early retirement. In average terms, the number of people employed by the Group fell by 3.9% compared with the first half of 2003.

Other administrative costs presented an increase of 1.8% on the first half of 2003, reaching 738 million euro. This increase is principally represented by property costs (+5.1%), owing to higher rental charges following the disposal of property by the Parent Bank at the end of 2003, and to greater costs for updating and adjusting assets owned by Group bank networks, as well as indirect personnel costs (+14%), as a result of greater mobility induced by the integration processes. IT costs, which account for around 28% of the total aggregate, benefited from the integration of the bank network IT systems and are in line with the values for the first half of 2003. Savings were made on general expenses and utilities for 3% and 2%, respectively.

Adjustments to tangible and intangible fixed assets came to 207 million euro, a drop of 7.2% on the same period in the previous year. On an annual basis, this reduction was influenced by the elimination of the writedowns made in the previous year for the former Banco di Napoli software and by lower amortization of the property sold at the end of 2003 by the Parent Bank.

The cost/income ratio of the Group fell from 61.7% to 58.9%, an improvement of almost 3 percentage points on the same period in the previous year, largely due to the favorable trend in revenues.



Operating income

	First half 2004 (€/mil)	First half 2003 pro forma (€/mil)	Change first half 2004 / First half 2003 pro forma (%)	2003 (€/mil)
Net interest and other banking income	3,799	3,660	+3.8	7,469
Operating costs	-2,306	-2,329	-1.0	-4,765
- administrative costs	-2,258	-2,268	-0.4	-4,610
- personnel	*-1,388*	*-1,410*	*-1.6*	*-2,841*
- other administrative costs	*-738*	*-725*	*+1.8*	*-1,512*
- indirect duties and taxes	*-132*	*-133*	*-0.8*	*-257*
- other operating income, net	159	162	-1.9	329
- adjustments to tangible fixed assets	-110	-116	-5.2	-252
- adjustments to intangible fixed assets	-97	-107	-9.3	-232
Operating income	**1,493**	**1,331**	**+12.2**	**2,704**

Income before extraordinary items

Income before extraordinary items came to 1,056 million euro, up 12.7% compared with the 937 million euro of the first half of 2003.

Adjustments to goodwill and merger and consolidation differences, amounted to 72 million euro, compared with 80 million euro for the first half of the previous year.

Provisions and net adjustments to loans and financial fixed assets came to 365 million euro, compared with 314 million euro for the first six months of last year (+16.2%). The net flow includes:

- 78 million euro of provisions for risks and charges against 63 million in the first half of 2003. The increase is mainly related to the greater provisions against legal disputes and claims from bankruptcy liquidators and to the higher charges in connection with the settlement of the technical deficit of the supplementary pension fund of a subsidiary company;
- 267 million euro of provisions and adjustments for credit risks (170 million in the first half of 2003), largely attributable to the adjustment of the pre-

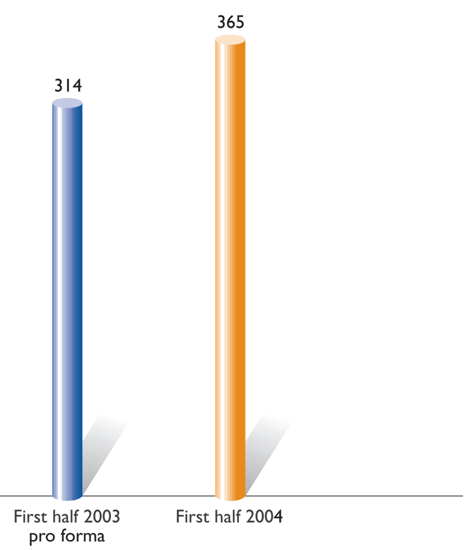
Other administrative costs

	First half 2004 (€/mil)	First half 2003 pro forma (€/mil)	Change first half 2004 / First half 2003 pro forma (%)	2003 (€/mil)
IT costs	206	206	-	430
Property costs	145	138	+5.1	287
General expenses	123	127	-3.1	258
Professional and insurance fees	131	128	+2.3	264
Promotion, advertising and marketing expenses	40	38	+5.3	93
Indirect personnel costs	49	43	+14.0	94
Utilities	44	45	-2.2	86
Other administrative costs	**738**	**725**	**+1.8**	**1,512**

Income before extraordinary items

	First half 2004 (€/mil)	First half 2003 pro forma (€/mil)	Change first half 2004 / First half 2003 pro forma (%)	2003 (€/mil)
Operating income	1,493	1,331	+12.2	2,704
Adjustments to goodwill and merger and consolidation differences	-72	-80	-10.0	-158
Provisions and net adjustments to loans and financial fixed assets	-365	-314	+16.2	-859
- provisions for risks and charges	-78	-63	+23.8	-195
- adjustments to loans and provisions for guarantees and commitments	-267	-170	+57.1	-724
- net writedowns	*-403*	*-301*	*+33.9*	*-972*
- net provisions for guarantees and commitments	*-1*	*12*	*n.s.*	*6*
- recoveries	*137*	*119*	*+15.1*	*242*
- net adjustments to financial fixed assets	-20	-81	-75.3	60
- net writedowns of equity investments	*-20*	*-71*	*-71.8*	*66*
- net writedowns of investment securities	*-*	*-10*	*n.s.*	*-6*
Income before extraordinary items	**1,056**	**937**	**+12.7**	**1,687**

sumed realizable value of specific accounts among doubtful loans;
- 20 million euro of net adjustments to financial fixed assets (81 million in the first half of 2003); this amount includes the adjustment made to the investment in Hutchison 3G Italia for 61 million euro and the precautionary adjustment to CDC Ixis for 50 million, which is partially offset by the recovery in value of the investment in Santander Central Hispano (SCH) for 92 million. The writedown of the investment in Hutchison 3G Italia corresponds to the Group's share of the half year loss of the telecom company. In relation to the book value of the investment in SCH, which was adjusted in prior years and is therefore subject to a writeback in value to reflect any positive trends in stock market prices, it was deemed opportune, in relation to the drop in the index in mid-July, to confirm the writeback in value already booked in March (corresponding to 8.75 euro per share to cover an average for the six month period equal to 9.035 euro). The unitary book value for the half year is therefore aligned to the average target prices emerging from current analysts' research. In relation to the shareholding in FIAT, the book value reflects the average market price in June 2004 (6.391 euro per share) which, being substantially in line with that for the month of December, has not had any significant changes on the value at the beginning of the year.



Provisions and net adjustments to loans and financial fixed assets
(€/mil)

Net income

Net income of 691 million euro, was influenced by 72 million euro of net extraordinary income, compared with 173 million net extraordinary expenses booked in the first half of 2003. The most relevant component of this aggregate (55 million euro) is represented by the capital gain realized on the sale of the remaining 30% of Finconsumo Banca to SCH in January 2004. The figure for the first half of 2003 included 280 million euro expenses for voluntary staff leaving incentives.

With a tax liability of 402 million euro, the tax rate of the SANPAOLO IMI Group was 35.6%, lower than that recorded in the first half of 2003, mainly as a result of the measures introduced by the new system of income related to

Net income

	First half 2004 (€/mil)	First half 2003 pro forma (€/mil)	Change first half 2004 / First half 2003 pro forma (%)	2003 (€/mil)
Income before extraordinary items	1,056	937	+12.7	1,687
Net extraordinary income/expense	72	-173	n.s.	-32
- net gains on disposal of equity investments	*58*	*14*	*n.s.*	*320*
- other net extraordinary items	*14*	*-187*	*n.s.*	*-352*
Income before taxes	**1,128**	**764**	**+47.6**	**1,655**
Income taxes for the period	-402	-302	+33.1	-644
Change in reserve for general banking risks	-	-	-	9
Income attributable to minority interests	-35	-21	+66.7	-48
Net income	**691**	**441**	**+56.7**	**972**

equity investments effective as of 2004, and also because of the decrease of one percentage point in the company income tax rate. The non-deductibility of adjustments to loans in terms of IRAP (Regional Income Tax), introduced by the corrective public finance measures applied in 2004, had an opposite effect.

Embedded value of the life insurance business

The Group's net income includes the net result of the companies comprised in the "Insurance Pole" of the Group (Sanpaolo Vita and its subsidiaries Sanpaolo Life, Assicurazioni Internazionali di Previdenza formerly Noricum Vita, Egida Assicurazioni and Universo Servizi, as well as Fideuram Vita and Fideuram Assicurazioni); in particular:
- the consolidated result of Sanpaolo Vita contributed 63 million euro to the Group's net income;
- Fideuram Vita contributed 41 million euro.

To understand fully the importance of these results, it should be remembered that one of the most significant indicators of the management performance of an insurance company is the increase registered in a year by the so-called embedded value. The embedded value is an estimate, made using actuarial techniques, of the economic value of a closed portfolio company, ignoring any value attributable to future new business. This is defined as the sum of two elements:
- shareholders' equity of the company, adjusted to market values as of the date of evaluation;
- the value of the in-force policy portfolio as of the date of evaluation, calculated as the present value of net income that the portfolio in force is expected to generate over the years until its natural extinction, adjusted to allow for the cost of holding the capital required to respect the solvency limit.

The embedded value of the life insurance business refers to the value of the Group's life insurance companies operating within the context of the Insurance Pole (Sanpaolo Vita, Sanpaolo Life, Assicurazioni Internazionali di Previdenza, hereafter referred to as "Sanpaolo", and, within Banca Fideuram's operations, Fideuram Vita, hereafter referred to as "Fideuram") plus the portion of value associated with the life insurance business, arising in other Group companies, determined net of relevant costs and taxes.

The embedded value of the in-force life insurance business in those Group companies which receive sales, management or maintenance commissions related to the life business is estimated as the present value of the specific profit stream, net of costs and after tax, that these companies are expected to register on the in-force policy portfolio until contractual extinction.

The calculation of the embedded value of the life insurance business as of 30 June 2004 has been carried out with the assistance of the actuarial divisions of leading consulting companies according to the following criteria:
- in preparation for the evaluation of the portfolio in force, an actuarial technical examination of the portfolio of contracts held by the companies was carried out, together with the formulation of expected future operating scenarios, important elements of which being the assumptions made with regard to the performance of assets, the mortality rate, the management costs of the portfolio in question, the trend in premature exits due

Embedded value of life insurance business for the Group

		Life insurance business Sanpaolo (€/mil)	Life insurance business Fideuram (€/mil)
Embedded value as of 31/12/2003	a	1,198	1,108
Embedded value as of 30/6/2004	b	1,268	1,179
Change in the embedded value during the first half of 2004	c=b-a	70	71
Dividends distributed	d	45	9
Net income generated in other group companies	e	44	26
Added value for the period	**c+d+e**	**159**	**106**
of which: value added by new business/transformations		145	84
of which - new policies excluding migration			*34*
- new policies resulting from migration (1)			*26*
- value resulting from changes (2)			*24*

(1) Policies originating from the simultaneous disinvestment of Banca Fideuram asset management products.
(2) Policies originating from the simultaneous cancellation of traditional policies.

to abnormal causes and options exercised by customers, and the tax burden;
- subsequently, the combination, with the support of the generally adopted actuarial procedures, of the operating scenarios used as reference for the calculation of the premiums related to the current portfolio and expected scenarios, as formulated above, was used to obtain the succession of the estimated values of income that the portfolio will generate during the individual years of remaining life, net of taxes and of the opportunity cost related to the maintenance of the solvency limit;
- this succession of values was then discounted by applying a discount rate equal to the performance of a risk-free investment, increased to consider the uncertainty of the flow of profits as determined above, linked to the uncertainty that the operating assumptions formulated will correspond to actual operations.

The assumptions considered in the formulation of the expected future operating scenarios reflect the characteristics of the portfolios of the various companies. In particular, as regards the performance rates of the assets, a rate of 4.18% was considered for Sanpaolo Vita during the first five years, with a rate of 4.12% for the following years (separate management); a constant rate of 4.80% was considered for Sanpaolo Life (unit linked management); a constant rate of 4.10% was considered for Assicurazioni Internazionali di Previdenza both for separate and unit linked management; for Fideuram Vita average rates considered were 4.55% for separate management, 4.95% for guaranteed unit linked management and 4.8% for non guaranteed unit linked management. As regards the discount rates, for the insurance business of both Sanpaolo and Fideuram, a rate of 7.25% was considered.

On this basis an estimate of the increase registered in the first half of 2004 by the embedded value at Group level inherent in the life insurance business was made. The results are reported in the previous page.

The change in the embedded value during the first half of 2004, for the Group's life insurance business, was estimated at 70 million euro for Sanpaolo and 71 million euro for Fideuram. The added value of the year, considering the dividends distributed by the companies to Group companies (net of capital increases) and net income generated in other Group companies (net of costs, adjustments for deferred acquisition costs and taxes), came to 159 million euro for Sanpaolo and 106 million euro for Fideuram.

Operating volumes and organization

Assets managed on behalf of customers

At the end of June 2004, customer financial assets amounted to 374 billion euro, up 2.9% on the value registered in the first half of 2003 and 1.6% from the beginning of the year. The change on an annual basis is attributable to the positive trend in direct deposits and indirect deposits, in both asset management and administration.

Indirect deposits grew by 3.1% on the 12 months and 0.9% from the end of December 2003. This trend is favored by the positive performance of the financial markets, which is reflected in the revaluation of existing stock. Direct deposits increased by 2.4% in the 12 months and by 2.9% from the beginning of the year.

Asset management and administration

At the end of June 2004, asset management volumes reached 143.8 billion euro, up 2.7% over the 12 months and at the same levels as at the end of 2003. The negative net flow of 1.9 billion for the six months period was offset by the revaluation of stocks attributable to the good performance of the markets.

In the context of the various products, mutual funds and fund-based portfolio management reached 101.2 billion euro, down by 0.8% compared to the end of June 2003 and by 1.5% since the beginning of the year. This phenomenon

Customer financial assets

	30/6/2004		30/6/2003 pro forma		Change 30/6/04-30/6/03 pro forma (%)	31/12/2003		Change 30/6/04-31/12/03 (%)
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%	
Asset management	143,803	38.5	140,003	38.5	+2.7	143,711	39.0	+0.1
Asset administration	94,581	25.3	91,148	25.1	+3.8	92,610	25.2	+2.1
Direct deposits	135,579	36.2	132,431	36.4	+2.4	131,721	35.8	+2.9
Customer financial assets	**373,963**	**100.0**	**363,582**	**100.0**	**+2.9**	**368,042**	**100.0**	**+1.6**

Asset management

	30/6/2004		30/6/2003 pro forma		Change 30/6/04-30/6/03 pro forma (%)	31/12/2003		Change 30/6/04-31/12/03 (%)
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%	
Mutual funds and fund-based portfolio management	101,190	70.4	101,962	72.8	-0.8	102,738	71.5	-1.5
Portfolio management	6,216	4.3	8,232	5.9	-24.5	7,437	5.2	-16.4
Life technical reserves	36,397	25.3	29,809	21.3	+22.1	33,536	23.3	+8.5
Asset management	**143,803**	**100.0**	**140,003**	**100.0**	**+2.7**	**143,711**	**100.0**	**+0.1**

Change in assets under management

	First half 2004 (€/mil)	First half 2003 pro forma (€/mil)	2003 (€/mil)
Net inflow for the period	-1,945	5,628	7,748
- Mutual funds and fund-based portfolio management	-3,011	3,270	2,659
- Portfolio management	-1,375	-411	-1,251
- Life policies	2,441	2,769	6,340
Performance effect	2,037	1,444	3,032
Change in assets under management	**92**	**7,072**	**10,780**

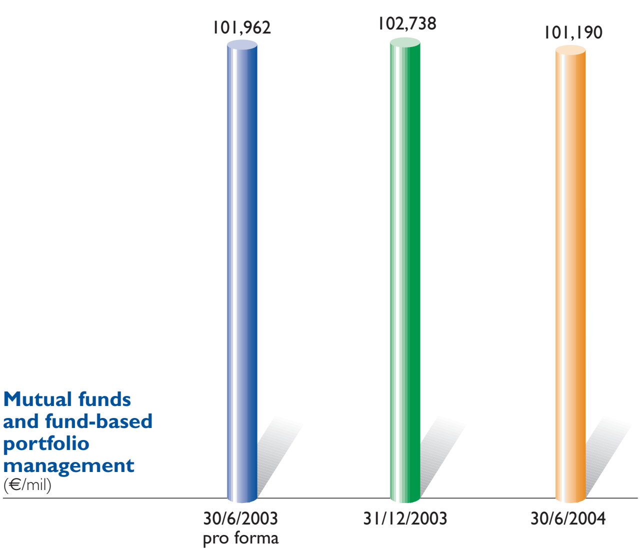
is linked to the greater number of customers choosing to subscribe to life policies. The recovery in share prices did however influence the choices made by customers, which were addressed to types of products with higher added value, such as equity funds, which rose from 20.4% at the end of June 2003, to 25.4% at the end of June 2004. The weight of balanced funds and bond funds has decreased over the 12 months but has remained stable since the beginning of the year, whereas liquidity funds continued to decrease. At the end of the first half of the year, the SANPAOLO IMI Group held the top position of mutual funds in the domestic market, with a market share of 20.7%.

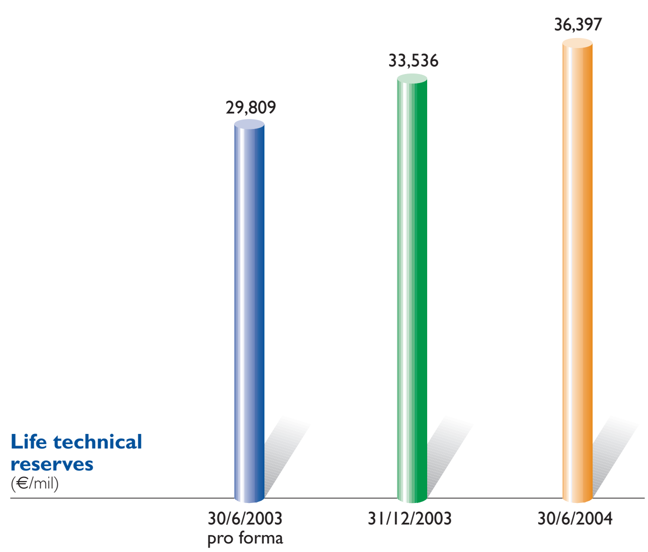
In the first half of 2004, the life insurance sector confirmed the growth already shown in the previous year: life technical reserves, equal to 36.4 billion at the end of June 2004, grew by 22.1% compared with the end of June 2003 and by 8.5% from the beginning of the year, benefiting from a net flow of 2.4 billion euro in the half year. The first half of the year saw a renewed interest by customers in traditional policies, a sector in which the range of products has recently been enriched. These policies represent more than half of the premium flows in life insurance; the remainder mainly comprise index linked and unit linked policies, which show a greater financial content.

Also worth noting in the first half of the year is the increase in asset administration, with amounts reaching 94.6 billion euro, up 3.8% on an annual basis and 2.1% compared with the end of December 2003.

Direct deposits

At the end of June 2004, direct customer deposits amounted to 135.6 billion euro, an increase of 2.4% over the 12 months and 2.9% from the beginning of the year. The trend over the half year is attributable to current accounts and deposits (+4.1%) and to deposits in the form of bonds and other securities (+3.3%), excluding certificates of deposit which fell by 42.3%.





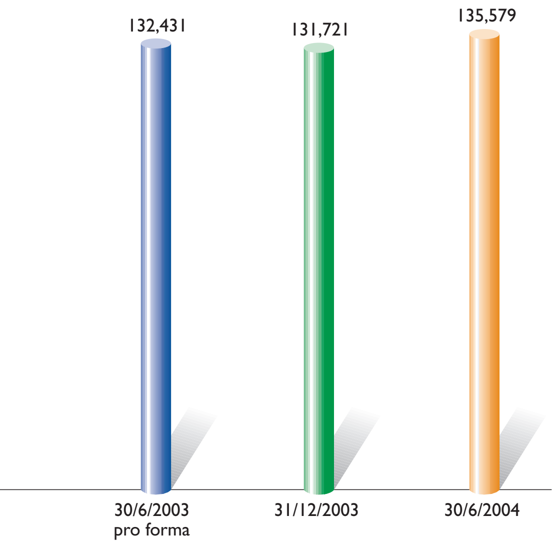
Mutual funds by type

	30/6/2004 (%)	30/6/2003 pro forma (%)	31/12/2003 (%)
Equity	25.4	20.4	23.6
Balanced	7.5	8.4	7.4
Bond	41.2	43.3	41.4
Liquidity	25.9	27.9	27.6
Total Group mutual funds	100.0	100.0	100.0

An analysis of the Group's Business Sectors shows that, thanks to the positive influence of almost all the bank networks, the annual increase in the deposits of the Commercial Banking, which represent around 65% of the total aggregate, were around 3.1%. The Central Functions showed an increase of 16.8%, mainly attributable to the trend in bonds issued by treasury and included in the aggregate.

As of 30 June 2004, the Group's share of direct deposits on the domestic market was 10.2%, substantially in line with that at the beginning of the year and down 10.6% compared to the end of June 2003. The reduction over the 12 months is mainly attributable to certificates of deposit and repurchase agreements.

Direct deposits
(€/mil)



Direct customer deposits

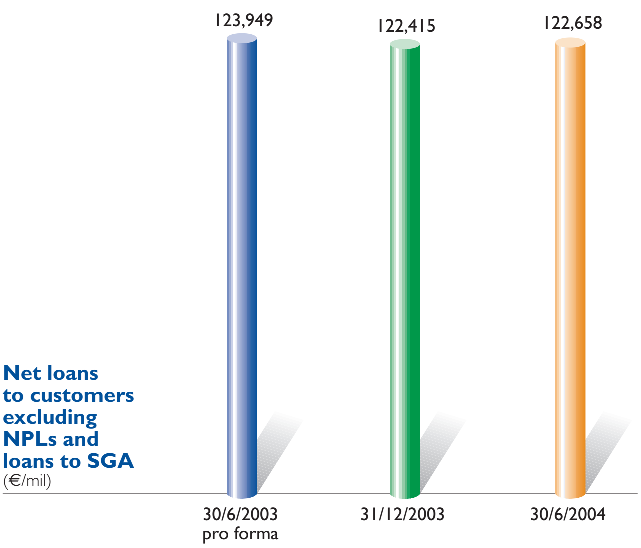
	30/6/2004		30/6/2003 pro forma		Change 30/6/04-30/6/03 pro forma (%)	31/12/2003		Change 30/6/04-31/12/03 (%)
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%	
Current accounts and deposits	71,186	52.5	68,615	51.8	+3.7	68,373	51.9	+4.1
Certificates of deposit	4,124	3.0	4,830	3.6	-14.6	7,149	5.4	-42.3
Bonds	40,529	29.9	38,247	28.9	+6.0	39,979	30.4	+1.4
Commercial paper	4,112	3.0	3,657	2.8	+12.4	3,766	2.9	+9.2
Repurchase agreements and securities lending	10,958	8.1	12,986	9.8	-15.6	10,073	7.6	+8.8
Other deposits	4,670	3.5	4,096	3.1	+14.0	2,381	1.8	+96.1
Direct customer deposits	**135,579**	**100.0**	**132,431**	**100.0**	**+2.4**	**131,721**	**100.0**	**+2.9**

Direct customer deposits by Business Sector

	30/6/2004 (€/mil)	30/6/2003 pro forma (€/mil)	Change 30/6/04-30/6/03 pro forma (%)	31/12/2003 pro forma (€/mil)
Commercial Banking	87,771	85,149	+3.1	84,786
- Sanpaolo (Parent Bank operating areas and product companies)	43,936	42,911	+2.4	41,986
- Sanpaolo Banco di Napoli	16,316	15,547	+4.9	15,525
- Cassa di Risparmio di Padova e Rovigo	10,681	10,164	+5.1	10,280
- Cassa di Risparmio in Bologna	6,731	7,050	-4.5	6,875
- Cassa di Risparmio di Venezia	4,430	4,185	+5.9	4,427
- Friulcassa	2,991	2,772	+7.9	2,977
- Banca Popolare dell'Adriatico	2,541	2,535	+0.2	2,571
Investment Banking	11,979	14,748	-18.8	10,397
Personal Financial Services	3,856	3,813	+1.1	3,581
Local Authorities and Public Entities	5,323	5,898	-9.7	5,557
Central Functions	26,650	22,823	+16.8	27,400
Direct customer deposits	**135,579**	**132,431**	**+2.4**	**131,721**

Loans to customers

The Group's net loans to customers, excluding non-performing loans and loans to SGA (the company into which the former Banco di Napoli doubtful loans were transferred), were 122.7 billion euro at the end of June 2004, down 1% over the 12 months and substantially stable since the end of 2003 (+0.2%). This trend is the result of a drop in short-term loans (-14%), partially offset by the trend in medium- and long-term loans, which increased by 7.3% on an annual basis.



In medium- and long-term loans, good progress in financings directed to the retail sector continued: mortgage disbursements to households by the Group networks in the first half of 2004 were more than 2 billion euro, up 17.4% on the first six months of last year. As regards the evolution in terms of loans made by Banca OPI for public works and infrastructure, the stock at the end of June amounted to 18 billion euro, remaining substantially in line with the levels at the end of June 2003: as a matter of fact, medium- and long-term loans, typical to this sector, increased by 5% setting off the repayment of some short-term loans. The direct lending activity was flanked by the subscription of securities by customers, the amount of which, at the end of the half year, amounted to almost 4 billion euro, reaching levels that almost double those of the end of June 2003.

Loans to customers

	30/6/2004		30/6/2003 pro forma		Change 30/6/04-30/6/03 pro forma (%)	31/12/2003		Change 30/6/04-31/12/03 (%)
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%	
Short-term loans	41,647	33.4	48,451	38.3	-14.0	42,815	34.4	-2.7
Medium- and long-term loans	81,011	64.9	75,498	59.8	+7.3	79,600	63.9	+1.8
Loans to customers excluding NPLs and loans to SGA	**122,658**	**98.3**	**123,949**	**98.1**	**-1.0**	**122,415**	**98.3**	**+0.2**
Non-performing loans	1,202	1.0	1,221	1.0	-1.6	1,171	0.9	+2.6
Loans to SGA	917	0.7	1,161	0.9	-21.0	1,013	0.8	-9.5
Loans to customers	**124,777**	**100.0**	**126,331**	**100.0**	**-1.2**	**124,599**	**100.0**	**+0.1**

Loans to customers by counterparty

	30/6/2004		30/6/2003 pro forma		Change 30/6/04-30/6/03 pro forma (%)	31/12/2003		Change 30/6/04-31/12/03 (%)
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%	
Loans to households	25,953	20.8	23,788	18.8	+9.1	24,962	20.0	+4.0
Loans to family businesses and non-financial companies	73,504	58.9	73,687	58.4	-0.2	74,732	60.0	-1.6
Loans to financial companies	11,259	9.0	13,426	10.6	-16.1	10,222	8.2	+10.1
Loans to governments and public bodies (1)	13,391	10.7	14,509	11.5	-7.7	13,826	11.1	-3.1
Other	670	0.6	921	0.7	-27.3	857	0.7	-21.8
Loans to customers	**124,777**	**100.0**	**126,331**	**100.0**	**-1.2**	**124,599**	**100.0**	**+0.1**

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

Also positive was the growth in loans to households which increased by 9.1% in respect of the end of June 2003. On the other hand, there was a fall in loans to financial companies (-16.1%), to governments and public bodies (-7.7%) and, to a lesser extent, to family businesses and non-financial companies (-0.2%).

Loans to customers by type of lending

	30/6/2004		30/6/2003 pro forma		Change 30/6/04-30/6/03 pro forma (%)	31/12/2003		Change 30/6/04-31/12/03 (%)
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%	
Loans to households	25,953	20.8	23,788	18.9	+9.1	24,962	20.0	+4.0
- Domestic network	25,646	20.6	23,589	18.7	+8.7	24,708	19.8	+3.8
- overdraft	*1,553*	*1.3*	*1,678*	*1.3*	*-7.4*	*1,588*	*1.3*	*-2.2*
- personal loans	*3,393*	*2.7*	*3,003*	*2.4*	*+13.0*	*3,164*	*2.5*	*+7.2*
- mortgage loans	*19,126*	*15.3*	*17,086*	*13.5*	*+11.9*	*18,026*	*14.5*	*+6.1*
- other	*1,574*	*1.3*	*1,822*	*1.5*	*-13.6*	*1,930*	*1.5*	*-18.4*
- Foreign network	307	0.2	199	0.2	+54.3	254	0.2	+20.9
Loans to family businesses, companies, governments, public bodies and others	98,824	79.2	102,543	81.1	-3.6	99,637	80.0	-0.8
- Domestic network	91,939	73.7	94,258	74.5	-2.5	92,398	74.2	-0.5
- overdraft	*15,941*	*12.8*	*16,914*	*13.4*	*-5.8*	*15,482*	*12.4*	*+3.0*
- repurchase agreements	*1,051*	*0.8*	*1,126*	*0.9*	*-6.7*	*856*	*0.7*	*+22.8*
- import/export financing	*3,100*	*2.5*	*3,041*	*2.4*	*+1.9*	*3,003*	*2.4*	*+3.2*
- leasing	*5,055*	*4.1*	*4,226*	*3.3*	*+19.6*	*4,579*	*3.7*	*+10.4*
- mortgage loans	*46,195*	*37.0*	*44,006*	*34.8*	*+5.0*	*46,123*	*37.0*	*+0.2*
- other	*20,597*	*16.5*	*24,945*	*19.7*	*-17.4*	*22,355*	*18.0*	*-7.9*
- Foreign network	6,885	5.5	8,285	6.6	-16.9	7,239	5.8	-4.9
Loans to customers	**124,777**	**100.0**	**126,331**	**100.0**	**-1.2**	**124,599**	**100.0**	**+0.1**

Loans to customers by Business Sector

	30/6/2004 (€/mil)	30/6/2003 pro forma (€/mil)	Change 30/6/04-30/6/03 pro forma (%)	31/12/2003 pro forma (€/mil)
Commercial Banking	97,000	98,706	-1.7	98,163
- Sanpaolo (Parent Bank operating areas and product companies)	62,417	65,539	-4.8	63,240
- Sanpaolo Banco di Napoli	7,945	7,603	+4.5	8,344
- Cassa di Risparmio di Padova e Rovigo	9,702	8,961	+8.3	9,483
- Cassa di Risparmio in Bologna	8,545	8,392	+1.8	8,608
- Cassa di Risparmio di Venezia	3,399	3,337	+1.9	3,466
- Friulcassa	2,517	2,468	+2.0	2,580
- Banca Popolare dell'Adriatico	2,504	2,463	+1.7	2,479
Investment Banking	4,327	3,451	+25.4	2,783
Personal Financial Services	724	603	+20.1	735
Local Authorities and Public Entities	17,939	17,993	-0.3	18,692
Central Functions	2,668	3,196	-16.5	2,042
Loans to customers excluding NPLs and loans to SGA	**122,658**	**123,949**	**-1.0**	**122,415**

In relation to Group loans by Business Sector, all the main lines of business showed growth, with the exception of Sanpaolo (Parent Bank operating areas and product companies), which was conditioned by the reduction of operations on large groups and foreign counterparties, to cover the increase in retail and SME customers.

The Group's market share in the domestic market at the end of June 2004 was 10.4% for total loans, showing a decrease on the 11% of June 2003. More specifically, medium- and long-term loans had an 11.5% share and short-term loans 8.9%.

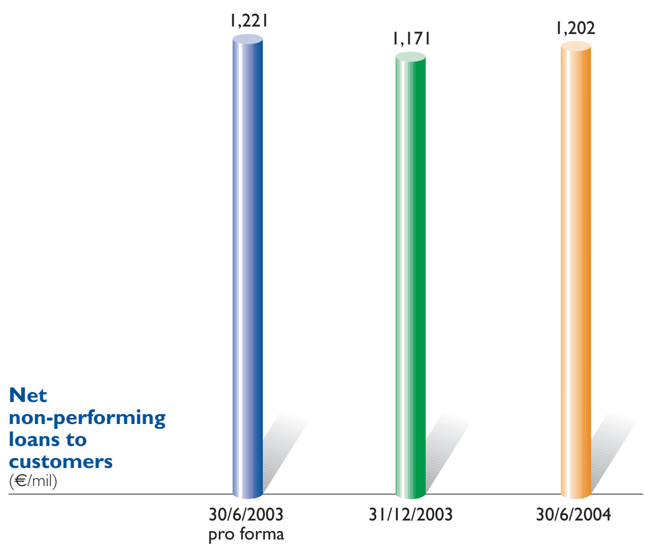
Quality of the loan portfolio

During the first half of the year the Group continued to pay strict attention to the asset quality, thanks to the adoption of strict loan-issue selection policies and prudent provision policies to all the network banks.

At the end of June 2004, the Group had net doubtful loans of 2,670 million euro, down 5.3% over the 12 months and up 3.9% since the beginning of the year. More specifically, in loans to customers:

- net non-performing loans were 1,202 million euro against 1,221 million at the end of June 2003 (-1.6%) and 1,171 million euro at the end of 2003 (+2.6%); the net non-performing loans/net loans to customers ratio was 1%, stable on the values recorded at the beginning of the year and up a tenth of a point since the beginning of the year. At the end of June 2004, the coverage ratio of the Group's non-performing loans rose to 73.7% from 73.2% at the end of 2003;
- problem, restructured and in course of restructuring loans were 1,395 million euro, a drop of 9.2% over the 12 months and up 3.5% compared with the end of December 2003. The coverage ratio was 34.7% against 33.9% at the beginning of the year;
- non-guaranteed loans to countries subject to country risk amounted to 22 million euro, in line with the end of 2003.

To cover the physiological risk inherent in the Group's performing loan portfolio, there was a general reserve at the end of June equal to 1,129 million euro, including the



Qualitative analysis of loan portfolio

	30/6/2004		30/6/2003 pro forma		Change 30/6/04-30/6/03 pro forma (%)	31/12/2003		Change 30/6/04-31/12/03 (%)
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%	
Non-performing loans	1,202	1.0	1,221	1.0	-1.6	1,171	0.9	+2.6
Problem, restructured and in course of restructuring loans	1,395	1.0	1,537	1.2	-9.2	1,348	1.1	+3.5
Loans to countries at risk	22	0.0	23	0.0	-4.3	22	0.0	-
Doubtful loans - customers	**2,619**	**2.0**	**2,781**	**2.2**	**-5.8**	**2,541**	**2.0**	**+3.1**
Performing loans	122,158	98.0	123,550	97.8	-1.1	122,058	98.0	+0.1
Total loans to customers	**124,777**	**100.0**	**126,331**	**100.0**	**-1.2**	**124,599**	**100.0**	**+0.1**
Non-performing and problem loans - banks	-		-		-	-		-
Loans to countries at risk - banks	51		38		+34.2	30		+70.0
Total doubtful loans - customers and banks	**2,670**		**2,819**		**-5.3**	**2,571**		**+3.9**

potential loss attributable to the contractual commitments in connection with the FIAT convertible facility for an estimated 136 million euro. The total provision, corresponding to 0.9% coverage, in line with 2003, offers adequate protection against the risk of deterioration in creditworthiness given the quality of the portfolio.

Activities on financial markets

Dealing and treasury activities

The centralized control of treasury activities and the financial risk management of the domestic bank networks is carried out by the Parent Bank's Finance. In this context, the Parent Bank's Treasury guarantees access to monetary markets, currencies and securities and systems of payment and controls the Group's liquidity policy. As of 30 June 2004, around 52% of SANPAOLO IMI's positive interbank positions and 53% of its negative interbank positions referred to infra Group financing and deposits. During the half year the net interbank position of the Parent Bank was characterized by an imbalance in market debt. In the context of short term deposits, about 18% of funding was carried out via the issue of certificates of deposit and commercial papers, realized through "Issue programs" destined to foreign markets.

As regards medium- and long-term funding, also centralized for the domestic banking networks, during the first half of 2004 SANPAOLO IMI issued 3 billion euro of senior and 0.7 billion subordinated (Tier II). In particular, 1.4 billion euro of senior securities was placed through the domestic banking network and the Sanpaolo Banco di Napoli network, 1.3 billion euro was placed through foreign markets and 0.3 billion from banks and international organizations; 0.7 billion subordinated were placed on the international markets. Medium- and long-term issues of the other domestic bank networks, placed entirely with retail customers through the internal network, also generated total net flows of 1.2 billion euro.

At the end of the half year, the Group's securities portfolio came to 34.7 billion euro, up 26.3% on the pro forma amount as of 30 June 2003. The investment component came to 2.9 billion euro, accounting for 8.4% of the total, in comparison to 11.6% at the end of the previous year and 10.5% at the end of June 2003.

As of 30 June 2004, the dealing portfolio of the subsidiary Banca IMI was 17.4 billion euro, up 35.9% compared with the 12.8 billion held at 30 June 2003; this included 77.2% Government and EU public issue bonds, 7.7% other bonds and the remaining 15.1% other shares and shares in OICR - Collective Savings Investments Organizations funds.

At the end of the half year, the Parent Bank's securities portfolio came to 12.1 billion euro, up 4.6% compared with the pro forma amounts at 30 June 2003 (determined taking into account the renewal of capitalization contracts as credits/loans). The dealing component of the portfolio amounted to 9.7 billion euro, while the investment component amounted to 2.4 billion euro. On the total of the dealing portfolio, Italian Government bonds accounted for 20%, while bonds from other issuers (including Group securities) represented 80%. The investment component was represented by 83% of Italian Government bonds, with the remaining 17% made up of other issues. The composition

Securities, interbank position and derivatives

	30/6/2004		30/6/2003 pro forma		Change 30/6/04-30/6/03 pro forma (%)	31/12/2003		Change 30/6/04-31/12/03 (%)
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%	
Investment securities	2,917	8.4	2,895	10.5	+0.8	2,935	11.6	-1.4
Dealing securities (1)	31,772	91.6	24,580	89.5	+29.3	22,357	88.4	+9.9
Total securities	**34,689**	**100.0**	**27,475**	**100.0**	**+26.3**	**25,292**	**100.0**	**+8.6**
Loans to banks	22,147		20,050		+10.5	22,278		-10.0
Funding from international banking organizations	6,349		5,925		+7.2	6,360		-6.8
Funding from other banks	26,221		22,162		+18.3	22,174		-0.1
Derivatives and forward transactions in foreign currencies (at nominal value)	769,572		482,350		+59.5	560,068		-13.9

(1) This figure includes SANPAOLO IMI shares bought by subsidiaries as part of their dealing activities.

of the portfolio remained at adequate values to maximize the aims for profitability and to satisfy the secondary needs for liquidity of the Bank and Group companies.

Placement and advisory business

During the half year Banca IMI confirmed its status as one of the main Italian operators on the primary debt market, taking on the role of lead manager in 27 bond issues, for total amount of more than 8 billion euro. In particular: in the financial institutions compartment, through the senior issues of Banca Antonveneta, Islandsbanki, AngloIrish Bank, Cassa di Risparmio di Rimini, Cassa dei Risparmi di Forlì, Mediocredito del Trentino Alto Adige, Banca delle Marche and Veneto Banca and the subordinated issues of SANPAOLO IMI and Unibanca; in government bonds through the private placement of Greek bonds; in corporate issuers, through the issues of Enel and General Electric.

In the equity sector, so far 2004 has registered low operating volumes in respect of both the IPO sector and capital increases and delistings. In this context, in Italy Banca IMI participated in the Public Offers for Terna shares and for shares in the Tecla real estate fund (respectively the largest Public Offer in the first quarter and the only one in the second) and, internationally, it participated in the institutional offer of Genworth Financial and General Electric. It also executed some tranches in the capital increase of Mondo TV and of Buongiorno Vitaminic.

In relation to the corporate finance advisory, advisory activities were concluded involving assistance to SIA in the setting up of a joint venture with GL Trade, to Manuli in the context of the reverse merger of FinM into Manuli, to Edison on the evaluation of the ISE subsidiary, to Cassa di Risparmio di Firenze and Cassa di Risparmio di Genova in the purchase of, respectively, Cassa di Risparmio di La Spezia and Cassa di Risparmio di Carrara, to IT Holding in the disposal of the Romeo Gigli and Gentry di Portofino trademarks, and to IPSE for a fairness opinion; assistance has also been provided in respect of the disposal of Obiettivo SGR and Sanpaolo IMI Institutional Asset Management to Sanpaolo IMI Wealth Management.

With regard to current transactions, the bank continued to serve as consultant to Alitalia, FS and Mediaset, and as global advisory to the FIAT group and to provide assistance to Edison in the sale of a high pressure gas transportation network, supplied consultancy to the Albanian government for the privatization project of the telecom and energy sectors, to the Merlo group in respect of restructuring of the company, to Smat of Turin and Amga of Genoa for the purchase of majority shareholdings in Acque Potabili.

Equity investments

The Group's investments in companies that are not consolidated on a line by line basis amounted to 4,559 million euro, with a net decrease of 13 million euro compared with the value as of 31 December 2003. This change reflects the 8 million euro increase for purchases and subscriptions, the 30 million euro decreases for disposals (which realized a gain of 59 million euro), net adjustments of 20 million euro and 29 million euro other net increases.

Sales during the half year include the disposal to Santander Central Hispano of the residual 30% shareholding in Finconsumo Banca, carried out by exercising the put option owned by the Parent Bank. The transaction was completed at a price of 80 million euro, realizing a capital gain of 55 million euro.

Net adjustments for 20 million euro reflect the writebacks for 94 million euro (mainly to the shareholding in Santander Central Hispano), and adjustments for a total of 114 million

Non-consolidated equity investments

	30/6/2004		30/6/2003 pro forma		Change 30/6/04-30/6/03 pro forma (%)	31/12/2003		Change 30/6/04-31/12/03 (%)
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%	
Equity investments	**4,559**	**100.0**	**4,253**	**100.0**	**+7.2**	**4,572**	**100.0**	**-7.0**
- carried at equity	1,761	38.6	1,688	39.7	+4.3	1,775	38.8	-4.9
- carried at cost	2,798	61.4	2,565	60.3	+9.1	2,797	61.2	-8.3
- in listed companies	*1,419*	*31.1*	*1,104*	*26.0*	*+28.5*	*1,331*	*29.1*	*-17.1*
- in other companies	*1,379*	*30.3*	*1,461*	*34.3*	*-5.6*	*1,466*	*32.1*	*-0.3*

euro referring to the investment in CDC Ixis (50 million), the Group's shareholding in Hutchison 3G Italia (61 million) and other investments (3 million), mainly in Kredyt Bank.

Other net increases, equal to 29 million euro, substantially refer to the valuation of net equity. In particular, increases in value for 140 million euro were recorded following the valuation adjustments to net equity, net of 113 million euro of reductions in value after the distribution of dividends and reimbursements of capital made by those companies carried at equity.

Operating structure

The distribution network

As already described in detail, during the half year the Group continued with the development and rationalization of the distribution networks, on one side with the migration of the IT systems of the four network banks reporting to the North East Coordination Direction to that of SANPAOLO IMI and, on the other, with the realization of some of the restructuring activities within Sanpaolo, through the incorporation of some territorial areas and the redefinition of the perimeters of others.

At the end of June the SANPAOLO IMI Group had a network of 3,191 banking branches in Italy, 32.8% of which are distributed throughout the North West, which is in-depth covered by the Sanpaolo network, 29.3% in the North East, where the four network branches headed by the North East Coordination Direction and Cassa dei Risparmi di Forlì (in which a 29.8% interest is held) are concentrated, and 25.4% in Southern Italy and the Islands, headed by the Sanpaolo network and, as far as concerns the mainland regions, by Sanpaolo Banco di Napoli. The remaining 12.5% of the Group's network is located in the Center of Italy, where the branches of Banca Popolare dell'Adriatico are concentrated.

Group distribution network

	30/6/2004	30/6/2003 pro forma	Change 30/6/04-30/6/03 pro forma (%)	31/12/2003
Banking branches and area offices	**3,297**	**3,224**	**+2.3**	**3,272**
- Italy	3,191	3,126	+2.1	3,168
of which: Parent Bank	*1,447*	*1,430*	*+1.2*	*1,438*
- Abroad	106	98	+8.2	104
Representative offices	**17**	**18**	**-5.6**	**18**
Financial planners	**4,446**	**4,828**	**-7.9**	**4,675**
of which: Banca Fideuram (1)	*4,442*	*4,824*	*-7.9*	*4,543*

(1) Including Sanpaolo Invest SIM.

Group distribution network in Italy as of 30/6/2004

	Sanpaolo	North East bank networks (1)	Banca Popolare dell'Adriatico	Sanpaolo Banco di Napoli	Other networks (2)	TOTAL	%
North-West (Piedmont, Val d'Aosta, Lombardy and Liguria)	993	10	3	-	40	1,046	32.8
North-East (Veneto, Trentino Alto Adige, Friuli Venezia Giulia and Emilia Romagna)	104	709	18	-	104	935	29.3
Centre (Tuscany, Marche, Umbria, Lazio, Abruzzo and Molise)	240	11	116	4	28	399	12.5
South and Islands (Campania, Puglia, Basilicata, Calabria, Sicily and Sardinia)	110	-	-	684	17	811	25.4
Banking branches and area offices in Italy	**1,447**	**730**	**137**	**688**	**189**	**3,191**	**100.0**

(1) Comprises the four bank networks in the Triveneto (comprising the Veneto, Friuli Venezia Giulia and Trentino Alto Adige regions) and Emilia areas referring to the North East Coordination Direction (Cassa di Risparmio di Padova e Rovigo, Cassa di Risparmio in Bologna, Cassa di Risparmio di Venezia and Friulcassa).

(2) Includes the branches of Banca Fideuram (89), Cassa dei Risparmi di Forlì (76), Finemiro Banca (23) and Farbanca (1).

The branches of Cassa di Risparmio di Firenze (in which an 18.7% interest is held) and Banca delle Marche (in which a 7% interest is held) are also located in the Center of Italy. SANPAOLO IMI has stipulated distribution agreements with both banks.

The share of branches held throughout Italy amounts to 10.4%. The Group in particular has a 11.1% share in the North West, 11.3% in the North East, 5.7% in the Center and 13.6% in the South and the Islands.

On the basis of the customer segments serviced, the consolidation of the networks specialization projects into Retail (personal, family market and small business), Private and Company branches continued in 2004. Of the new branches opened within the distribution network, 15 carry the Sanpaolo brand.

With reference to innovative channels, at the end of June, direct banking contracts managed by Sanpaolo branches with regard to the private and retail segments rose above 425,000, an increase of about 7% since the beginning of the year. Internet banking contracts with companies and small businesses reached 30,000, up about 14% since the beginning of the year.

The retail customer service is also carried out through the network of automatic Bancomat tellers which, at the end of the half year included, among others, 1,986 Sanpaolo ATMs, 844 Sanpaolo Banco di Napoli ATMs and 1,008 ATMs related to the four North East bank networks and Banca Popolare dell'Adriatico, as well as through the POS terminals (29,714 for the Sanpaolo network, 10,730 for Sanpaolo Banco di Napoli, and 19,595 of the latter networks).

The Group's distribution structure is also in the hands of 4,446 financial planners, mainly of Banca Fideuram and Sanpaolo Invest SIM.

The Group operates abroad through a network of 106 branches and 17 representative offices.

Personnel

At the end of the half year the Group employed 43,251 resources, down 1,757 (-3.9%) compared with 30 June 2003 pro forma schedules and 214 since 31 December 2003.

These staff reductions fall within the context of the Group's three-year plan, which follows a policy of reducing personnel costs, through the integration of the Group which have improved the efficiency of the organizational structure of the corporate center and homogenized the Commercial Banking's distribution model, thus strengthening the quality-quantity of the commercial network through important investments in new personnel and by transferring employees.

This was made possible thanks also to staff leaving incentives, particularly the "Income, employment and re-training fund for staff in the banking industry", which was adopted by way of the Group Agreement signed with the trade unions on 10 June 2003 and subsequently applied in each company office.

Personnel

	30/6/2004		30/6/2003 pro forma (1)		Change 30/6/04-30/6/03 pro forma		31/12/2003	
		%		%		(%)		%
- Parent Bank	21,886	50.6	23,187	51.5	-1,301	-5.6	22,086	50.8
- North East bank networks and Banca Popolare dell'Adriatico	8,298	19.2	8,404	18.7	-106	-1.3	8,288	19.1
- Sanpaolo Banco di Napoli	5,770	13.3	5,964	13.2	-194	-3.3	5,813	13.4
- other companies	7,297	16.9	7,453	16.6	-156	-2.1	7,278	16.7
Period-end headcount	**43,251**	**100.0**	**45,008**	**100.0**	**-1,757**	**-3.9**	**43,465**	**100.0**
of which:								
- executives	786	1.8	863	1.9	-77	-8.9	821	1.9
- third and fourth level managers	5,216	12.1	5,891	13.1	-675	-11.5	5,408	12.4
- other personnel	37,249	86.1	38,254	85.0	-1,005	-2.6	37,236	85.7

(1) Figures reconstructed pro forma to take account of the exit of Banque Sanpaolo from the consolidation area, of the spin off of Sanpaolo Banco di Napoli from the Parent Bank and of the merger by incorporation of Cardine Finanziaria in the Parent Bank.

In the first half of 2004, the above initiatives resulted in the departure of 1,170 people from the Group, 1,000 of which made use of the "Income, employment and re-training fund" and 170 left through early retirement.

With particular reference to the Parent Bank, the number of staff has been reduced by 200 compared with the figure for 31 December 2003, with 946 departures (of which 720 through leaving incentives) and 746 new hires, 102 of which through acquisition of resources from Group companies. The majority of new resources refer to employees destined for the development and support of commercial initiatives in favor of the Network.

At the end of the half year, the number of Sanpaolo Banco di Napoli staff decreased by 194 units compared with the pro forma figure for 30 June 2003 and by 43 compared with 31 December 2003, as a result of 112 new hires, of which 79 from Group companies and 155 departures, of which 89 through the "Income, employment and re-training fund".

The number of staff employed by the North East bank network and by Banca Popolare dell'Adriatico decreased by 106 compared with the pro forma figure for 30 June 2003, but remained substantially unchanged when compared to the previous year, as a result of the departures through the "Income, employment and re-training fund" and balanced by the investments necessary to face the migration of the IT system and the application of the new distribution model within the former Cardine banks.

The number of staff in the other Group companies was substantially in line with 2003 year end, and lower by 156 when compared with the pro forma figure for 30 June 2003.

Capital and reserves

Net shareholders’ equity

The net shareholders’ equity of the Group as of 30 June 2004 was 10,973 million euro, largely by effect of the current income in the period net of dividends paid out of the net income for 2003.

Movements in Group shareholders' equity *(€/mil)*

Shareholders' equity as of 1 January 2004	**10,995**
Decreases	**-715**
- Dividends	-715
Increases	**693**
- Net income for the period	691
- Exchange and other adjustments	2
Shareholders' equity as of 30 June 2004	**10,973**

Own shares

As of 30 June 2004, shares held in SANPAOLO IMI totaled 3,611,647, equal to 0.20% of the share capital, and were recorded among the assets in the Balance sheet, at market value for 36.1 million euro (9.989 euro unit cost).

Transactions with SANPAOLO IMI shares in the first half of 2004 were the following:

- during the period the Parent Bank did not purchase or sell any of its own shares and, therefore, as of 30 June 2004 still held the 3,220,919 shares in its portfolio as of 31 December 2003 (9 million euro nominal value), equal to 0.18% of the share capital, booked at a market value of 32.2 million euro;
- as of 31 December 2003, the subsidiary Banca IMI held a “short position” for 395,575 shares of the Parent Bank (1.1 million euro nominal value), attributable to the normal institutional dealing activity and financially balanced by transactions in derivatives. During the half year the company purchased 2,905,255 shares (8.1 million euro nominal value), for a cost of 28 million euro, and sold 2,118,952 shares (5.9 million euro nominal value) for a total of 20.5 million euro. Consequently, as of 30 June 2004, Banca IMI held 390,728 SANPAOLO IMI shares in its portfolio (1.1 million euro nominal value), booked at a market value of 3.9 million euro.

Regulatory capital and solvency ratios

As of 30 June 2004, the ratio of the Group’s total regulatory capital to total weighted assets against risks, deriving mainly from credit and market risks, showed a total solvency ratio of 11.3%. The ratio between the Group’s Tier 1 capital and the total weighted assets was 7.7% (Tier 1 ratio). On the same date, the Core Tier 1 ratio (calculated on the Tier 1 capital net of preferred shares) came to 6.9%.

Regulatory capital and solvency ratios

	30/6/2004	30/6/2003
Regulatory capital (€/mil)		
Tier 1 capital	10,441	9,835
of which: preferred shares	*1,000*	*1,000*
Tier 2 capital	5,164	4,524
less: prescribed deductions	-761	-454
Regulatory capital	14,844	13,905
Tier 3 subordinated loans	591	600
Total regulatory capital	15,435	14,505
Weighted assets (€/mil)		
Credit risk	123,275	128,362
Market risk	12,225	10,275
Other requirements	550	563
Total assets	136,050	139,200
Solvency ratios (%)		
Core tier 1 ratio	6.9	6.3
Tier 1 ratio	7.7	7.1
Total risk ratio	11.3	10.4

Risk management and control

The basic principles

The SANPAOLO IMI Group is strongly committed to risk management and control, which is based on three principles:
- clear identification of responsibility for taking on risks;
- measurement and control systems in line with international best practice;
- organizational separation between the Business Areas that carry on day to day operations and those that carry out controls.

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

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

The Business Areas that generate credit and/or financial risks are all assigned with limits of autonomy and each has its own control structure. For the Group banking networks (Sanpaolo Banco di Napoli, Cassa di Risparmio in Bologna, Cassa di Risparmio di Padova e Rovigo, Cassa di Risparmio di Venezia e Friulcassa) these functions are carried out, on an outsourcing contract basis, by the Parent Bank's risk control functions, which periodically report to the Board of Directors and the Audit Committee of the subsidiaries.

Financial risks

Financial risks from lending activities

The financial risk generated by the Group's lending activities (Asset and Liability Management) in the first half of 2004 was slightly higher than the average level observed last year. The potential loss on the fair value of lending activities, measured using the sensitivity analysis, assuming an adverse movement of 100 basis points in the interest rate curve, had an average value of 145 million euro in the first six months of 2004, compared to an average value of 131 million euro in the previous year.

The Value at Risk (VaR) of the banking book, calculated as the maximum unexpected potential loss which could occur during the subsequent ten working days with a statistical confidence interval of 99%, showed an average value of 51 million euro during the half year, reaching 40 million euro at the end of June.

For the main companies in the banking book, the sensitivity of the net interest income – measure which quantifies the impact on net interest income due to a rise in interest rate of +25 basis points – amounted to 24 million euro at the end of June (-19 million euro under the assumption of a 25 basis points decrease).

Equity investments in non-Group listed companies

Equity investments held in quoted companies not consolidated line by line or at net equity showed a market value, at end of June prices, of 1,445 million euro, of which 158 million euro held by the subsidiary IMI Investimenti was aligned to the book value (after economic adjustments of the value during the period).

The Value at Risk related to minority investments in listed companies gradually reduced during the half year, largely as a result of the decrease in volatility of share prices. Value at Risk reached 118 million euro at the end of June, compared with 217 million euro at the end of 2003.

Trading activities

Most of these risks arise from dealing in fixed income securities, equity securities, currency and other derivatives.

The VaR of trading activities, concentrated in Banca IMI and its subsidiaries, fluctuated between a minimum of 2.9 million euro and a maximum of 19.7 million euro during the first half of 2004. At the end of June, the VaR was 5.2 million euro, below the average value of 9.1 million euro for the half year.

In addition to the VaR, the Worst Case Scenario technique is used to monitor the impact of potential losses that might arise under extreme market conditions. The maximum potential daily loss in the first half of the year showed an average value of 42 million euro, recording a maximum of 49 million euro at the beginning of April and a minimum of 30 million at the end of the six months period.

Backtesting showed the prudent nature of the internal measurement techniques used. In the first half of 2004, actual daily losses were never higher than the risk measures expressed in terms of maximum potential loss, while in just one case the trading results exceeded the ex-ante VaR measured on a daily basis.

Credit risks

All of the on- and off-balance sheet credit exposures are measured here. The analysis is developed on the portfolio of the Parent Bank, Sanpaolo Banco di Napoli, Banca Popolare dell'Adriatico, Cassa di Risparmio di Padova e Rovigo, Cassa di Risparmio in Bologna, Cassa di Risparmio di Venezia, Friulcassa, Banca OPI, Sanpaolo IMI Bank Ireland and Sanpaolo Leasint. Altogether, the credit portfolio analyzed represents more than 90% of the Group's risk weighted assets.

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

In relation to the combination of analytical ratings, more than half is represented by internal ratings, while the remainder are issued by specialized agencies. The internal ratings are by large the prevailing ones in the corporate sector.

Loans to customers to which an analytical rating has been assigned, which represent the main reference of the credit risk management model, show a high credit quality, with a portion of investment grade loans (from AAA to BBB) equal to about 72% of the total.

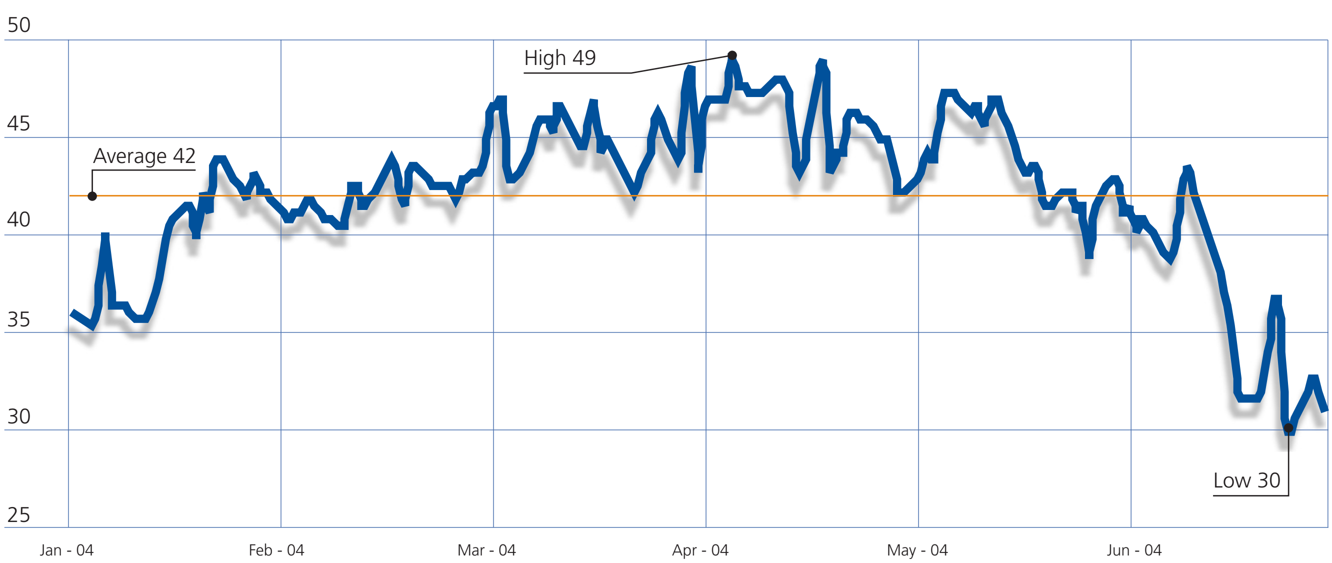
The expected loss of the portfolio considered at the end of the half year accounted for 0.44% of loans, with a slight decrease from the 0.46% registered on December 2003. It has been taken into account in establishing the amount of general writedown to cover the inherent risk of the performing loan portfolio. On the same date the economic capital accounted for about 4.60% of loans.

During the past year the concentration risk continued to fall: exposure towards the largest 20 industrial groups decreased by about 2,200 million euro compared with June 2003 and the share on the total portfolio decreased from 10.8% to 9.2%.

This led to a recomposition of the portfolio, on the one hand, toward the public sector and infrastructure sector and, on the other, toward small- and medium-sized companies and households.

Other risks

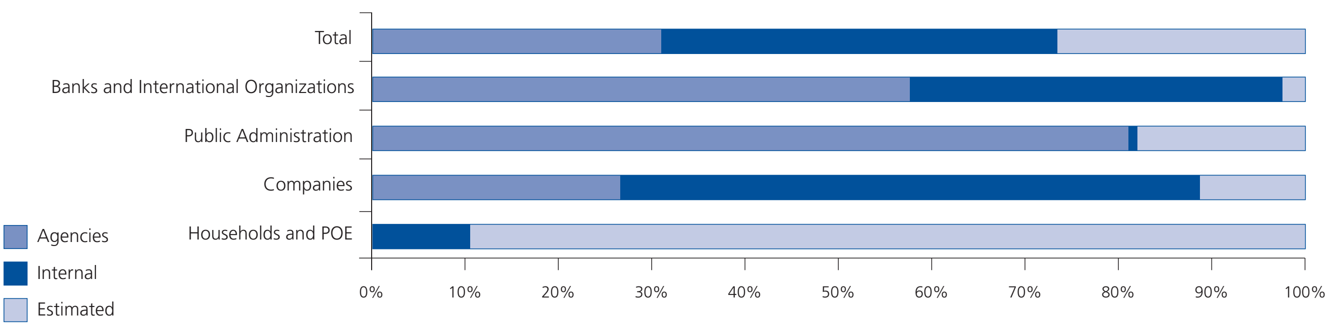
SANPAOLO IMI also considers two other types of risk in its



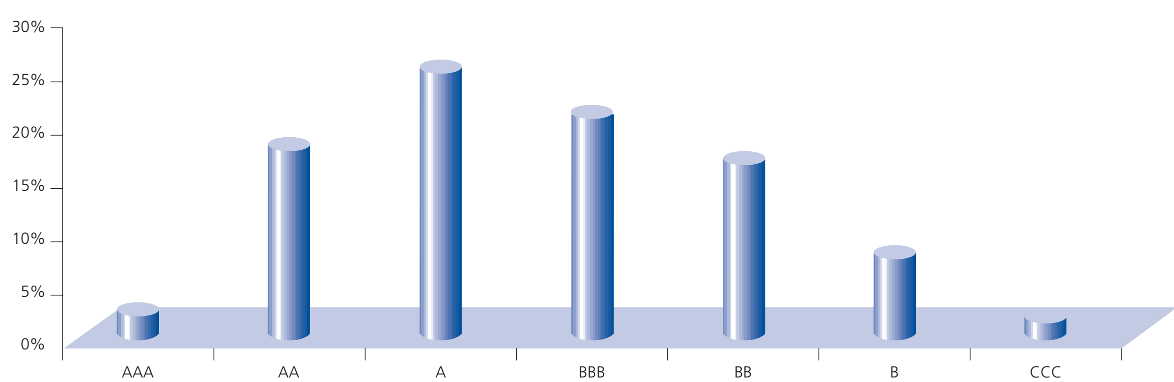
Trading activity maximum potential daily loss (€/mil) models:

- Operational risk, defined as the risk of incurring losses as a result of four macro categories of events: fraud, legal risks (including non-performance of contractual obligations), weaknesses in internal control or information systems, and natural calamities;
- Business risk (or strategic risk), defined as the risk of incurring losses as a result of changes in the macro- or micro-economic scenario which could jeopardize the ability to generate income, typically by reduced operating volumes or margin compression.

On these risk categories is calculated an economic capital, functional to the Group capital allocation, using top down techniques based upon external data, while controls are carried out at process level through the definition of internal rules and procedures, the observance of which is monitored by the Audit Management of the Parent Bank.



Drawn down loan portfolio by rating source



Drawn down loan portfolio by level of rating

Supplementary information

Performance of share prices

At the end of June 2004, SANPAOLO IMI's share price was 9.9 euro, up 22.3% compared with 30 June 2003, against an increase of 11.6% in the MIB bancario index. 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 13.9.

On 10 September 2004, the quoted price was 9.42 euro, down 8.9% since the start of the year.

	30/6/2004	30/6/2003
Book value per share (€)	5.98	5.74
	2004E	2005E
Consensus earnings per share (EPS) (€)	0.71	0.84

Market comparison

	10/9/2004	30/6/2004	30/6/2003	Change 30/6/04 - 30/6/03 (%)
SANPAOLO IMI share price (€)	9.420	9.900	8.093	+22.3
Historical MIB bancario index	2,206	2,274	2,037	+11.6

SANPAOLO IMI share price

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 10/9/2004)	11.072	8.799	9.769

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

Shareholders

As of 30 June 2004 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 Cassa di Risparmio di Padova e Rovigo	10.80	4.38
Banco Santander Central Hispano	8.61	10.92
Fondazione Cassa di Risparmio in Bologna	7.69	3.12
Giovanni Agnelli e C.	3.83	4.86
Deutsche Bank	2.95	3.75
Mediobanca	1.99	2.53
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 Cassa di Risparmio di Firenze	1.53	1.94
Credit Lyonnais	1.50	1.91
Fondazione Cassa di Risparmio di Venezia	1.50	1.90
Other shareholders (1)	40.14	50.88
Total	**100.00**	**100.00**

(1) Includes own shares held by the Group.

A "Unity of Intent Agreement" between the three Fondazioni (Compagnia di San Paolo, Cassa di Risparmio in Bologna and Cassa di Risparmio di Padova e Rovigo), and a "Consultation Agreement" between the same Fondazioni and Banco Santander Central Hispano and CDC Ixis Italia Holding, were signed in April 2004. The shares respectively contributed represent 15% and 27.84% of the ordinary capital and 11.83% and 21.96% of the total capital.

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+

On 1 September 2004, the individual rating of SANPAOLO IMI was raised by Fitch Ratings from B/C to B, thus confirming the ratings for short- and long-term debt.

Transactions with related parties

Procedural aspects

SANPAOLO IMI has defined a Group procedure for the deliberation of transactions with correlated parties, aimed at setting competencies and responsibilities, as well as indicating the informative flows between the structures of the Bank and the Companies directly and indirectly controlled.

The Group has also established specific guarantee and transparency procedures in respect of transactions with subjects exercising functions of administration, management and control of the Bank, in compliance with Art. 136 of the D. Lgs. 385/93 (Testo Unico Bancario - Consolidated Banking Law).

To this end, please refer to that described in the "Report on the corporate governance and implementation of the code of conduct for listed companies" reported in the 2003 Financial Statements.

Transactions with related parties

a) Corporate reorganization procedures

During the half year the Group has entered into transactions with particularly significant related parties mainly as regards the organizational-business model. The most significant transactions are listed below.

Transactions entered into with reference to Central Functions and Commercial Banking Area operations:

- the Parent Bank's takeover of 31% of Sanpaolo IMI International S.A.'s stake in Sanpaolo IMI Bank (International) S.A. of Madeira (in which the Parent Bank already held around 69%) was concluded on 16 January 2004 for a price of 56 million euro, corresponding to the equity pro quota as of 30 September 2003. This price was considered as the "normal value" for the transaction, taking into account its income structure and the instrumental nature of the company, since Sanpaolo IMI Bank (International) S.A. of Madeira is a funding vehicle at the exclusive service of the Group companies;

- on 3 February 2004 the Parent Bank transferred its shareholding in Sanpaolo IMI Bank Romania to Sanpaolo IMI Internazionale for a value of 7.2 million euro determined on the basis of an appraisal made in accordance with Art. 2343 of the Civil Code;
- in the context of the strategic alliance with the Eulia Group, which is part of a joint agreement between the CDC group (an "important" shareholder of SANPAOLO IMI and adhering to the "Consultation Agreement") and the Caisses d'Epargne group, formalized in 2001 with the exchange of investments and the signing of a Shareholders Pact, approval was given to defer to 30 September the Pact expiring on 13 April 2004, in order to allow the parties to compare the repositioning of the SANPAOLO IMI investments, following the reorganization of the CDC/CNCE groups;
- with reference to the development and rationalization of the Group's bank networks, on 27 July the Board of Directors approved a program to rationalize the presence of the Group in the Triveneto provinces, in Emilia and in the provinces of Rome, Milan and Lodi. This program envisages the concentration of the distribution network under the brand of the reference bank present on territory. In this respect it has been decided that:
  - the Sanpaolo network will transfer to Cassa di Risparmio in Bologna (Carisbo), Cassa di Risparmio di Padova e Rovigo (Cariparo) and Cassa di Risparmio di Venezia and Friulcassa, a total of 114 operating points located in the Triveneto and Emilia provinces with financial assets estimated at 7,213 million euro and loans for 4,454 million euro. For each transfer an appraisal will be made in accordance with Art. 2343 of the Civil Code by an expert appointed by the competent Court;
  - Carisbo and Cariparo will sell to the Sanpaolo network 30 operating points, located in the Milan, Lodi and Rome areas, with financial assets estimated at 1,217 million euro and loans of 797 million euro.

Transactions entered into in the context of Asset Management:

- on 1 April 2004, Sanpaolo IMI Wealth Management completed its purchase of 15% of the capital of Sanpaolo IMI Institutional Asset Management SGR held by Banca IMI and IMI Bank (Lux) S.A., at a cost of 7 million euro (defined by the internal assessments based on market criteria);
- on 16 April 2004, Sanpaolo IMI Wealth Management acquired 100% of Eptafund SGR (previously 100% owned by Eptaconsors and subsequently by Invesp) at a cost of 33 million euro, determined also on the basis of the value estimated by independent experts. On 1 May 2004, operations commenced to merge Eptafund SGR into Sanpaolo IMI Asset Management SGR.

Transactions entered into in the context of Investment Banking:

- on 29 January 2004, IMI Investimenti acquired from SANPAOLO IMI 7.4% of capital in Infracom, which operates in the telecommunications sector. The reallocation of interest is aimed at achieving a more efficient and constant management of investments, also taking into account that IMI Investimenti is the corporate vehicle within the Group responsible for managing investments in industrial companies. The transfer was completed at a price made up of a base component, at spot rates and equal to the book value of the investment (25 million euro corresponding to a P/BV of 2.3), and an "eventual and floating" component (earn out/price adjustment) to be settled at the moment of sale or at the quotation price of the investment on the stock exchange;
- the merger by incorporation of subsidiary IMI Bank (Lux) S.A. into Sanpaolo Bank S.A. was completed on 1 September 2004. This merger is part of the initiatives which will progressively adopt the guidelines forecast by the Board of Directors to optimize the operational model in an industrial logic, in terms of scale and scope of economies. The valuation by the expert appointed by the Court to fix the share swap, established the value of the capitals of the two companies at 491 million euro for Sanpaolo Bank and 100 million euro for IMI Bank (Lux).

Transactions entered into in the context of the Insurance Pole:

- in February 2004 an agreement was signed for the coinsurance sale by Sanpaolo Vita to Reale Mutua Assicurazioni (at that time an "important" shareholder of SANPAOLO IMI and adhering to the Shareholders Pact) of a certain amount of premiums on the new annual production, the maximum amount of which was estimated at 85 million euro. The economic conditions are in line with those usually practiced on the market;
- on 13 February 2004, the Board of Directors of the Parent Bank approved a project to reorganize the Group's insurance activities, which envisages to concentrate the insurance business with the aim of rationalizing its presence in the sector. SANPAOLO IMI and Banca Fideuram each appointed external independent financial

consultants to evaluate the actuarial aspects and those concerning the economic capital of the companies involved in order to determine the exchange ratios. The sale by Banca Fideuram to Fideuram Vita of the entire shareholding in Fideuram Assicurazioni for an outlay of 20 million euro, was completed on 9 March 2004.

b) Transactions of atypical and/or unusual nature

In accordance with current regulations, no transactions of "atypical or unusual nature" were carried out during the first half of 2004, the importance/relevance of which might give rise to doubts with regard to the safety of the shareholders' equity and the protection of minority shareholders, neither with related parties nor with subjects other than related parties.

c) Transactions of ordinary or recurrent nature

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

Receivable and payable balances with related parties in the consolidated accounts at the end of the half year amount to a total which is not relevant to the entity of the Group's portfolio. They refer mainly to transactions with affiliated companies and subsidiaries not consolidated line by line, while balances with other related parties are marginal.

Similarly, the influence of income and charges with related parties on the consolidated operating income is not relevant. In particular, commission income from the placement of the Group's insurance products, included under the relevant caption of the consolidated statement of income for 146 million euro, is largely offset by the results of the Group's insurance companies, counterparties of these economic flows, valued using the equity method.

- Transactions with Group companies

As far as transactions with Group companies other than those mentioned above are concerned, reciprocal relationships between the main company groups into which the SANPAOLO IMI banking Group is divided can be attributed to the ordinary internal operations of a multifunctional banking organization, and principally concern:

- support by SANPAOLO IMI for the financial needs of the other Group companies, both in the form of risk capital and loans and in the form of subscription of securities issued by the subsidiaries;
- the channeling of foreign funding made by the Group's specialist companies (Sanpaolo IMI US Financial Co., Sanpaolo IMI Bank International S.A., Sanpaolo IMI Capital Company I L.l.c.) towards the Parent Bank and, to a lesser degree, towards other subsidiaries;
- the lending transactions of the liquidity of subsidiaries with the Parent Bank;
- optimization of the Group's tax position using the procedure of "transfer of IRPEG (Corporate Income Tax) credit between Group companies" provided for by tax regulations. In fact, in the first half of 2004 sales were completed for a total of 345 million euro.

Transactions with Group companies are largely regulated at the conditions under which the Parent Bank accesses the reference markets, which are not necessarily the same as those which would be applicable if the counterpart companies were to operate independently. In any case these conditions are applied in observance of substantive correctness and always in pursuit of the aim to create value for the Group.

The assets, liabilities, guarantees, income and charges of SANPAOLO IMI with Group companies and subsidiaries subject to significant influence as of 30 June 2004 are presented in detail in the Report on the Parent Bank.

- Transactions with important Shareholders

As regards transactions with important shareholders and subjects related to the latter (in accordance with the Consob regulation) – in addition to that already mentioned – relations between the principal company groups into which the SANPAOLO IMI banking Group and important shareholders are divided can be attributed to the ordinary internal operations of a multifunctional banking organization, and are entered into at the same market conditions practiced with other non-related counterparties with the same creditworthiness.

- Transactions with Representatives

As regards transactions with representatives and subjects linked with them (in accordance with the Consob regulation), relations between the principal company groups into which the SANPAOLO IMI banking Group and company representatives are divided can be attributed to the ordinary internal operations of the Group and are entered into at market conditions, applying special conditions for employees and/or co-workers and, in the case of legal entities, for other non-related counterparties with the same creditworthiness.

Transition to IAS/IFRS international accounting policies

The regulatory context

EC Regulation 1606/2002 (IAS) obliges listed companies of the member states to prepare the consolidated financial statements, as of 2005, applying the international accounting policies (IAS/IFRS) issued by the IASB (International Accounting Standards Board) and approved by the European Commission. The IAS also allows member states of the EU to extend the application of IAS/IFRS to the individual financial statements of listed companies and to the individual and consolidated financial statements of unlisted companies.

The 2003 European Law (no. 306), approved by the Italian Parliament on 31 October 2003, provides a Governmental mandate, not yet exercised, which extends the obligation to apply international accounting principles to the individual financial statements of banks and financial brokers subject to regulatory supervision by the Bank of Italy. Furthermore, if this faculty is not exercised with effect from 2005, the financial statements of those businesses subject to the application of IAS/IFRS shall continue to be prepared according to pre-existing accounting principles.

Despite the reference for compliance, there still remain strong uncertainties in respect of these regulations. In particular, the confrontation between IASB and the banking accounting profession with regard to the accounting and valuation principles of the financial instruments (IAS no. 32 and no. 39) is still in progress. In this respect, the banks, through the European Federation of Banks, along with the contribution of the Italian Bankers Association, have expressed strong perplexities about the current content of the principles to be applied, mainly concerning the regulations provided for hedge accounting. The presence of an uncertain general reference both at an international (subject matter of some standards) and at a national level (scope of application) makes the realization of the interventions necessary on corporate accounting processes particularly critical and demanding.

The impact of IAS/IFRS

The international accounting principles are characterized, in respect of currently applicable domestic accounting regulations, by a more frequent use of evaluation criteria oriented to fair value. In particular, this aspect is noted in the main provisions given below:

- the obligation to use a fair value valuation for a wide category of financial instruments, particularly:
  - all trading book dealing securities or available for sale. At the moment, according to the accounting principles applied by the Group, only listed securities held for dealing are valued at market price, while unlisted securities held for dealing are valued at the lowest of cost and market;
  - all hedging and non-hedging derivative contracts. At the moment, derivative contracts entered into with the aim of hedging banking book transactions are valued at cost, with the amount attributable recorded on an accruals basis;
  - all financial instruments (essentially contracts for lending and funding) covered against the risk of depreciation in value (fair value hedge). On the other hand, in compliance with current principles, instruments covered in the banking book are revealed at their presumed realizable value (lending) or redemption price (funding), recording the value on an accruals basis:
  - all shareholdings under the threshold of significant influence. These are currently valued at cost and eventually adjusted to reflect any permanent losses in value;
- the faculty to apply fair value to all tangible fixed assets, eventually amortizing the value on a long-term basis, as an alternative to amortizing the cost;
- the obligation to apply fair value to the assets and liabilities arising from company acquisitions (business combinations), regardless of the method used (purchases of businesses, mergers, transfers, other). Current accounting practice allows, to the contrary, wide use of maintaining pre-existing values, in accordance with the principle of continuity of value;
- the obligation to apply a fair value to intangibles, excluding the systematic process of amortization for those of an unlimited duration (for example: goodwill or brands) and envisaging writedowns in the event of permanent losses in value (commonly referred to as impairment). Current accounting principles require intangible assets to be recorded at purchase cost and amortized over the period of their expected useful life.

In relation to liability captions referring to personnel (eg: fixed performance supplementary pension funds, termination indemnities, other long-term commitments), IAS/IFRS provide that they be valued on an actuarial basis, taking into account the moment on which they will effectively be paid out. At the moment these captions are recorded to the financial statements at the value of the amount matured, regardless of the estimated effect of financial and demographic changes.

As regards recording the interest profile of financial instruments in the banking book, IAS/IFRS provide for the use of the amortizing cost criteria, determined taking into account the total original outlay adjusted by the related charges and/or revenues and the effective performance rate. The latter is represented by the rate which equalizes the sum of the current value of expected contractual cash flow and the original value of the financial instrument.

Another regulation characterizing the new principles is that relating to discounting contractual rates to the presumed realizable value of the doubtful loans. This criterion, which is not widespread practice in Italian accounts, is already applied in the SANPAOLO IMI Group financial statements.

Lastly, it should be emphasized that the application of IAS will widen the line by line area of consolidation through the inclusion of all the subsidiaries, also by way of fact, without exclusion, other than the justifiable accounting insignificance of the investment. Therefore, the consolidation area of the SANPAOLO IMI Group will also include those insurance companies which, today, are included using the net equity valuation.

The IAS Project

In December 2002 the SANPAOLO IMI Group launched a project with the aim of planning and realizing the operations necessary to cope adequately with the transition to the new regulatory framework. In the context of the project, the Parent Bank took on a role of directing and controlling the activities entered into by the Group companies which, on the one hand, involved the definition, at the end of 2003, of "Group Guidelines" aimed at supplying methodological and operational support to subsidiaries for the planning of adaptation processes and, on the other, provides for constant monitoring of the progress of the operations underway with subsidiaries.

The project is mainly split into two areas of activity:
- study and analysis of the new international accounting policies and the main problems caused by their introduction. This activity, which involves a high number of resources (about 120 specialists within the Parent Bank and the main subsidiaries and split into 15 work teams) has enabled the production of the first IAS compliant version of the "Group Accounting Policies Handbook", which represents the univocal point of reference for the Parent Bank and all the subsidiaries for the preparation of financial statements using consistent Group policies; The content of the Manual is constantly updated, to reflect the evolution of the contents of the IAS/IFRS;
- interventions performed separately within the different Group areas on the basis of the above mentioned "Guidelines". In particular, this activity includes:
  - *activities on IT systems already started;*
  - *organizational activities regarding administration, valuation and accounting processes,* forecast for the second half of 2004;
  - *training sessions,* programmed in the second half of 2004, with the aim of spreading knowledge of the new regulatory framework to the Parent Bank and all the subsidiaries through special courses and meetings with different levels of specialization and detail.

In relation to the aforementioned uncertainties in respect of the application of the new accounting principles, the Group has defined a technical analysis and detail on the basis of IT requirements with the aim of guaranteeing parallel results when preparing the financial statements on the basis of IAS/IFRS and the pre-existing accounting principles.

Analyzing the impact, a reliable valuation of the effects of the introduction of the new accounting policies on the Group's income and equity configuration can only be performed once the new and final reference regulatory framework has been established, with particular regard to the new regulations concerning financial products.

Group Business Areas

Organization by Business Areas

Following the redesign of the organizational structure, since 1 May 2004 the SANPAOLO IMI Group has adopted a new model for the Business Areas in the following Business Sectors:
- Commercial Banking
- Asset Management
- Investment Banking
- Personal Financial Services
- Insurance Pole
- Local Authorities and Public Entities
- Central Functions.

As already described in the chapter "Action points and initiatives in the first half", the Insurance Pole will become operative in its new configuration before the end of the year.

The following tables show the data of the statement of income, the operating structure, as well as the main profitability ratios for the new organizational model, except for the insurance companies which are still positioned in Sanpaolo IMI Wealth Management and in Banca Fideuram. There are two types of report: that referring to Business Sectors ("Reportable Segments"), with data expressing the contribution to the Group income, and that referring to Business Areas ("Business Segments"), where the data is expressed, in the case of business performed by companies, before the posting of consolidation, reporting the contribution to Group income as additional information.

It should be emphasized that, where necessary, the figures used to evaluate the performance compared with the previous periods have been consistently reconstructed, assuming that the new organizational model was launched as of 1 January 2003.

Criteria for calculating the profitability of Business Sectors and Business Areas

The statement of income of the Business Sectors is the result of the statements of income of its Business Areas. The latter have been prepared as follows:
- for those Areas whose business is carried out both by the Parent Bank and by subsidiaries, consolidation of the accounts of the Parent Bank attributable to the relevant Area has been effected with the income statement line items of the subsidiary companies. In particular, the attribution to individual Areas of Parent Bank line items is made on the basis of the following principles:
  - the net interest income has been calculated using appropriate internal transfer rates;
  - in addition to commissions in effect, notional commissions for services rendered by one Area to another have also been quantified;
  - the direct costs of each Area have been calculated and the costs of central structures other than those attributable to holding company functions have been allocated to the same Areas. It should be noted that, for services provided to the operating business units by the central bodies, the allocation was made on the basis of services performed at standard prices, allocating to head office the difference between costs effectively sustained and costs allocated. This methodological choice is aimed at making the central structures responsible for the recovery of efficiency;
- for those Areas whose business is carried out wholly by subsidiaries, the income statements of the companies are reported; their contribution to consolidated net income is also shown, net of minority interest and after the posting of consolidation attributable to the Area.

As with the statement of income, the capital of the Business Sectors is also the result of adding up the capitals of the respective Business Areas. The capital has been attributed to each Area according to the following criteria:
- for those Areas whose business is carried out both by the Parent Bank and by subsidiaries, consolidation of the average economic capital of the Parent Bank referring to the Area with that of the subsidiaries has been effected. The capital has been calculated according to VaR, distinguishing among the different types of risk: credit risk, market risk and operational risk; these risks are covered entirely by primary capital;
- for those Areas whose business is carried out exclusively by subsidiaries, reference is made to the average accounting net shareholders' equity (including income for the period).

Finally, the profitability of each Area has been calculated. In particular:
- for those Areas whose business is carried out both by the Parent Bank and by subsidiaries, profitability has been expressed in terms of RORAC (Return On Risk Adjusted Capital), taking the Area's contribution to net

income of the Group to the relative economic capital quantified according to VaR;

- for those Areas whose business is carried out exclusively by subsidiaries, profitability has been expressed in terms of RoE (Return on Equity), relating the Area's contribution to net income of the Group to the respective average accounting net shareholders' equity (including income for the period), consistently with the principles adopted for the Group.

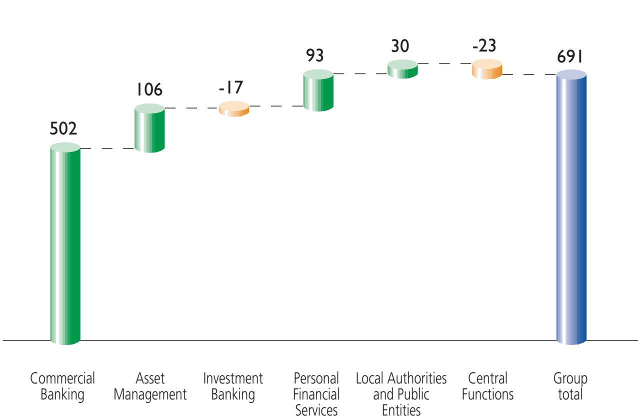
Results of the Business Sectors

The **Commercial Banking** sector, which constitutes the Group's core business, comprises: Sanpaolo, which is widespread in North Western Italy and has a significant presence in Central Italy and the Islands; Cassa di Risparmio di Padova e Rovigo, Cassa di Risparmio in Bologna, Cassa di Risparmio di Venezia and Friulcassa, all rooted in the North East; Banca Popolare dell'Adriatico, in the central Adriatic regions; Sanpaolo Banco di Napoli, in the mainland South. The networks, dedicated to the service of retail and private customers and companies, cover the entire Italian territory through more than 3,000 banking branches and integrated multi-channel infrastructures. The sector also includes, within Sanpaolo: Large Groups, which is responsible for managing relations with the major groups of domestic importance; the Parent Bank's Foreign Network, limited to corporate lending, the Irish subsidiary Sanpaolo IMI Bank Ireland and Sanpaolo IMI Internazionale, established to develop and supervise the Group's activities in Central Eastern Europe; companies operating in private banking, consumer credit and leasing.

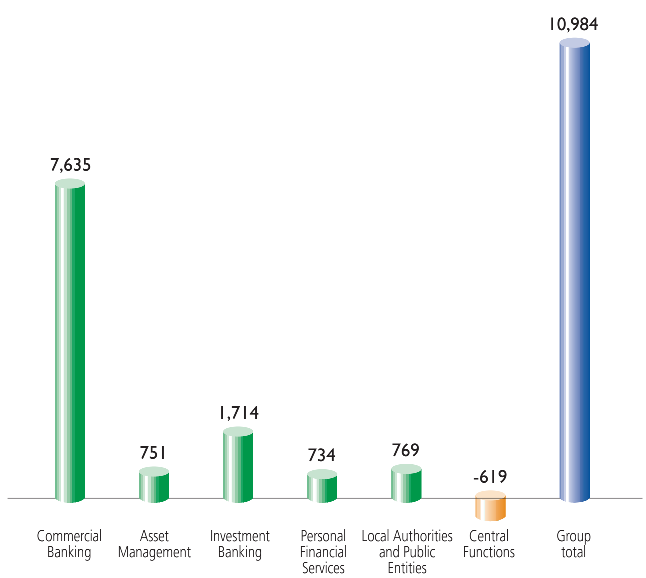
The Commercial Banking manages most of the volumes handled by the Group, generating around 77% of net interest and other banking income. The latter has shown an increase of 5.3% compared to the pro forma figures for the first six months of 2003. This dynamic reflects the favorable trend in commission revenues, as well as in profits from financial transactions and from companies carried at equity, which more than offset the decline in net interest income.

The contained growth in operating costs (+1.5%), together with the aforementioned increase in revenues, led to an 11.3% increase in operating income. In this respect, it is worth noting that personnel costs, which form a relevant component of costs to Commercial Banking, have remained substantially stable: the latter employs 33,753 resources, corresponding to 78% of the Group's total staff.

The increase in provisions and net adjustments to loans (+46.2%), attributable to movements to problem and non-performing loans to companies and to the increase in the cover of doubtful loans, influenced net income, which reached 502 million euro, a drop of 1.4% compared with the same period in the previous year, against an increase of 4.7% in capital allocated to the sector. This caused a decline in profitability, which was 13.1% against 14% for



Net income first half of 2004 by Business Sectors (€/mil)



Allocated capital first half of 2004 by Business Sectors (€/mil) the first half of 2003. Commercial Banking absorbed 70% of the Group's capital, against 69% for the same period in 2003.

The **Asset Management** sector includes the Sanpaolo IMI Wealth Management companies, dedicated to providing asset management products to the Group networks and institutional investors.

Asset Management contributed 15% to the consolidated net income for the first half of 2004 and absorbed 7% of the capital, remaining substantially in line with the figures for the first half of 2003. This sector, which uses for the placement of its products the Group's banking networks spread throughout the country, is characterized by high levels of profitability, which rose to 28.2% compared to 19.6% for the same period of 2003.

The contribution to net income of the Group rose to 106 million euro, compared with the 67 million of the first half of 2003, thanks to the increase in profits from insurance companies carried at equity and in commission revenues, as well as the reduction in operating costs.

The **Investment Banking** sector operates through 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, and Sanpaolo IMI Private Equity, responsible for the private equity activities of the Group. This sector also includes IMI Investimenti, which is dedicated to the management of major industrial shareholdings, and Structured Finance, which is dedicated to project financing and specialized structured lending.

Investment Banking made a negative contribution (-17 million euro) to consolidated net income for the first six months of 2004, essentially attributable to IMI Investimenti, against a positive contribution of 33 million euro by Banca IMI. Absorption of capital amounted to 16%. When compared to the same period of 2003, the profitability of the sector was penalized mainly by the decrease in revenues (-21%), attributable to the drop in profits from financial transactions, which is reflected in the net result for the period.

Personal Financial Services manage the activities carried out by the networks of financial planners of the Banca Fideuram group to serve customers with a medium/high savings potential. The staff operating in this sector includes 4,442 financial planners and 1,821 employees. The contribution to the Group's net income was 93 million euro compared with 55 million in the first half of 2003.

This sector increased its contribution to the consolidated net income to 13.5% from 12.5% in the first half of 2003 and absorbed 7% of the capital.

Transactions benefited from a better mix of net asset management flow, thanks to the increase in fund-based portfolio management, which are particularly profitable, and from the recovery of the financial markets. Operating income reached 169 million euro, as a result of the increase in commission revenues and profits from insurance companies carried at equity. This trend is reflected in the net income, up 69.1%, and in annualized RoE, which rose from 15.7% in the first half of last year, to 25.3%.

During the half year work began on the project to establish the **Insurance Pole**, with the aim of increasing the Group's focus on the insurance business and of strengthening the innovative capacity and range of products offered. It will hold all the Group's companies operating in the life and property and casualty insurance sectors. The latter, at the end of June 2004, manage technical reserves of more than 34 billion euro. The Pole thus will place among the first three national insurance operators.

The **Local Authorities and Public Entities** sector is dedicated to developing relations with organizations and institutions and, through Banca OPI, provides advisory services and medium- and long-term financing to public bodies and infrastructure.

Owing to a drop in margins caused by the natural expiry of important transactions with high returns stipulated in the past and the harsher competition on the reference market, this sector defended its net interest and other banking income, thanks to an increase in the total volume of loans and investments in securities by customers. Operating income reached 64 million euro, compared with 65 million euro for the same period last year. The contribution to the Group's net income amounted to 30 million euro, an annualized profitability of almost 8%.

Central Functions includes holding activities, finance, the management of shareholding investments (including the Group's shareholdings in Cassa di Risparmio di Firenze, in

Cassa dei Risparmi di Forlì and in Banca delle Marche), the Macchina Operativa Integrata and GEST Line, which manages the Group's tax collection activities. The main component is represented by bodies that carry out strategic direction, governance and control of the other Business Sectors.

The income results reflect the transversal nature of these Functions, which sustain costs using a centralized system and on behalf of other Group companies, only partially allocating them to the operating units. This decision answers the need to safeguard cost control by central bodies, which have the facilities to govern costs and tangibly monitor the pursuit of "objective" efficiency levels declared in the internal integration processes.

Central Functions registered a loss of 23 million euro in the first half of 2004, essentially attributable to the share of costs not allocated to operating functions and to the amortization of goodwill consequent upon equity investments made at holding level, almost entirely offset by the recovery in value of the investment in Santander Central Hispano (SCH) and by the gains from the sale of equity investments. The loss in the first half of 2003, equal to 250 million, was conditioned by extraordinary charges concerning staff leaving incentives.

First half 2004

	Commercial Banking	Asset Management	Investment Banking	Personal Financial Services	Local Authorities and Public Entities	Central Functions	Group total
STATEMENT OF INCOME (€/mil)							
Net interest income	1,714	2	11	22	68	-6	1,811
Net commissions and other net dealing revenues	1,147	94	22	268	8	63	1,602
Profits and losses from financial transactions and dividends on shares	72	-	108	8	1	6	195
Profits from companies carried at equity and dividends from shareholdings	7	68	6	41	1	68	191
Net interest and other banking income	2,940	164	147	339	78	131	3,799
Administrative costs	-1,844	-50	-80	-164	-14	-106	-2,258
- personnel	*-1,023*	*-21*	*-43*	*-74*	*-7*	*-220*	*-1,388*
- other administrative costs	*-724*	*-29*	*-36*	*-79*	*-6*	*136*	*-738*
- indirect duties and taxes	*-97*	*-*	*-1*	*-11*	*-1*	*-22*	*-132*
Other operating income, net	144	6	1	12	-	-4	159
Adjustments to tangible and intangible fixed assets	-32	-4	-7	-18	-	-146	-207
Operating income	1,208	116	61	169	64	-125	1,493
Adjustments to goodwill and merger and consolidation differences	-	-	-6	-1	-	-65	-72
Provisions and net adjustments to loans and financial fixed assets	-304	-1	-62	-22	-20	44	-365
- provisions for risks and charges	*-36*	*-1*	*-*	*-22*	*-*	*-19*	*-78*
- net adjustments to loans and provisions for guarantees and commitments	*-266*	*-*	*-2*	*-1*	*-20*	*22*	*-267*
- net adjustments to financial fixed assets	*-2*	*-*	*-60*	*1*	*-*	*41*	*-20*
Income before extraordinary items	904	115	-7	146	44	-146	1,056
Net extraordinary income/expense	1	-1	2	3	6	61	72
Income before taxes	905	114	-5	149	50	-85	1,128
Income taxes for the period	-397	-8	-12	-23	-20	58	-402
Change in reserve for general banking risks	-	-	-	-	-	-	-
Income attributable to minority interests	-6	-	-	-33	-	4	-35
Net income	502	106	-17	93	30	-23	691
AVERAGE ALLOCATED CAPITAL (€/mil)	7,635	751	1,714	734	769	-619	10,984
RATIOS (%)							
Annualized profitability (RoE, RORAC)	13.1	28.2	n.s.	25.3	7.8	n.s.	12.6
Cost / Income ratio	57.7	31.8	58.1	48.7	16.7	n.s.	58.9

30/6/2004

	Commercial Banking	Asset Management	Investment Banking	Personal Financial Services	Local Authorities and Public Entities	Central Functions	Group total
OPERATING STRUCTURE							
Employees	33,753	481	664	1,821	169	6,363	43,251
Financial planners	4	-	-	4,442	-	-	4,446
Domestic branches	3,026	-	-	89	-	76	3,191
Foreign branches and representative offices	118	-	1	4	-	-	123

First half 2003 pro forma

	Commercial Banking	Asset Management	Investment Banking	Personal Financial Services	Local Authorities and Public Entities	Central Functions	Group total
STATEMENT OF INCOME (€/mil)							
Net interest income	1,752	3	9	28	67	-3	1,856
Net commissions and other net dealing revenues	982	84	29	220	11	69	1,395
Profits and losses from financial transactions and dividends on shares	54	-	145	18	-1	47	263
Profits from companies carried at equity and dividends from shareholdings	4	42	3	19	1	77	146
Net interest and other banking income	2,792	129	186	285	78	190	3,660
Administrative costs	-1,821	-57	-78	-164	-13	-135	-2,268
- personnel	*-1,024*	*-26*	*-41*	*-76*	*-6*	*-237*	*-1,410*
- other administrative costs	*-699*	*-31*	*-37*	*-76*	*-5*	*123*	*-725*
- indirect duties and taxes	*-98*	*-*	*-*	*-12*	*-2*	*-21*	*-133*
Other operating income, net	147	6	2	12	-	-5	162
Adjustments to tangible and intangible fixed assets	-33	-3	-7	-19	-	-161	-223
Operating income	1,085	75	103	114	65	-111	1,331
Adjustments to goodwill and merger and consolidation differences	-	-1	-6	-1	-	-72	-80
Provisions and net adjustments to loans and financial fixed assets	-211	-	-73	-13	-4	-13	-314
- provisions for risks and charges	*-27*	*-*	*-2*	*-13*	*-*	*-21*	*-63*
- net adjustments to loans and provisions for guarantees and commitments	*-182*	*-*	*-3*	*-*	*-4*	*19*	*-170*
- net adjustments to financial fixed assets	*-2*	*-*	*-68*	*-*	*-*	*-11*	*-81*
Income before extraordinary items	874	74	24	100	61	-196	937
Net extraordinary income/expense	33	1	-	-4	2	-205	-173
Income before taxes	907	75	24	96	63	-401	764
Income taxes for the period	-392	-8	-7	-20	-20	145	-302
Change in reserve for general banking risks	-	-	-	-	-	-	-
Income attributable to minority interests	-6	-	-	-21	-	6	-21
Net income	509	67	17	55	43	-250	441
AVERAGE ALLOCATED CAPITAL (€/mil)	7,294	684	1,415	699	686	-215	10,563
RATIOS (%)							
Annualized profitability (RoE, RORAC)	14.0	19.6	2.4	15.7	12.5	n.s.	8.3
Cost / Income ratio	59.7	44.4	45.2	57.6	14.1	n.s.	61.7

30/6/2003 pro forma

	Commercial Banking	Asset Management	Investment Banking	Personal Financial Services	Local Authorities and Public Entities	Central Functions	Group total
OPERATING STRUCTURE							
Employees	34,736	520	678	1,866	163	7,045	45,008
Financial planners	172	-	-	4,656	-	-	4,828
Domestic branches	2,967	-	-	87	-	72	3,126
Foreign branches and representative offices	110	-	2	4	-	-	116

Change first half 2004 / First half 2003 pro forma (%)

	Commercial Banking	Asset Management	Investment Banking	Personal Financial Services	Local Authorities and Public Entities	Central Functions	Group total
STATEMENT OF INCOME							
Net interest income	-2.2	-33.3	+22.2	-21.4	+1.5	+100.0	-2.4
Net commissions and other net dealing revenues	+16.8	+11.9	-24.1	+21.8	-27.3	-8.7	+14.8
Profits and losses from financial transactions and dividends on shares	+33.3	-	-25.5	-55.6	n.s.	-87.2	-25.9
Profits from companies carried at equity and dividends from shareholdings	+75.0	+61.9	+100.0	+115.8	-	-11.7	+30.8
Net interest and other banking income	+5.3	+27.1	-21.0	+18.9	-	-31.1	+3.8
Administrative costs	+1.3	-12.3	+2.6	-	+7.7	-21.5	-0.4
- personnel	*-0.1*	*-19.2*	*+4.9*	*-2.6*	*+16.7*	*-7.2*	*-1.6*
- other administrative costs	*+3.6*	*-6.5*	*-2.7*	*+3.9*	*+20.0*	*+10.6*	*+1.8*
- indirect duties and taxes	*-1.0*	*-*	*n.s.*	*-8.3*	*-50.0*	*+4.8*	*-0.8*
Other operating income, net	-2.0	-	-50.0	-	-	-20.0	-1.9
Adjustments to tangible and intangible fixed assets	-3.0	+33.3	-	-5.3	-	-9.3	-7.2
Operating income	+11.3	+54.7	-40.8	+48.2	-1.5	+12.6	+12.2
Adjustments to goodwill and merger and consolidation differences	-	n.s.	-	-	-	-9.7	-10.0
Provisions and net adjustments to loans and financial fixed assets	+44.1	n.s.	-15.1	+69.2	n.s.	n.s.	+16.2
- provisions for risks and charges	*+33.3*	*n.s.*	*n.s.*	*+69.2*	*-*	*-9.5*	*+23.8*
- net adjustments to loans and provisions for guarantees and commitments	*+46.2*	*-*	*-33.3*	*n.s.*	*n.s.*	*+15.8*	*+57.1*
- net adjustments to financial fixed assets	*-*	*-*	*-11.8*	*n.s.*	*-*	*n.s.*	*-75.3*
Income before extraordinary items	+3.4	+55.4	n.s.	+46.0	-27.9	-25.5	+12.7
Net extraordinary income/expense	-97.0	n.s.	n.s.	n.s.	+200.0	n.s.	n.s.
Income before taxes	-0.2	+52.0	n.s.	+55.2	-20.6	-78.8	+47.6
Income taxes for the period	+1.3	-	+71.4	+15.0	-	-60.0	+33.1
Change in reserve for general banking risks	-	-	-	-	-	-	-
Income attributable to minority interests	-	-	-	+57.1	-	-33.3	+66.7
Net income	-1.4	+58.2	n.s.	+69.1	-30.2	n.s.	+56.7
AVERAGE ALLOCATED CAPITAL	+4.7	+9.8	+21.1	+5.0	+12.1	n.s.	+4.0

Change 30/6/2004 - 30/6/2003 pro forma (%)

	Commercial Banking	Asset Management	Investment Banking	Personal Financial Services	Local Authorities and Public Entities	Central Functions	Group total
OPERATING STRUCTURE							
Employees	-2.8	-2.4	-2.1	-2.4	+3.7	-9.7	-3.9
Financial planners	-97.7	-4.6	-	-4.6	-	-	-7.9
Domestic branches	+2.0	+2.3	-	+2.3	-	+5.6	+2.1

2003 pro forma

	Commercial Banking	Asset Management	Investment Banking	Personal Financial Services	Local Authorities and Public Entities	Central Functions	Group total (1)
STATEMENT OF INCOME (€/mil)							
Net interest income	3,507	5	21	51	129	3	3,716
Net commissions and other net dealing revenues	2,168	179	58	479	18	134	3,036
Profits and losses from financial transactions and dividends on shares	119	-	254	26	17	31	447
Profits from companies carried at equity and dividends from shareholdings	4	94	7	37	1	127	270
Net interest and other banking income	5,798	278	340	593	165	295	7,469
Administrative costs	-3,707	-108	-153	-321	-29	-292	-4,610
- personnel	*-2,080*	*-43*	*-80*	*-148*	*-14*	*-476*	*-2,841*
- other administrative costs	*-1,441*	*-64*	*-72*	*-150*	*-11*	*226*	*-1,512*
- indirect duties and taxes	*-186*	*-1*	*-1*	*-23*	*-4*	*-42*	*-257*
Other operating income, net	293	15	3	24	4	-10	329
Adjustments to tangible and intangible fixed assets	-72	-8	-15	-42	-1	-346	-484
Operating income	2,312	177	175	254	139	-353	2,704
Adjustments to goodwill and merger and consolidation differences	-1	-7	-11	-2	-	-137	-158
Provisions and net adjustments to loans and financial fixed assets	-801	-7	-139	-33	-10	131	-859
- provisions for risks and charges	*-111*	*-7*	*-2*	*-31*	*-*	*-44*	*-195*
- net adjustments to loans and provisions for guarantees and commitments	*-684*	*-*	*-7*	*-2*	*-9*	*-22*	*-724*
- net adjustments to financial fixed assets	*-6*	*-*	*-130*	*-*	*-1*	*197*	*60*
Income before extraordinary items	1,510	163	25	219	129	-359	1,687
Net extraordinary income/expense	39	-	12	-6	8	-85	-32
Income before taxes	1,549	163	37	213	137	-444	1,655
Income taxes for the period	-698	-21	-22	-34	-45	176	-644
Change in reserve for general banking risks	7	-	-2	-	-	4	9
Income attributable to minority interests	-13	-	-	-47	-	12	-48
Net income	845	142	13	132	92	-252	972
AVERAGE ALLOCATED CAPITAL (€/mil)	7,384	719	1,411	737	710	-112	10,849
RATIOS (%)							
Profitability (RoE, RORAC)	11.4	19.7	0.9	17.9	13.0	n.s.	9.0
Cost / Income ratio	59.0	39.2	48.7	55.1	15.4	n.s.	62.0

31/12/2003 pro forma

	Commercial Banking	Asset Management	Investment Banking	Personal Financial Services	Local Authorities and Public Entities	Central Functions	Group total (1)
OPERATING STRUCTURE							
Employees	33,725	508	661	1,871	167	6,533	43,465
Financial planners	132	-	-	4,543	-	-	4,675
Domestic branches	3,004	-	-	88	-	76	3,168
Foreign branches and representative offices	117	-	1	4	-	-	122

(1) The statement of income figures have been reclassified, compared with those published in the 2003 Annual Report, including among “Income taxes for the period” tax credits on dividends from shareholdings previously booked under "Profits from companies carried at equity and dividends from shareholdings".

Results of the Business Areas

Commercial Banking

Following the reorganization of its organizational structure, Commercial Banking is now organized into two Directions:

- Private and Retail, with the aim of developing and implementing strategies for growth in income results of these segments, which are composed of households, private customers and small businesses;
- Companies, assigned to supervise:
  - the national business market through specialized branches;
  - large groups of national importance;
  - customers operating on international markets and correspondent banks, through the Foreign Network.

The two Directions represent the reference point for defining, developing and coordinating the sales strategies for all the Group's domestic networks.

Sanpaolo (Parent Bank operating areas and product companies)

Sanpaolo includes the Parent Bank's network of branches represented by 1,707 operating points: 1,527 retail and private (1,416 branches and 111 other points, including specialized teams and Domus centers) and 180 branches and company detached teams (31 branches and 149 other operating points).

The activities carried out by Finemiro, which is specialized in the consumer credit sector, Sanpaolo Bank (Luxembourg), which operates in international private banking, Sanpaolo Fiduciaria and Farbanca also lie within the Sanpaolo-Private and Retail.

Sanpaolo-Companies also includes the activities carried out in the leasing sector by Sanpaolo Leasint, as well as those performed by Sanpaolo IMI Internazionale as far as the development of operations in Central Eastern European countries is concerned.

In operating terms, the financial assets of Sanpaolo customers increased by 5.7% over the 12 months, supported by an increase of 29.6% in life insurance policies and 9.4% in asset administration. Loans fell by 4.8%, owing to the recovery of loans to primary borrowers; on the other hand, transactions with households and small- and medium-businesses have increased and, when compared to the same period last year, show a lively trend in medium- and short-term disbursements.

The operating income of Sanpaolo for the first half of 2004 was 717 million euro; a rise of 9.6% compared with the same period during the previous year, thanks to an increase in revenues (+5.9%) which more than offset the increase in operating costs, partly attributable to the operational strengthening of Finemiro. The major net adjustments, deriving from the posting of higher specific write-downs on loans to companies, and the lack of extraordinary income from the release of reserves in excess accrued in previous years, are reflected in the net income, which reached 301 million euro, a drop of 5.6%. Profitability expressed in terms of annualized RORAC was 14.3% compared with 16.1% for the first half of 2003.

Private and Retail sector

The initiatives of the half year were aimed at strengthening the relationship with customers by improving the quality of service and personalizing the product range. The achievement of these aims is based on the distribution model specialized by customer segments spread across the distribution network in 2003. In the current organizational structure, the retail branches are divided into the various submarkets: personal, family and small business, dedicated respectively to customers with significant financial funds, to households and to customers comprising traders, professionals, artisans, farmers and smaller 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: altogether, the Bank has 69 private points, with more than 200 staff.

In the first half of 2004 the competitive position held by the Private and Retail Market was strengthened further through the realization of important initiatives. In particular:

- activities aimed at supporting customers towards a more efficient financial planning continued; these are aimed at optimizing the risk/return profile in observance of specific needs and the propensity of risk, through the tools recently made available to customer managers, which have been enhanced further by simulations and calculations of risk (VaR). These initiatives are in line with the requirements of the Investment Policy, presented in April 2003, which establishes the guidelines to be followed by branches to assist customers in relation to their investments;

- actions have been taken, in terms of private customers, to improve cross selling, especially in respect of customers of numerous banks, and to develop and expand the customer base by increasing the rate of retention and the acquisition of new customers;
- the Small Business Project, launched last year, received a considerable boost from the realization of specific initiatives aimed at increasing operations with small entrepreneurs with appropriate creditworthiness. In this context:
  - branch specialists received intense training and new management tools were made available to allow operators greater knowledge of their customers and greater efficiency in managing risks;

Sanpaolo (Parent Bank operating areas and product companies)

	First half 2004	First half 2003 pro forma	Change first half 2004 / First half 2003 pro forma (%)	2003 pro forma
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	1,739	1,642	+5.9	3,424
Operating costs	-1,022	-988	+3.4	-2,036
- administrative costs	-1,108	-1,076	+3.0	-2,207
- personnel	*-597*	*-590*	*+1.2*	*-1,216*
- other administrative costs	*-459*	*-433*	*+6.0*	*-894*
- indirect duties and taxes	*-52*	*-53*	*-1.9*	*-97*
- other operating income, net	97	100	-3.0	195
- amortization	-11	-12	-8.3	-24
Operating income	717	654	+9.6	1,388
Provisions and net adjustments to loans and financial fixed assets	-180	-121	+48.8	-558
Income before extraordinary items	537	533	+0.8	830
Net extraordinary income/expense	-	32	n.s.	35
Income before taxes	537	565	-5.0	865
Income taxes for the period	-230	-240	-4.2	-385
Change in reserve for general banking risks and income attributable to minority interests	-6	-6	-	-13
Contribution to net income of the Group	301	319	-5.6	467
AVERAGE ALLOCATED CAPITAL (€/mil)	4,209	3,952	+6.5	3,979
RATIOS (%)				
Annualized RORAC	14.3	16.1		11.7
Cost / Income ratio	58.1	59.4		59.0
	30/6/2004	30/6/2003 pro forma	Change 30/6/04-30/6/03 pro forma (%)	31/12/2003 pro forma
OPERATING DATA (€/mil)				
Customer financial assets	183,535	173,570	+5.7	177,088
- Direct deposits	43,936	42,911	+2.4	41,986
- Asset management	62,953	60,591	+3.9	61,995
- Mutual funds and fund-based portfolio management	*44,535*	*44,697*	*-0.4*	*44,810*
- Portfolio management	*2,359*	*3,505*	*-32.7*	*2,776*
- Life technical reserves	*16,059*	*12,389*	*+29.6*	*14,409*
- Asset administration	76,646	70,068	+9.4	73,107
Net asset management flows	-135	1,526		1,961
Net loans to customers excluding NPLs	62,417	65,539	-4.8	63,240
OPERATING STRUCTURE				
Employees	19,685	20,368	-3.4	19,624
Domestic branches	1,471	1,432	+2.7	1,461

  - new products dedicated to the small business segment have been introduced and a development plan has been set out with the aim of spreading POS terminals to small entrepreneurs, emphasizing the improvement to services during installation and after sales;
- private banking operations were strengthened even further, both in terms of financial products and from the point of view of advisory services on offer. The half year was especially significant in terms of the increase in investment products specifically destined for this type of customer, characterized by high added value to the customer;
- the spread of the multi-channel infrastructure continued: at the end of June 2004, direct banking contracts rose to more than 425,000, an increase of around 7% since the beginning of the year. The customer's favorable response is confirmed by the increase in the average monthly number of users of such channels (+5.2% in the half year).

In order to render the initiatives fully efficient, constant attention has been paid to staff training, with the aim of increasing further the professionalism of the services offered to customers and of developing the sales capacity of the network staff; in terms of days more than 30,000 were spent on training in the first half of the year, an average of 3 days per head.

Companies sector

The main activities carried out by the Companies Market, Large Groups and Foreign Network are described below.

Companies Market

The activities carried out in the first half of 2004 were focused on improving the competitive position within the SME segment, through the development of innovative services and by way of activities aimed at strengthening bank-corporate relations.

The aim was pursued by the following initiatives:

- starting up a program aimed at achieving levels of excellence in customer services, the key points of which being speed of reply, decision-making de-centralization and the strengthening of sales tools available to support customer managers;
- promoting meetings with entrepreneurs and conferences on issues of topical interest;
- the development and spread of specialized products; in particular:
  - launching a specific product, in collaboration with major Loans Consortia, aimed at providing a prompt and streamlined response to support the financial needs linked to the development of small- and medium-sized companies. The plafond available to these customers was 500 million euro.
  - studying and developing an innovative product to support investments in applied company research, through the establishment of a plafond of 250 million euro;
  - the selective spread of products to cover interest rate and exchange risks; the operating companies grew by 25% compared with the same period in 2003;
  - the development of activities to support internationalization of companies; the intermediate flows with foreign companies showed a growth of more than 5% for the same period in the previous year;
  - further enhancement of the telematic services available through Internet banking and the parallel growth in the level of automatic transactions; the number of Internet banking contracts increased by approximately 14% when compared to the end of 2003.

In order to guarantee full assistance and a qualified advisory service to companies, staff have undergone intense training aimed at evaluating expertise in respect of commercial relations and customer management. In this context during the period around 12,000 days were spent on training.

Lastly, as a consequence of the IT migration of the banks operating in the Triveneto and Emilia regions, the operational methods and instruments supporting the management of the companies business have been standardized.

Large Groups

In a market scenario which, for this customer segment, has shown an excess in liquidity linked to the growing process of disintermediation in credit also by way of placing direct bonds, the economic results for the first six months of 2004 are substantially in line with expectations.

In line with Group strategies, during the half year, the credit policy reflected the choice of diversifying risks, already adopted in the previous year, through the gradual reduction in exposure toward some borrowers in this segment, focusing on customers with a higher credit quality.

Foreign Network

Following the new organizational model, the Foreign Network concentrated the responsibilities of all the international activities and transactions with correspondent banks.

The distribution structure is made up of 100 branches, including the foreign network of the Parent Bank, the Irish subsidiary Sanpaolo IMI Bank Ireland and the subsidiary banks operating in Central Eastern Europe. The Parent Bank network covers directly 29 foreign countries through 12 branches, 17 representative offices and 1 operating desk. The network is completed by 88 branches of the subsidiary banks in Central Eastern Europe, supervised through Sanpaolo IMI Internazionale, a company primarily set up to develop operations in Central Eastern European markets. Therefore, Sanpaolo IMI Internazionale heads the investments held in the Hungarian Inter-Europa Bank (85.9%), managing 26 branches and in Sanpaolo IMI Bank Romania (98.3%), with 22 branches. The company is also responsible for the operational control of Banka Koper, operating in Slovenia through a network of 40 branches, of which 62.9% is held by the Parent Bank.

The activity of this Area is aimed at encouraging the internationalization of Italian companies, to increase the presence of foreign multinationals on the Italian market, to maximize cross selling opportunities for the Group's product factories and to develop commercial relations and operational agreements with banking institutions in the world.

The performance for the first six months is in line with expectations, both from a point of view of income results and in maintaining a high level of quality in the loan portfolio.

Other bank networks

During the first half of 2004, the process to integrate the bank networks with the SANPAOLO IMI Group continued. In particular, following the integration of the organizational, commercial and IT systems of Sanpaolo Banco di Napoli, the IT systems of the North East bank networks were migrated towards the Group target. This process concerned Cassa di Risparmio di Venezia at the end of March, Cassa di Risparmio in Bologna in April, Friulcassa in June and Cassa di Risparmio di Padova e Rovigo in mid-July. The entire process will be completed in October, with the migration of Banca Popolare dell'Adriatico. Simultaneously, the Sanpaolo Network distribution model was adopted, leading to the redefinition of the central office functions and an articulation of the commercial structure by markets. From an operational point of view, this translates into the opening of some private branches and some company branches.

The integration will be completed in the second half of the year, through the transfer of Sanpaolo branches to the four bank networks in the Triveneto and Emilia, in order to ensure unitary control of the territory.

The integration processes described above entails a considerable commitment by the commercial network resources, which involved numerous days of training in respect of new Group procedures and products. These commitments will allow the commercial networks to offer customers the complete range of Group products and services, commencing from the second half of the year.

The objectives were followed through promotional initiatives, directed toward specific customer segments, the placement of products and services originating from the Group's product factories which, together with the instruments conceived to allow more efficient financial planning of customers' needs, aim to acquire new customers, to increase volumes and to develop the spread of more evolved financial products.

Cassa di Risparmio di Padova e Rovigo

The main bank network in North East Italy operates through a structure of 274 branches and 2,871 employees.

Under the operational profile, Cassa di Risparmio di Padova e Rovigo showed at the end of June 2004 a growth in customer financial assets (+4.6%) both on an annual basis and since the beginning of the year (+1.2%). These results are attributable to the favorable trend in the main components of the aggregate. The performance of loans to customers is also positive (+8.3% when compared to the end of June 2003 and +2.3% since the beginning of the year), supported by medium- and long-term financing. In the first half of 2004 operating income increased, mainly attributable to the increase in commission revenues and the reduction in operating costs. Net income of 49 million euro however, fell as a result of greater provisions and net adjustments to loans and financial fixed assets, attributable to the movements of non-performing loans and to the increase in coverage of doubtful loans and of the general reserve to cover performing loans. Profitability expressed in terms of annualized RoE, was 12.5% compared with 16.5% for the first half of 2003.

Cassa di Risparmio in Bologna

Cassa di Risparmio in Bologna operates through a network of 186 branches and a workforce of 1,886 employees.

The bank showed a decrease in customer financial assets

Cassa di Risparmio di Padova e Rovigo

	First half 2004	First half 2003 pro forma	Change first half 2004 / First half 2003 pro forma (%)	2003 pro forma
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	267	261	+2.3	532
Operating costs	-132	-135	-2.2	-269
- administrative costs	-140	-143	-2.1	-285
- personnel	*-82*	*-85*	*-3.5*	*-168*
- other administrative costs	*-49*	*-49*	*-*	*-99*
- indirect duties and taxes	*-9*	*-9*	*-*	*-18*
- other operating income, net	14	14	-	30
- amortization	-6	-6	-	-14
Operating income	135	126	+7.1	263
Provisions and net adjustments to loans and financial fixed assets	-44	-16	+175.0	-51
Income before extraordinary items	91	110	-17.3	212
Net extraordinary income/expense	-	-1	n.s.	-30
Income before taxes	91	109	-16.5	182
Income taxes for the period	-42	-47	-10.6	-83
Change in reserve for general banking risks and income attributable to minority interests	-	-	-	-
Net income	49	62	-21.0	99
Contribution to net income of the Group (1)	49	62	-21.0	119
AVERAGE ALLOCATED CAPITAL (€/mil)	783	750	+4.4	782
RATIOS (%)				
Annualized RoE	12.5	16.5		15.2
Cost / Income ratio	48.8	50.9		50.0
	30/6/2004	30/6/2003	Change 30/6/04-30/6/03 (%)	31/12/2003
OPERATING DATA (€/mil)				
Customer financial assets	18,589	17,768	+4.6	18,363
- Direct deposits	10,681	10,164	+5.1	10,280
- Asset management	4,030	3,928	+2.6	4,048
- Mutual funds and fund-based portfolio management	*2,745*	*2,869*	*-4.3*	*2,875*
- Portfolio management	*886*	*829*	*+6.9*	*882*
- Life technical reserves	*399*	*230*	*+73.5*	*291*
- Asset administration	3,878	3,676	+5.5	4,035
Net asset management flows	-78	272		344
Net loans to customers excluding NPLs	9,702	8,961	+8.3	9,483
OPERATING STRUCTURE				
Employees (2)	2,871	2,836	+1.2	2,809
Domestic branches	274	269	+1.9	273

(1) After the posting of consolidation attributable to the Area which in 2003 mainly referred to the harmonization of the criteria of the attribution of the expenses connected with staff leaving incentives.

(2) The number of employees as of 30/6/2003 and 31/12/2003 is pro forma.

over both the 12 months (-4.6%) and since the beginning of the year (-6.9%) attributable to the trend in direct and indirect deposits. This drop is influenced by the transfer of the institutional management of Noricum Vita, following the rationalization of the Group's organization. Loans to customers remained substantially stable from the beginning of the year, and have increased over the 12 months benefiting from the favorable trend in medium- and long-term financing. Net interest and other banking income for the first half of 2004 has risen by 1.7% compared with the same period last year, thanks to the trend in net interest income and commissions. Net income, equal to 30 million euro, fell by 23.1% as a result of greater adjustments to loans, aimed at increasing the level of coverage of per-

Cassa di Risparmio in Bologna

	First half 2004	First half 2003 pro forma	Change first half 2004 / First half 2003 pro forma (%)	2003 pro forma
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	181	178	+1.7	367
Operating costs	-96	-94	+2.1	-188
- administrative costs	-103	-102	+1.0	-200
- personnel	*-59*	*-58*	*+1.7*	*-112*
- other administrative costs	*-37*	*-37*	*-*	*-74*
- indirect duties and taxes	*-7*	*-7*	*-*	*-14*
- other operating income, net	13	14	-7.1	27
- amortization	-6	-6	-	-15
Operating income	85	84	+1.2	179
Provisions and net adjustments to loans and financial fixed assets	-31	-26	+19.2	-84
Income before extraordinary items	54	58	-6.9	95
Net extraordinary income/expense	-	8	n.s.	-17
Income before taxes	54	66	-18.2	78
Income taxes for the period	-24	-27	-11.1	-39
Change in reserve for general banking risks and income attributable to minority interests	-	-	-	10
Net income	30	39	-23.1	49
Contribution to net income of the Group (1)	30	38	-21.1	59
AVERAGE ALLOCATED CAPITAL (€/mil)	619	599	+3.3	609
RATIOS (%)				
Annualized RoE	9.7	12.7		9.7
Cost / Income ratio	52.6	52.6		51.0
	30/6/2004	30/6/2003	Change 30/6/04-30/6/03 (%)	31/12/2003
OPERATING DATA (€/mil)				
Customer financial assets	15,037	15,759	-4.6	16,158
- Direct deposits	6,731	7,045	-4.5	6,875
- Asset management	4,530	4,670	-3.0	4,810
- Mutual funds and fund-based portfolio management	*2,388*	*2,403*	*-0.6*	*2,452*
- Portfolio management	*1,272*	*1,449*	*-12.2*	*1,473*
- Life technical reserves	*870*	*818*	*+6.4*	*885*
- Asset administration	3,776	4,044	-6.6	4,473
Net asset management flows	-343	293		393
Net loans to customers excluding NPLs	8,545	8,392	+1.8	8,608
OPERATING STRUCTURE				
Employees (2)	1,886	1,935	-2.5	1,940
Domestic branches	186	183	+1.6	184

(1) After the posting of consolidation attributable to the Area which in 2003 mainly referred to the harmonization of the criteria of the attribution of the expenses connected with staff leaving incentives.

(2) The number of employees as of 30/6/2003 and 31/12/2003 is pro forma.

forming and doubtful loans, and of the lack of net extraordinary income. Annualized RoE was 9.7% compared with 12.7% for the first half of 2003.

Cassa di Risparmio di Venezia

Cassa di Risparmio di Venezia has 134 branches and 1,338 employees.

In operating terms, the bank showed a decrease in customer financial assets over both the 12 months (-3.6%) and since the beginning of the year (-7%), mainly attributable to the trend in asset management (-26.1% for the end of June 2003 and -25.6% since the beginning of the year). This drop is influenced by the transfer of the institutional management of Adriavita to third parties, following the rationalization of the Group's shareholdings. Loans to

Cassa di Risparmio di Venezia

	First half 2004	First half 2003 pro forma	Change first half 2004 / First half 2003 pro forma (%)	2003 pro forma
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	118	113	+4.8	238
Operating costs	-71	-68	+5.0	-136
- administrative costs	-73	-72	+1.4	-142
- personnel	*-44*	*-46*	*-4.3*	*-88*
- other administrative costs	*-24*	*-21*	*+14.3*	*-43*
- indirect duties and taxes	*-5*	*-5*	*-*	*-11*
- other operating income, net	6	7	-10.0	14
- amortization	-4	-3	+26.7	-8
Operating income	47	45	+4.4	102
Provisions and net adjustments to loans and financial fixed assets	-9	-9	-	-10
Income before extraordinary items	38	36	+5.6	92
Net extraordinary income/expense	-1	1	n.s.	-11
Income before taxes	37	37	-	81
Income taxes for the period	-17	-17	-	-38
Change in reserve for general banking risks and income attributable to minority interests	-	-	-	-
Net income	20	20	-	43
Contribution to net income of the Group (1)	20	20	-	51
AVERAGE ALLOCATED CAPITAL (€/mil)	297	295	+0.7	307
RATIOS (%)				
Annualized RoE	13.5	13.6		16.6
Cost / Income ratio	57.6	58.3		55.2
	30/6/2004	30/6/2003	Change 30/6/04-30/6/03 (%)	31/12/2003
OPERATING DATA (€/mil)				
Customer financial assets	7,447	7,727	-3.6	8,004
- Direct deposits	4,430	4,185	+5.9	4,427
- Asset management	1,580	2,138	-26.1	2,122
- Mutual funds and fund-based portfolio management	*1,255*	*1,363*	*-7.9*	*1,348*
- Portfolio management	*4*	*460*	*-99.1*	*424*
- Life technical reserves	*321*	*315*	*+1.9*	*350*
- Asset administration	1,437	1,404	+2.4	1,455
Net asset management flows	-571	162		124
Net loans to customers excluding NPLs	3,399	3,337	+1.9	3,466
OPERATING STRUCTURE				
Employees (2)	1,338	1,322	+1.2	1,331
Domestic branches	134	128	+4.7	131

(1) After the posting of consolidation attributable to the Area which in 2003 mainly referred to the harmonization of the criteria of the attribution of the expenses connected with staff leaving incentives.

(2) The number of employees as of 30/6/2003 and 31/12/2003 is pro forma.

customers increased over the twelve months, benefiting from the favorable trend in medium- and long-term financing. Operating income for the first half of 2004 increased by 4.4% when compared with the same period last year, thanks to the positive trend in net interest income and commissions. The levels of net income and annualized RoE remained in line with those for the first half of 2003.

Friulcassa

Friulcassa's structure comprises 136 branches and 1,106 employees.

Friulcassa

	First half 2004	First half 2003 pro forma	Change first half 2004 / First half 2003 pro forma (%)	2003 pro forma
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	81	82	-1.2	165
Operating costs	-55	-55	-	-110
- administrative costs	-57	-56	+1.8	-112
- personnel	*-34*	*-33*	*+3.0*	*-65*
- other administrative costs	*-19*	*-19*	*-*	*-39*
- indirect duties and taxes	*-4*	*-4*	*-*	*-8*
- other operating income, net	5	5	-	9
- amortization	-3	-4	-25.0	-7
Operating income	26	27	-3.7	55
Provisions and net adjustments to loans and financial fixed assets	-13	-5	+160.0	-15
Income before extraordinary items	13	22	-40.9	40
Net extraordinary income/expense	-	1	n.s.	-1
Income before taxes	13	23	-43.5	39
Income taxes for the period	-7	-10	-30.0	-18
Change in reserve for general banking risks and income attributable to minority interests	-	-	-	1
Net income	6	13	-53.8	22
Contribution to net income of the Group (1)	6	13	-53.8	28
AVERAGE ALLOCATED CAPITAL (€/mil)	233	224	+4.0	231
RATIOS (%)				
Annualized RoE	5.2	11.6		12.1
Cost / Income ratio	65.1	64.4		63.8
	30/6/2004	30/6/2003 pro forma	Change 30/6/04-30/6/03 pro forma (%)	31/12/2003
OPERATING DATA (€/mil)				
Customer financial assets	6,145	5,934	+3.6	6,219
- Direct deposits	2,991	2,772	+7.9	2,977
- Asset management	1,471	1,496	-1.7	1,478
- Mutual funds and fund-based portfolio management	*1,050*	*1,025*	*+2.4*	*1,029*
- Portfolio management	*221*	*312*	*-29.2*	*272*
- Life technical reserves	*200*	*159*	*+25.8*	*177*
- Asset administration	1,683	1,666	+1.0	1,764
Net asset management flows	-44	121		87
Net loans to customers excluding NPLs	2,517	2,468	+2.0	2,580
OPERATING STRUCTURE				
Employees (2)	1,106	1,119	-1.2	1,112
Domestic branches	136	134	+1.5	134

(1) After the posting of consolidation attributable to the Area which in 2003 mainly referred to the harmonization of the criteria of the attribution of the expenses connected with staff leaving incentives.
(2) The number of employees as of 31/12/2003 is pro forma.

At the end of June 2004, customer financial assets showed a positive trend on an annual basis, attributable to growth in direct deposits (+7.9%) and asset administration (+1%). Loans to customers increased on an annual basis, thanks to medium- and long-term financing which more than compensated for the drop in short-term loans. The bank's net interest and other banking income in the first half of 2004 was 81 million euro, substantially in line with the same period of the previous year. Despite stable operating costs, net income, which decreased by 53.8%, was affected by greater analytical adjustments to loans. Annualized profitability also fell to 5.2%.

Banca Popolare dell'Adriatico

Banca Popolare dell'Adriatico operates in the Central Adriatic regions, through a network of 137 branches and 1,097 employees.

In the first half of 2004 the bank's main initiatives were aimed at integrating the organization and operations within the SANPAOLO IMI Group and at the migration of the IT system to the Group, planned for October 2004.

At the end of June 2004, customer financial assets reduced on an annual basis mainly as a result of a reduction in indirect deposits, negatively affected by the transfer of the insurance company Noricum Vita business, following the aforementioned restructuring of Group operations. On the other hand, there was a slight increase in loans to customers. Despite a slight drop in net interest and other banking income, operating income in the first half of 2004 increased by 16.7%, thanks to a reduction in personnel costs, attributable to a decrease in the number of employees as a result of using the "Fund for staff in the banking industry". This, together with the reduction in net adjustments to loans, attributable to the monitoring of credit quality and more decisive action in terms of credit recovery, increased net income by 50%. Profitability expressed in terms of annualized RoE was 10.2% compared with 6.1% for the first half of 2003.

Sanpaolo Banco di Napoli

Sanpaolo Banco di Napoli is the SANPAOLO IMI Group bank appointed to control the regions of mainland Southern Italy. Established in 2003, and concentrating all the Sanpaolo and Banco di Napoli branches operating in Basilicata, Calabria, Campania, and Apulia into a single company. This represents the most important credit organization in Southern Italy, with a distribution network consisting of 752 operating points, of which 688 branches and 64 other operating points, serving over a million private and retail customers and around 20,000 companies.

In the first half of 2004 Sanpaolo Banco di Napoli followed its objective to consolidate its role as reference bank to households and small- and medium-sized companies in the South of Italy, making use of the advantage of having strong local roots and belonging to a leading national and European Group.

The integration of its IT system and the organizational and commercial distribution structure was completed last year. This initiative continued into the first half of 2004 with the strengthening of the level of services the network can provide to its customers. Staff training was significant: in the first six months of the year around 20,000 days were spent in training, in addition to almost 45,000 days spent on training in 2003. In order to facilitate integration, training was accompanied by a rotation of executives, managers and other personnel between branches from the historical Sanpaolo and Banco di Napoli brands: this exchange involved a total of 700 employees, in addition to almost 500 who were transferred last year.

The availability of a fully integrated distribution network, specialized by type of customer served, allowed new products, services and commercial initiatives specifically designed by the Group structures dedicated to companies and private and retail customers, tailored to the needs of this territory, to be made immediately available to customers in Southern Italy.

In the context of the Private & Retail Market, which is serviced by 716 dedicated operating points, initiatives include the following:

- the strengthening of the network destined to private banking operations: the first six months saw 9 new openings, bringing to 11 the number of operating points specializing in serving this type of customer; the strengthening of the network will be completed in the second half of the year by bringing the total number of units to 15;
- the spread of multi-channel infrastructures: during the six months period 31,000 new contracts were entered into, bringing the total number of customers that subscribed to this service to 91,000; the average monthly number of customers that use the services also grew considerably, increasing by more than 30% since the beginning of the year;

- the relaunching of activities for small business customers: the operational development continued through the growth in the number of resources dedicated to this type of customer and the spread of specialist skills to provide advisory services and assistance to the local manufacturers and businesses.

Activities toward Companies Market, which are served by 36 dedicated operating points, are focused on small-sized companies which characterize the entrepreneurial fabric of Southern Italy. The specialization of the branches and the training process of the employees, which focus particularly on company management, have brought them closer to

Banca Popolare dell'Adriatico

	First half 2004	First half 2003 pro forma	Change first half 2004 / First half 2003 pro forma (%)	2003 pro forma
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	80	81	-1.2	165
Operating costs	-52	-57	-8.8	-113
- administrative costs	-56	-60	-6.7	-120
- personnel	*-32*	*-35*	*-8.6*	*-70*
- other administrative costs	*-20*	*-21*	*-4.8*	*-42*
- indirect duties and taxes	*-4*	*-4*	*-*	*-8*
- other operating income, net	6	6	-	12
- amortization	-2	-3	-33.3	-5
Operating income	28	24	+16.7	52
Provisions and net adjustments to loans and financial fixed assets	-7	-9	-22.2	-16
Income before extraordinary items	21	15	+40.0	36
Net extraordinary income/expense	1	1	-	-24
Income before taxes	22	16	+37.5	12
Income taxes for the period	-10	-8	+25.0	-10
Change in reserve for general banking risks and income attributable to minority interests	-	-	-	-
Net income	12	8	+50.0	2
Contribution to net income of the Group (1)	12	8	+50.0	13
AVERAGE ALLOCATED CAPITAL (€/mil)	236	264	-10.6	248
RATIOS (%)				
Annualized RoE	10.2	6.1		5.2
Cost / Income ratio	62.8	67.8		66.1
	30/6/2004	30/6/2003	Change 30/6/04-30/6/03 (%)	31/12/2003
OPERATING DATA (€/mil)				
Customer financial assets	5,449	5,696	-4.3	5,821
- Direct deposits	2,541	2,535	+0.2	2,571
- Asset management	1,809	1,797	+0.7	1,870
- Mutual funds and fund-based portfolio management	*1,316*	*1,303*	*+1.0*	*1,324*
- Portfolio management	*79*	*159*	*-50.3*	*153*
- Life technical reserves	*414*	*335*	*+23.6*	*393*
- Asset administration	1,099	1,364	-19.4	1,380
Net asset management flows	-85	137		189
Net loans to customers excluding NPLs	2,504	2,463	+1.7	2,479
OPERATING STRUCTURE				
Employees (2)	1,097	1,192	-8.0	1,096
Domestic branches	137	133	+3.0	133

(1) After the posting of consolidation attributable to the Area which in 2003 mainly referred to the harmonization of the criteria of the attribution of the expenses connected with staff leaving incentives.

(2) The number of employees as of 30/6/2003 and 31/12/2003 is pro forma.

business customers and allowed more precise supervision of their needs.

The objective to improve the level of service to customers was pursued through the activation of a special advisory council in the Apulia region, composed of representatives of Sanpaolo Banco di Napoli and prominent figures from the local economy. This initiative, which will also be developed in other regions in which the bank operates, is aimed at improving knowledge of the territory, particularly in

Sanpaolo Banco di Napoli

	First half 2004	First half 2003 pro forma	Change first half 2004 / First half 2003 pro forma (%)	2003 pro forma
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	473	437	+8.2	911
Operating costs	-303	-311	-2.6	-636
- administrative costs	-320	-326	-1.8	-667
- personnel	*-175*	*-177*	*-1.1*	*-361*
- other administrative costs	*-129*	*-134*	*-3.7*	*-275*
- indirect duties and taxes	*-16*	*-15*	*+6.7*	*-31*
- other operating income, net	17	15	+13.3	31
- amortization	-	-	-	-
Operating income	170	126	+34.9	275
Adjustments to goodwill and merger and consolidation differences	-37	-37	-	-73
Provisions and net adjustments to loans and financial fixed assets	-21	-33	-36.4	-75
Income before extraordinary items	112	56	+100.0	127
Net extraordinary income/expense	3	-	n.s.	2
Income before taxes	115	56	+105.4	129
Income taxes for the period	-54	-30	+80.0	-67
Change in reserve for general banking risks and income attributable to minority interests	-	-	-	-
Net income	61	26	+134.6	62
Contribution to net income of the Group (1)	84	49	+71.4	108
AVERAGE ALLOCATED CAPITAL (€/mil)	1,258	1,210	+4.0	1,228
RATIOS (%)				
Annualized RoE	13.4	8.1		8.8
Cost / Income ratio	62.0	68.8		67.5
	30/6/2004	30/6/2003 pro forma	Change 30/6/04-30/6/03 pro forma (%)	31/12/2003 pro forma
OPERATING DATA (€/mil)				
Customer financial assets	38,148	37,364	+2.1	37,393
- Direct deposits	16,316	15,547	+4.9	15,525
- Asset management	15,261	14,794	+3.2	15,267
- Mutual funds and fund-based portfolio management	*10,584*	*10,948*	*-3.3*	*10,908*
- Portfolio management	*731*	*854*	*-14.4*	*793*
- Life technical reserves	*3,946*	*2,992*	*+31.9*	*3,566*
- Asset administration	6,571	7,023	-6.4	6,601
Net asset management flows	-158	1,261		1,617
Net loans to customers excluding NPLs and loans to SGA	7,945	7,603	+4.5	8,344
OPERATING STRUCTURE				
Employees	5,770	5,964	-3.3	5,813
Domestic branches	688	688	-	688

(1) After the posting of consolidation represented by the reversal of amortization for goodwill.

respect of local market trends in financial services.

Customer financial assets showed a growth of 2.1% on an annual basis, revealing a recomposition from asset administration to asset management, largely in life policies. Loans showed an annual growth of 4.5%, concentrated on medium- long-term relations, which increased by 11.6%, against a drop of 5.4% in the short term.

The income results of Sanpaolo Banco di Napoli for the first half of 2004 were higher than those recorded in the pro forma statement for the same period of 2003:

- operating income showed a growth of 34.9%, made possible by the 8.2% increase in revenues and the 2.6% reduction in operating costs;
- net income, which also benefited from minor adjustments to loans, more than doubled;
- annualized RoE, calculated on the contribution to consolidated net income, excluding the effect of amortization of goodwill, was 13.4%;
- the cost to income ratio was 62%, an improvement on the 68.8% for the first half of the previous year.

Asset Management

Sanpaolo IMI Wealth Management

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

In the first half of 2004, the Area realized initiatives aimed at strengthening and rationalizing its corporate structure. In particular, these regarded the following shareholdings:

- All Funds Bank: on 16 February 2004, 50% of the shareholding was acquired from Banco Banif, a company controlled entirely by SCH. The bank is specialized in offering "open architecture" services (orders, selection, negotiation of third party mutual funds and consulting) aimed at professional operators in asset management;
- Obiettivo SGR: on 22 March 2004 the whole shareholding was acquired from Banca IMI and IMI Bank (Luxembourg). The company operates on the pure hedge funds market;
- Sanpaolo IMI Institutional Asset Management SGR: on 1 April the acquisition of the remaining 15% from Banca IMI and IMI Bank (Luxembourg) was completed, bringing the total shareholding to 100%.

Sanpaolo IMI Wealth Management

	First half 2004	First half 2003 pro forma	Change first half 2004 / First half 2003 pro forma (%)	2003 pro forma
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	164	141	+16.3	289
Operating costs	-48	-57	-15.8	-106
- administrative costs	-51	-58	-12.1	-109
- personnel	*-21*	*-26*	*-19.2*	*-43*
- other administrative costs	*-30*	*-31*	*-3.2*	*-65*
- indirect duties and taxes	*-*	*-1*	*n.s.*	*-1*
- other operating income, net	6	6	-	15
- amortization	-3	-5	-40.0	-12
Operating income	116	84	+38.1	183
Adjustments to goodwill and merger and consolidation differences	-4	-4	-	-14
Provisions and net adjustments to loans and financial fixed assets	-1	-	n.s.	-7
Income before extraordinary items	111	80	+38.8	162
Net extraordinary income/expense	-1	-10	-90.0	-11
Income before taxes	110	70	+57.1	151
Income taxes for the period	-9	-9	-	-19
Net income	101	61	+65.6	132
Contribution to net income of the Group (1)	106	67	+58.2	142
AVERAGE ALLOCATED CAPITAL (€/mil)	751	684	+9.8	719
RATIOS (%)				
Annualized RoE	28.2	19.6		19.7
Cost / Income ratio	31.8	42.2		39.5
	30/6/2004	30/6/2003 pro forma	Change 30/6/04-30/6/03 pro forma (%)	31/12/2003 pro forma
OPERATING DATA (€/mil)				
Assets under management	106,641	103,186	+3.3	105,409
OPERATING STRUCTURE				
Employees	481	520	-7.5	508

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

- Eptafund SGR: after the acquisition of the entire shareholding, the merger by incorporation of Eptafund SGR into Sanpaolo IMI Asset Management SGR was completed in May.

Sanpaolo IMI Wealth Management also implemented actions to strengthen the range of commercial products and to increase the penetration of the Group banking networks by these products, especially through:

- the activation of a new possibility for participating in the "Profilo Protetto" capital management scheme, with 100% hedging of the capital;
- the placement of Valore Equilibrio Classe RD, which envisages a regular distribution of revenues;
- the launch of the new Sanpaolo Vita life temporary policy;
- the launch of the subscription of a new tranche of the "Blue Profits" (Blue Profits Presto Reddito) index linked line, with a volume of flow of more than 700 million euro.
- the launching of Consolida Risparmio&Protezione, as a restyling of Consolida Risparmio and the addition of insurance cover in the event of accidental death;
- the release of the Sanpaolo Previdenza Serie Gold for small businesses and artisans;
- the launch of the subscription of a new tranche of the "Blue Profits" (Blue Profits Solidarietà) index linked line, which envisages the assignment of 800,000 euro for each humanitarian project selected, with the support of the Bank's Ethical Committee; this operation was completed in July and the volume of flow was 946 million euro.

During the half year, following the merger by incorporation of Eptafund SGR, Sanpaolo IMI Asset Management made some changes to the rationalization of the range of funds offered; these are expected to be completed in November.

At the end of June 2004, the Area's volumes of assets under management were 106.6 billion euro, up 3.3% on an annual basis and 1.2% since the beginning of the year.

In the first half of 2004 Wealth Management registered net interest and other banking income of 164 million euro, up by 16.3% compared with the same period of the previous year; this trend was determined by the contribution of the insurance companies Sanpaolo Vita and Sanpaolo Life, booked as profits from companies carried at equity, and by the increase in net commissions. This, together with the reduction in operating costs (-15.8%), led to a 38.1% growth of the operating income. Net income reached 101 million euro, registering an increase of 65.6%. Profitability expressed in terms of annualized RoE was 28.2% compared with 19.6% for the first half of 2003.

Investment Banking

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 first half of 2004, with reference to corporate finance and capital markets, Banca IMI carried out the following operations:

- in relation to stock placements, it took part in the public offer of shares in the Tecla real estate fund and, as a member of the group management, in the public offer of Terna shares, respectively the only IPO that took place in Italy in the first quarter and the largest IPO in the second; as co-manager it also took part in the institutional offer of General Electric and Genworth Financial ordinary shares;
- with reference to capital increases, it executed some tranches of the Mondo TV and Buongiorno Vitaminic capital increases; it was also appointed coordinator and

Banca IMI

	First half 2004	First half 2003 pro forma	Change first half 2004 / First half 2003 (%)	2003
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	113	135	-16.3	254
Operating costs	-76	-76	-	-149
- administrative costs	-71	-70	+1.4	-137
- personnel	*-40*	*-38*	*+5.3*	*-74*
- other administrative costs	*-30*	*-31*	*-3.2*	*-62*
- indirect duties and taxes	*-1*	*-1*	*-*	*-1*
- other operating income, net	1	1	-	2
- amortization	-6	-7	-14.3	-14
Operating income	37	59	-37.3	105
Provisions and net adjustments to loans and financial fixed assets	-1	-2	-50.0	-5
Income before extraordinary items	36	57	-36.8	100
Net extraordinary income/expense	8	-2	n.s.	-
Income before taxes	44	55	-20.0	100
Income taxes for the period	-5	-18	-72.2	-33
Change in reserve for general banking risks and income attributable to minority interests	-	-	-	-2
Net income	39	37	+5.4	65
Contribution to net income of the Group (1)	33	38	-13.2	66
AVERAGE ALLOCATED CAPITAL (€/mil)	428	378	+13.2	390
RATIOS (%)				
Annualized RoE	15.4	20.1		16.9
Cost / Income ratio	66.7	55.9		58.6
OPERATING DATA (€/mil)				
Banca IMI SpA trading volumes				
- trading	294,833	381,089	-22.6	705,250
- sales	86,015	93,243	-7.8	211,620
- repurchase agreements	955,730	1,002,884	-4.7	1,922,541
- placements	3,248	6,445	-49.6	9,392
	30/6/2004	30/6/2003	Change 30/6/04-30/6/03 (%)	31/12/2003
OPERATING STRUCTURE				
Employees	608	627	-3.0	608
Branches	1	2	-50.0	1

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

sole underwriter for the capital increase of Buzzi Unicem;
- in the debt market, it performed the role of leader in 27 issue operations such as, sole lead manager and bookrunner for a private placement in Greece, lead manager and bookrunner for the senior issue of Banca Antonveneta, Islandsbanki, AngloIrish Bank, Banca delle Marche, Veneto Banca, for a subordinate issue by SANPAOLO IMI and Unibanca and for issues by ENEL and General Electric.

As regards corporate finance advisory, Banca IMI:
- concluded the assistance to SIA in setting up a joint venture with GL Trade, to Manuli in the context of the inverse merger of FinM into Manuli, to Edison in the evaluation of the ISE subsidiary, to Cassa di Risparmio di Firenze and Cassa di Risparmio di Genova in the purchase of, respectively, Cassa di Risparmio di La Spezia and Cassa di Risparmio di Carrara, to IT Holding in respect of the disposal of the Romeo Gigli and Gentry di Portofino trademarks and IPSE for a fairness opinion;
- with regard to current transactions, it continued to provide advisory services to Alitalia, FS and Mediaset, to act as global advisory to the FIAT group, to assist Edison in the sale of a gas transportation network, to the Albanian government in the privatization of the fixed telecommunication and energy sectors, and to the Merlo group in the context of a company reorganization. The bank also performed advisory activities for Smat of Turin and Amga of Genoa for the purchase of shares in Acque Potabili.

During the half year Banca IMI also carried out strategic equity and structured finance activities through the disposal of a parcel of Dyckerhoff shares and concluded a structuring of derivatives with IMI Investimenti.

In the first half of 2004, Banca IMI posted a net income of 39 million euro, up 5.4% on the same period of the previous year. It should be highlighted that the different treatment of taxation on dividends collected from shares including those from ordinary trading activities, has influenced the comparison with the principal economic volumes for the period, affecting the comparison of the figures. The new regulations in respect of this treatment which are reflected in net interest and other banking income, reducing the gross revenues and the amount booked, did not have any significant effect on net income. Annualized profitability reached 15.4%.

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 SGRs in Italy authorized to manage closed-end investment funds (Sanpaolo IMI Fondi Chiusi SGR and Sanpaolo IMI Investimenti per lo Sviluppo 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.

During the first half of 2004, Sanpaolo IMI Fondi Chiusi SGR continued the activities aimed at 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. With a target of 100 million euro, the fund raising for each fund is in advanced stages and the closing, expected between the end of 2004 and the beginning of 2005, will confirm the take-off of the funds and the start-up of the investment activity.

In February 2004, the subsidiary NHS Mezzogiorno SGR, to which the "Fondo di Promozione del Capitale di Rischio per il Mezzogiorno" ("Risk capital fund for Southern Italy") refers, changed its name to Sanpaolo IMI Investimenti per lo Sviluppo SGR in order to maximize the value of its belonging to the Group, also with a view to the possibility of expanding the operating context.

As regards the activity of foreign-law funds, the fund raising activity continued in the second half of the year for the new pan European fund, E.A. Partners, in conjunction with CDC Ixis and Bayerische Landesbank, with total flow targets from 300 to 500 million euro, a third of which is destined for investment in the Italian market, focusing mainly on mid-market buy-outs.

Work also continued on a project to simplify the corporate structure of the other foreign law fund (SIPEF1), with the transfer to the Luxembourg subsidiary Sanpaolo IMI Equity Management of the management company activities of Sanpaolo IMI Capital Partners and the subsequent liquidation of the latter company.

Lastly, consistent with the strategic address of gradually disposing of directly held stakes, the sale of the shareholding in Merloni Termosanitari to other Group companies, led by the Dutch subsidiary LDV Holding, and that of the mechanical hardware business Raco, of Friuli, to another private equity fund, are in the stages of completion.

With reference to the income results, Sanpaolo IMI Private Equity, together with its subsidiaries, has recorded a loss of 4 million euro for the first half of the year, partially owing to the writedown of the investment in SIPEF1, partly by way of the start-up costs for the new funds which will shortly be launched, the revenues of which will mature in the form of management commissions as of 2005.

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 first half of 2004, in the context of the plan to reallocate the shareholdings within the Group, in which IMI Investimenti plays the dual role of buyer and seller, some assets have been acquired from other Group companies, such as the 7.35% shareholding in Infracom, 7.25% in Sitcom and a further 0.76%, in addition to the existing shareholding of 1.21%, in Fincantieri. Payment of 1.5 million euro has been made to the share capital of Synesis Finanziaria, following the definition of the price adjustment procedure. The acquisition of a shareholding in Merloni Termosanitari and the sale of that held in SAGAT are currently being completed.

At the same time the disposal of the securities in the dealing portfolio continued, among which it is worth highlighting the complete disposal of ENI shares, as well as the partial sale and the drawing up of a premium sales agreement of the FIAT shareholding.

The economic trend for the first half of the year has again been penalized by the adjustments made to the investment in Hutchison 3G Italia. The adjustment to value for the six months period was made according to prudent criteria, given the particular innovation of the investment and on the basis of the pro-quota effect of the losses incurred by the company.

Personal Financial Services

Banca Fideuram

Banca Fideuram has a network of 4,442 financial planners and 89 branches in Italy and operates using its own specialized companies dedicated to the production of asset management services.

During the first half of 2004 the bank undertook initiatives aimed mainly at rationalizing its structure:
- the whole shareholding in Fideuram Assicurazioni was

Banca Fideuram

	First half 2004	First half 2003 pro forma	Change first half 2004 / First half 2003 (%)	2003
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	340	284	+19.7	592
Operating costs	-169	-171	-1.2	-338
- administrative costs	-164	-165	-0.6	-321
- personnel	*-73*	*-76*	*-3.9*	*-147*
- other administrative costs	*-80*	*-77*	*+3.9*	*-151*
- indirect duties and taxes	*-11*	*-12*	*-8.3*	*-23*
- other operating income, net	13	13	-	26
- amortization	-18	-19	-5.3	-43
Operating income	171	113	+51.3	254
Adjustments to goodwill and merger and consolidation differences	-1	-3	-66.7	-6
Provisions and net adjustments to loans and financial fixed assets	-24	-13	+84.6	-31
Income before extraordinary items	146	97	+50.5	217
Net extraordinary income/expense	3	-5	n.s.	-6
Income before taxes	149	92	+62.0	211
Income taxes for the period	-23	-20	+15.0	-36
Change in reserve for general banking risks and income attributable to minority interests	1	1	-	1
Net income	127	73	+74.0	176
Contribution to net income of the Group (1)	93	55	+69.1	132
AVERAGE ALLOCATED CAPITAL (€/mil)	734	699	+5.0	737
RATIOS (%)				
Annualized RoE	25.3	15.7		17.9
Cost / Income ratio	48.4	57.9		55.2
	30/6/2004	30/6/2003	Change 30/6/04-30/6/03 (%)	31/12/2003
OPERATING DATA (€/mil)				
Customer financial assets	60,168	57,889	+3.9	59,517
- Direct deposits	3,856	3,813	+1.1	3,581
- Asset management	45,461	42,329	+7.4	44,573
- Mutual funds and fund-based portfolio management	*32,143*	*30,202*	*+6.4*	*31,736*
- Portfolio management	*616*	*575*	*+7.1*	*593*
- Life technical reserves	*12,702*	*11,552*	*+10.0*	*12,244*
- Asset administration	10,851	11,747	-7.6	11,363
Net asset management flows	198	1,868		3,560
Assets under management (stock)	58,664	56,460	+3.9	58,129
Assets under management (net inflow)	-441	432		1,204
OPERATING STRUCTURE				
Employees	1,821	1,866	-2.4	1,871
Financial planners	4,442	4,656	-4.6	4,543
Domestic branches	89	87	+2.3	88

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

sold to the subsidiary Fideuram Vita. On 30 June 2004, the approval of the spin off of Fideuram Vita to SANPAOLO IMI, in the context of the project to reorganize the Group's insurance activities, as described in greater detail in the chapter "Action points and initiatives in the first half";
- the reorganization of the French subsidiary Fideuram Wargny continued.

The embedded value, which represents an estimate of the value of the company and the growth of which is a strategic objective for the bank, showed a positive trend, rising from 2.5 billion euro at the end of June 2003, to 2.9 billion euro at the end of June 2004.

At the end of June 2004, customer financial assets of Banca Fideuram were 60.2 billion euro, up 3.9% on the 12 months and 1.1%. since the beginning of the year. The strategy to reconvert the assets under administration, aimed at increasing the weight of asset management continued. At the end of June 2004, asset management volumes were 45.5 billion euro, up +7.4% compared to the end of June 2003 and +2% since the beginning of the year. This trend is attributable to the positive effect in performance, together with a net flow of 0.2 billion euro. In the context of the latter, worth noting is the positive influence of the particularly profitable fund-based portfolio management, to the detriment of the mutual funds and the continuing positive trend in life policies, especially unit linked policies.

Net income for the half year was 127 million euro, up 74% compared with the same period last year. This result was generated mainly by the growth of net interest and other banking income (+19.7%) and by the reduction in operating costs (-1.2%). The favorable trend in revenues is attributable to the continued increase in net commissions, owing to the growth in the average volumes, to the improvement in the product mix and to the profit from insurance companies valued using the equity method. Annualized profitability was 25.3% compared with 15.7% for the first half of 2003.

Local Authorities and Public Entities

Banca OPI

Banca OPI provides financial services to the public sector, with particular reference to the financing of infrastructure investments and public works.

In the first half of 2004, the bank:

- issued new loans mainly concerning railway infrastructure (high speed/capacity), domestic road systems, the public utilities sector and a number of companies controlled by local bodies such as urban transport companies, land recovery, support for developing the local economy and the recycling of urban solid waste;
- completed significant transactions with local bodies and in support of initiatives carried out by State Administration in the context of the privatization of public real estate assets;
- in project financing:
  - it performed the role of mandated lead arranger, together with a leading Austrian bank, for the Europpass project (sponsored by Autostrade) in connection with the construction of a toll paying system for heavy vehicles on the Austrian road network, for which the inspection phase has been completed;

Banca OPI

	First half 2004	First half 2003 pro forma	Change first half 2004 / First half 2003 pro forma (%)	2003 pro forma
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	78	78	-	165
Operating costs	-13	-12	+8.3	-25
- administrative costs	-13	-13	-	-28
- personnel	*-6*	*-6*	*-*	*-13*
- other administrative costs	*-6*	*-5*	*+20.0*	*-11*
- indirect duties and taxes	*-1*	*-2*	*-50.0*	*-4*
- other operating income, net	-	1	n.s.	3
- amortization	-	-	-	-
Operating income	65	66	-1.5	140
Provisions and net adjustments to loans and financial fixed assets	-20	-5	n.s.	-10
Income before extraordinary items	45	61	-26.2	130
Net extraordinary income/expense	190	2	n.s.	9
Income before taxes	235	63	n.s.	139
Income taxes for the period	-91	-20	n.s.	-45
Net income	144	43	n.s.	94
Contribution to net income of the Group (1)	31	43	-27.9	93
AVERAGE ALLOCATED CAPITAL (€/mil)	769	686	+12.1	710
RATIOS (%)				
Annualized RoE	8.1	12.5		13.1
Cost / Income ratio	15.4	13.9		14.8
	30/6/2004	30/6/2003	Change 30/6/04-30/6/03 (%)	31/12/2003
OPERATING DATA (€/mil)				
Net loans to customers excluding NPLs	17,939	17,993	-0.3	18,693
Disbursements in the period	1,439	2,800		5,209
Investments in customer securities (stock)	3,942	1,880	+109.7	2,106
Subscriptions of securities issued by customers (flow)	1,869	1,376		1,651
OPERATING STRUCTURE				
Employees	157	160	-1.9	156

(1) After the posting of consolidation attributable to the Area which in the first half of 2004 mainly referred to the reversal of extraordinary income in respect of the utilization of risk reserves accrued in previous years for tax purposes.

  - was involved in projects for Line C of the Rome subway, for the construction and management of the new Bologna Municipal Town Hall, for the Pedemontana Veneta toll road and for the Vallata hospital;
  - participated, as arranger, in a project for the construction and management of an urban solid waste treatment plant in Great Britain and for the construction and management of a new purification plant in the city of The Hague; it also defined the bank's involvement in the project for the tender of the Zagabria-Macelj freeway in Croatia;
- it provided consulting services to two important group companies participating in a tender bid for the management of urban waste collection services in the Apulia Region (ATO of Brindisi and ATO of Foggia);
- in advisory, it completed the engagements in respect of the privatization of AMA International and Rimini Fiera; it received new engagements from SEI (the ASM Group of Settimo Torinese), in relation to the acquisition of two companies operating in the wind energy sector and, from public utility AIMAG of Mirandola, for the development of a business plan, the valuation of the company and to improve the company architecture;
- subscribed a Rimini Fiera shareholding, for around 1% of the share capital.

At the end of June 2004, total exposure for customer loans and securities amounted to 21.9 billion euro, an increase of 10.1% over the twelve months. This increase is mainly attributable to the aggregate of securities, given the increasing preference that local authority and regional customers assign, for tax purposes, to the issue of own shares to financial brokers by way of subscription. In collaboration with Banca IMI, Banca OPI has organized and subscribed in the first eight months of the year, issues for around one third of the market total.

Net income for the period reached 144 million euro, compared with the 43 million euro for the same period of the previous year. It benefited from the booking of 190 million euro extraordinary income, of which 184 million is attributable to the "fiscal clean-up" made in compliance with new company regulations. On the contrary the increase in net adjustments is attributable, for a value of around 14 million euro, to the adjustment to the redemption value of an aircraft included in the residual leasing portfolio. It should be noted that the Group's contribution to net income was affected by the reversal of the aforementioned extraordinary income, since the relative components had already been reversed in the Group's consolidated financial statements. These events squeezed annualized profitability to 8.1%.

Developments in the second half of the year

Economic background

After the end of the half year trend indicators appear to confirm the slowing down in the economy of the United States and of Japan, already witnessed in the second quarter, together with the modest growth in the euro-zone.

The dynamics of some leading indicators of the economic cycle could indicate the temporary nature of the current slowing down. The current trend in oil prices and the difficult geopolitical situation in Iraq lead to a certain caution.

Oil prices, which almost touched 50 dollars per barrel on the New York stock exchange in mid-August, forced by the uncertainties of the political climate in Venezuela, by the difficulty in finding a solution to the Yukos case in Russia and by the destruction of oil wells in the Middle East, have recently returned to more modest levels. In any case, the risks connected to the volatility of prices, taking into account the expected growth for the second half of the year in the international needs for energy, also due to climatic factors, and the uncertainty of the political situation in the major producing countries, appear particularly high.

In line with the previous announcements of gradual monetary restrictions, in August the Fed proceeded to increase the policy rate by 25 basis points, taking it to 1.5%. In its announcement, accompanying the decision, the Fed confirmed the expectations for growth in the already lively trends and controlled inflation. Therefore gradual rises in policy rates are expected on the markets over the next months. In relation to the different tone of the European economy, both the market, through forward market prices, and the major international forecasters expect the ECB to maintain reference rates fixed up to the end of the year.

In the July-August two month period, the financial markets reacted negatively to the increase in the price of oil and to the signs of slowing down in international growth, registering negative changes in the principal share prices and the inflow of funds.

Group performance and prospects

In a scenario characterized by the continuing uncertainty regarding the economic recovery, Group transactions in July 2004 were characterized by a growth of financial assets, confirming the trends revealed in the first half of the year, and a cautious trend in loans.

The stock of financial assets showed signs of improvement across all components, especially direct deposits.

In relation to asset management products, these values have increased when compared to the end of June, thanks above all to the favorable trend in life policies and fund-based portfolio management.

As regards lending activities, net loans to customers recorded a drop which can be attributed to inflow from short-term loans to large groups, reaching values in line with those for the previous year.

From an economic viewpoint, the income margins confirmed the trend over the year already emerging at the end of the first half of the year. Net interest income is still being penalized by the worsening of the spread generated by the lower trend in market rates. On the other hand, commission revenues benefited from the placement of asset management products with higher added value.

The positive trend in revenues from commissions and contributions to the equity of insurance companies, together with the slowing down in the trend of operating costs, enabled ordinary operating margins to confirm, and in some cases improve, the trend shown during the half year.

The elements mentioned above are fully in line with the growth forecast in the budget.

Turin, 13 September 2004

The Board of Directors

PricewaterhouseCoopers SpA

AUDITORS REPORT ON THE LIMITED REVIEW OF SANPAOLO IMI SPA INTERIM FINANCIAL REPORTING FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

To the Shareholders of
Sanpaolo IMI SpA

1 We have performed a limited review of the interim financial reporting of Sanpaolo IMI SpA for the six months period ended 30 June 2004, consisting of consolidated balance sheet, income statement and related explanatory notes. We have also ensured that the management discussion and analysis is consistent with other information in the interim financial reporting.

2 Our work was carried out in accordance with the procedures for a limited review recommended by the National Commission for Companies and the Stock Exchange (Consob) with Resolution n° 10867 of 31 July 1997. The responsibility for the limited review of the interim financial reporting of certain subsidiaries which, at 30 June 2004 reflected "Total assets" representing 20 percent of consolidated total assets, "Net interest income" representing 3 percent of consolidated net interest income and "Net interest and other banking income" representing 12 percent of consolidated net interest and other banking income, rests with other auditors. The limited review consisted principally of inquiries of company personnel about the information reported in the interim financial reporting and about the consistency of the accounting principles utilised therein with those applied at year end as well as the application of analytical review procedures on the data contained in the interim financial reporting. The limited review excluded certain auditing procedures such as compliance testing and verification or validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike an audit on the annual statutory and consolidated financial statements, we do not express a professional audit opinion on the interim financial reporting.

3 Regarding the comparative data of the consolidated financial statements at 31 December 2003 and of the prior year's interim financial reporting, reference should be made to reports issued by us, respectively, on 8 April 2004 and on 19 September 2003.

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

Turin, 20 September 2004

PricewaterhouseCoopers SpA

Signed by
Sergio Duca
(Partner)

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

Consolidated half year financial statements

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF INCOME

CONSOLIDATED EXPLANATORY NOTES

CONSOLIDATED BALANCE SHEET

(€/mil)

ASSETS		30/6/2004		31/12/2003		30/6/2003
10. Cash and deposits with central banks and post offices		1,037		1,474		980
20. Treasury bills and similar bills eligible for refinancing with central banks		2,785		3,923		2,837
30. Due from banks		22,147		22,278		21,129
a) repayable on demand	6,490		7,291		8,013	
b) other deposits	15,657		14,987		13,116	
40. Loans to customers		124,777		124,599		130,215
of which:						
- loans using public funds	*150*		*172*		*172*	
50. Bonds and other debt securities		28,684		18,588		20,567
a) public entities	18,249		10,366		12,394	
b) banks	6,357		5,536		5,328	
of which:						
- own bonds	*2,946*		*2,783*		*2,281*	
c) financial institutions	3,337		2,116		1,935	
of which:						
- own bonds	*217*		*53*		*16*	
d) other issuers	741		570		910	
60. Shares, quotas and other equities		3,184		2,747		4,737
70. Equity investments		3,399		3,442		3,015
a) carried at equity	601		645		446	
b) other	2,798		2,797		2,569	
80. Investments in Group companies		1,160		1,130		845
a) carried at equity	1,160		1,130		845	
90. Goodwill arising on consolidation		829		883		944
100. Goodwill arising on application of the equity method		67		76		83
110. Intangible fixed assets		305		343		372
of which:						
- start-up costs	*1*		*2*		*2*	
- goodwill	*7*		*7*		*15*	
120. Tangible fixed assets		1,901		1,972		2,203
140. Own shares or quotas (nominal value € 10 million)		36		34		33
150. Other assets		18,772		17,986		23,866
160. Accrued income and prepaid expenses		3,842		3,105		2,779
a) accrued income	3,015		2,223		1,977	
b) prepaid expenses	827		882		802	
of which:						
- discounts on bond issues	*297*		*277*		*240*	
Total assets		**212,925**		**202,580**		**214,605**

(€/mil)

LIABILITIES		30/6/2004		31/12/2003		30/6/2003	
10.	Due to banks		32,570		28,534		28,597
	a) repayable on demand	8,543		3,875		6,208	
	b) time deposits or with notice period	24,027		24,659		22,389	
20.	Due to customers		85,841		79,993		87,610
	a) repayable on demand	68,839		63,074		68,528	
	b) time deposits or with notice period	17,002		16,919		19,082	
30.	Securities issued		49,585		51,553		49,459
	a) bonds	40,529		39,979		38,651	
	b) certificates of deposit	4,124		7,149		6,372	
	c) other	4,932		4,425		4,436	
40.	Public funds administered		153		175		176
50.	Other liabilities		19,963		18,445		25,582
60.	Accrued expenses and deferred income		2,720		2,181		1,964
	a) accrued expenses	2,255		1,708		1,434	
	b) deferred income	465		473		530	
70.	Provisions for employee termination indemnities		929		946		971
80.	Provisions for risks and charges		2,974		2,982		2,663
	a) pensions and similar	304		304		348	
	b) taxation	795		732		460	
	c) other	1,875		1,946		1,855	
90.	Reserve for probable loan losses		98		91		84
100.	Reserve for general banking risks		4		4		14
110.	Subordinated liabilities		6,801		6,414		6,784
130.	Negative goodwill arising on application of the equity method		268		213		211
140.	Minority interest		318		271		292
150.	Capital		5,144		5,144		5,144
160.	Additional paid-in capital		708		708		708
170.	Reserves		4,086		3,882		3,887
	a) legal reserve	1,029		1,029		1,029	
	b) reserve for own shares or quotas	36		34		33	
	d) other reserves	3,021		2,819		2,825	
180.	Revaluation reserves		72		72		18
200.	Net income		691		972		441
Total liabilities and shareholders' equity			**212,925**		**202,580**		**214,605**

(€/mil)

GUARANTEES AND COMMITMENTS		30/6/2004		31/12/2003		30/6/2003	
10.	Guarantees given		17,500		19,912		18,309
	of which:						
	- acceptances	*198*		*145*		*183*	
	- other guarantees	*17,302*		*19,767*		*18,126*	
20.	Commitments		28,423		25,839		31,696

CONSOLIDATED STATEMENT OF INCOME

(€/mil)

		First half 2004		2003		First half 2003	
10.	Interest income and similar revenues		3,570		7,443		3,966
	of which:						
	- loans to customers	*2,907*		*6,215*		*3,296*	
	- debt securities	*438*		*727*		*360*	
20.	Interest expense and similar charges		-1,711		-3,701		-2,065
	of which:						
	- amounts due to customers	*-445*		*-1,050*		*-600*	
	- securities issued	*-829*		*-1,761*		*-961*	
30.	Dividends and other revenues		121		309		283
	a) shares, quotas and other equities	70		223		231	
	b) equity investments	51		86		52	
40.	Commission income		1,973		3,722		1,760
50.	Commission expense		-369		-685		-324
60.	Profits (losses) on financial transactions		77		198		54
70.	Other operating income		192		396		190
80.	Administrative costs		-2,258		-4,610		-2,329
	a) personnel	-1,388		-2,841		-1,449	
	of which:						
	- wages and salaries	*-1,007*		*-2,046*		*-1,038*	
	- social security charges	*-307*		*-633*		*-326*	
	- termination indemnities	*-61*		*-132*		*-68*	
	- pensions and similar	*-13*		*-30*		*-17*	
	b) other administrative costs	-870		-1,769		-880	
90.	Adjustments to tangible and intangible fixed assets		-279		-642		-310
100.	Provisions for risks and charges		-78		-195		-64
110.	Other operating expense		-34		-68		-36
120.	Adjustments to loans and provisions for guarantees and commitments		-479		-1,126		-393
130.	Writebacks of adjustments to loans and provisions for guarantees and commitments		220		417		225
140.	Provisions to the reserve for probable loan losses		-9		-15		-7
150.	Adjustments to financial fixed assets		-115		-158		-87
160.	Writebacks of adjustments to financial fixed assets		95		218		6
170.	Income (losses) from investments carried at equity		140		197		87
180.	**Income from ordinary activities**		**1,056**		**1,700**		**956**
190.	Extraordinary income		118		548		158
200.	Extraordinary expense		-46		-580		-330
210.	**Extraordinary net income**		**72**		**-32**		**-172**
230.	Change in reserve for general banking risks		-		9		-
240.	Income taxes		-402		-657		-322
250.	Income (loss) attributable to minority interests		-35		-48		-21
260.	**Net income**		**691**		**972**		**441**

CONSOLIDATED BALANCE SHEET (comparison with pro forma schedules)

(€/mil)

	ASSETS	30/6/2004		31/12/2003		30/6/2003 pro forma (*)	
10.	Cash and deposits with central banks and post offices		1,037		1,474		974
20.	Treasury bills and similar bills eligible for refinancing with central banks		2,785		3,923		2,837
30.	Due from banks		22,147		22,278		20,050
	a) repayable on demand	6,490		7,291		7,185	
	b) other deposits	15,657		14,987		12,865	
40.	Loans to customers		124,777		124,599		126,331
	of which:						
	- loans using public funds	*150*		*172*		*172*	
50.	Bonds and other debt securities		28,684		18,588		19,884
	a) public entities	18,249		10,366		12,284	
	b) banks	6,357		5,536		5,225	
	of which:						
	- own bonds	*2,946*		*2,783*		*2,281*	
	c) financial institutions	3,337		2,116		1,929	
	of which:						
	- own bonds	*217*		*53*		*16*	
	d) other issuers	741		570		446	
60.	Shares, quotas and other equities		3,184		2,747		4,721
70.	Equity investments		3,399		3,442		2,986
	a) carried at equity	601		645		421	
	b) other	2,798		2,797		2,565	
80.	Investments in Group companies		1,160		1,130		1,267
	a) carried at equity	1,160		1,130		1,267	
90.	Goodwill arising on consolidation		829		883		944
100.	Goodwill arising on application of the equity method		67		76		83
110.	Intangible fixed assets		305		343		339
	of which:						
	- start-up costs	*1*		*2*		*2*	
	- goodwill	*7*		*7*		*15*	
120.	Tangible fixed assets		1,901		1,972		2,099
140.	Own shares or quotas		36		34		33
150.	Other assets		18,772		17,986		23,738
160.	Accrued income and prepaid expenses		3,842		3,105		2,722
	a) accrued income	3,015		2,223		1,935	
	b) prepaid expenses	827		882		787	
	of which:						
	- discounts on bond issues	*297*		*277*		*240*	
	Total assets		**212,925**		**202,580**		**209,008**

(*) The pro forma consolidated balance sheet as of 30 June 2003, which is unaudited, was prepared to enable consistent comparison with the consolidated financial statements as of 30 June 2004. The pro forma schedules reflect the non-consolidation of Banque Sanpaolo and its subsidiaries with effect from 1 January 2003.

(€/mil)

LIABILITIES		30/6/2004		31/12/2003		30/6/2003 pro forma (*)	
10.	Due to banks		32,570		28,534		28,087
	a) repayable on demand	8,543		3,875		5,927	
	b) time deposits or with notice period	24,027		24,659		22,160	
20.	Due to customers		85,841		79,993		84,742
	a) repayable on demand	68,839		63,074		66,999	
	b) time deposits or with notice period	17,002		16,919		17,743	
30.	Securities issued		49,585		51,553		47,513
	a) bonds	40,529		39,979		38,247	
	b) certificates of deposit	4,124		7,149		4,830	
	c) other	4,932		4,425		4,436	
40.	Public funds administered		153		175		176
50.	Other liabilities		19,963		18,445		25,416
60.	Accrued expenses and deferred income		2,720		2,181		1,895
	a) accrued expenses	2,255		1,708		1,380	
	b) deferred income	465		473		515	
70.	Provisions for termination indemnities		929		946		971
80.	Provisions for risks and charges		2,974		2,982		2,625
	a) pensions and similar	304		304		348	
	b) taxation	795		732		436	
	c) other	1,875		1,946		1,841	
90.	Reserve for probable loan losses		98		91		84
110.	Subordinated liabilities		6,801		6,414		6,784
130.	Negative goodwill arising on application of the equity method		268		213		205
140.	Minority interest		318		271		292
	Capital and reserves (captions 100, 150, 160, 170, 180)		10,014		9,810		9,777
200.	Net income		691		972		441
Total liabilities and shareholders' equity			**212,925**		**202,580**		**209,008**

(€/mil)

GUARANTEES AND COMMITMENTS		30/6/2004		31/12/2003		30/6/2003 pro forma (*)	
10.	Guarantees given		17,500		19,912		17,684
	of which:						
	- acceptances	*198*		*145*		*181*	
	- other guarantees	*17,302*		*19,767*		*17,503*	
20.	Commitments		28,423		25,839		31,077

(*) The pro forma consolidated balance sheet as of 30 June 2003, which is unaudited, was prepared to enable consistent comparison with the consolidated financial statements as of 30 June 2004. The pro forma schedules reflect the non-consolidation of Banque Sanpaolo and its subsidiaries with effect from 1 January 2003.

CONSOLIDATED STATEMENT OF INCOME (comparison with pro forma schedules)

(€/mil)

		First half 2004		2003		First half 2003 pro forma (*)	
10.	Interest income and similar revenues		3,570		7,443		3,828
	of which:						
	- loans to customers	*2,907*		*6,215*		*3,203*	
	- debt securities	*438*		*727*		*341*	
20.	Interest expense and similar charges		-1,711		-3,701		-1,990
	of which:						
	- amounts due to customers	*-445*		*-1,050*		*-581*	
	- securities issued	*-829*		*-1,761*		*-935*	
30.	Dividends and other revenues		121		309		283
	a) shares, quotas and other equities	70		223		231	
	b) equity investments	51		86		52	
40.	Commission income		1,973		3,722		1,723
50.	Commission expense		-369		-685		-318
60.	Profits (losses) on financial transactions		77		198		50
70.	Other operating income		192		396		188
80.	Administrative costs		-2,258		-4,610		-2,268
	a) personnel	-1,388		-2,841		-1,410	
	of which:						
	- wages and salaries	*-1,007*		*-2,046*		*-1,013*	
	- social security charges	*-307*		*-633*		*-314*	
	- termination indemnities	*-61*		*-132*		*-66*	
	- pensions and similar	*-13*		*-30*		*-17*	
	b) other administrative costs	-870		-1,769		-858	
90.	Adjustments to tangible and intangible fixed assets		-279		-642		-303
100.	Provisions for risks and charges		-78		-195		-63
110.	Other operating expense		-34		-68		-36
120.	Adjustments to loans and provisions for guarantees and commitments		-479		-1,126		-380
130.	Writebacks of adjustments to loans and provisions for guarantees and commitments		220		417		217
140.	Provisions to the reserve for probable loan losses		-9		-15		-7
150.	Adjustments to financial fixed assets		-115		-158		-87
160.	Writebacks of adjustments to financial fixed assets		95		218		6
170.	Income (losses) from investments carried at equity		140		197		103
180.	**Income from ordinary activities**		**1,056**		**1,700**		**946**
190.	Extraordinary income		118		548		157
200.	Extraordinary expense		-46		-580		-330
210.	**Extraordinary net income**		**72**		**-32**		**-173**
230.	Change in reserve for general banking risks		-		9		-
240.	Income taxes		-402		-657		-311
250.	Income (loss) attributable to minority interests		-35		-48		-21
260.	**Net income**		**691**		**972**		**441**

(*) The pro forma consolidated statement of income for the first half of 2003, which is unaudited, was prepared to enable consistent comparison with the consolidated statement of income for the first half of 2004. The pro forma schedules reflect the non-consolidation of Banque Sanpaolo and its subsidiaries with effect from 1 January 2003.

Consolidated Explanatory Notes

Introduction – Background information on the consolidated half year financial statements

Form and content of the consolidated half year financial statements

The report on Group performance during the first half of 2004 has been prepared in accordance with D. Lgs. 87 dated 27 January 1992, and the Consob instructions approved in Resolution no. 12475 dated 6 April 2000. For all matters not governed by special regulations, reference has been made to the Italian Civil Code and to national accounting standards.

The SANPAOLO IMI Group's Half Year Report is structured in substance like the Annual Consolidated Financial Statements, comprising a Report on Operations and the Half Year Financial Statements which are represented by the Balance Sheet, the Statement of Income and the Explanatory Notes. This ensures, as far as possible, the necessary continuity between the annual and half year accounts, also from a formal point of view.

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

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

The analyses and contents of the Report on operations refer to the pro forma performances for the first half of 2003, in relation to the main changes to the line by line and proportional consolidation area for 2003, reconstructed on a consistent basis (see subsequent paragraph "Consolidated pro forma schedules for the first half of 2003"). Furthermore, in order to make a more significant comparison with the situation as of 30 June 2004, pro forma versions of the official Consolidated Balance Sheet and Consolidated Statement of Income as of 30 June 2003 have also been supplied.

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

The following schedules are attached to the consolidated half year financial statements:
- Statement of changes in consolidated shareholders' equity;
- Statement of consolidated cash flows;
- Reconciliation between the profit and net equity of the Parent Bank and that of the Group;
- List of equity investments that exceed 10% in unlisted companies and limited liability companies (as per Consob Resolution no. 11715 of 24 November 1998);
- Methodological notes and statements to determine the pro forma consolidated statement of income and balance sheets for the first half of 2003.

Scope of consolidation

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

The scope of line by line consolidation excludes Società per la Gestione di Attività S.p.A. (Sga), the shares of which have been transferred to the Treasury Ministry as a pledge with voting right, as part of the special procedures described in "Part B Section 9 - Other liabilities" of these Notes. Furthermore, those companies carried at equity and for which disposal has been formally arranged are excluded.

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

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

The line by line and proportional consolidation area of the SANPAOLO IMI Group as of 30 June 2004, showed no significant changes compared with 31 December 2003, apart from the proportional consolidation of All Funds Bank S.A., following the purchase in February 2004 of 50% of the company by Sanpaolo IMI Wealth Management. When comparing to 30 June 2003, in addition to the above change it should be noted the passage from the area of consolidation on a line by line basis to consolidation according to the equity method of Banque Sanpaolo S.A. and its subsidiaries following the disposal in December 2003 of 60% of its shares previously held by the Parent Bank.

Lastly, attention is brought to the exclusion of Finconsumo Banca S.p.A. from the area of consolidation according to the equity method, following the disposal of the residual 30% interest during the first quarter of 2004.

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

Consolidated pro forma schedules for the first half of 2003

In relation to the aforementioned changes in the area of consolidation using the line by line and proportional method, in order to ensure comparability of the accounting results on a consistent basis, the accounts for the first half of 2003 are also presented in a pro forma version that conventionally assumes the passage of Banque Sanpaolo S.A. and its subsidiaries from consolidation on a line by line basis to consolidation according to the equity method with effect from 1 January 2003.

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

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

Consolidation principles

The main consolidation principles adopted are as follows.

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

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

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

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

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

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

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

Financial statements used for consolidation

The financial statements used for the line by line consolidation process are those prepared as of 30 June 2004, as approved by the boards of the subsidiaries concerned. They have been adjusted, where necessary, for consistency with Group accounting policies. The financial statements of companies operating in the financial leasing sector used for consolidation purposes were prepared using the financial lease method, which is essentially consistent with Group accounting policies.

Investments with no controlling interests have been valued according to the net equity method, made on the basis of the latest or draft financial statements available.

Audit of the consolidated half year financial statements

The Half Year Financial Statements of the SANPAOLO IMI Group have been subjected to a limited audit by PricewaterhouseCoopers S.p.A., in accordance with Consob Recommendations no. 97001574 of 20 February 1997 and no. 10867 of 31 July 1997, and the shareholders' resolution of 29 April 2004, which appointed them as auditors for the 2004/2006 three-year period.

Part A - Accounting policies

SECTION 1 - DESCRIPTION OF ACCOUNTING POLICIES

The Consolidated Half Year Report has been prepared using the accounting policies adopted in relation to the consolidated financial statements as of 31 December 2003. In particular, the half year accounts have been prepared using the discrete approach, by which the reference period is considered to be an independent financial period. Accordingly, the half year statement of income reflects both the ordinary and extraordinary components of income pertaining to the period, in accordance with the matching principle.

1. Loans, guarantees and commitments

Loans

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

In detail:
- non-performing loans: loans to borrowers in a state of insolvency or similar, are valued on a case-by-case basis;
- problem loans: loans to borrowers suffering temporary difficulties which are likely to be overcome in an acceptable period of time, are valued on a case-by-case basis;
- restructured loans: loans for which a pool of banks (or a single bank) reschedules the repayment of principal or re-negotiates the applicable terms at lower-than-market rates, are valued on a case-by-case basis;
- loans being restructured: loans for which the borrower has applied for consolidation to a variety of banks within the past 12 months, are valued on a case-by-case basis;
- loans exposed to "country risk": loans not guaranteed to borrowers resident in countries with debt-servicing difficulties, are normally adjusted on a general basis, from country to country, by applying writedown percentages that are not lower than those specified by the banking association. Exceptions are made for certain positions which are valued taking into account the level of risk covered by underlying guarantees. These loans do not include specific positions which, on the basis of an objective state of insolvency, are classified in the previous risk categories;
- performing loans: loans to borrowers who, at this time, do not present specific insolvency risks are valued on a general basis. Loans acquired from third parties for the purpose of investment, or rather with the intent of holding them in portfolio up to their expiry in order to maximize the financial profit of the investment, are classified at purchase cost; any difference between the price paid for the investment and the nominal value or reimbursement is reflected in the statement of income to adjust the interest relating to the loans acquired, according to the residual duration of the loans and on the basis of the accruals principle. General adjustments to other performing loans are calculated by the individual subsidiaries on the basis of historical/statistical methods used to determine the deterioration of loans which are considered to be effectively incurred, but the amount of which is not known at the moment of evaluation.

The historical/statistical method used by the Parent Bank and by the other bank networks of the Group, is organized as follows:
1. at the end of the period an estimate is made of the performing loans which, based on the movements over the last five

years, are expected to become doubtful loans during the next year;
2. the calculation of the potential losses likely to be incurred on the aggregate of point 1, is determined assuming that the loss percentage on performing loans transferred to doubtful loans is in line with the average loss observed over the last five years;
3. the results of the historical statistical method are, for the purpose of back-testing with the aim of confirming the effectiveness and accuracy of the method, compared with the ratings used to monitor and control credit risks on the basis of risk management methods.

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

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

The operating structures classify doubtful loans under the coordination of the central departments responsible for the supervision of credit control.

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

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

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

As regards the method used to calculate the discounting adjustments, they have been determined to reflect the difference between:
- the presumed realizable value; and
- the net present value of future financial flows (principal and interest).

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

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

With regard to the discounting rate, as of 30 June 2004, the Parent Bank used the average reference rate of 4.52%, determined as the appropriate approximate average performance at the date of inception of the doubtful loan portfolio and calculated on the basis of the contractual rates actually applied by the Parent Bank on medium-long term loans (fixed and floating rate) and on short term loans (floating rate). Considering the need to simplify and reduce data processing costs, it is deemed that such average rate is sufficiently approximate to the result which would have been obtained had current contractual rates been applied to transactions now classified as doubtful loans. A similar approach has been adopted by subsidiaries, using reference rates appropriate to the markets concerned, for foreign companies.

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

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

Loans deriving from financing and deposit contracts

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

Repurchase agreements on securities and securities lending

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

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

Finance leases

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

Guarantees and commitments

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

Credit derivatives

Hedging sales – Credit derivatives which involve hedging sales are recorded to caption 20 "commitments" according to their notional value. If payment of a fixed amount is expected, the amount recorded is that of the final sum established by the contract.

Hedging purchases – Credit derivatives which involve hedging purchase are booked to the underlying asset among loans secured by personal guarantees.

Credit derivatives are classified as belonging to the dealing portfolio (“trading book”) when the bank is holding them for trading. Credit derivatives not included in the trading book are classified to the banking book.

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

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

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

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

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

2.1.Investment securities

Investment securities due to be held by the Group over the long term with a view to stable investments are valued at “the average daily cost”, adjusted to reflect accruals for the year of issue and dealing discounts (the latter being the difference between the purchase price and the related redemption price, net of issue discounts yet to mature).

Such securities are written down to reflect any lasting deterioration in the solvency of the issuers and the ability of the related nations to repay debt. Investment securities may also be written down in consideration of the market trend in accordance with the first subsection of Art. 18 of D. Lgs. 87/92. The original value is reinstated if the reasons for any writedowns cease to apply.

2.2. Dealing securities

Securities held for dealing and treasury purposes are stated at their “average daily cost”, adjusted to reflect accrued issue discounts. They are valued as follows:
- securities quoted in organized markets: the official price quoted on the last trading day of the period;
- securities not quoted in organized markets: at the lower between cost and market value. The latter value is estimated via the discounting of future financial flows, applying the market rates, as at the time of valuation, for similar type of instruments and the creditworthiness of the issuer. Where possible, the estimates are compared with quoted securities with similar financial characteristics. The original value of dealing securities is reinstated when the reasons for any writedowns cease to apply. Unquoted securities which are economically linked to derivative contracts are valued at market price, consistent with the valuation of the contracts concerned.

Securities held for dealing purposes include securities issued by Group companies which were purchased on the market and held for negotiation purposes.

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

Commitments to buy or sell for security transactions to be settled

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

3. Equity investments

Equity investments which are neither consolidated on a line by line basis nor valued at equity, are stated at cost, increased to reflect past revaluations at the time the company was transformed and the effect of mergers, determined on a LIFO basis with annual increments. Cost is written down to reflect any permanent losses in value, taking into account any reductions in the equity value of the companies concerned and in the trend in exchange rates for those investments held at historical rates. The original value of equity investments is reinstated if the reasons for any writedowns cease to apply.

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

With reference to investments held in Isveimer and in Sga, any charges which the Parent Bank may be called on to bear to cover losses incurred by companies will be covered through measures taken in accordance with Law 588/96, accomplished with the procedures provided by the Ministerial Decree of 27 September 1974, as revealed in Part B - Section 9 of these Notes.

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

4. Foreign currency assets and liabilities (including off balance sheet transactions)

Assets and liabilities denominated in foreign currency

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

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

Unsettled spot and forward currency transactions

Unsettled spot and forward currency transactions carried out for *hedging purposes* are valued in the same way as the assets and liabilities being hedged, whether they are recorded on or off the balance sheet.

Transactions *not carried out for hedging purposes* are valued:
- at period-end spot exchange rates, in the case of spot transactions still to be settled;
- at period-end forward exchange rates for maturity dates corresponding with that of the transactions being valued, in the case of forward transactions.

The effect of these valuations is debited or credited to the statement of income.

5. Tangible fixed assets

Tangible fixed assets are stated at purchase cost, including related charges and the cost of improvements. In certain cases, purchase cost may have been restated on transformations, at the time of mergers or as a result of applying monetary revaluation laws.

Operating assets, by destination or nature, are depreciated on a straight-line basis over their residual useful lives. Tangible fixed assets are written down in cases where there is a permanent loss in value, regardless of how much depreciation has already been accumulated. The value of such assets is reinstated in future accounting periods if the reasons for any write-downs no longer apply.

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

6. Intangible fixed assets

Intangible fixed assets are stated at purchase or production cost, including related charges, and amortized over the period they are expected to benefit, as described below:
- start-up costs and other deferred charges are amortized, generally on a straight-line basis, over five years;
- costs incurred for the purchase of software or for its development, using external resources, are generally amortized on a straight-line basis, over three years, taking into account the expected residual period of utilization.

7. Other assets

Own shares

Own shares are valued according to the purposes for which they are held. In particular, they are valued at cost, determined using the "average daily cost" method, if they are classed as long-term investments. For this purpose own shares, used to complete strategic deals which require their availability, are considered long-term investments (e.g. share exchanges as part of the acquisition of equity investments, co-operation agreements and other corporate finance deals).

Instead, own shares are stated at their market value corresponding to the "official quotation of the year-end closing date" if they are held for a dealing portfolio, since they are available for sale or destined for share incentive or stock option plans.

Stock option plans

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

8. Payables

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

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

9. Provisions for termination indemnities

The provisions for termination indemnities represents the liability to each employee at period-end, accrued in accordance with current legislation and payroll agreements.

10. Provisions for risks and charges

Provisions for risks and charges cover known or probable liabilities, the timing and extent of which cannot be determined at period-end or at the time the financial statements are prepared.

Pensions and similar commitments

The pension fund, qualifiable as an "internal" pension fund, is set up by some companies of the former Cardine Group (Cassa di Risparmio di Venezia, Friulcassa, Cassa di Risparmio in Bologna and Banca Popolare dell'Adriatico), to cover charges linked with integration of the pension paid to the former staff entitled to such payment integration. The potential liability arising in this connection is assessed at period-end on the basis of independent actuarial appraisals, in order to determine the provisions to technical reserves needed to cover future pensions. A similar fund has been set up by Cassa dei Risparmi di Forlì (a proportionally consolidated company).

Provisions for taxation

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

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

Deferred taxation, determined according to the so called "balance sheet liability method", reflects the tax effect of temporary differences between the book value of assets and liabilities and their value for tax purposes, which will lead to taxable and deductible amounts in future years. To this end, "taxable temporary differences" are defined as those which will give rise to taxable income in future years (capital gains with deferred taxation, for example); while "deductible temporary differences" are defined as those which will give rise to deductible amounts in future years (such as provisions and costs that can be deducted for tax purposes over a period of years, e.g. general loan writedowns in excess of the fiscally deductible amount and accruals to provisions for risks and charges).

Deferred tax liabilities are calculated by applying to each consolidated company the effective expected tax rates established by current law on taxable temporary timing differences likely to generate a tax burden and to the deductible temporary timing differences if these are likely to be recovered.

The deferred taxation on equity reserves that will become taxable "however used" is charged against shareholders' equity.

Deferred taxation relating to revaluations arising on conversion to the euro, credited to a specific reserve that will become taxable pursuant to Art. 21 of D. Lgs. 213/98, is charged directly against this reserve.

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

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

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

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

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

Other provisions

The provision for guarantees and commitments covers losses on guarantees given and, more generally, the contingencies associated with the Group's guarantees and commitments, and the exposures to credit derivatives for which the Group has taken over the credit risk (seller protection).

The provision for other risks and charges covers estimated incurred losses arising from legal disputes, including repayments claimed by the receivers of bankrupt customers. It also covers probable charges in connection with guarantees given on the sale of equity investments, the Group's commitment to support the Interbank Deposit Guarantee Fund, the renegotiation of subsidized home mortgage loans (Law no. 133/99 and that dictated by Budget Law 2001) and unsubsidized fixed rate mortgages (Law Decree no. 394 dated 29 December 2000, converted to Law no. 24 dated 28 February 2001); probable charges connected to customer complaints in respect of dealing activities in securities and other connected charges and contingent liabilities.

The "provisions for other personnel charges" mainly comprise:
- provisions made by the Parent Bank and by Sanpaolo Banco di Napoli S.p.A., on the basis of an independent actuarial report, in order to cover the technical deficit of the Supplementary Pension Fund, an independent fund which supplements the compulsory pension fund, as well as accruals for other welfare and social contributions;
- provisions made on a mathematical/actuarial basis to set up the technical reserve needed to cover long-service bonuses payable to employees;
- provisions made to cover discretional employee bonuses, commitments for staff leaving incentives offered during the year and in prior years and other contingent liabilities.

11. Other aspects

Reserve for general banking risks

These reserves cover general business risks and, as such, forms part of shareholders' equity in compliance with international supervisory standards and Bank of Italy instructions.

Accruals and deferrals

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

Derivatives on currency, securities, interest rates, stockmarket indices and other assets

Derivative contracts are valued individually using the methods applicable to the portfolio concerned (hedging contracts and non-hedging contracts). The valuation criteria of derivative contracts are also applied to incorporated derivatives which represent the components of hybrid financial instruments and include both derivative and host contracts. To this end, incorporated derivative contracts are separate from host contracts and are valued on the basis of the rules of host contracts.

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

The values determined by the contract valuation process (hedging and non-hedging) are adjusted on a case-by-case or a general basis, where appropriate, in order to reflect any credit risk (counterparty and/or country risk) inherent in the contracts.

Hedging contracts

These are entered into with the aim of protecting the value of individual assets or liabilities, as well as any groups of assets or liabilities, on or off the balance sheet, from the risk of market fluctuations. In the case of groups of assets or liabilities, the hedging objective is achieved via the use of *asset and liability management* techniques. A transaction is considered to be a hedge in the presence of the following documented conditions:
a) intent to enter into a hedge;
b) high degree of correlation between the technical and financial characteristics of the assets or liabilities hedged and those inherent in the hedging contract.

If just one of the conditions above ceases to apply, then the contract is re-qualified as "non-hedging".

Hedging derivatives are valued on a basis consistent with the assets and liabilities being hedged. The related procedures for presentation in the financial statements are summarized below:

Balance sheet: the period element of <u>differentials earned</u> on contracts hedging the risk of fluctuations in the rates of interest on interest earning/bearing assets and liabilities is classified among "Accrued income" and/or "Accrued expenses". The element of <u>differentials</u> payable in future years on forward rate agreements hedging the interest arising from interest earning/bearing assets and liabilities is classified among "Prepaid expenses" and/or "Deferred income". The market value (<u>net of any accruals</u>) of contracts hedging the risk of price fluctuations in dealing transactions, as well as the effect of valuing contracts hedging the exchange risk on lending and funding activities (principal portion) using period-end spot exchange rates, are classified among "Other assets" and/or "Other liabilities". Contracts hedging investment securities or total loans and deposits are valued at cost.

Statement of income: where derivative contracts are intended to hedge the risk of fluctuations in the rates of interest on interest earning/bearing assets and liabilities, the <u>differentials accrued</u> will form part of net interest income on an accruals basis. If the derivative contract hedges the risk of market price or exchange fluctuations (principal portion), then the revenues or costs generated (with the exception of the differentials earned) are treated as "Profits (losses) on financial transactions". More specifically, differentials and margins earned on derivative contracts hedging dealing securities are treated as interest if they relate to multiple-flow contracts (e.g. IRS) or to single-flow contracts where the duration of the underlying asset is less than one year (e.g. FRA); but as profits and losses from financial transactions, if they relate to single-flow contracts where the duration of the underlying asset is more than one year (e.g. futures and options).

Non-hedging contracts

These are valued as follows:

Contracts on securities, interest rates, stockmarket indices and other assets: contracts quoted in organized markets are stated, assessed at their market value on the last day of the period. Contracts linked to reference indicators subject to official observation are stated on the basis of their financial value (replacement cost), determined with reference to the market quotations for those indicators on the last day of the period. Other contracts are valued with reference to other elements determined on an objective and consistent basis.

Foreign currency derivatives: these are stated using the forward exchange rates ruling at period-end for the maturity dates of the transactions subject to valuation.

The related procedures for presentation in the financial statements are summarized below:

Balance sheet: the amounts determined from the valuation of non-hedging contracts are classified as "Other assets" or "Other liabilities".

Statement of income: the economic effects of non-hedging derivative contracts are classified as "Profits (losses) from financial transactions". The structure of this caption, according to the sectors of the financial instruments being traded (securities, currency, other financial instruments) and to the nature of income/charges which they generate (valuations or not), is illustrated in a specific table in the Explanatory Notes.

Internal deals

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

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

With regard to the accounting treatment of internal deals and their effect on income, it should be noted that:
- internal deals involving derivatives held in specialized desk portfolios are stated at market value when entered into for negotiation/dealing purposes;
- internal deals involving derivatives held in non-specialized desk portfolios are treated on a basis consistent with the assets or liabilities being hedged (for example, at market value if they hedge listed dealing securities and at cost if they hedge investment securities and/or deposits).

Settlement date

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

SECTION 2 - ADJUSTMENTS AND PROVISIONS RECORDED FOR FISCAL PURPOSES

Art. 7, subsection 1, b) and c) of D. Lgs 6/2/2004 no. 37, has annulled Articles 15, subsection 3 and 39, subsection 2 of D. Lgs 87/92, which allowed banks to "make value adjustments and accruals solely for fiscal purposes".

Following this change in regulation, it is compulsory to commence, in the statement of income of the Parent Bank and its subsidiaries as of 30 June 2004, with releasing the adjustments and accruals made solely for fiscal purposes in prior years. This release has been recorded to extraordinary income.

When preparing the consolidated financial statements, these adjustments and accruals were already subject to reversals in previous years, consequently increasing the net result of the Group. Therefore the extraordinary income recorded by the Parent Bank and its subsidiaries in accordance with the new regulation, has been eliminated from the consolidated statement of income to cover the reinstatement of the consolidated equity reserves (see Attachments – Reconciliation between the Bank's half year financial statements and the consolidated half year financial statements).

Part B - Information on the consolidated balance sheet

SECTION 1 - LOANS

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

	30/6/04 (€/mil)	31/12/03 (€/mil)
Due from banks (caption 30)	22,147	22,278
Loans to customers (caption 40) (*)	124,777	124,599
Total	**146,924**	**146,877**

(*) The amount includes 931 million euro of loans to Società per la gestione di attività S.p.A. (Sga) (see Section 9 – "Other liabilities"), of which 917 million euro (1,013 million euro as of 31 December 2003) disbursed under Law 588/96.

Due from banks (caption 30)

Amounts due from banks include:

	30/6/04 (€/mil)	31/12/03 (€/mil)
a) Deposits with central banks	335	514
b) Bills eligible for refinancing with central banks	-	-
c) Finance leases	-	-
d) Repurchase agreements	10,307	10,050
e) Securities loaned	207	71

Deposits with central banks as of 30 June 2004 represent the compulsory reserve of 278 million euro with the Bank of Italy and other foreign central banks (422 million euro as of 31 December 2003).

Loans to customers (caption 40)

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

	30/6/04 (€/mil)	31/12/03 (€/mil)
a) Bills eligible for refinancing with central banks	1	1
b) Finance leases	5,054	4,593
c) Repurchase agreements	2,072	1,669
d) Securities loaned	646	25

"Secured loans to customers" are detailed as follows:

Secured loans to customers

	30/6/04 (€/mil)	31/12/03 (€/mil)
a) Mortgages	33,411	33,152
b) Pledged assets:		
1. cash deposits	399	626
2. securities (*)	4,543	4,017
3. other instruments	162	270
c) Guarantees given by:		
1. Governments (**)	4,422	5,500
2. other public entities	494	565
3. banks	1,131	969
4. other operators	17,060	17,106
Total	**61,622**	**62,205**

(*) Include repurchase and similar agreements guaranteed by underlying securities totaling 2,718 million euro (1,694 million euro as of 31 December 2003).

(**) Include 917 million euro of loans to Società per la gestione di attività S.p.A. (Sga).

Loans to customers guaranteed by banks and other operators include 91 million euro of positions for which the Parent Bank purchased buyer protection against the risk of non-performance, by means of derivative contracts.

The loans to customers covered by guarantees included in the above table and those granted directly to Governments or other public entities represent 60.1% of total loans to customers (61.0% as of 31 December 2003).

Degree of risk in loan portfolio

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

The presumed realizable value of doubtful loans takes into account not only the likelihood of recovery, but also the total or partial lack of income generated and the delay in repayment. Total adjustments for discounting purposes as of 30 June 2004 amount to 225 million euro (221 million euro as of 31 December 2003).

Analysis of loans to customers

	30/6/04 (€/mil)			31/12/03 (€/mil)		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
A. Doubtful loans	**6,736**	**4,117**	**2,619**	**6,433**	**3,892**	**2,541**
A.1 Non-performing loans	4,569	3,367	1,202	4,364	3,193	1,171
A.2 Problem loans	1,769	659	1,110	1,821	645	1,176
A.3 Loans in course of restructuring	250	51	199	24	3	21
A.4 Restructured loans	116	30	86	193	42	151
A.5 Unsecured loans exposed to country risk	32	10	22	31	9	22
B. Performing loans	**123,189**	**1,031**	**122,158**	**123,069**	**1,011**	**122,058**
Total loans to customers	**129,925**	**5,148**	**124,777**	**129,502**	**4,903**	**124,599**

Doubtful loans include unsecured loans to residents of nations exposed to risk for a gross exposure of 22 million euro, of which 9 million euro of non performing loans written down in full, problem loans for 11 million euro written down by 7 million euro and restructured loans of 2 million euro, written down by 1 million euro.

Coverage of loans (*)

Categories	30/6/04 (%)	31/12/03 (%)	30/6/03 pro forma (%)
Non-performing loans	73.7	73.2	69.9
Problem, restructured and in course of restructuring loans	34.7	33.9	32.1
Unsecured loans exposed to country risk	31.3	29.0	41.0
Performing loans (**)	0.9	0.9	0.9

(*) Index is defined as the ratio between accumulated adjustments on loans and the gross amount of such loans at period end.
(**) Total performing loans do not include loans to Sga (917 million euro), total adjustments include the reserve for probable loan losses (98 million euro).

The "general reserve" to cover the risk inherent in performing loans and the total of reserves for credit risks amount to 1,129 million euro, of which 136 million euro destined to cover the negative valuation of embedded derivative in the "to be converted" loan of 400 million euro granted to the FIAT group. The coverage of performing loans net of this component is around 0.8%.

Analysis of loans to banks

	30/6/04 (€/mil)			31/12/03 (€/mil)		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
A. Doubtful loans	**69**	**18**	**51**	**46**	**16**	**30**
A.1 Non-performing loans	2	2	-	6	6	-
A.2 Problem loans	1	1	-	1	1	-
A.3 Loans in course of restructuring	-	-	-	-	-	-
A.4 Restructured loans	-	-	-	-	-	-
A.5 Unsecured loans exposed to country risk	66	15	51	39	9	30
B. Performing loans	**22,108**	**12**	**22,096**	**22,259**	**11**	**22,248**
Total loans to banks	**22,177**	**30**	**22,147**	**22,305**	**27**	**22,278**

Non-performing loans include unsecured loans to residents in nations exposed to risk, held in portfolio by the Parent Bank, for a gross exposure of 1 million euro, written-down in full.

Movements in gross doubtful loans to customers

Movements in gross doubtful loans to customers during the first half of 2004, stated gross of value adjustments, were as follows:

(€/mil)

Description / Categories	Non-performing loans	Problem loans	Loans in course of restructuring	Restructured loans	Unsecured loans exposed to country risk
A. Gross exposure as of 1/1/04	**4,364**	**1,821**	**24**	**193**	**31**
A.1 of which: for default interest	*789*	*93*	*1*	*1*	-
B. Increases	**580**	**901**	**260**	**47**	**2**
B.1 inflows from performing loans	88	697	124	21	-
B.2 default interest	58	20	1	-	-
B.3 transfer from other categories of doubtful loans	328	47	131	16	-
B.4 other increases	106	137	4	10	2
C. Decreases	**375**	**953**	**34**	**124**	**1**
C.1 outflows to performing loans	7	102	-	38	-
C.2 write-offs	123	26	-	1	-
C.3 collections	212	354	7	66	1
C.4 disposals	5	-	-	-	-
C.5 transfer to other categories of doubtful loans	23	453	27	19	-
C.6 other decreases	5	18	-	-	-
D. Gross exposure as of 30/6/04	**4,569**	**1,769**	**250**	**116**	**32**
D.1 of which: for default interest	*821*	*99*	*1*	*1*	-

Movements in gross doubtful amounts due from banks

Movements in gross doubtful amounts due from banks during the first half of 2004, stated gross of value adjustments, were as follows:

(€/mil)

Description / Categories	Non-performing loans	Problem loans	Loans in course of restructuring	Restructured loans	Unsecured loans exposed to country risk
A. Gross exposure as of 1/1/04	6	1	-	-	39
A.1 of which: for default interest	*-*	*-*	*-*	*-*	*1*
B. Increases	-	-	-	-	27
B.1 inflows from performing loans	-	-	-	-	-
B.2 default interest	-	-	-	-	-
B.3 transfer from other categories of doubtful loans	-	-	-	-	-
B.4 other increases	-	-	-	-	27
C. Decreases	4	-	-	-	-
C.1 outflows to performing loans	-	-	-	-	-
C.2 write-offs	4	-	-	-	-
C.3 collections	-	-	-	-	-
C.4 disposals	-	-	-	-	-
C.5 transfer to other categories of doubtful loans	-	-	-	-	-
C.6 other decreases	-	-	-	-	-
D. Gross exposure as of 30/6/04	2	1	-	-	66
D.1 of which: for default interest	*-*	*-*	*-*	*-*	*1*

Movements in adjustments made to loans granted to customers

(€/mil)

Description / Categories	Non-performing loans	Problem loans	Loans in course of restructuring	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A. Total adjustments as of 1/1/04	**3,193**	**645**	**3**	**42**	**9**	**1,011**
A.1 of which: for default interest	*789*	*93*	*1*	*1*	-	*19*
B. Increases	**402**	**240**	**57**	**14**	**2**	**82**
B.1 adjustments	247	170	42	12	1	79
B.1.1 of which: for default interest	*58*	*20*	*1*	-	-	*7*
B.2 use of reserves for probable loan losses	1	-	-	-	-	-
B.3 transfer from other categories of doubtful loans	115	51	14	2	-	2
B.4 other increases	39	19	1	-	1	1
C. Decreases	**228**	**226**	**9**	**26**	**1**	**62**
C.1 writebacks from valuations	31	28	-	6	-	8
C.1.1 of which: for default interest	-	-	-	-	-	-
C.2 writebacks of collections	53	37	1	12	-	16
C.2.1 of which: for default interest	*15*	*5*	*1*	-	-	*4*
C.3 write-offs	123	26	-	1	-	4
C.4 transfer to other categories of doubtful loans	17	121	8	7	-	31
C.5 other decreases	4	14	-	-	1	3
D. Total adjustments as of 30/6/04	**3,367**	**659**	**51**	**30**	**10**	**1,031**
D.1 of which: for default interest	*821*	*99*	*1*	*1*	-	*17*

Total adjustments as of 30 June 2004 include 225 million euro relating to the adoption of a policy for discounting doubtful loans. More specifically, writedowns for discounting purposes total 155 million euro on non-performing loans, 62 million euro on problem loans and 8 million euro on restructured loans and loans being restructured.

Movements in adjustments made to loans granted to banks

(€/mil)

Description / Categories	Non-performing loans	Problem loans	Loans in course of restructuring	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A. Total adjustments as of 1/1/04	6	1	-	-	9	11
A.1 of which: for default interest	-	-	-	-	*1*	-
B. Increases	-	-	-	-	6	1
B.1 adjustments	-	-	-	-	5	1
B.1.1 of which: for default interest	-	-	-	-	-	-
B.2 use of reserves for probable loan losses	-	-	-	-	-	-
B.3 transfer from other categories of doubtful loans	-	-	-	-	-	-
B.4 other increases	-	-	-	-	1	-
C. Decreases	4	-	-	-	-	-
C.1 writebacks from valuations	-	-	-	-	-	-
C.1.1 of which: for default interest	-	-	-	-	-	-
C.2 writebacks of collections	-	-	-	-	-	-
C.2.1 of which: for default interest	-	-	-	-	-	-
C.3 write-offs	4	-	-	-	-	-
C.4 transfer to other categories of doubtful loans	-	-	-	-	-	-
C.5 other decreases	-	-	-	-	-	-
D. Total adjustments as of 30/6/04	2	1	-	-	15	12
D.1 of which: for default interest	-	-	-	-	*1*	-

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

(€/mil)

Country	Gross exposure		
	Total	*of which: unsecured*	
		book value	*weighted value*
Russia	243	22	19
Brazil	40	18	17
Azerbaijan	35	11	11
Venezuela	11	9	9
Dominican Republic	14	8	8
Qatar	7	7	7
Argentina	80	4	3
Panama	5	4	1
Trinidad and Tobago	4	4	1
Peru	3	3	3
Angola	11	2	2
Serbia and Montenegro	3	2	2
Costa Rica	2	2	-
Philippines	7	1	1
Cayman Islands	43	-	-
Other	30	1	1
Total gross exposure	**538**	***98***	***85***
Total adjustments	25	*25*	
Net exposure as of 30/6/04	**513**	***73***	

For the purposes of these Notes, the countries considered are those listed by the Italian Bankers' Association, for which, in the absence of specific guarantees, general adjustments have been made.

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

Secured loans, amounting to 440 million euro, are mainly insured by SACE or equivalent entities and by guarantees from banking operators in the OECD area. In addition, they comprise loans of 69 million euro granted by the Parent Bank to a prime customer resident in Russia, that are guaranteed by receivables deriving from supply contracts with leading West European companies. This collateral is deemed adequate to cover the credit risk. In compliance with Bank of Italy regulations, these loans are included in the calculation of country risk, which is deducted from the Bank's capital for supervisory purposes.

Other information relating to loans

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

SECTION 2 - SECURITIES

Securities owned by the Group are analyzed as follows:

	30/6/04 (€/mil)	31/12/03 (€/mil)
Treasury bills and similar bills eligible for refinancing with central banks (caption 20)	2,785	3,923
Bonds and other debt securities (caption 50)	28,684	18,588
Shares, quotas and other equities (caption 60)	3,184	2,747
Total	**34,653**	**25,258**

"Treasury bills and similar bills eligible for refinancing with central banks" represent securities which may be used for refinancing purposes on condition that they are not subject to restrictions deriving from other transactions.

Investment securities

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

	30/6/04 (€/mil)		31/12/03 (€/mil)	
	Book value	Market value	Book value	Market value
1. Debt securities				
1.1 Government securities				
- quoted	2,092	2,137	2,153	2,216
- unquoted	49	59	-	-
1.2 Other securities				
- quoted	182	185	139	143
- unquoted	534	542	585	599
2. Equities				
- quoted	-	-	-	-
- unquoted	60	60	58	58
Total	**2,917**	**2,983**	**2,935**	**3,016**

The comparison between the market value and book value entered in the financial statements reveals net unrealized gains, for the Parent Bank and some subsidiaries, of 3 million euro on securities not covered by derivative contracts and of 63 million euro on hedged securities. The evaluation of related derivative contracts reveals potential losses for 50 million euro (including 20 million euro for operations entered into with Group companies operating on financial markets within their brokerage activity).

"Other securities", quoted and unquoted (716 million euro), mainly include securities held by the Parent Bank for 407 million euro and by foreign subsidiaries for 168 million euro. These securities also include investments made by Banca Fideuram S.p.A. and by Sanpaolo Invest SIM S.p.A. in insurance policies issued by Fideuram Vita dedicated to plan the fidelization of the financial planner network (139 million euro).

In relation to classification by issuer, the aforementioned 716 million euro refer to investments in securities in foreign Governments and public entities amounting to 102 million euro while, in addition to the aforementioned policies (139 million euro), other investments in securities amounting to 614 million euro mainly include securities issued by leading companies in the European Union and in other industrialized countries (399 million euro), as well as International Organizations (76 million euro).

"Equities" only comprise units in mutual funds mainly included in the investment portfolios of Sanpaolo IMI Private Equity Group.

Dealing securities

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

	30/6/04 (€/mil)		31/12/03 (€/mil)	
	Book value	Market value	Book value	Market value
1. Debt securities				
1.1 Government securities				
- quoted	13,939	13,939	9,600	9,600
- unquoted	9	9	40	40
1.2 Other securities				
- quoted	5,601	5,601	3,407	3,409
- unquoted	9,063	9,228	6,587	6,608
2. Equities				
- quoted	2,864	2,864	2,443	2,448
- unquoted	260	260	246	246
Total	**31,736**	**31,901**	**22,323**	**22,351**

The increase in dealing securities is mainly attributable to Banca IMI, in relation to its trading activities and to Banca OPI, following its subscription to public issue bonds (mainly local authorities and foreign counterparties from the government sector).

Furthermore, in the reclassified consolidated financial statements, the dealing securities portfolio also includes 36 million euro of SANPAOLO IMI S.p.A. shares held in the portfolio of the Parent Bank and of Banca IMI.

Other information relating to securities

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

SECTION 3 - EQUITY INVESTMENTS

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

	30/6/04 (€/mil)	31/12/03 (€/mil)
Equity investments (caption 70)	3,399	3,442
Investments in Group companies (caption 80)	1,160	1,130
Total	**4,559**	**4,572**
- significant investments carried at equity (Part E - Section 1)	*1,761*	*1,775*
- other equity investments carried at cost (Part E - Section 2)	*2,798*	*2,797*

Composition of the investment portfolio

Analysis of caption 80 "investments in Group companies"

	30/6/04 (€/mil)	31/12/03 (€/mil)
a) in banks		
1. quoted	-	-
2. unquoted	-	-
b) in financial institutions		
1. quoted	-	-
2. unquoted	13	11
c) other		
1. quoted	-	-
2. unquoted	1,147	1,119
Total	**1,160**	**1,130**

Analysis of caption 70 "equity investments"

	30/6/04 (€/mil)	31/12/03 (€/mil)
a) in banks	.	
1. quoted	1,413	1,327
2. unquoted	794	869
b) in financial institutions		
1. quoted	-	-
2. unquoted	183	195
c) other		
1. quoted	198	200
2. unquoted	811	851
Total	**3,399**	**3,442**

The investment portfolio, amounting to 4,559 million euro, reveals a net decrease of 13 million euro compared with 31 December 2003. The main changes are as follows:

Increases

Amounting to 168 million euro, they include the following equity investments made in the first six months of the year:
- subscribed increase in Convergenza Sca share capital by Sanpaolo IMI Private Equity S.p.A. for 3 million euro;
- purchase of a 1% shareholding in Rimini Fiera S.p.A. by Banca OPI S.p.A. for 2 million euro;
- payment of 2 million euro to the share capital of Synesis Finanziaria S.p.A. by IMI Investimenti S.p.A.;
- drawdown payment to Kiwi II Ventura S.A. by Sanpaolo IMI Private Equity S.p.A. for 1 million euro.

The increases also include:
- the writeback of 95 million euro (of which 92 million euro for Santander Central Hispano S.A.);
- the increase in value of those companies already valued using the equity method mainly after recording income for the half year higher than the dividends distributed (64 million euro).

Decreases

Totaling 181 million euro, these include the following disposals made by the Group:
- disposal by the Parent Bank of shares in Finconsumo Banca S.p.A. for 80 million euro (realized gain of 55 million euro);
- disposal by the Parent Bank of shares in Mostra d'Oltremare S.p.A. for 3 million euro (realized gain of 3 million euro);
- the disposal by Invesp S.p.A. of a portion of its shareholding in Unipol S.p.A. for 3 million euro;
- the disposal by FIN.OPI S.p.A. of its shareholding in Immobiliare Colonna S.r.l. for 2 million euro.

The decreases also include:
- adjustments for 114 million euro (see Section 5 of the statement of income "Adjustment to financial fixed assets" and "Writebacks of fixed financial assets");
- the decrease in value of those companies valued using the equity method mainly after distributing dividends for the half year higher than the income for the period (33 million euro).

Of the total investments valued using the equity method, 144 million euro refer to income from valuating at equity, 4 million euro to losses, 98 million euro to reduction in value following the distribution of dividends and 11 million euro for other net decreases.

The main commitments on investments recorded to off-balance sheet accounts (caption 20 of "Guarantees and Commitments") are as follows:
- a commitment by the Parent Bank (231 million euro) to purchase an additional shareholding (29.77%) in Cassa dei Risparmi di Forlì, according to a put option granted to Fondazione Cassa dei Risparmi di Forlì;
- a commitment by the Parent Bank (83 million euro) to purchase an additional shareholding (34.37%) in Banka Koper, according to a put option granted to third party shareholders;
- a commitment by the Parent Bank (107 million euro) to purchase an additional shareholding (8%) in Banca delle Marche S.p.A., according to a put option granted to Fondazioni shareholders;
- a commitment by IMI Investimenti (182 million euro) to convert Italenergia Bis warrants into shares of the same. Such warrants have an option to sell to third parties to be exercised in 2005.

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

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

Amounts due to and from Group companies

	30/6/04 (€/mil)	31/12/03 (€/mil)
a) Assets		
1. due from banks	-	-
of which: *– subordinated*	-	-
2. due from financial institutions (*)	21	20
of which: *– subordinated*	-	-
3. due from other customers	163	116
of which: *– subordinated*	*65*	*65*
4. bonds and other debt securities	141	121
of which: *– subordinated*	*2*	*2*
Total assets	**325**	**257**
b) Liabilities		
1. due to banks	64	40
2. due to financial institutions	3	7
3. due to other customers	400	326
4. securities issued	1,108	1,049
5. subordinated liabilities	2	2
Total liabilities	**1,577**	**1,424**
c) Guarantees and commitments		
1. guarantees given	9	5
2. commitments	6	6
Total guarantees and commitments	**15**	**11**

(*) This does not include 931 million euro (1,042 million euro as of 31 December 2003) of Parent Bank loans to Sga, given the special nature of the relationship (see Part B - Section 9 "Other liabilities" of these Notes).

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

	30/6/04 (€/mil)	31/12/03 (€/mil)
a) Assets		
1. due from banks (*)	1,180	1,153
of which: *– subordinated*	*10*	*10*
2. due from financial institutions	1,377	2,548
of which: *– subordinated*	*1*	-
3. due from other customers	1,018	1,219
of which: *– subordinated*	-	-
4. bonds and other debt securities (**)	299	90
of which: *– subordinated*	*5*	*12*
Total assets	**3,874**	**5,010**
b) Liabilities		
1. due to banks (***)	1,120	1,939
2. due to financial institutions	284	313
3. due to other customers	254	296
4. securities issued	-	-
5. subordinated liabilities	-	-
Total liabilities	**1,658**	**2,548**
c) Guarantees and commitments		
1. guarantees given	1,112	1,085
2. commitments	269	435
Total guarantees and commitments	**1,381**	**1,520**

(*) Including the compulsory reserve deposited with the Bank of Italy.
(**) The subsidiary Sanpaolo Vita also holds bonds issued by Banque Sanpaolo and Carifirenze for 315 million euro.
(***) Including the repurchase agreements with the Bank of Italy.

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

Amounts due to and from affiliated companies

	30/6/04 (€/mil)	31/12/03 (€/mil)
a) Assets		
1. due from banks	654	589
of which: *– subordinated*	-	-
2. due from financial institutions	64	446
of which: *– subordinated*	-	-
3. due from other customers	61	230
of which: *– subordinated*	-	-
4. bonds and other debt securities (*)	5	12
of which: *– subordinated*	*5*	*12*
Total assets	**784**	**1,277**
b) Liabilities		
1. due to banks	61	70
2. due to financial institutions	15	19
3. due to other customers	75	71
4. securities issued	-	-
5. subordinated liabilities	-	-
Total liabilities	**151**	**160**
c) Guarantees and commitments		
1. guarantees given	274	286
2. commitments	7	26
Total guarantees and commitments	**281**	**312**

(*) The subsidiary Sanpaolo Vita also holds bonds issued by Banque Sanpaolo and Carifirenze for 315 million euro.

SECTION 4 - TANGIBLE AND INTANGIBLE FIXED ASSETS

Tangible and intangible fixed assets comprise the following:

	30/6/04 (€/mil)	31/12/03 (€/mil)
Tangible fixed assets (caption 120)	1,901	1,972
Intangible fixed assets (caption 110)	305	343
Total	**2,206**	**2,315**

Tangible fixed assets (caption 120)

Tangible fixed assets comprise:

	30/6/04 (€/mil)	31/12/03 (€/mil)
Property		
- operating	1,534	1,535
- non-operating	193	221
Furniture and installation		
- electronic equipment	90	116
- general and specific installations	34	45
- office furniture and equipment	49	53
- vehicles	1	2
Total	**1,901**	**1,972**

Intangible fixed assets (caption 110)

Intangible fixed assets comprise:

	30/6/04 (€/mil)	31/12/03 (€/mil)
Goodwill	7	7
Software in use	186	201
Software not yet in use	56	73
Other deferred charges	56	62
Total	**305**	**343**

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

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

Other “Deferred charges” include, among other:
- 42 million euro for leasehold property improvements;
- 1 million euro for start-up and expansion costs.

SECTION 5 - OTHER ASSETS

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

	30/6/04 (€/mil)	31/12/03 (€/mil)
Goodwill arising on consolidation (caption 90)	829	883
Goodwill arising on application of the equity method (caption 100)	67	76
Other assets (caption 150)	18,772	17,986
Accrued income and prepaid expenses (caption 160)	3,842	3,105
Total	**23,510**	**22,050**

Goodwill arising on consolidation (caption 90)

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

Analysis of caption 90 "goodwill arising on consolidation"

	30/6/04 (€/mil)	31/12/03 (€/mil)
Banco di Napoli	591	636
Cassa dei Risparmi di Forlì	131	140
Banka Koper	53	57
Financiere Fideuram	14	16
Allfunds Bank	8	-
Cardine Group	11	11
Sanpaolo IMI Private Equity	6	7
Inter-Europa Bank	4	5
Eptaconsors (*)	4	4
Banca Popolare dell'Adriatico	4	4
Banque Privée Fideuram Wargny	3	3
Total	**829**	**883**

(*) The company was merged in Invesp S.p.A. during 2003.

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

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

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

	30/6/04 (€/mil)	31/12/03 (€/mil)
Cassa di Risparmio di Firenze	43	47
Eptaventure	1	1
Sagat	9	10
Noricum	2	2
Aeffe	12	16
Total	**67**	**76**

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

Other assets (caption 150)

Analysis of caption 150 "other assets"

	30/6/04 (€/mil)	31/12/03 (€/mil)
Valuation of derivatives on interest rates and stockmarket indices	5,626	4,586
Effect of currency hedges, forex swap and cross-currency swap	272	454
Unprocessed transactions (*)	3,386	2,522
Deferred tax assets	1,416	1,488
Tax collection accounts	645	1,210
Due from tax authorities:	1,985	2,407
- prepaid current year direct taxes	*215*	*516*
- tax credits relating to prior years	*1,269*	*959*
- taxes paid in advance on termination indemnities - Law 662/96	*60*	*69*
- taxes withheld during the year	*82*	*344*
- other loans	*359*	*519*
Amounts in transit with branches and subsidiaries (*)	1,518	1,423
Premiums paid on purchased options	1,420	1,296
Other items derivative contracts	782	1,032
Deposits with clearing-houses	12	35
Checks and other instruments held	39	30
Net effect of translating funds from international agencies using current rates, with the exchange borne by third parties	11	16
Items relating to securities transactions	29	35
Deposits with clearing agencies and guarantee institutions	11	7
Other (**)	1,620	1,445
Total	**18,772**	**17,986**

(*) The amounts were mostly settled a few days after the balance sheet date.
(**) 'Other' includes the presumed realizable value of 1.3 million euro for the loan arising from the Rome Court of Appeal in relation to the IMI Sir dispute. Detailed information on this dispute is provided later in this section.

IMI Sir dispute

Other assets include 1.3 million euro which refer to the presumed realizable value of the credit which was definitively enforced by the Civil Section of the Supreme Court through sentence no. 2469/03. This sentence has substantially confirmed decision no. 2887, passed by the Rome Court of Appeal on 11 September 2001, which condemned Consorzio Bancario SIR S.p.A. (in liquidation) to reimburse to the Bank the sum of 506 million euro previously paid by IMI to the heirs of Mr. Nino Rovelli as compensation for damages, in accordance with the sentence passed by the Rome Court of Appeal on 26 November 1990. However, the sentence changed the ruling on the amount of interest payable by the Consorzio – on the grounds of procedures and not of merit - in respect of whether or not it should include the amount matured from the date on which the appeal was served (equal to around 72.5 million euro as of 31 December 2001). Furthermore, the Supreme Court referred to another section of the Rome Appeal Court the decision on whether or not the total amount owed to the Bank by Consorzio should be reduced by approximately 14.5 million euro, as compensation for the damages related to the transaction between the Consorzio and IMI in respect of the additional agreement of 19 July 1979: if the trial judge holds the claim amount unjustified, the sentence against the Consorzio to pay the sum of 506 million euro will be reduced accordingly. In this respect, proceedings have begun within the terms, for the resummons of the sentence before the Rome Court of Appeal, where judgment is currently pending.

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

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

With reference to the above, taking into account that the initiatives taken so far have not achieved concrete results, the Bank has considered that the presumed realizable value of this loan should be within the bounds of the Consorzio's capital and its ability to pay; such amount, net of the effects attributable to the previously mentioned Supreme Court sentence, being substantially in line with that currently recorded.

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

On 29 April 2003, the Criminal Section IV of the Court of Milan, finally sentenced Rovelli's heir and the other co-defendants to different terms of imprisonment in relation to their respective levels of responsibility for the crimes committed, establishing also the compensation for damages to be awarded to the plaintiffs, among which SANPAOLO IMI.

To this end it should be noted that the Court quantified the amount of damages to be liquidated solely for moral injury at 516 million euro, without however granting provisional enforceability of the sentence, which would have allowed the plaintiffs to take immediate action in order to recover the amount receivable.

Therefore, since the sentence is not final nor binding (in that a plea for burden has been proposed by all the parties), it is expected that under the circumstances no relevance can be given to the amount due from Consorzio Bancario SIR either autonomously or as an element of valuation.

SECTION 6 - PAYABLES

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

	30/6/04 (€/mil)	31/12/03 (€/mil)
Due to banks (caption 10)	32,570	28,534
Due to customers (caption 20)	85,841	79,993
Securities issued (caption 30)	49,585	51,553
Public funds administered (caption 40)	153	175
Total	**168,149**	**160,255**

Due to banks (caption 10)

Deposits taken from banks are analyzed as follows:

	30/6/04 (€/mil)	31/12/03 (€/mil)
Due to central banks		
- repurchase agreements and securities loaned	1,012	1,704
- other deposits from the Italian Exchange Office	301	355
- other deposits from central banks	1,625	1,918
Due to other banks		
- deposits	8,238	9,762
- repurchase agreements and securities loaned	11,833	5,998
- medium and long-term loans from international bodies	6,349	6,360
- current accounts	1,477	721
- other	1,735	1,716
Total	**32,570**	**28,534**

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

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

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

	30/6/04 (€/mil)	31/12/03 (€/mil)
Due to customers		
- current accounts	57,042	53,968
- repurchase agreements and securities loaned	10,958	10,073
- deposits	14,144	14,405
- short-term payables relating to special management services carried out for the government	200	230
- other (*)	3,497	1,317
Securities issued		
- bonds	40,529	39,979
- certificates of deposit	4,124	7,149
- banker's drafts	816	641
- other securities	4,116	3,784
Total	**135,426**	**131,546**

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

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

Public funds administered (caption 40)

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

	30/6/04 (€/mil)	31/12/03 (€/mil)
Funds provided by the State	49	52
Funds provided by regional public agencies	104	123
Other funds	-	-
Total	**153**	**175**
of which: Funds with risk borne by the Government under Law no. 19 of 6/2/87	*10*	*10*

Other information relating to payables

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

SECTION 7 - PROVISIONS

The Group provisions are analyzed below:

	30/6/04 (€/mil)	31/12/03 (€/mil)
Provisions for employee termination indemnities (caption 70)	929	946
Provisions for risks and charges (caption 80)		
- pensions and similar commitments (caption 80.a)	304	304
- provisions for taxation (caption 80.b)	795	732
- other provisions (caption 80.c)	1,875	1,946
Reserve for probable loan losses (caption 90)	98	91
Total	**4,001**	**4,019**

Provisions for risks and charges

Pensions and similar commitments (caption 80.a)

As of 30 June 2004 the provision is made up of 298 million euro from the North East Coordination Direction bank networks and Banca Popolare dell'Adriatico (298 million euro as of 31 December 2003) and 6 million euro from the Cassa dei Risparmi di Forlì (6 million euro as of 31 December 2003).

Provisions for taxation (caption 80.b)

The provisions for taxation are composed of 691 million euro to cover current income taxes and actual, existing or potential fiscal disputes, including local taxes payable by foreign branches and subsidiaries, as well as 104 million euro to cover deferred taxes.

Deferred tax assets and liabilities recorded in the consolidated financial statements refer to temporary differences between the accounting and fiscal value of assets and liabilities accrued in the first half of 2004 and in prior years, for which it is deemed likely that, in the case of deferred tax liabilities, a tax liability will be incurred in the future or which, in the case of deferred tax assets, will most likely be recovered. Deferred taxation has been calculated by each Group company and also on consolidation in respect of the tax effect of specific consolidation entries. The tax effect relating to provisional differences of each Group subsidiary has been calculated applying different tax rates according to the respective country of residence.

During the first half of the year, SANPAOLO IMI and its subsidiaries have adhered to an initiative in terms of "tax reform and benefits" in compliance with art. 2 of Law n. 350/2003 (2004 Budget) and Law Decree 143/2003, by sustaining a total charge of 10 million euro, of which 7 million euro are economically neutral as an effect of the use of pre-existing reserves (for further detail refer to Part C – Section 6 - Other statement of income captions).

Report as per Consob Communication 1011405 dated 15 February 2001

Tax benefits under D.Lgs. no. 153 dated 17/5/99 (Legge Ciampi)

Law Decree no. 153 dated 17 May 1999 - known as "Legge Ciampi" – introduced tax instruments in respect of restructuring operations on banks and, among others, set a reduced tax rate for bank or banking group concentration transactions of 12.50% on profits destined to a special reserve to be composed of the maximum amount, to be broken down on a straight-line basis over five years, at 1.2% of the difference between the receivables and payables of all the banks that took part in the transaction and the aggregate of the major bank participating in the transaction.

The European Commission declared, through a statement dated 11 December 2001, that the tax benefits under "Legge Ciampi" were incompatible with Community principles. Together with the Italian Government who, in February 2002, filed an appeal against the European Court of Justice, ABI (Italian Bankers' Association) and the banks concerned, including SANPAOLO IMI, petitioned the High Court of Luxembourg to cancel the decision of the European Commission. The dispute is still pending even if, in view of the pending sentence on the appeal filed by the Government before the Court of Justice, the Court has decided to suspend judgment until the appeal by the Italian Government is settled. All in all this latest development has limited the possibility for private parties (among which our Bank) to enforce the specific reasons for grievance against the lodged appeal. This is why an attempt was made to obtain a review of the order to suspend the sentence issued by the Court. Unfortunately this attempt was unsuccessful.

Therefore ABI and the banks concerned are forced to wait until the Court of Justice pronounces judgment on the proceedings brought by the Italian Government, the consequences of which, in all probability, will influence profoundly the outcome of their own appeal as soon as it can resume its course before the High Court.

Following the aforementioned decision by the European Commission, decree law no. 63 of 15 April 2002 (subsequently converted into Law no. 112 on 15 June 2002) suspended "Legge Ciampi" with effect from 2001. Commencing from that year, current income taxes and deferred taxes have therefore been determined without taking into account the benefits in question. Furthermore, through Decree Law no. 282 of 24 December 2002 (subsequently converted into Law no. 27 on 21 February 2003), the Government implemented the decision of the Commission whereby it enforced payment of the unpaid taxes (being the relief granted through "Legge Ciampi") by 31 December 2002. It should be noted that SANPAOLO IMI and the Cardine group merged banks – that, through the law in question, benefited from tax relief for the years 1998, 1999 and 2000 – had accrued prudently the corresponding amount to the tax reserve.

In respect of the expiry on 31 December 2002, the Bank paid 200 million euro, which corresponds to the lower tax liabilities already paid in by the Bank and the merged banks and includes interest at an annual rate of 5.5%, which is substantially in line with the full amount to be reimbursed, apart from some minor adjustments. Merely for precautionary measures, reservations were expressed to the Department of the Treasury, the payee, in respect of the petitions brought before the High Court of the European Community.

As far as the effect on the financial statements is concerned, considering that the recovery of the tax relief has been applied in the presence of disputes brought against the European Commission by the Italian Government and the banks concerned and that in any case the amount paid cannot be considered definitive, such amounts have been recorded to other assets and wholly offset by accruals to the tax reserve.

In the first half of 2004, following the expiry of the three year period subject to taxation as provided by a specific law, 854 million euro of the Parent Bank's net equity was reclassified from the reserve accrued according to "Legge Ciampi" to an extraordinary reserve.

Other provisions (caption 80.c)

	30/6/04 (€/mil)	31/12/03 (€/mil)
Other provisions (caption 80.c)		
- provisions for guarantees and commitments	132	131
- provisions for other risks and charges	937	927
- provisions for other personnel charges	806	888
Total	**1,875**	**1,946**

Provisions for “guarantees and commitments” of 132 million euro cover expected losses in respect of guarantees and more generally, the contingencies associated with guarantees and commitments, including exposures to derivate contracts on loans for which the Group has taken over the credit risk (seller protection). More specifically, the provisions include risks calculated on a case by case basis as well as the physiological risk of performing accounts valued using the same principles as those applied to loans.

Provisions for “other risks and charges” amounting to 937 million euro, include:

- the Parent Bank for 486 million euro, of which:
  - 297 million euro provided against estimated losses on legal disputes and, more specifically, on claims by receivers of bankrupt customers;
  - 155 million euro to cover potential charges among which guarantees given as part of company transactions and those relating to risks connected to dealing activities in securities;
  - 34 million euro accrued against potential charges deriving from the possible renegotiation of mortgage loans to a specific reserve calculated on the basis of current laws;
- Sanpaolo Banco di Napoli for 138 million euro, of which:
  - 89 million euro provided against estimated losses on legal disputes, including claims by receivers of bankrupt customers;
  - 34 million euro accrued against potential costs deriving from the renegotiation of mortgage loans;
  - 10 million euro for outstanding contributions connected to special loans;
  - 5 million euro for other categories;
- 52 million euro for the North East Coordination Direction bank networks and the Banca Popolare dell’Adriatico, of which 5 million euro against potential costs deriving from the renegotiation of mortgage loans;
- the tax collection services of the Group for 17 million euro to cover specific risks in the sector and restructuring charges;
- other subsidiaries for 244 million euro, mainly relating to risks, also of a commercial or operational nature, connected to the distribution of and dealing in financial products.

Provisions for “other personnel costs”, of 806 million euro, include:

- the Parent Bank for 686 million euro, of which:
  - 459 million euro for staff leaving incentives completed in previous years. With reference to initiatives completed during 2003, the reserve also includes charges referring to staff whose employment contracts were transferred to Sanpaolo Banco di Napoli S.p.A. in the context of the conferral of the business branch represented by the Southern Territorial Direction. The provisions of the transfer requires that the Parent Bank reimburses the receiving company the sums paid by the latter as leaving incentives to employees on the basis of the company agreement with the Parent Bank dated 14 June 2003;
  - 123 million euro accrued, on the basis of independent actuarial appraisals, to cover the technical deficit of the supplementary pension fund, an independent entity, which integrates the compulsory pension fund for Istituto Bancario San Paolo di Torino employees;
  - 57 million euro of other provisions in respect of charges for social contributions and the supplementary pension fund;
  - 26 million euro accrued against potential liabilities deriving mainly from the renewal of the work contract and employee premiums and incentives, the issue of which is at the discretion of the Parent Bank;
  - 21 million euro to cover payment of long service bonuses to employees;

- other subsidiaries for 120 million euro, of which 92 million euro refer to the former Cardine bank networks and 9 million euro to Sanpaolo Banco di Napoli.

Potential risks from customer complaints in respect of dealing activities in securities

The provision for risks and charges has been calculated taking into consideration the Group's risk profile with customers connected to dealing activities in securities, especially in respect of the circumstances related to the insolvency of the Cirio and Parmalat groups.

The Group policy provides that – in accordance with normal criteria for managing customer complaints based on verifying that the formal and behavioral principles dictated by regulatory reference framework have been respected – Group companies pay particular attention, even resorting to a proper course of investigation, to the adequacy of the service provided, particularly in respect of the awareness acquired by the customer about the implicit risks involved in the specific intermediary financial instruments.

Furthermore, SANPAOLO IMI has welcomed the setting up of a Committee of Parmalat bondholders, created in order to represent Group customers in the context of the collective proceedings, and has decided to provide the Committee with logistic assistance and financial support, whilst guaranteeing its total autonomy in respect of management and decisions.

Report as per Consob Communication no. 1011405 dated 15 February 2001

Subsidized home mortgage loans

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

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

The Group companies commenced accounting-administration activities in order to apply the new interest rates and to carry out the necessary adjustments to the installments expired after 1 July 1999. These activities refer to the six months ended 31 December 2003 and concern those loans to which the benefits of Art. 29 of Law 133/99 apply. Some aspects still have to be defined with the interested bodies in respect of the renegotiation of some types of loans granted according to specific incentive laws and regional funds, as well as adjustments relating to already extinguished loans. SANPAOLO IMI has decided to continue, still in agreement with the system, with the appeals which were disregarded in the first degree by the Lazio Regional Administration Court, against that stated in Ministerial Decree 110/2000.

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

The potential charge in respect of the future renegotiation of mortgage loans not included in the initial enforcement of the applicable legislative measures, equal to 76 million euro (of which 30 million euro refer to the Parent Bank), has been covered by making appropriate accruals to the provision for other risks and charges. In the years following 2004, the negative impacts on the statement of income will be gradually reduced because of the expiry of current mortgage loans.

Subsidized agricultural mortgage loans

The provisions of Art. 128 of Law 388/2000 (Budget Law 2001) have introduced the faculty for borrowers to renegotiate "loan installments still to expire" at more favorable rates fixed for low-interest transactions, as an alternative to early extinction, whilst providing the same benefits. Renegotiation is subject to the implementation of a Ministerial Decree which has still not yet been issued.

Later, Law no. 268 of 24 September 2003 was enacted providing that, for the purpose of applying Art. 128 of Law 388/2000, allow even different banks to grant loans destined exclusively for the early extinction of agricultural mortgages which had been amortized for at least five years at the date on which Law 268/03 became effective. These new financial transactions, to be completed at market rates and the granting of which has been merely authorized and is not obligatory for the lending bank, are subject to presentation of specific requests for early extinction and financing, also to be formulated by the local authorities providing the benefits.

Considering the precise reference to the "loan installments still to expire" already contained in Law 388/2000, enacted by Law 268/03, and the consequent possibility to activate "renegotiation" of such loans only for the future, no specific provisions have been made.

Fixed-rate unsubsidized mortgage loans (usury)

In compliance with the provisions of Decree Law 394/2000, (converted into Law 24/2001 and containing the authentic interpretation of "anti-usury" Law 108/1996) and the subsequent Constitutional Court Sentence 29/2002, the SANPAOLO IMI Group adjusted all mortgages covered by these provisions to the annual "replacement" rate of 9.96% with effect from installments expiring before 31 December 2000. Furthermore, an annual interest rate of 8% was applied to those loans which, thanks to the presentation of self-certification by the borrowers, the eligibility requirements to such reduction were ascertained (the original capital of the loan not being more than 150 million Italian Lira, granted to first-time buyers of non-luxury homes).

The reserves for other risks and charges still include a residual accrual of 3 million euro (wholly referring to the Parent Bank) to cover further requests to reduce interest rates to 8% not yet received or not yet documented by borrowers possessing the legal requirements to benefit from such rates.

Anatocism

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

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

Since April 2000 the capitalization of half-yearly interests is considered legitimate and the dispute refers only to those contracts signed before that date; it should be noted that, despite the fact that the Supreme court has repeatedly confirmed the invalidity of the capitalization clauses, many judges of merit have disregarded the sentence, continuing to consider it legitimate, thus the case law is still being debated.

As a whole the number of cases pending has remained at an insignificant level in absolute terms, but is subject to careful monitoring. The risks relating to the disputes in question correspond to the prudent accruals made to the Provisions for other risks and charges which are proportionate to the total of each legal request. Where the introductory measures do not quantify the demand and until an accounting opinion has been expressed on the issue, the risk involved is covered by an accrual to the provision for other risks and charges of 66 million euro (of which 43 million euro refer to the Parent Bank), destined, in its entirety, to hedge disputes of an undetermined amount and of an uncertain outcome.

GEST Line dispute

GEST Line S.p.A. is the SANPAOLO IMI Group company for tax collection activities, created from the merger by incorporation of the tax collection companies Gerico, Sanpaolo Riscossioni Genova, Sanpaolo Riscossioni Prato and Esaban.

The risks connected to this dispute are almost exclusively attributable to a dispute with the tax authorities in respect of claims of irregularities and vary by nature and size according to the business of each merged company.

With reference to Gerico S.p.A., previously a subsidiary of the former Cardine Banca and later merged by incorporation into SANPAOLO IMI S.p.A., there are a series of administrative and accounting procedures pending filed by local Tax offices and by the General Accounting Office for presumed fiscal damages, all originating from the non-collection of income taxes. More specifically, the aforementioned proceedings are connected to presumed irregularities committed by some tax collection officials reporting activities during inspections on delinquent tax payers premises. These proceedings are still pending on various levels of judgment and are constantly defended by the legal professionals engaged by the company.

The dispute involving Esaban S.p.A. (a company in the tax collection sector of the former Banco di Napoli, which incorporated all the other tax collection companies of the Group, changing its name to GEST Line S.p.A.) originated from a series of provisions denying the reimbursements issued by the tax authorities in the years 1999 – 2001, all contested according to hierarchy.

The total risks connected to the Gerico S.p.A. and Esaban S.p.A. disputes are covered by unlimited guarantees already received by the aforementioned companies from the companies transferring the respective tax collection branches of business (each of the savings banks then merged into Cardine Banca and the former Banco di Napoli). The above mentioned guarantees cover any losses or contingent liabilities following events prior to the respective dates of transfer and expire in 2005. In light of the events which took place following the merger of Cardine Banca and Banco di Napoli, SANPAOLO IMI took over the commitments deriving from the aforementioned guarantees, the risks of which are, as a whole, covered by appropriate accruals. The risk pertaining mainly to the tax collection activities in the context of the authorities in Venice is not comprised in the aforementioned guarantees and, instead, solely affects the capital of GEST Line. Following the proceedings for fiscal damages as a result of presumed irregularities by some tax officials, the local section of the General Accounting Office passed sentence against the licensee for a sum of around 11 million euro. The relevant sentences have all been contested with their enforcement suspended; as a consequence an appropriate accrual has been made.

Dispute relating to the proceedings sanctioned by Consob against Sanpaolo IMI Asset Management S.G.R. S.p.A.

The financial administrative sanctions issued by the Ministry of Economy following the proposal by Consob after inspection assessments at Sanpaolo IMI Asset Management have, in accordance with Art. 195 TUF (Consolidated Financial Law), been contested by SGR and its sanctioned representatives before the Milan Court of Appeal which, on 26 November 2003, declared the sanctions illegal. An appeal against this decision has been filed before the Supreme Court by the Ministry and by Consob. SGR immediately filed a counter-appeal, requesting the dismissal of the appeal files by the Authorities.

Proceedings against Sanpaolo IMI Wealth Management and Fideuram Vita initiated by the Antitrust Authority

In January 2004 the Antitrust Authority notified Sanpaolo IMI Wealth Management, as holder and outsourcer of Sanpaolo Vita, and Fideuram Vita that they were subject to investigations in respect of the purchase of a database from a company specialized in analyzing the insurance market. This database contained information concerning contractual conditions, prices and methods of distribution of products in the life insurance and pensions sector. Having concluded the investigation, which was originally performed on a number of insurance companies before being carried out on the aforementioned Group companies, the Antitrust Authority issued a "Communication of the Investigation Results", in which it assumes the existence of a restrictive agreement. Following the receipt of this "Communication", all the parties involved have prepared their counter claim, in relation to which they are waiting for the conclusive provision of the proceeding.

Proceedings initiated by the Legal Authorities against a certain number of financial planners of Banca Fideuram and employees of subsidiary Fideuram Bank Suisse

In March 2004 the Legal Authorities (Public Prosecutor's Office of the Court of Florence) commenced investigations into, among others, a certain number of financial planners of the Banca Fideuram group and employees of the subsidiary Fideuram Bank Suisse. The claims concern participation in the crime of abusiveness (consisting in the offer of investment services or financial products by a subject unauthorized in Italy), apart from one financial planner who is also charged with money laundering. The bank has set up a special work team for the quick and in-depth verification of the facts and has ensured maximum cooperation with the investigating Authorities.

Reserve for probable loan losses (caption 90)

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

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

This section comments on the following balance sheet captions:

	30/6/04 (€/mil)	31/12/03 (€/mil)
Capital and reserves		
– capital (caption 150)	5,144	5,144
– additional paid-in capital (caption 160)	708	708
– reserves (caption 170)		
– legal reserve	1,029	1,029
– reserve for own shares	36	34
– other reserves	3,021	2,819
– revaluation reserves (caption 180)	72	72
– reserve for general banking risks (caption 100)	4	4
– negative goodwill arising on consolidation (caption 120)	-	-
– negative goodwill arising on application of the equity method (caption 130)	268	213
Total Group capital and reserves	**10,282**	**10,023**
– net income (caption 200)	691	972
Group interest in shareholders' equity	10,973	10,995
Own shares (asset caption 140)	36	34
Minority interest (caption140)	318	271
Subordinated liabilities (caption 110)	6,801	6,414

Group shareholders’ equity

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

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

As of 30 June 2004, “Share capital” amounts to 5,144,064,800 euro and is composed of 1,448,831,982 ordinary shares and 388,334,018 preference shares both with a nominal value of 2.8 euro each.

The “reserve for own shares” has been set up by the Parent Bank and by Banca IMI to cover the SANPAOLO IMI shares in portfolio.

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

Reserve for general banking risks (liability caption 100)

The “Reserve for general banking risks” exclusively refers to accruals made by certain subsidiaries.

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

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

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

	30/6/04 (€/mil)	31/12/03 (€/mil)
Negative goodwill arising on first-time consolidation:		
- line by line		
- former IMI Group	*952*	*952*
- former Cardine Group	*241*	*241*
- using the equity method		
- former IMI Group	*75*	*75*
- former Cardine Group	*58*	*58*
Total	1,326	1,326
Goodwill arising on first-time consolidation:		
- line by line		
- former Banco di Napoli Group	*-854*	*-854*
- former Cardine Group	*-296*	*-296*
- using the equity method		
- Cassa di Risparmio di Firenze	*-173*	*-173*
- former Cardine Group	*-3*	*-3*
Total	**-1,326**	**-1,326**

The balance of caption 130 “Negative goodwill arising on application of the equity method”, for 268 million euro, represents the Group’s interest in the increase in shareholders’ equity of investments valued using the equity method and recorded after first time consolidation. The amount refers mainly to companies operating in the insurance sector.

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

Own shares (asset caption 140)

As of 30 June 2004, the Parent Bank and Banca IMI held 3,611,647 SANPAOLO IMI shares in its portfolio (equal to 0.20% of the share capital). These are recorded at market value among the assets in the balance sheet for 36.1 million euro.

Further explanation of own shares is provided in the "Report on Operations - Capital and reserves". Detail of the movements in the first half of 2004 is provided below:

	Opening balance		Increases		Decreases		Closing balance	
	number	book value (**) (€/mil)	number	equivalent (€/mil)	number	equivalent (€/mil)	number	book value (**) (€/mil)
SANPAOLO IMI	3,220,919	33.5	-	-	-	-	3,220,919	32.2
Banca IMI (*)	n.s.	n.s.	2,905,255	28.0	2,118,952	20.5	390,728	3.9
Total	**3,220,919**	**33.5**	**2,905,255**	**28.0**	**2,118,952**	**20.5**	**3,611,647**	**36.1**

(*) As of 31 December 2003, Banca IMI booked to liabilities a "short position" relating to 395,575 SANPAOLO IMI shares which refer to the normal dealing and financial activities balanced by transactions in derivatives.

(**) Expressed at market values.

Minority interests (liability caption 140)

As of 30 June 2004, the portion of "minority interests", amounting to 318 million euro, essentially relates to the shares attributable to minority shareholders in Banca Fideuram.

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

Regulatory capital

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

Category / Value	30/6/04 (€/mil)	31/12/03 (€/mil)
A. Regulatory capital		
A.1 Tier 1 capital	10,441	10,038
A.2 Tier 2 capital	5,164	4,470
A.3 Items to be deducted	-761	-837
A.4 Regulatory capital	14,844	13,671
B. Minimum regulatory requirements		
B.1 Credit risk	9,862	9,999
B.2 Market risk	978	877
of which:		
- risks on dealing portfolio	*961*	*866*
- exchange risks	*3*	*10*
- concentration risks	*14*	*1*
B.2.1 Tier 3 subordinated loans	591	598
B.3 Other minimum requirements	44	45
B.4 Total minimum requirements	10,884	10,921
C. Risk assets and capital adequacy-ratios		
C.1 Risk-weighted assets (*)	136,050	136,513
C.2 Tier 1 capital / Risk weighted assets	7.7%	7.4%
C.3 Regulatory capital / Risk weighted assets (**)	11.3%	10.5%

(*) Total minimum requirements multiplied by the minimum compulsory ratio for lending risks (12.5).
(**) On the basis of Bank of Italy letter no. 10155 dated 3 August 2001, in order to compute the Total Risk ratio, Tier 3 subordinated loans are considered a component of total capital.

Subordinated liabilities (liability caption 110)

	Original currency	Amount in the financial statements (€/mil)	Amount in original currency (millions)	Interest rate	Issue date	Maturity date	Starting date of early redemption of the loan
Preferred Shares	EUR	1,000	1,000	up to 10/11/2010: 8.126% p.a. subsequenlty: 1 year Euribor + 3.5% p.a.	10-11-2000	Not redeemable	10-11-2010
Total innovative capital instruments (Tier 1)		*1,000*					
Notes	USD	78	94	6 months LIBOR - 0.25% p.a. (a)	30-11-1993	30-11-2005	(*)
Debenture loan	Italian lire	209	404,115	6 months BOT + 0.10% p.a.	30-06-1997	1-08-2004	30-06-1999
Debenture loan	EUR	140	150	5.75% p.a.	15-09-1999	15-09-2009	(*)
Debenture loan	EUR	199	200	6 months Euribor + 0.50% p.a.	1-10-1999	1-10-2009	(*)
Debenture loan	EUR	150	150	up to 10/12/2004: 6 months Euribor + 0.40% p.a. subsequently: 6 months Euribor +0.75% p.a.	10-12-1999	10-12-2009	10-12-2004
Notes	EUR	500	500	6.375% p.a.	6-04-2000	6-04-2010	(*)
Notes	EUR	349	350	up to 6/4/2005 excluded: 3 months Euribor + 0.50% p.a. subsequently: 3 months Euribor +1.25% p.a.	6-04-2000	6-04-2010	6-04-2005
Notes	EUR	999	1,000	up to 27/9/2005 excluded: 3 months Euribor +0.65% p.a. subsequently: 3 months Euribor +1.25% p.a.	27-09-2000	27-09-2010	27-09-2005
Debenture loan	EUR	6	20	1.00% p.a.	27-04-2001	27-04-2006	(*)
Debenture loan	EUR	299	300	5.55% p.a.	31-07-2001	31-07-2008	(*)
Debenture loan	EUR	1	1	ECB interest rate on repo refinancing transactions	20-09-2001	20-09-2006	(*)
Debenture loan	EUR	200	200	5.16% p.a.	2-10-2001	2-10-2008	(*)
Notes	EUR	500	500	up to 28/6/2007 included: 3 months Euribor + 0.49% p.a. subsequently: 3 months Euribor +1.09% p.a.	28-06-2002	28-06-2012	28-06-2007
Debenture loan	EUR	49	54	up to 15/7/2007: 4.90% subsequently: 6 months Euribor +0.76% p.a.	15-07-2002	15-07-2012	15-07-2007
Debenture loan	EUR	135	147	up to 4/12/2007: 4.32% p.a. subsequently: 6 months Euribor +0.85% p.a.	4-12-2002	4-12-2012	4-12-2007
Notes	EUR	300	300	5.375% p.a.	13-12-2002	13-12-2012	(*)
Notes	EUR	350	350	up to 9/6/2010 excluded: 3.75% p.a. subsequently: 3 months Euribor + 1.05% p.a.	9-06-2003	9-06-2015	9-06-2010
Notes	GBP	246	165	up to 18/3/2019 excluded: 5.625% p.a. subsequently: 3 months Sterling Libor +1.125% p.a.	18-03-2004	18-03-2024	18-03-2019
Notes	EUR	500	500	up to 28/6/2011 excluded: 3 months Euribor +0.30% p.a. subsequently: 3 months Euribor +0.90% p.a.	28-06-2004	28-06-2016	28-06-2011
Total subordinated liabilities (Tier 2)		*5,210*					
Debenture loan	EUR	342	350	2.98% p.a.	15-05-2003	15-11-2005	(*)
Notes	EUR	50	50	up to 14/11/2004: 1.44% p.a. subsequently: 1.50% p.a.	26-06-2003	15-11-2007	(*)
Debenture loan	EUR	199	200	2.42%	30-06-2003	30-12-2005	(*)
Total Tier 3 subordinated liabilities		*591*					
Total		6,801					

(*) Early redemption of the loan is not expected.
(a) With a minimum of 5.375% and a maximum of 8.250%.

During the half year, the Parent Bank issued new subordinated loans for 746 million euro in the form of Tier 2 subordinated loans destined to replace those in expiry.

The Tier 2 subordinated liabilities not included in the calculation of regulatory capital as of 30 June 2004 is equal to 201 million euro.

Preferred Securities, which are attributable to Tier 1 capital, satisfy the following requirements:
- the securities are not redeemable, the issuer's redemption right, if any, cannot be exercised during the first 10 years after issue; redemption has to be authorized in advance by the Bank of Italy;
- the contract provides for the possibility of suspending remuneration of the securities, even partially, if the Parent Bank, which directly controls the issuer, has not distributed dividends on its own shares during the previous year;
- dividends cannot be accumulated in subsequent years;
- in the event of the liquidation of SANPAOLO IMI, the holders of securities can only be reimbursed after all other subordinated and non-subordinated creditors have been paid.

Contractually, subordinated loans included in Tier 2 may not be redeemed prior to maturity, nor converted into capital or any other type of liability. In particular, such contracts provide that:
- where permitted, early redemption can only take place on the issuer's initiative and with Bank of Italy authorization;
- the loan period must not be less than five years; if no maturity is stated, the contract must state that a notice period of at least five years has to be given;
- in the event that the issuer is put into liquidation, the loan can only be reimbursed once all other creditors, not similarly subordinated, have been satisfied.

Tier 3 subordinated loans, issued to cover market risks, meet the following conditions:
- the original duration is not less than 2 years;
- the payment of interest and capital is suspended if the capital requirements of SANPAOLO IMI should fall below 7% on an individual basis or 8% on a consolidated basis;
- in the event that the Bank is put into liquidation, the loan can only be reimbursed once all other creditors, not similarly subordinated, have been satisfied.

Information regarding the distribution of subordinated liabilities by geographical area, type of currency and degree of liquidity, is reported in Part B - Section 11 of these Notes.

SECTION 9 - OTHER LIABILITIES

Liability captions 50 and 60 comprise the following:

	30/6/04 (€/mil)	31/12/03 (€/mil)
Other liabilities (caption 50)	19,963	18,445
Accrued expenses and deferred income (caption 60)	2,720	2,181
Total	**22,683**	**20,626**

Other liabilities (caption 50)

Analysis of caption 50 "other liabilities"

	30/6/04 (€/mil)	31/12/03 (€/mil)
Items relating to derivative contracts and currency transactions:	8,472	7,939
- Valuation of derivatives on interest rates and stockmarket indices	*5,997*	*5,148*
- Valuations of foreign currency derivative contracts	*723*	*1,314*
- Premiums collected on options sold	*933*	*682*
- Other items derivative contracts	*819*	*795*
Amounts available for third parties	3,196	2,824
Unprocessed transactions (*)	3,210	2,581
Amounts in transit with branches and subsidiaries	426	1,293
Non-liquid balances from portfolio transactions	1,163	684
Tax payments accounts	379	560
Amounts due to employees	335	376
Due to tax authorities	237	259
Amounts payable due to settlement value date	79	129
Deposits guaranteeing agricultural and construction loans	161	40
Amounts payable to Bank of Italy in respect of Isveimer liquidation	58	58
Amounts payable to the Bank of Italy - loans to be restored Sga L. 588/96	7	7
Items relating to securities transactions	375	1
Other	1,865	1,694
Total	**19,963**	**18,445**

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

Liabilities in respect of the Banco di Napoli loans to be restored ex Law no. 588/96

"Other liabilities" include two deposits of 58 million euro and 7 million euro (the same as of 31 December 2003), which represents the residual capital and interest, for the recovery made by the Bank of Italy in relation to the outlay in the past by the former Banco di Napoli to cover the liquidation deficit of Isveimer and the losses of Società per la Gestione di Attività S.p.A. (Sga). These interventions form part of the reorganization plan prepared, with the Bank of Italy's approval, in accordance with Law no. 588/96 (containing urgent provisions for the restoration, reorganization and privatization of the former Banco di Napoli). Furthermore, the same law establishes to hold harmless the former Banco di Napoli from the economic and financial consequences of the measures taken or to be taken, using the mechanism provided by the Treasury Ministry Decree of 27 September 1974. Since 31 December 2002, following the merger by incorporation of Banco di Napoli into SANPAOLO IMI S.p.A., the latter has taken over from the Banco in the recovery mechanism.

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

The liquidation of Isveimer

Isveimer S.p.A., a subsidiary of Banco di Napoli which financed industrial development in Southern Italy, was put into voluntary liquidation in 1996.

In 1997 Banco di Napoli intervened to reduce the final liquidation deficit estimated to be 917 million euro. The cost of this intervention and the related interest were recovered in accordance with Law no. 588/96, as mentioned above, and with the methods described in the aforementioned Treasury Decree of 1974.

The recovery process showed a balance in favor of the Central Bank of 58 million euro, lodged as a non interest-earning deposit with the same Central Bank. This deposit is shown under "other assets" offset by "other liabilities".

Società per la Gestione di Attività (Sga)

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

The loss incurred by Sga up to 31 December 2002 has been covered by the former Banco di Napoli and by SANPAOLO IMI and recovered on the basis of the provisions of Law no. 588/96, using the methods recommended by the aforementioned Treasury Ministry decree of 1974. The recovery process has revealed a balance in favor of Central Bank equal to 7 million euro, which on 30 January 2004 was lodged in a non interest-bearing deposit with the same Central Bank. Also in this case the deposit is shown under "other assets" offset by "other liabilities". No further interventions were necessary after the 2002 year-end.

At the time of the transfer of doubtful loans to Sga, Banco di Napoli granted its subsidiary various interest-bearing lines of credit, essentially to finance the cost of the factoring agreement, as well as to cover the company's running costs.

On 1 July 2003 these transactions, falling within the business branch represented by the Southern Territorial Direction of SANPAOLO IMI S.p.A., were transferred to Sanpaolo Banco di Napoli S.p.A.. The Parent Bank has undertaken to hold harmless the receiving company from the losses and/or liabilities which may arise in respect of loans to Società per la gestione di attività S.p.A. (Sga) deriving from the business transferred. Any losses which may arise on such loans must be covered by SANPAOLO IMI S.p.A. which, in turn, must commence recovery on the basis of the provisions of Law no. 588/96.

As of 30 June 2004, the loans to Sanpaolo Banco di Napoli S.p.A. in respect of Sga totaled 931 million euro, of which 917 million euro was granted for the measures provided by Law no. 588/96 and 14 million euro disbursed for the regular management of the company.

SECTION 10 - GUARANTEES AND COMMITMENTS

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

	30/6/04 (€/mil)	31/12/03 (€/mil)
Guarantees (caption 10)	17,500	19,912
Commitments (caption 20)	28,423	25,839
Total	**45,923**	**45,751**

"Guarantees granted to third parties" are comprised as follows:

Analysis of caption 10 "guarantees given"

	30/6/04 (€/mil)	31/12/03 (€/mil)
a) Commercial guarantees	10,414	10,685
b) Financial guarantees	6,947	9,151
c) Assets lodged in guarantee	139	76
Total	**17,500**	**19,912**

"Commitments" at the end of the half year are:

Analysis of caption 20 "commitments"

	30/6/04 (€/mil)	31/12/03 (€/mil)
a) Commitments to grant finance (certain to be called on)	8,775	6,173
b) Commitments to grant finance (not certain to be called on)	19,648	19,666
Total	**28,423**	**25,839**

The commitments undertaken by the Group are detailed below:

	30/6/04 (€/mil)	31/12/03 (€/mil)
Purchase of securities not yet settled	4,436	2,634
Commitments for derivatives on loans	883	848
Other commitments certain to be called on	229	255
Undrawn lines of credit granted	10,869	11,412
Put options issued	1,651	1,147
Mortgage loans and leasing contracts to be disbursed	7,242	7,191
Deposits and loans to be made	2,763	1,986
Membership of Interbank Deposit Guarantee Fund	144	144
Other commitments not certain to be called on	206	222
Total	**28,423**	**25,839**

Unused lines of credit

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

	30/6/04 (€/mil)	31/12/03 (€/mil)
a) Central banks	32	59
b) Other banks	584	431
Total	**616**	**490**

Forward transactions

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

(€/mil)

	Hedging transactions	Dealing transactions (*)	Other transactions	Total
1. Purchase/sale of				
1.1 Securities				
- purchases	-	4,435	-	4,435
- sales	-	4,449	-	4,449
1.2 Currency				
- currency against currency	2,897	1,951	-	4,848
- purchases against euro	8,287	3,814	-	12,101
- sales against euro	4,552	4,413	-	8,965
2. Deposits and loans				
- to be disbursed	-	-	3,196	3,196
- to be received	-	-	7,017	7,017
3. Derivative contracts				
3.1 With exchange of capital				
a) securities				
- purchases	-	5,281	441	5,722
- sales	1,121	2,910	666	4,697
b) currency				
- currency against currency	23	2,111	-	2,134
- purchases against euro	2,405	14,703	-	17,108
- sales against euro	102	12,282	-	12,384
c) other instruments				
- purchases	-	-	-	-
- sales	-	-	-	-
3.2 Without exchange of capital				
a) currency				
- currency against currency	28	40	-	68
- purchases against euro	-	22	-	22
- sales against euro	-	21	-	21
b) other instruments (**)				
- purchases	44,406	290,537	586	335,529
- sales	21,497	336,566	7,910	365,973
Total	**85,318**	**683,535**	**19,816**	**788,669**

(*) They also include hedging derivatives belonging to the dealing portfolio for 2,913 million euro.
(**) They include basis swaps for 20,325 million euro both in purchases and sales.

Dealing derivatives principally include transactions entered into within the scope of investment banking activities and to cover dealing portfolios. The results of the valuation of dealing derivatives are revealed in the statement of income and described in the note concerning profits and losses on financial transactions of Part C - Section 3 of these Explanatory Notes.

"Hedging" derivatives refer mainly to transactions to cover interest and/or exchange rate risks on funding and/or lending activities. These mainly reflect the activities of the Parent Bank and its subsidiaries operating in the loans sector.

"Other transactions" principally refer to some types of derivative contracts included under structured financial instruments.

Derivative contracts included under structured financial instruments amount to 12,328 million euro, at nominal value.

At the end of the half year the potential net loss on the aggregate value of derivative hedging contracts entered into by Group companies was 248 million euro. In compliance with accounting policies, this amount was not recorded in the financial statements since the purpose of the derivative contracts in question is to hedge interest, market and exchange rate risks with regard to funding activities (particularly collection transactions made through issuing bonds with a structured yield) and/or lending. These contracts are in fact recorded on a consistent basis with those adopted for hedged transactions. It should be noted that if the assets and liabilities object of the above treatment should be valued in the same way, the consequent result would generally offset the loss revealed above.

Forward transactions as of 30 June 2004, as shown in the above table, mainly reflect the activities of the Parent Bank and its subsidiaries operating in the loans sector and in dealing activities.

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

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

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

Notional amounts

(€/mil)

	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total
OTC trading contracts					
- Forward (*)	26,412	5,110	-	-	31,522
- Swap (**)	453,932	745	-	-	454,677
- Options purchased	20,896	14,592	5,852	-	41,340
- Options sold	29,786	13,649	7,057	-	50,492
- Other	2,151	105	-	-	2,256
Exchange traded contracts					
- Futures purchased	16,969	15	120	-	17,104
- Futures sold	55,779	23	49	-	55,851
- Future currency against currency	-	50	-	-	50
- Options purchased	486	-	1,967	-	2,453
- Options sold	399	-	1,648	-	2,047
- Other	-	-	-	-	-
Total trading contracts	606,810	34,289	16,693	-	657,792
Total non-trading contracts	54,347	16,637	13,747	-	84,731
Total contracts (***)	**661,157**	**50,926**	**30,440**	**-**	**742,523**
- including OTC contracts	*587,516*	*50,837*	*26,656*	-	*665,009*

(*) The caption includes the F.R.A. contracts and forward currency purchase/sale transactions.
(**) The caption mainly includes the I.R.S., C.I.R.S. contracts and basis swaps.
(***) Includes basis swaps for 20,325 million euro and does not include forward transactions on currency with an original duration of less than 2 days, amounting on the whole to 6,725 million euro.

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

Residual maturity of notional amounts underlying OTC derivative contracts

(€/mil)

	Up to 12 months	Between 1 and 5 years	Beyond 5 years	Total
Interest rate related	268,358	203,290	115,868	587,516
Exchange rate related	45,375	5,029	433	50,837
Stockmarket index related	7,504	16,533	2,619	26,656
Other contracts	-	-	-	-

The table below reports the credit risk equivalent relating to unquoted OTC contracts, broken down into their various components: positive market value and add on.

Notional amounts, market values and similar add ons

(€/mil)

	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total
Notional amounts	**587,516**	**50,837**	**26,656**	**-**	**665,009**
A. Market value of OTC trading contracts					
A.1 positive market value	5,731	274	451	-	6,456
A.2 negative market value	-5,532	-431	-364	-	-6,327
B. Add on	2,368	271	448	-	3,087
C. Market value of OTC non-trading contracts					
C.1 positive market value	598	187	534	-	1,319
C.2 negative market value	-782	-645	-193	-	-1,620
D. Add on	133	283	321	-	737
Credit risk equivalent (A.1+B+C.1+D)	**8,830**	**1,015**	**1,754**	**-**	**11,599**

Market values of hedging and dealing transactions arranged with third parties have been calculated using the criteria established by the Bank of Italy to determine the solvency ratio. The market values identified in the table above derive from the application of the aforementioned criteria which provide for inclusion in the calculation of the market value of accrued income and expenses currently maturing as well as the result deriving from the current rate revaluation of the principal amount of cross-currency interest rate swaps to be exchanged at maturity.

Lastly, the table below shows the breakdown of credit risk equivalent on unquoted contracts by type of counterparty:

Credit quality of OTC derivative contracts, by counterparty

(€/mil)

	Positive market value	Add on	Credit risk equivalent (*) (current value)
Governments and central banks	6	7	13
Banks	6,529	3,470	9,999
Other operators	1,240	347	1,587
Total	**7,775**	**3,824**	**11,599**

(*) The credit risk equivalent reported in this table includes transactions with an original life not exceeding 14 days. The existence of Master Netting Agreements allows a reduction in the above equivalent credit risk of 6,021 million euro in respect of banks and 122 million euro in respect of other operators.

The aforementioned transactions are not covered by real nor personal guarantees. There have been no losses on loans for derivatives during the half year, and there are no outstanding derivative contracts waived, but not settled.

The inherent risks of derivative contracts entered into by Group companies, including those "hedging contracts" whose current value is not shown in the financial statements, are subject to monitoring within the context of the complete system of risk management and control set up by the Group. A description of the organizational model and the results of monitoring the evolution of risks for the first half of 2004 is reported in the special section of the Report on Group Operations ("Risk management and control").

Credit derivatives

Transactions in credit derivatives carried out by the Group as of 30 June 2004 are analyzed below:

(€/mil)

Categories of operations	Dealing transactions	Other transactions	Total
1. Hedging purchases			
1.1 With exchange of capital			
– credit default swap	556	91	647
– credit linked note	-	202	202
2. Hedging sales			
2.1 With exchange of capital			
– credit default swap	432	372	804
– credit linked note	-	40	40
2.2 Without exchange of capital			
– credit linked note	6	33	39
Total	**994**	**738**	**1,732**

The table comprises credit derivatives recorded by the Parent Bank, included under structured financial instruments amounting to 281 million euro, at nominal value.

Other information relating to guarantees

The classification of guarantees given by category of counterparty is provided in Part B - Section 11 of these Notes.

SECTION 11 - CONCENTRATION AND DISTRIBUTION OF ASSETS AND LIABILITIES

Significant exposures

The table below shows the positions defined as "Significant exposures" by the Bank of Italy in compliance with EC guidelines. For this purpose, positions are considered significant if the total exposure to a single client (or group of companies) on a consolidated basis is equal to or greater than 10% of the Group's regulatory capital. Exposure is calculated using a system of weighting positions exposed to lending risk which takes into account the nature of the counterparty and the guarantees received.

	30/6/04
a) Amount (€/mil)	6,818
b) Number	3

Distribution of loans to customers, by category of borrower

Loans to customers are distributed by main category of borrower as follows:

	30/6/04 (€/mil)	31/12/03 (€/mil)
a) Governments	6,408	7,551
b) Other public entities	6,983	6,275
c) Non-financial businesses	67,378	68,822
d) Financial institutions	11,259	10,222
e) Family businesses	6,126	5,910
f) Other operators	26,623	25,819
Total	**124,777**	**124,599**

Distribution of loans to resident non-financial companies and family businesses

The distribution of loans to non-financial and family businesses resident in Italy is detailed below, by sector to which the borrower belongs:

	30/6/04 (€/mil)	31/12/03 (€/mil)
a) Other services for sale	14,208	13,979
b) Commerce, renovation and repairs	10,197	9,693
c) Construction and public works	7,092	7,098
d) Energy products	4,240	4,656
e) Internal transport services	3,174	2,874
f) Other sectors	28,786	30,322
Total	**67,697**	**68,622**

Distribution of guarantees issued, by category of counterparty

Guarantees given by the Group are classified by economic category of counterparty as follows:

	30/6/04 (€/mil)	31/12/03 (€/mil)
a) Governments	82	-
b) Other public entities	231	219
c) Banks	645	726
d) Non-financial businesses	14,455	16,968
e) Financial institutions	1,352	1,204
f) Family businesses	152	161
g) Other operators	583	634
Total	**17,500**	**19,912**

Geographical distribution of assets and liabilities

The geographical distribution of the Group's assets and liabilities is detailed below, by reference to the countries of residence of the counterparties concerned:

	30/6/04 (€/mil)				31/12/03 (€/mil)			
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total
1. Assets								
1.1 due from banks	7,262	12,136	2,749	22,147	6,872	12,747	2,659	22,278
1.2 loans to customers	113,194	7,641	3,942	124,777	114,128	5,579	4,892	124,599
1.3 securities	25,803	6,439	2,411	34,653	19,028	3,799	2,431	25,258
Total	**146,259**	**26,216**	**9,102**	**181,577**	**140,028**	**22,125**	**9,982**	**172,135**
2. Liabilities								
2.1 due to banks	8,272	17,464	6,834	32,570	8,181	12,955	7,398	28,534
2.2 due to customers	73,319	8,605	3,917	85,841	70,169	5,096	4,728	79,993
2.3 securities issued	37,829	8,747	3,009	49,585	37,274	11,479	2,800	51,553
2.4 other accounts	5,876	78	1,000	6,954	5,160	429	1,000	6,589
Total	**125,296**	**34,894**	**14,760**	**174,950**	**120,784**	**29,959**	**15,926**	**166,669**
3. Guarantees and commitments	27,167	9,619	9,137	45,923	29,342	8,196	8,213	45,751

Maturities of assets and liabilities

The residual maturities of assets and liabilities are detailed in the following table:

(€/mil)

	Specified duration							Unspecified duration	Total
	On demand	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years		Beyond 5 years			
				Fixed rate	Indexed rate	Fixed rate	Indexed rate		
1. Assets									
1.1 Treasury bonds eligible for refinancing	-	944	421	459	224	195	542	-	2,785
1.2 due from banks	8,051	10,900	1,533	321	599	43	412	288	22,147
1.3 loans to customers	23,181	17,954	12,835	11,176	26,262	9,211	21,540	2,618	124,777
1.4 bonds and other debt securities	61	1,203	5,776	9,058	4,294	4,293	3,999	-	28,684
1.5 off-balance sheet transactions	29,235	220,281	239,843	104,076	33,577	55,724	2,348	-	685,084
Total assets	**60,528**	**251,282**	**260,408**	**125,090**	**64,956**	**69,466**	**28,841**	**2,906**	**863,477**
2. Liabilities									
2.1 due to banks	9,553	10,125	4,801	554	2,497	318	4,722	-	32,570
2.2 due to customers	69,941	11,622	1,997	900	202	1,080	99	-	85,841
2.3 securities issued:									
- bonds	116	2,608	7,082	11,314	12,270	2,266	4,873	-	40,529
- certificates of deposit	98	1,914	899	1,049	17	139	8	-	4,124
- other securities	820	3,829	283	-	-	-	-	-	4,932
2.4 subordinated liabilities	-	209	-	1,097	78	1,940	3,477	-	6,801
2,5 off-balance sheet transactions	19,108	220,398	244,084	95,818	39,435	63,652	2,589	-	685,084
Total liabilities	**99,636**	**250,705**	**259,146**	**110,732**	**54,499**	**69,395**	**15,768**	**-**	**859,881**

Assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in currencies other than those of the euro-zone are broken down as follows:

	30/6/04 (€/mil)	31/12/03 (€/mil)
a) Assets		
1. due from banks	4,166	3,970
2. loans to customers	7,569	6,920
3. securities	2,459	2,179
4. equity investments	68	69
5. other accounts	170	207
Total assets	**14,432**	**13,345**
b) Liabilities		
1. due to banks	5,934	6,595
2. due to customers	7,384	6,700
3. securities issued	6,044	6,819
4. other accounts	324	75
Total liabilities	**19,686**	**20,189**

The “liquidity”, “rates” and “exchange” risks inherent in the distribution by expiry, type of rate and currency of Group assets, liabilities and forward transactions (of which the two tables above supply a simplified representation with reference to the precise situation at the end of the period), are subject to monitoring within the context of the complete system of risk management and control set up by the Group.

A description of the organizational model and the results of monitoring the evolution of risks for the first half of 2004 is reported in the special section of the Report on Group Operations (“Risk management and control”).

Securitization transactions

As of 30 June 2004 there remained only one securitization transaction in the SANPAOLO IMI Group accounts, which was carried out by the subsidiary Sanpaolo Leasint S.p.A..

In 1997 the company made a non-recourse assignment of performing loans under leasing contracts as per Law no. 52/91 for a total book value of 504 million euro. In the first half of 2004 no revolving assignments were made against the original securitization transaction, in order to ensure the equivalence of the initial securitized assets to the securities issued up to the contract date set for repayment of the securities. The transaction was carried out in order to free part of the loan portfolio, generating sources of additional liquidity and, at the same time, benefiting from credit risk containment. Junior securities are included in the dealing securities portfolio at their original value of 50 million euro. Furthermore, these securities represent the financial tool for recognizing, during the transaction, the spread differential between cash flows generated by the portfolio of assigned loans and the securities issued (excess spread). The assigned portfolio is subject to continuous monitoring which consists of preparing a quarterly settlement report for the various entities involved (rating agencies, factoring companies, vehicle companies and trustees) with a detailed explanation of the state of the loans and of collections during the period. The servicer activity commits the company to the separate administration, management and collection of the portfolio originally assigned and of the loans subsequently due, as well as handling any recovery procedures. As of 30 June 2004, loans to be collected amounted to 4 million euro.

Portfolio securities representing third party securitization transactions

The Group holds investment and dealing securities from third party securitizations, as shown in the following table:

(€/mil)

Type of underlying activities	Credit quality	Senior securities	Mezzanine securities	Junior securities	Total
		book value			
Investment securities portfolio					
Other loans	Performing	1	-	-	1
		1	-	-	1
Dealing securities portfolio					
Central and local authorities	Performing	791	35	20	846
Tax credits	Performing	415	-	-	415
Building mortgage loans	Performing	5	-	-	5
Consumer loans	Performing	14	-	-	14
Leasing	Performing	3	-	-	3
Health care receivable	Performing	399	-	-	399
Public real estate	Performing	9	1	-	10
Social security contributions	Performing	74	-	-	74
	Problem loans	1	-	-	1
Other loans	Performing	1	-	-	1
		1,712	36	20	1,768
Non-reimbursed securities classified to non-performing loans					
Leasing	Performing	10	-	-	10
Health care receivable	Performing	2	-	-	2
		12	-	-	12
		1,725	36	20	1,781

The investment securities portfolio is shown net of adjustments in value totaling 12 million euro made in previous years.

The underlying activities to junior securities deriving from third party securitization transactions (pro quota value) amount to 349 million euro.

SECTION 12 - ADMINISTRATION AND DEALING ON BEHALF OF THIRD PARTIES

Portfolio management

The total market value of portfolios managed on behalf of customers and inclusive of Fund-based Portfolio Management (GPF) is detailed below:

	30/6/04 (€/mil)	31/12/03 (€/mil)
Portfolio management (*)	33,014	33,241

(*) In accordance with specific Bank of Italy instructions, this information refers solely to personalized portfolio management on behalf of customers, excluding those offered by third parties and distributed by the Group.

Custody and administration of securities

The nominal value of securities held in custody and for administration, including those received as guarantees, is detailed below:

	30/6/04 (€/mil)	31/12/03 (€/mil)
a) Third-party securities held on deposit	310,302	289,891
b) Third-party securities deposited with third parties	233,452	210,283
c) Portfolio securities deposited with third-parties (*)	36,823	24,607

(*) Excluding securities deposited with third parties to secure repurchase agreements.

Other transactions

Research and Development

Applied Research Reserve

SANPAOLO IMI manages transactions arising from applications received by 31 December 1999 out of the Applied Research Reserve. As of 30 June 2004, there are resolutions to be stipulated for 78 million euro, disbursements to be made for 481 million euro and loans for 655 million euro.

Reserve for Research Grants

SANPAOLO IMI continued to provide services to the Ministry of Education, Universities and Research (MIUR) for the management of industrial research projects and researcher training schemes using the Reserve for Research Grants. During the first half of 2004, 65 applications were received for research investment for 91 million euro and MIUR deliberated on financing of 217 million euro. The reduction in applications was reflected in the lack of funds, which led the Ministry to completely suspend the “reception desk” for applications, which had already been limited to the areas of Southern Italy, with effect from 3 March 2004.

Reserve for Technological Innovation

SANPAOLO IMI continued to provide services to the Ministry for Productive Activities (MAP) for the management of development projects utilizing the Reserve for Technological Innovation. The "reception desk" was suspended by MAP in January 2003 owing to lack of funds. The activity recommenced at the end of 2003 with the passing of Notices reserved for projects within technological sectors considered to be of prominence (ICT) or to be carried out in particular areas (Lombardy and Southern Italy). SANPAOLO IMI will be involved in the preliminary inquiry in the second half of the year. In the first half of 2004 the MAP deliberated on financing of 112 million euro.

During the first half of 2004 activities connected to the three reserves generated a total 12 million euro commission from the Public Administration.

Guarantee Fund for small and medium-sized enterprises in Southern Italy Law 341/95

With the Convention stipulated between the Italian Treasury and the Bank on 21 December 1995, as approved and activated by Decree of the Director-General of the Treasury dated 5 January 1996, SANPAOLO IMI, in its capacity as Managing Body, has been granted the concession to this Fund established under Law 341/1995.

The purpose of Law 341/1995 is to promote rationalization of the financial situation of small and medium-sized enterprises in Southern Italy, as defined by EU parameters. This involves measures of various types, from interest-relief grants on loans designed to convert short-term bank borrowing into medium and long-term loans, to the granting of supplementary guarantees on investment loans, for the purchase of equity investments and for the debt consolidation described above.

Since the beginning of 2000 acceptance of new applications was closed. As of 30 June 2004, there are 1,163 applications for 490 million euro, broken down as follows:
- 476 million euro for the consolidation of short-term debt for which contributions are being paid;
- 14 million euro for investment loans, of which an application for 3 million euro is not yet completed.

Third-party portion of syndicated loans

The portion of syndicated loans arranged by the Parent Bank for third parties without a representation mandate totaled 711 million euro at period end (564 million euro as of 31 December 2003).

Portfolio management services rendered by third parties

The amount of portfolio management services rendered by third parties and offered to customers through Group companies as of 30 June 2004 amounted to 4,102 million euro broken down as follows: 937 million euro of mutual funds, 755 million euro of fund-based portfolio management, 538 million euro of portfolio management schemes and 1,872 million euro in insurance policies.

Part C - Information on the consolidated statement of income

SECTION 1 - INTEREST

Interest income and expense and similar revenues and charges, detailed below, are reported in captions 10 and 20 of the consolidated statement of income:

	1st half 2004 (€/mil)	2003 (€/mil)	1st half 2003 (€/mil)
Interest income and similar revenues (caption 10)	3,570	7,443	3,966
Interest expense and similar charges (caption 20)	1,711	3,701	2,065

Interest income and similar revenues (caption 10)

Analysis of caption 10 "interest income and similar revenues"

	1st half 2004 (€/mil)	2003 (€/mil)	1st half 2003 (€/mil)
a) On amounts due from banks	215	460	281
of which: *- deposits with central banks*	*20*	*43*	*24*
b) On loans to customers	2,907	6,215	3,296
of which: *- loans using public funds*	-	-	-
c) On debt securities	438	727	360
d) Other interest income	10	41	29
e) Net differential on hedging transactions (*)	-	-	-
Total	**3,570**	**7,443**	**3,966**

(*) They represent the net effect of differentials on derivative hedging contracts.

Detail of caption 10 "interest income and similar revenues"

	1st half 2004 (€/mil)	2003 (€/mil)	1st half 2003 (€/mil)
a) On assets denominated in foreign currency	106	205	115

"Interest income and similar revenues" on assets denominated in foreign currency relate to transactions denominated in currencies not included in the euro-zone.

Interest expense and similar charges (caption 20)

Analysis of caption 20 "interest expenses and similar charges"

	1st half 2004 (€/mil)	2003 (€/mil)	1st half 2003 (€/mil)
a) On amounts due to banks	320	659	413
b) On amounts due to customers	445	1,050	600
c) On securities issued (*)	693	1,493	827
of which: *- certificates of deposit*	*41*	*110*	*88*
d) On public funds administered	-	-	-
e) On subordinated liabilities	145	302	159
f) Net differential on hedging transactions (**)	108	197	66
Total	**1,711**	**3,701**	**2,065**

(*) Excluding interest on subordinated securities included in caption e).
(**) These represent the net effect of differentials on derivative hedging contracts.

Detail of caption 20 "interest expenses and similar charges"

	1st half 2004 (€/mil)	2003 (€/mil)	1st half 2003 (€/mil)
a) On liabilities denominated in foreign currency	98	224	133

"Interest expense and similar charges" on liabilities denominated in foreign currency relate to transactions denominated in currencies not included in the euro-zone.

SECTION 2 - COMMISSION

Commission income and expense, as detailed below, is reported in captions 40 and 50 of the consolidated statement of income:

	1st half 2004 (€/mil)	2003 (€/mil)	1st half 2003 (€/mil)
Commission income (caption 40)	1,973	3,722	1,760
Commission expense (caption 50)	369	685	324

Commission income (caption 40)

Analysis of caption 40 "commission income"

	1st half 2004 (€/mil)	2003 (€/mil)	1st half 2003 (€/mil)
a) Guarantees given	49	80	37
b) Credit derivatives	2	8	4
c) Management, dealing and advisory services			
1. dealing in securities	47	97	55
2. dealing in currency	15	31	15
3. portfolio management:			
3.1 individual	116	204	108
3.2 collective	664	1,219	573
4. custody and administration of securities	35	67	31
5. depositary bank	66	115	55
6. placement of securities	12	34	17
7. acceptance of instructions	50	97	41
8. advisory services	9	35	15
9. third party service distribution:			
9.1 portfolio management:			
a) individual	9	18	8
b) collective	15	29	15
9.2 insurance products	162	285	113
9.3 other products	3	7	2
d) Collection and payment services	169	332	168
e) Servicing for securitization transactions	-	-	-
f) Tax collection services	88	179	83
g) Other services	462	885	420
Total	**1,973**	**3,722**	**1,760**

Subcaption “g) Other services” comprises, in particular:

	1st half 2004 (€/mil)	2003 (€/mil)	1st half 2003 (€/mil)
Loans granted	151	271	123
Deposits and current account overdrafts	168	316	155
Current accounts	87	173	83
Loan-arrangement activities	4	8	3
Other services	52	117	56
Total	**462**	**885**	**420**

The organization of commission income by distribution channels is:

	1st half 2004 (€/mil)	2003 (€/mil)	1st half 2003 (€/mil)
a) with own branches:			
1. portfolio management	515	993	478
2. placement of securities	2	1	4
3. third party service distribution	94	188	69
b) outside supply:			
1. portfolio management	265	430	203
2. placement of securities	10	33	13
3. third party service distribution	95	151	69

Commission expense (caption 50)

Analysis of caption 50 "commission expense"

	1st half 2004 (€/mil)	2003 (€/mil)	1st half 2003 (€/mil)
a) Guarantees received	2	12	6
b) Credit derivatives	2	1	-
c) Management and dealing services:			
1. dealing in securities	14	33	13
2. dealing in currency	-	1	1
3. portfolio management:			
3.1 own portfolio	-	-	-
3.2 third party portfolio	44	79	38
4. custody and administration of securities	13	23	10
5. placement of securities	5	7	1
6. door-to-door sales of securities, financial products and services	176	314	148
d) Collection and payment services	47	93	48
e) Other services	66	122	59
Total	**369**	**685**	**324**

Subcaption “e) Other services” comprises, in particular:

	1st half 2004 (€/mil)	2003 (€/mil)	1st half 2003 (€/mil)
Loan-arrangement activities	34	56	29
Loans obtained	1	6	3
Intermediation on financing transactions	2	9	6
Other services	29	51	21
Total	**66**	**122**	**59**

SECTION 3 - PROFITS AND LOSSES FROM FINANCIAL TRANSACTIONS

Profits and losses from financial transactions, detailed below, are reported in caption 60 of the statement of income:

	1st half 2004 (€/mil)	2003 (€/mil)	1st half 2003 (€/mil)
Profits (losses) on financial transactions (caption 60)	77	198	54

Profits and losses on financial transactions (caption 60)

Analysis of caption 60 "profits (losses) on financial transactions"

	1st half 2004 (€/mil)	2003 (€/mil)	1st half 2003 (€/mil)
Security transactions:			
a) revaluations/writedowns, net	-144	32	61
b) realized gains/losses	127	-54	14
Currency transactions	24	70	36
Other transactions	70	150	-57
Total	**77**	**198**	**54**

The reconciliation with the “Profits and losses from financial transactions and dividends on shares” caption of the reclassified statement of income, reported in the Report on Operations, is detailed below:

Reconciliation of caption 60 "profits (losses) on financial transactions" with the reclassified statement of income

	(€/mil)
Profits (losses) on financial transactions (caption 60)	77
Reclassification from interest income and expense of the positive margin of Investment Banking (*)	48
Reclassification from the dividends on dealing shares caption	70
Caption of the reclassified statement of income "Profits and losses from financial transactions and dividends on shares"	**195**

(*) The reclassification refers to the net interest income for the Banca IMI group which, in the interests of a better representation of Group results, is shown under the “profits and losses from financial transactions and dividends on shares” caption, being closely connected, from an operating point of view, with the result of the stock broking activities.

SECTION 4 - ADMINISTRATIVE COSTS

Administrative costs, detailed below, are reported in caption 80 of the consolidated statement of income:

	1st half 2004 (€/mil)	2003 (€/mil)	1st half 2003 (€/mil)
Personnel costs (caption 80.a)	1,388	2,841	1,449
Other administrative costs (caption 80.b)	870	1,769	880
Total	**2,258**	**4,610**	**2,329**

Personnel costs (caption 80.a)

	1st half 2004 (€/mil)	2003 (€/mil)	1st half 2003 (€/mil)
Wages and salaries	1,007	2,046	1,038
Social security charges	307	633	326
Termination indemnities	61	132	68
Pensions and similar	13	30	17
Total	**1,388**	**2,841**	**1,449**

The average number of employees, split by category, is shown in “Part D – Other information” of these Notes.

Other administrative costs (caption 80.b)

	1st half 2004 (€/mil)	2003 (*) (€/mil)	1st half 2003 (€/mil)
IT costs	**206**	**430**	**212**
Software maintenance and upgrades	64	122	62
Maintenance of operating assets	31	69	32
Data transmission charges	31	66	35
External data processing	43	97	46
Database access charges	24	49	26
Equipment leasing charges	13	27	11
Property costs	**145**	**287**	**141**
Rental of premises	90	171	86
Maintenance of leasehold premises	8	15	7
Maintenance of property owned by the Bank	12	30	13
Security services	18	38	19
Cleaning of premises	17	33	16
General expenses	**123**	**258**	**131**
Postage and telegraph charges	29	52	30
Office supplies	18	32	19
Transport and counting of valuables	10	23	12
Courier and transport services	10	18	8
Personnel on secondment	3	4	2
Other expenses	53	129	60
Professional and insurance fees	**131**	**264**	**132**
Professional fees	70	146	74
Legal and judiciary expenses	29	57	29
Investigation/commercial information costs	12	20	9
Insurance premiums banks and customers	20	41	20
Promotion, advertising and marketing expenses	**40**	**93**	**39**
Advertising and entertainment	32	79	32
Contributions and membership fees to trade unions and business associations	8	14	7
Indirect personnel costs	**49**	**94**	**44**
Indirect personnel expenses	49	94	44
Utilities	**44**	**86**	**46**
Energy	22	46	24
Telephone	22	40	22
Total	**738**	**1,512**	**745**
Indirect duties and taxes			
- stamp duties	94	176	95
- substitute tax (Pres. Decree 601/73)	15	32	15
- local property taxes	7	15	7
- tax on stock exchange contracts	4	7	4
- non-recoverable VAT on purchases	3	6	1
- other	9	21	13
Total	**132**	**257**	**135**
Total other administrative costs	**870**	**1,769**	**880**

(*) The figures for the year 2003 shown for comparative purposes have been reclassified according to the type of cost on the basis of criteria consistent with those used for the first half of 2004.

SECTION 5 - ADJUSTMENTS, WRITEBACKS AND PROVISIONS

Adjustments and provisions, reported in captions 90, 100, 120, 140 and 150 of the statement of income, and writebacks, reported in captions 130 and 160, are detailed below:

	1st half 2004 (€/mil)	2003 (€/mil)	1st half 2003 (€/mil)
Adjustments to intangible and tangible fixed assets (caption 90)	279	642	310
Provisions for risks and charges (caption 100)	78	195	64
Adjustments to loans and provisions for guarantees and commitments (caption 120)	479	1,126	393
Writebacks of adjustments to loans and provisions for guarantees and commitments (caption 130)	220	417	225
Provisions to reserves for probable loan losses (caption 140)	9	15	7
Adjustments to financial fixed assets (caption 150)	115	158	87
Writebacks of adjustments to financial fixed assets (caption 160)	95	218	6

Adjustments to intangible and tangible fixed assets (caption 90)

Analysis of caption 90 "adjustments to intangible and tangible fixed assets"

	1st half 2004 (€/mil)	2003 (€/mil)	1st half 2003 (€/mil)
Adjustments to intangible fixed assets			
- amortization of start-up and capital increase expenses	-	1	-
- amortization of goodwill	-	1	1
- long-term writedowns of goodwill	-	7	-
- amortization of software costs	83	199	80
- long-term writedowns of software costs	-	1	-
- amortization of other deferred charges	14	31	31
- amortization of goodwill arising on consolidation	62	131	70
- amortization of goodwill arising on application of the equity method	10	19	9
Adjustments to tangible fixed assets			
- depreciation of property	43	93	46
- long-term writedowns of property	-	3	-
- depreciation of furniture and installation	67	156	73
Total	**279**	**642**	**310**

Individual assets have been written down with reference to their remaining useful lives using, in most cases, the maximum fiscally-allowed rates, including the provisions of accelerated depreciation.

Provisions for risks and charges (caption 100)

Provisions for risks and charges of 78 million euro during the first half of the year reflect the consolidation of the corresponding provisions of the Parent Bank for 28 million euro, as follows:
- 15 million euro to strengthen the fund against losses on legal disputes;
- 7 million euro to cover other potential charges, among which guarantees given in respect of company transactions;
- 6 million euro to increase the reserve for other personnel costs, of which 3 million euro for charges relating to supplementary pension funds and 3 million euro to cover long-service bonuses to employees.

Provisions made by subsidiaries (50 million euro) comprise 16 million euro of provisions made by the Group's bank networks; the remaining 34 million euro refers to provisions made by subsidiaries against the risks involved in operating in the placement and management of financial products (23 million euro) and to provisions made by other subsidiaries (11 million euro).

Adjustments to loans and provisions for guarantees and commitments (caption 120)

Analysis of caption 120 "adjustments to loans and provisions for guarantees and commitments"

	1st half 2004 (€/mil)	2003 (€/mil)	1st half 2003 (€/mil)
a) Adjustments to loans	471	1,112	384
of which:			
- general adjustments for country risk	*6*	*-*	*-*
- other general adjustments	*33*	*169*	*59*
b) Provisions for guarantees and commitments	8	14	9
of which:			
- general provisions for country risk	*-*	*-*	*-*
- other general provisions	*1*	*5*	*4*
Total	**479**	**1,126**	**393**

Writebacks of adjustments to loans and provisions for guarantees and commitments (caption 130)

Analysis of caption 130 "writebacks of adjustments to loans and provisions for guarantees and commitments"

	1st half 2004 (€/mil)	2003 (€/mil)	1st half 2003 (€/mil)
Revaluation of loans previously written down	73	149	83
Revaluation of loans previously written off	3	5	-
Revaluation of provisions for guarantees and commitments	7	21	21
Collection of loan principal previously written down	94	161	76
Collection of loan principal and interest previously written off	18	39	21
Collection of default interest previously written down	25	42	24
Total	**220**	**417**	**225**

Provisions for probable loan losses (caption 140)

Provisions for probable loan losses are made by certain subsidiaries against risks which are only potential. For this reason they do not involve any adjustment to the assets.

Adjustments to financial fixed assets (caption 150)

Analysis of caption 150 "adjustments to financial fixed assets"

	1st half 2004 (€/mil)	2003 (€/mil)	1st half 2003 (€/mil)
Adjustments to equity investments	114	150	76
Adjustments to other investment securities	1	8	11
Total	**115**	**158**	**87**

Adjustments to equity investments for 114 million euro refer to the writedown of holdings in the following companies:

	1st half 2004 (€/mil)	2003 (€/mil)	1st half 2003 (€/mil)
Hutchison 3G Italia S.p.A. (*)	61	105	41
CDC Ixis S.A.	50	-	-
Kredyt Bank S.A.	2	11	7
Fiat S.p.A.	-	12	16
Edison S.p.A.	-	2	4
AEM Torino S.p.A.	-	-	3
Praxis Calcolo S.p.A.	-	4	2
Eni S.p.A.	-	1	1
AC.E.GA.S S.p.A.	-	-	1
Compagnia Assicuratrice Unipol S.p.A.	-	7	-
Fata Group S.r.l.	-	2	-
Acegas-Aps S.p.A.	-	1	-
Lingotto S.p.A.	-	1	-
Finanziaria Aps S.p.A.	-	1	-
Kiwi II Ventura - Serviços de Consultoria S.A.	-	1	-
Other adjustments	1	2	1
Total	**114**	**150**	**76**

(*) The figure includes the effect of the writedown of the entire investment in Hutchison 3G Italia S.p.A., including the portion held through the subsidiary 3G Mobile Investments S.A. which was consolidated using the net equity method. This treatment is aimed at disclosing the effect of the writedown in the value of the investment in a single balance sheet caption.

The writebacks of financial fixed assets (95 million euro) refer mainly to equity investments (particularly 92 million euro relating to the shareholding in Santander Central Hispano (SCH)). With respect to the book value of the investment in SCH, which was adjusted in prior years and is therefore subject to a writeback in value to reflect any positive trends in stock market prices, it was deemed opportune, in relation to the drop in the index in mid-July, to confirm the writeback in value to 8.75 euro per share already booked in March (to cover an average for the six month period equal to 9.035 euro). The value of 8.75 euro per share is the result of the writeback to historical purchase cost of the value of SCH's investment in the Parent Bank (8.70 euro per share) and of the average stock market price of the subsidiary Sanpaolo IMI International over the period 1 October 2003 – 31 March 2004 (8.78 euro per share). The unitary book value for the half year is therefore aligned to the average target prices emerging from current analytical research.

SECTION 6 - OTHER STATEMENT OF INCOME CAPTIONS

Captions 30, 70, 110, 190, 200 and 240 of the statement of income not commented upon previously in these Notes, comprise the following:

	1st half 2004 (€/mil)	2003 (€/mil)	1st half 2003 (€/mil)
Dividends and other revenues (caption 30)	121	309	283
Other operating income (caption 70)	192	396	190
Other operating expenses (caption 110)	34	68	36
Extraordinary income (caption 190)	118	548	158
Extraordinary expense (caption 200)	46	580	330
Income taxes for the period (caption 240)	402	657	322

Dividends and other revenues (caption 30)

Analysis of caption 30 "dividends and other revenues"

	1st half 2004 (€/mil)	2003 (€/mil)	1st half 2003 (€/mil)
Shares, quotas and other equities			
- dividends	70	146	151
- tax credits	-	77	80
On equity investments, other than those consolidated on a line by line basis or carried at equity			
- dividends	51	73	43
Santander Central Hispano S.A.	*18*	*36*	*17*
CDC Ixis S.A.	*9*	*9*	*9*
Banca d'Italia	*8*	*7*	*7*
Eni S.p.A.	-	*6*	-
Banco del Desarrollo S.A.	*2*	*2*	-
Borsa Italiana S.p.A.	*3*	*2*	*2*
Autostrada BS-VR-VI-PD S.p.A.	-	*1*	-
Biat S.A.	-	*1*	*1*
Centro Leasing S.p.A.	*1*	*1*	*1*
Compagnia Assicuratrice Unipol S.p.A.	*2*	*1*	*1*
Enel S.p.A.	-	*1*	*1*
Banca delle Marche S.p.A.	*2*	-	-
Other minor investments	*6*	*6*	*4*
- tax credits	-	13	9
Total	121	309	283

Other operating income (caption 70)

Analysis of caption 70 "other operating income"

	1st half 2004 (€/mil)	2003 (€/mil)	1st half 2003 (€/mil)
Expenses recovered			
- stamp duties	82	162	79
- other taxes	19	44	24
- legal costs	14	24	12
- other recoveries	33	69	33
Income from merchant banking activities	-	15	-
Income from IT companies	1	2	1
Income from option contracts	2	2	-
Reimbursement of services rendered to third parties	7	15	7
Other income from leasing activities	3	4	2
Rent and other income from property	5	15	7
Other income	26	44	25
Total	**192**	**396**	**190**

Other operating expenses (caption 110)

Analysis of caption 110 "other operating expenses"

	1st half 2004 (€/mil)	2003 (€/mil)	1st half 2003 (€/mil)
Other charges on leasing transactions	20	41	20
IT companies expenses	1	1	1
Charges on option contracts	2	3	2
Losses on merchant banking activities	-	-	-
Other expenses	11	23	13
Total	**34**	**68**	**36**

Extraordinary income (caption 190)

Analysis of caption 190 "extraordinary income"

	1st half 2004 (€/mil)	2003 (€/mil)	1st half 2003 (€/mil)
Out-of-period income			
- use of reserves in excess	18	84	68
- other out-of-period income	35	83	37
Amounts not payable	3	9	3
Out-of-court settlements	1	11	10
Disposal of branches	-	11	11
Gains on:			
- equity investments (*)	59	324	18
- investment securities	1	19	8
- other financial fixed assets	1	1	1
- tangible and intangible fixed assets	-	6	2
Total	**118**	**548**	**158**

(*) Of which 55 million euro refer to the gains realized from the disposal of the residual 20% interest in Finconsumo Banca.

Extraordinary expense (caption 200)

Analysis of caption 200 "extraordinary expense"

	1st half 2004 (€/mil)	2003 (€/mil)	1st half 2003 (€/mil)
Tax amnesty	3	16	17
Amounts not collectible	6	8	1
Transactions for legal disputes	1	10	-
Restructuring	6	9	-
Expenses for voluntary incentive retirement schemes	2	475	280
Losses on:			
- investment securities	-	6	1
- equity investments	-	4	4
- other financial fixed assets	1	3	3
- tangible and intangible fixed assets	1	2	-
Other out-of-period expenses	26	47	24
Total	**46**	**580**	**330**

With respect to the “Tax amnesty” initiatives, SANPAOLO IMI and its subsidiaries incurred charges totaling 10 million euro, of which 3 million euro were charged to the statement of income for the first half of 2004 and 7 million euro economically neutralized as an effect of the use of pre-existing reserves. More specifically, such charge refers to companies consolidated on a line by line basis for 5 million euro (3 million euro of which is recorded to the statement of income as “extraordinary items” and 2 million euro compensated by the use of pre-existing funds) and to subsidiary companies consolidated using the net equity method for 5 million euro (all of which are compensated by the use of reserves).

Part D - Other information

SECTION 1 - NUMBER OF EMPLOYEES AND BRANCH NETWORK

Average number of employees by category

	1st half 2004	2003	1st half 2003
a) Executives	803	836	920
b) Managers	5,312	5,671	6,045
c) Other employees	37,243	37,834	39,382
Total	**43,358**	**44,341**	**46,347**
of which: of companies consolidated proportionally	*723*	*705*	*717*

The division between Executives and Managers reflects, for all compared periods, the changes provided for by the collective national employment contract introduced in 1/1/2001.

The pro forma figures for the first half of 2003 for the average number of employees are 45,112 units.

Part E - Scope of consolidation

SECTION 1 - SHAREHOLDINGS IN SUBSIDIARIES AND COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE

Important Group shareholdings in subsidiaries and companies subject to significant influence in accordance with Articles 4 and 19 of D. Lgs. 87/92 are indicated in the table below:

Investments in subsidiaries and companies subject to significant influence

	Name	Registered offices	Type of relation-ship (*)	Ownership		Voting rights at share-holders' meeting %	Consolida-ted book values (€/mil)
				Held by	%		
A.	**Companies consolidated on a line by line and proportional basis**						
	SANPAOLO IMI S.p.A. (Parent Bank)	Turin		-	-	-	-
A1	*Companies consolidated on a line by line basis*						
1	Alcedo S.r.l.	Padua	1	Sanpaolo IMI Private Equity	100.00	100.00	XXX
2	Banca Comerciala Sanpaolo IMI Bank Romania S.A.	Romania	1	Sanpaolo IMI Internazionale	98.36	98.36	XXX (A)
3	Banca Fideuram S.p.A.	Rome	1	Sanpaolo IMI	64.10	64.10	XXX
				Invesp	9.28	9.28	XXX
					73.38	73.38	
4	Banca d'Intermediazione Mobiliare IMI S.p.A. (Banca IMI)	Milan	1	Sanpaolo IMI	100.00	100.00	XXX
5	Banca IMI Securities Corp.	United States	1	IMI Capital Market USA	100.00	100.00	XXX
6	Banca OPI S.p.A.	Rome	1	Sanpaolo IMI	100.00	100.00	XXX
7	Banca Popolare dell'Adriatico S.p.A.	Teramo	1	Sanpaolo IMI	100.00	100.00	XXX
8	Banque Privée Fideuram Wargny S.A.	France	1	Financiere Fideuram	99.86	99.86	XXX
9	Cassa di Risparmio di Padova e Rovigo S.p.A.	Padua	1	Sanpaolo IMI	100.00	100.00	XXX
10	Cassa di Risparmio di Venezia S.p.A.	Venice	1	Sanpaolo IMI	100.00	100.00	XXX
11	Cassa di Risparmio in Bologna S.p.A.	Bologna	1	Sanpaolo IMI	100.00	100.00	XXX
12	Europool Befektetesi Alapkezelo Rt.	Hungary	1	Inter-Europa Consulting	46.00	46.00	XXX
				Inter-Europa Bank	5.00	5.00	XXX
					51.00	51.00	
13	Farbanca S.p.A.	Bologna	4	Sanpaolo IMI	19.36	19.36	XXX
14	Fideuram Asset Management (Ireland) Ltd	Ireland	1	Banca Fideuram	100.00	100.00	XXX
15	Fideuram Bank S.A.	Luxembourg	1	Banca Fideuram	99.99	99.99	XXX
				Fideuram Vita	0.01	0.01	XXX
					100.00	100.00	
16	Fideuram Bank (Suisse) A.G.	Switzerland	1	Fideuram Bank	99.95	99.95	XXX
17	Fideuram Fiduciaria S.p.A.	Rome	1	Banca Fideuram	100.00	100.00	XXX
18	Fideuram Gestions S.A.	Luxembourg	1	Banca Fideuram	99.94	99.94	XXX
				Fideuram Vita	0.06	0.06	XXX
					100.00	100.00	
19	Fideuram Investimenti S.G.R. S.p.A.	Rome	1	Banca Fideuram	99.50	99.50	XXX
20	Fideuram Wargny Active Broker S.A.	France	1	Banque Privée Fideuram Wargny	99.99	99.99	XXX
21	Fideuram Wargny Gestion S.A.	France	1	Banque Privée Fideuram Wargny	99.89	99.89	XXX
22	Fideuram Wargny Gestion S.A.M.	Principality of Monaco	1	Banque Privée Fideuram Wargny	99.94	99.94	XXX
23	FIN.OPI S.p.A.	Turin	1	Banca OPI	100.00	100.00	XXX
24	Financière Fideuram S.A.	France	1	Banca Fideuram	94.95	94.95	XXX

(Cont.: Companies consolidated on a line by line basis)

Name	Registered offices	Type of relation-ship (*)	Ownership Held by	%	Voting rights at share-holders' meeting %	Consolida-ted book values (€/mil)
25 Finemiro Banca S.p.A.	Bologna	1	Sanpaolo IMI	96.84	96.84	XXX
26 Finemiro Finance S.p.A. (former Finemiro Leasing S.p.A.)	Bologna	1	Finemiro Banca	100.00	100.00	XXX
27 Friulcassa S.p.A.	Gorizia	1	Sanpaolo IMI	100.00	100.00	XXX
28 GEST Line S.p.A.	Naples	1	Sanpaolo IMI	100.00	100.00	XXX
29 IDEA S.A.	Luxembourg	1	IMI Bank (Lux)	99.17	99.17	XXX
			Sanpaolo IMI International	0.83	0.83	XXX
				100.00	100.00	
30 IE-New York Broker Rt	Hungary	1	Inter-Europa Consulting	90.00	90.00	XXX
			Inter-Europa Bank	10.00	10.00	XXX
				100.00	100.00	
31 IMI Bank (Lux) S.A.	Luxembourg	1	Banca IMI	99.99	99.99	XXX
			IMI Investments	0.01	0.01	XXX
				100.00	100.00	
32 IMI Capital Markets USA Corp.	United States	1	IMI Investments	100.00	100.00	XXX
33 IMI Finance Luxembourg S.A.	Luxembourg	1	IMI Investments	100.00	100.00	XXX
34 IMI Investimenti S.p.A.	Turin	1	Sanpaolo IMI	100.00	100.00	XXX
35 IMI Investments S.A.	Luxembourg	1	Banca IMI	99.99	99.99	XXX
			Banca IMI Securities	0.01	0.01	XXX
				100.00	100.00	
36 IMI Real Estate S.A.	Luxembourg	1	IMI Bank (Lux)	99.99	99.99	XXX
			Sanpaolo IMI International	0.01	0.01	XXX
				100.00	100.00	
37 Inter-Europa Bank Rt	Hungary	1	Sanpaolo IMI Internazionale	85.87	85.87	XXX
38 Inter-Europa Beruhazo Kft	Hungary	1	Inter-Europa Bank	100.00	100.00	XXX
39 Inter-Europa Consulting Kft	Hungary	1	Inter-Europa Fejlesztesi	51.00	51.00	XXX
			Inter-Europa Szolgaltato	49.00	49.00	XXX
				100.00	100.00	
40 Inter-Europa Ertekesitesi Kft	Hungary	1	Inter-Europa Bank	100.00	100.00	XXX (B)
41 Inter-Europa Fejlesztesi Kft	Hungary	1	Inter-Europa Bank	100.00	100.00	XXX
42 Inter-Europa Szolgaltato Kft	Hungary	1	Inter-Europa Bank	100.00	100.00	XXX
43 Inter-Invest Risk Management Vagyonkezelo Rt	Hungary	1	Inter-Europa Bank	48.00	48.00	XXX
			Inter-Europa Consulting	48.00	48.00	XXX
			Inter-Europa Szolgaltato	4.00	4.00	XXX
				100.00	100.00	
44 Invesp S.p.A.	Turin	1	Sanpaolo IMI	100.00	100.00	XXX
45 LDV Holding B.V.	Netherlands	1	Sanpaolo IMI Private Equity	100.00	100.00	XXX
46 NHS Investments S.A.	Luxembourg	1	IMI Investimenti	99.99	99.99	XXX
			LDV Holding	0.01	0.01	XXX
				100.00	100.00	
47 Prospettive 2001 S.p.A.	Turin	1	Sanpaolo IMI	100.00	100.00	XXX
48 Sanpaolo Banco di Napoli S.p.A.	Naples	1	Sanpaolo IMI	100.00	100.00	XXX
49 Sanpaolo Bank (Austria) A.G.	Austria	1	Sanpaolo Bank	100.00	100.00	XXX

(Cont.: Companies consolidated on a line by line basis)

Name	Registered offices	Type of relation-ship (*)	Ownership Held by	%	Voting rights at share-holders' meeting %	Consolida-ted book values (€/mil)
50 Sanpaolo Bank S.A.	Luxembourg	1	Sanpaolo IMI	50.00	50.00	XXX
			Sanpaolo IMI WM	50.00	50.00	XXX
				100.00	100.00	
51 Sanpaolo Bank (Suisse) S.A.	Switzerland	1	Sanpaolo Bank	99.98	99.98	XXX
52 Sanpaolo Fiduciaria S.p.A.	Milan	1	Sanpaolo IMI	100.00	100.00	XXX
53 Sanpaolo IMI Alternative Investments S.G.R. S.p.A.	Milan	1	Sanpaolo IMI WM	100.00	100.00	XXX
54 Sanpaolo IMI Asset Management S.G.R. S.p.A.	Turin	1	Sanpaolo IMI WM	100.00	100.00	XXX (C)
55 Sanpaolo IMI Bank (International) S.A.	Madeira	1	Sanpaolo IMI	100.00	100.00	XXX (D)
56 Sanpaolo IMI Bank Ireland Plc	Ireland	1	Sanpaolo IMI	100.00	100.00	XXX
57 Sanpaolo IMI Capital Company I L.l.c.	United States	1	Sanpaolo IMI	100.00	100.00	XXX
58 Sanpaolo IMI Fondi Chiusi S.G.R. S.p.A.	Bologna	1	Sanpaolo IMI Private Equity	100.00	100.00	XXX
59 Sanpaolo IMI Institutional Asset Management S.G.R. S.p.A.	Monza	1	Sanpaolo IMI WM	100.00	100.00	XXX (E)
60 Sanpaolo IMI International S.A.	Luxembourg	1	Sanpaolo IMI	100.00	100.00	XXX
61 Sanpaolo IMI Internazionale S.p.A.	Padua	1	Sanpaolo IMI	100.00	100.00	XXX
62 Sanpaolo IMI Investimenti per lo Sviluppo SGR S.p.A. (former NHS Mezzogiorno S.G.R. S.p.A.)	Naples	1	Sanpaolo IMI Private Equity	100.00	100.00	XXX
63 Sanpaolo IMI Private Equity S.p.A.	Bologna	1	Sanpaolo IMI	100.00	100.00	XXX
64 Sanpaolo IMI US Financial Co.	United States	1	Sanpaolo IMI	100.00	100.00	XXX
65 Sanpaolo IMI Wealth Management S.p.A.	Milan	1	Sanpaolo IMI	100.00	100.00	XXX
66 Sanpaolo IMI WM Luxembourg S.A.	Luxembourg	1	Sanpaolo IMI WM	100.00	100.00	XXX
67 Sanpaolo Invest Ireland Ltd	Ireland	1	Banca Fideuram	100.00	100.00	XXX
68 Sanpaolo Invest SIM S.p.A.	Rome	1	Banca Fideuram	100.00	100.00	XXX
69 Sanpaolo Leasint S.p.A.	Milan	1	Sanpaolo IMI	100.00	100.00	XXX
70 SEP S.p.A.	Turin	1	Sanpaolo IMI	100.00	100.00	XXX
71 Sogesmar S.A.	France	1	Banque Privée Fideuram Wargny	51.09	51.09	XXX
			Fideuram Wargny Gestion	48.19	48.19	XXX
				99.28	99.28	
72 SP Immobiliere S.A.	Luxembourg	1	Sanpaolo Bank	99.99	99.99	XXX
			Sanpaolo IMI WM Luxembourg	0.01	0.01	XXX
				100.00	100.00	
73 Sygman Szolgaltato es Kereskedelmi Kft	Hungary	1	IE-New York Broker	100.00	100.00	XXX
74 Tobuk Ltd	Ireland	1	Sanpaolo IMI Bank Ireland	100.00	100.00	XXX

A2 Companies consolidated with the proportional method

Name	Registered offices	Type of relationship (*)	Held by	%	Voting rights %	Consolidated book values (€/mil)
1 Allfunds Bank S.A.	Spain	7	Sanpaolo IMI WM	50.00	50.00	XXX (F)
2 Banka Koper d.d.	Slovenia	7	Sanpaolo IMI	62.94	32.99	XXX
3 Cassa dei Risparmi di Forlì S.p.A.	Forlì	7	Sanpaolo IMI	29.77	29.77	XXX
4 Centradia Group Ltd	United Kingdom	7	Sanpaolo IMI	29.03	29.03	XXX
5 Centradia Ltd	United Kingdom	7	Centradia Group	100.00	100.00	XXX
6 Centradia Services Ltd	United Kingdom	7	Centradia Group	100.00	100.00	XXX

	Name	Registered offices	Type of relationship (*)	Ownership: Held by	Ownership: %	Voting rights at shareholders' meeting %	Consolidated book values (€/mil)
B.	**Investments carried at equity**						
B1	*Investments carried at equity - subsidiaries* (**)						
1	3G Mobile Investments S.A.	Belgium	1	IMI Investimenti	100.00	100.00	4
2	Cedar Street Securities Corp.	United States	1	Banca IMI Securities	100.00	100.00	-
3	Consorzio Studi e Ricerche Fiscali	Rome	1	Sanpaolo IMI	55.00	55.00	-
				Banca Fideuram	10.00	10.00	-
				Banca IMI	5.00	5.00	-
				Banca OPI	5.00	5.00	-
				Fideuram Vita	5.00	5.00	- (G)
				Sanpaolo Leasint	5.00	5.00	-
				Sanpaolo IMI Asset Management	5.00	5.00	-
				Sanpaolo IMI WM	5.00	5.00	-
				IMI Investimenti	2.50	2.50	-
				Sanpaolo IMI Private Equity	2.50	2.50	-
					100.00	100.00	
4	Consumer Financial Services S.r.l.	Bologna	1	Finemiro Banca	100.00	100.00	2
5	CSP Investimenti S.r.l.	Turin	1	Sanpaolo IMI	100.00	100.00	156
6	Emil Europe '92 S.r.l.	Bologna	1	Cassa di Risparmio Bologna	93.47	93.47	3
7	Fideuram Assicurazioni S.p.A.	Rome	1	Fideuram Vita	100.00	100.00	- (G)(H)
8	Fideuram Vita S.p.A.	Rome	1	Banca Fideuram	99.79	100.00	476
9	IMI Solutions S.p.A. (former Cardine Financial Innovation S.p.A.)	Milan	1	Banca IMI	100.00	100.00	-
10	Immobiliare 21 S.r.l.	Milan	1	Invesp	100.00	100.00	-
11	Immobiliare Nettuno S.p.A.	Bologna	1	Cassa di Risparmio Bologna	100.00	100.00	1
12	Noricum Vita S.p.A. (subsequently	Turin	1	Sanpaolo Vita	57.85	57.85	- (G)
	Assicurazioni Internazionali di Previdenza S.p.A.)			Sanpaolo IMI	42.15	42.15	17
					100.00	100.00	17 (I)
13	Obiettivo Società di Gestione del Risparmio (S.G.R.) S.p.A.	Milan	1	Sanpaolo IMI WM	100.00	100.00	2 (J)
14	S.V.I.T. S.p.A.	Padua	1	Cassa di Risparmio Padova e Rovigo	57.45	57.45	-
15	Sanpaolo IMI Capital Partners Ltd	Guernsey	1	Sanpaolo IMI Private Equity	99.00	99.00	-
				Sanpaolo IMI Management	1.00	1.00	- (G)
					100.00	100.00	
16	Sanpaolo IMI Equity Management S.A.	Luxembourg	1	Sanpaolo IMI Private Equity	99.99	99.99	-
	(former NHS Luxembourg S.A.)			LDV Holding	0.01	0.01	-
					100.00	100.00	
17	Sanpaolo IMI Insurance Broker S.p.A.	Bologna	1	Invesp	55.00	55.00	1
				Sanpaolo IMI	45.00	45.00	1
					100.00	100.00	2
18	Sanpaolo IMI Management Ltd	United Kingdom	1	Sanpaolo IMI Private Equity	100.00	100.00	-
19	Sanpaolo Leasint G.M.B.H.	Austria	1	Sanpaolo Leasint	100.00	100.00	2
20	Sanpaolo Life Ltd	Ireland	1	Sanpaolo Vita	100.00	100.00	- (G)
21	Sanpaolo Vita S.p.A.	Milan	1	Sanpaolo IMI WM	100.00	100.00	484 (K)
22	Servizi S.r.l.	Bologna	1	Finemiro Banca	100.00	100.00	1

(Cont.: Investments carried at equity - subsidiaries)

Name	Registered offices	Type of relation-ship (*)	Ownership Held by	%	Voting rights at share-holders' meeting %	Consolida-ted book values (€/mil)
23 Studi e Ricerche per il Mezzogiorno	Naples	1	Sanpaolo IMI	16.67	16.67	-
			Banca OPI	16.67	16.67	-
			Sanpaolo IMI Investimenti	16.67	16.67	-
			Sanpaolo Banco di Napoli	16.66	16.66	-
				66.67	66.67	
24 Tele Futuro S.r.l.	Milan	1	LDV Holding	100.00	100.00	-
25 Universo Servizi S.p.A.	Milan	1	Sanpaolo Vita	99.00	99.00	- (G)
			Sanpaolo IMI WM	1.00	1.00	-
				100.00	100.00	
26 W.D.W. S.A.	France	1	Banque Privèe Fideuram Wargny	99.72	99.72	-
27 West Trade Center S.A.	Romania	1	Sanpaolo IMI Internazionale	100.00	100.00	- (A)
28 BN Finrete S.p.A. (in liq.)	Naples	1	Sanpaolo IMI	99.00	99.00	1 (L)
29 Cardine Finance Plc (in liq.)	Ireland	1	Sanpaolo IMI	99.97	99.97	-
			Cassa di Risparmio Padova e Rovigo	0.01	0.01	-
			Cassa di Risparmio Venezia	0.01	0.01	-
			Cassa di Risparmio Bologna	0.01	0.01	-
				100.00	100.00	
30 Cardine Suisse S.A. (in liq.)	Switzerland	1	Sanpaolo IMI	99.00	99.00	1 (L)
31 Cioccolato Feletti S.p.A. (in liq.)	Aosta	1	Invesp	95.00	95.00	-
32 Cotonificio Bresciano Ottolini S.r.l. (bankrupt)	Brescia	1	Invesp	100.00	100.00	-
33 Imifin S.p.A. (in liq.)	Rome	1	Sanpaolo IMI	100.00	100.00	-
34 IMI Bank A.G. (in liq.)	Germany	1	IMI Bank (Lux)	95.24	95.24	1 (L)
			Sanpaolo IMI International	4.76	4.76	-
				100.00	100.00	1
35 Innovare S.r.l. (in liq.)	Naples	1	Sanpaolo IMI	90.00	90.00	1 (L)
36 ISC Euroservice G.M.B.H. (in liq.)	Germany	1	Sanpaolo IMI	80.00	80.00	-
37 S.A.G.E.T. S.p.A. (in liq.)	Teramo	1	Banca Popolare dell'Adriatico	99.98	99.98	-
38 Sanpaolo U.S. Holding Co. (in liq.)	United States	1	Sanpaolo IMI	100.00	100.00	3 (L)
39 Se.Ri.T. S.p.A. (in liq.)	Teramo	1	Banca Popolare dell'Adriatico	100.00	100.00	-
40 Sicilsud Leasing S.p.A. (in liq.)	Palermo	1	FIN.OPI	100.00	100.00	-
41 West Leasing S.A. (in liq.)	Romania	1	Sanpaolo Bank Romania	99.88	99.88	1 (L)
Other minor investments						2 (M)
			Investments carried at equity - subsidiaries			**1,160**
B2 Investments carried at equity - other						
42 Aeffe S.p.A.	Rimini	8	LDV Holding	20.00	20.00	11
43 Aeroporti Holding S.r.l.	Turin	8	Sanpaolo IMI Private Equity	30.00	30.00	6
44 Attività Finanziarie Merlo S.p.A.	Turin	8	Banca IMI	33.33	33.33	5
45 Axon Rt	Hungary	8	Inter-Europa Bank	22.71	22.71	1
46 Banque Sanpaolo S.A.	France	8	Sanpaolo IMI	40.00	40.00	172
47 Carpine S.p.A.	Modena	8	Sanpaolo IMI Private Equity	27.09	27.09	10
48 Cassa di Risparmio di Firenze S.p.A.	Firenze	8	Sanpaolo IMI	18.72	18.72	191 (N)

(Cont.: Investments carried at equity - other)

Name	Registered offices	Type of relationship (*)	Ownership: Held by	Ownership: %	Voting rights at shareholders' meeting %	Consolidated book values (€/mil)
49 CBE Service S.p.r.l.	Belgium	8	Sanpaolo IMI	31.70	31.70	-
			Cariforlì	5.00	5.00	-
				36.70	36.70	
50 CR Firenze Gestion Internationale S.A.	Luxembourg	8	Sanpaolo IMI	20.00	20.00	1
51 Egida Compagnia di Assicurazioni S.p.A.	Turin	7	Sanpaolo Vita	50.00	50.00	- (G)
52 Esatri S.p.A.	Milan	8	GEST Line	31.50	31.50	11
53 Finnat Investments S.p.A.	Rome	8	Invesp	20.00	20.00	-
54 Finor d.o.o.	Slovenia	7	Banka Koper	100.00	100.00	1 (O)(P)
55 HDI Assicurazioni S.p.A.	Rome	8	Sanpaolo IMI	28.32	28.32	42
56 I.TRE Iniziative Immobiliari Industriali S.p.A.	Rovigo	8	Cassa di Risparmio Padova e Rovigo	20.00	20.00	-
57 Integra S.r.l.	Belluno	8	Cassa di Risparmio Padova e Rovigo	29.65	29.65	-
58 IW Bank S.p.A.	Milan	8	Banca IMI	20.00	20.00	3
59 Lama Dekani d.d.	Slovenia	8	Banka Koper	78.41	78.41	1 (P)
60 Liseuro S.p.A.	Udine	8	Sanpaolo IMI	35.11	35.11	1
61 Padova 2000 Iniziative Immobiliari S.p.A.	Padua	8	Cassa di Risparmio Padova e Rovigo	45.01	45.01	-
62 Pivka Perutninarstvo d.d.	Slovenia	8	Banka Koper	26.36	26.36	1
63 Progema S.r.l.	Turin	8	Finemiro Banca	10.00	10.00	-
			SEP	10.00	10.00	-
				20.00	20.00	
64 Sagat S.p.A.	Turin	8	IMI Investimenti	12.40	12.40	6 (Q)
65 Sanpaolo IMI Private Equity Scheme B.V.	Netherlands	8	LDV Holding	23.50	29.38	11
			Sanpaolo IMI Equity Management	20.00	0.00	- (G)
				43.50	29.38	11
66 Sifin S.r.l.	Bologna	8	Invesp	30.00	30.00	1
67 Sinloc - Sistemi Iniziative Locali S.p.A.	Turin	8	FIN.OPI	31.85	31.85	15
			Banca OPI	8.15	8.15	4
				40.00	40.00	19
68 Società Friulana Esazione Tributi S.p.A.	Udine	8	Friulcassa	33.33	33.33	2
69 Società Gestione per il Realizzo S.p.A.	Rome	8	Sanpaolo IMI	28.31	28.31	1
			Banca Fideuram	0.64	0.64	-
				28.95	28.95	1
70 Splosna Plovba Portoroz d.d.	Slovenia	8	Banka Koper	21.00	21.00	-
71 Summa Finance S.p.A.	Bologna	8	Invesp	20.00	20.00	-
72 Synesis Finanziaria S.p.A.	Turin	8	IMI Investimenti	25.00	25.00	102 (R)
73 Trivimm S.r.l.	Verona	8	Sanpaolo IMI	23.00	23.00	-
74 Aeroporto di Napoli S.p.A. (in liq.)	Naples	8	Sanpaolo IMI	20.00	20.00	-
75 Consorzio Agrario Prov.le di Rovigo (in liq.)	Rovigo	8	Cassa di Risparmio Padova e Rovigo	35.45	35.45	-
76 Consorzio Bancario SIR S.p.A. (in liq.)	Rome	8	Sanpaolo IMI	32.84	32.84	- (S)
77 G.E.CAP. S.p.A. (in liq.)	Foggia	8	Sanpaolo IMI	37.25	37.25	-
78 Galileo Holding S.p.A. (in liq.)	Venice	8	Sanpaolo IMI	31.52	31.52	-
79 Italinfra Grandi Progetti S.p.A. (in liq.)	Naples	8	Sanpaolo IMI	30.00	30.00	-

(Cont.: Investments carried at equity - other)

Name	Registered offices	Type of relation-ship (*)	Ownership Held by	%	Voting rights at share-holders' meeting %	Consolida-ted book values (€/mil)
80 Mega International S.p.A. (in arrangement before bankruptcy)	Ravenna	8	Finemiro Banca	48.00	48.00	-
Other equity investments						2 (M)
					Total investments carried at equity - other	**601**
					Total investments carried at equity	**1,761**

Notes to the table of significant investments:

(*) Type of relationship:
1 = control ex Art. 2359 Italian Civil Code, subsection 1, no. 1: majority of voting rights in the ordinary meeting.
2 = control ex Art. 2359 Italian Civil Code, subsection 1, no. 2: dominating influence in the ordinary meeting.
3 = control ex Art. 2359 Italian Civil Code, subsection 2, no. 1: agreements with other partners.
4 = other forms of control.
7 = joint control ex Art. 35, subsection 1 of D. Lgs. 87/92.
8 = associated company ex Art. 36, subsection 1 of D. Lgs. 87/92: company over which "significant influence" is exercised, which is assumed to exist when at least 20% of the voting rights in the ordinary meeting are held.

(**) The list does not include investments of Isveimer S.p.A. (in liquidation) and Società per la gestione di attività S.p.A. (Sga), given the particular characteristics of the respective interest held (see Part B - Section 9 "Other liabilities" of these Notes).

(A) The company was transferred from the Parent Bank to Sanpaolo IMI Internazionale S.p.A. in February 2004.
(B) The company was set-up in January 2004.
(C) In April 2004 the company merged Eptafund S.G.R. p.a..
(D) In January 2004 the Parent Bank purchased direct control of the company.
(E) In April 2004 Sanpaolo IMI WM S.p.A. purchased direct control of the company.
(F) The company is jointly controlled with Santander Central Hispano S.A..
(G) The book value is included in the valuation in net equity of the holding company.
(H) In March 2004 the company was sold to Fideuram Vita S.p.A. by Banca Fideuram S.p.A..
(I) The company is beneficiary of the insurance business branch of the SANPAOLO IMI Group.
(J) In March 2004 the company was sold to Sanpaolo IMI WM S.p.A. by Banca IMI S.p.A..
(K) The valuation has been made on the basis of the consolidated financial statements prepared by the company in which the investment is held.
(L) The company's book value reflects the presumed realizable value according to the stage of completion of the liquidation process.
(M) Represents the sum of the book values of shareholdings under 500,000 euro.
(N) The valuation has been made on the basis of the consolidated financial statements as of 31 March 2004 prepared by the company in which the investment is held.
(O) The company was purchased in January 2004.
(P) The investment controlled by Banka Koper d.d. is not included among "Investments carried at equity - subsidiaries" as the holding company Banka Koper is included in consolidation using the proportional method.
(Q) The company was included among "Investments carried at equity – other" in respect of the parasocial contracts which allow the SANPAOLO IMI Group to exercise significant interest in the management of the company.
(R) The company holds 51% of Fidis Retail Italia.
(S) The investment refers to the IMI Sir dispute illustrated in Section 5 – "Other assets".

SECTION 2 - OTHER EQUITY INVESTMENTS CARRIED AT COST

Among the remaining investments held by the Group the most significant are listed below by investment amount (book value of at least 2.5 million euro):

Other significant equity investments

Name	Registered offices	Ownership Held by	Ownership % (*)	Consolidated book values (€/mil)
AC.E.GA.S APS S.p.A.	Trieste	Friulcassa	0.65	2
		Cassa di Risparmio Padova e Rovigo	0.52	1
			1.17	3
AEM Torino S.p.A.	Turin	FIN.OPI	3.00	17
Autostrada BS-VR-VI-PD S.p.A.	Verona	Sanpaolo IMI	5.80	6
Azimut S.p.A.	Viareggio	LDV Holding	9.09	34
		Sanpaolo IMI Private Equity	0.08	-
			9.17	34
Banca delle Marche S.p.A.	Ancona	Sanpaolo IMI	7.00	92
Banca d'Italia	Rome	Sanpaolo IMI	8.33	185
		Cassa di Risparmio Bologna	6.20	-
		Cassa di Risparmio Padova e Rovigo	1.20	-
		Cassa di Risparmio Venezia	0.88	-
		Friulcassa	0.63	-
		Cariforlì	0.20	2
			17.44	187
Banco del Desarrollo S.A.	Chile	Sanpaolo IMI	15.72	23
Banque Espirito Santo et de la Venetie S.A.	France	Prospettive 2001	18.00	10
BIAT S.A.	Tunisia	Sanpaolo IMI Internazionale	5.61	7
Borsa Italiana S.p.A.	Milan	Banca IMI	7.94	22
		Sanpaolo IMI	5.37	52
		IMI Bank (Lux)	0.43	-
			13.74	74
Cassa di Risparmio di Ferrara S.p.A.	Ferrara	Prospettive 2001	1.15	6
CDC Ixis S.A.	France	Sanpaolo IMI	3.45	278
Centrale dei Bilanci S.r.l.	Turin	Sanpaolo IMI	12.60	6
Centro Factoring S.p.A.	Florence	Invesp	10.81	3
		Cariforlì	0.11	-
			10.92	3
Centro Leasing S.p.A.	Florence	Invesp	12.33	15
		Cariforlì	0.05	-
			12.38	15
Cimos International d.d.	Slovenia	Banka Koper	13.55	6
Compagnia Assicuratrice Unipol S.p.A.	Bologna	Invesp	1.90	59
Convergenza S.c.a.	Luxembourg	Sanpaolo IMI Private Equity	6.67	11
Dyckerhoff A.G.	Germany	IMI Finance	7.88	30
		IMI Investments	4.24	15
			12.12	45
Engineering Ingegneria Informatica S.p.A.	Rome	Sanpaolo IMI Private Equity	1.60	4

(Cont.: Other significant equity investments)

Name	Registered offices	Ownership Held by	% (*)	Consolidated book values (€/mil)
FIAT S.p.A.	Turin	IMI Investimenti	0.93	58
Fin.Ser. S.p.A.	Padua	Cassa di Risparmio Padova e Rovigo	15.00	4
Fincantieri - Cantieri Navali Italiani S.p.A.	Trieste	IMI Investimenti	1.97	7 (A)
Fondo Europeo per gli Investimenti	Luxembourg	Sanpaolo IMI Private Equity	0.50	3
Galaxy S. a r.l.	Luxembourg	FIN.OPI	19.97	4
Hera S.p.A.	Bologna	FIN.OPI	1.05	10
Hutchison 3G Italia S.p.A.	Milan	NHS Investments	5.58	27
		3G Mobile Investments	2.23	- (B)
			7.81	27
Infracom Italia S.p.A.	Verona	IMI Investimenti	7.35	25 (A)
Istituto Enciclopedia Italiana S.p.A.	Rome	Sanpaolo IMI	8.00	3
Istituto per il Credito Sportivo	Rome	Sanpaolo IMI	10.81	19
Italenergia Bis S.p.A.	Turin	IMI Investimenti	12.48	431
Kiwi II Ventura Servicos de Consultoria S.A.	Madeira	Sanpaolo IMI Private Equity	1.09	5
Kredyt Bank S.A.	Poland	Sanpaolo IMI Internazionale	2.83	15
Merloni Termosanitari S.p.A.	Ancona	LDV Holding	6.05	22
		Banca Popolare dell'Adriatico	1.37	5
			7.42	27
Santander Central Hispano S.A.	Spain	Sanpaolo IMI	1.10	458
		Sanpaolo IMI International	1.77	739
			2.87	1,197
Simest S.p.A.	Rome	Sanpaolo IMI	4.01	6
Transdev S.A.	France	FIN.OPI	7.00	11
Other minor investments				60
		Total other significant equity investments		**2,798**

Notes to the table "other significant investments":

(*) The percentage refers to the total capital.
(A) The company was sold by the Parent Bank to IMI Investimenti S.p.A. in January 2004.
(B) The book value is included in the valuation in net equity of the holding company.

Attachments

Statement of changes in consolidated shareholders' equity

(€/mil)

	Capital	Reserves and retained earnings	Reserve for general banking risks	Differences arising on consolidation and on application of the equity method	Net income	Total shareholders' equity
Shareholders' equity as of 31/12/2003	5,144	4,662	4	213	972	10,995
Allocation of 2003 net income						
- to reserves	-	257	-	-	-257	-
- to shareholders	-	-	-	-	-715	-715
Reclassification between reserves	-	-55	-	55	-	-
Change in reserve for general banking risks	-	-	-	-	-	-
Differences arising on the translation of foreign currency financial statements and other adjustments	-	2	-	-	-	2
Net income	-	-	-	-	691	691
Shareholders' equity as of 30/06/2004	5,144	4,866	4	268	691	10,973

STATEMENT OF CONSOLIDATED CASH FLOWS

(€/mil)

APPLICATION OF FUNDS

Use of funds generated by operations	**864**
Dividends distributed	715
Use of reserves for termination indemnities	61
Use of provisions for risks and charges	86
Use of reserves for probable loan losses	2
Increase in funds applied	**11,489**
Dealing securities	9,413
Loans to customers	437
Own shares	2
Equity investments	7
Differences arising on consolidation and on application of the equity method	9
Other assets	1,523
Tangible fixed assets	39
Intangible fixed assets	59
Total	**12,353**

	(€/mil)
SOURCES OF FUNDS	
Funds generated by operations	**1,382**
Net income	691
Exchange differences on translating the net equity of consolidated companies and other adjustments	2
Provisions for termination indemnities	44
Net adjustments to loans	259
Provisions for risks and charges	78
Provisions for probable loan losses	9
Adjustments to tangible fixed assets	110
Adjustments to intangible fixed assets	97
Net adjustments to financial fixed assets	20
Adjustments to goodwill arising on consolidation and on application of the equity method	72
Increase in funds taken	**10,385**
Due to customers and securities issued	3,858
Minority interests	47
Other liabilities	2,057
Subordinated liabilities	387
Due to banks	4,036
Decrease in funds applied	**586**
Cash and deposits with central banks	437
Due from banks	131
Investment securities	18
Total	**12,353**

RECONCILIATION BETWEEN THE PARENT BANK'S HALF YEAR FINANCIAL STATEMENTS AND THE CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS

(€/mil)

	Net income	Capital and reserves	Shareholders' equity	Reserve for probable loan losses	Total
FINANCIAL STATEMENT OF THE PARENT BANK	271	9,633	9,904	-	9,904
Balance of subsidiary companies consolidated line by line	668	11,202	11,870	104	11,974
Consolidation adjustments					
- book value of consolidated investments line by line	-	-8,261	-8,261	-	-8,261
- dividends of consolidated companies	-150	54	-96	-	-96
- amortization of goodwill arising on consolidation	-72	-631	-703	-	-703
- elimination of goodwill arising on consolidation	-	-1,326	-1,326	-	-1,326
- elimination of gains on sale investments	-47	-1,503	-1,550	-	-1,550
- valuation of investments at net equity	140	268	408	-	408
- writedowns of investments	245	262	507	-	507
- elimination of use of provision accrued for tax purposes in previous years for probable loan losses	-184	184	-	-	-
- tax effects of elimination of use of provision accrued for tax purposes in previous years for probable loan losses	60	-60	-	-	-
- elimination of revaluations on equity investments written down for tax purposes in previous years	-276	276	-	-	-
- reversal of amortization of negative goodwill on Banco di Napoli	71	304	375	-	375
- portion of tax benefits from the Banco di Napoli merger	-14	226	212	-	212
- minority interests	-35	-283	-318	-	-318
- reversal of Group company goodwill	1	-117	-116	-	-116
- other adjustments	13	54	67	-6	61
CONSOLIDATED FINANCIAL STATEMENTS	691	10,282	10,973	98	11,071

LIST OF EQUITY INVESTMENTS AS OF 30 JUNE 2004 HIGHER THAN 10% IN UNLISTED COMPANIES, REPRESENTED BY SHARES WITH VOTING RIGHTS AND IN LIMITED LIABILITY COMPANIES (CONSOB RESOLUTION NO. 11715 OF 24 NOVEMBER 1998) (1)

Name	Held by	%
Agricola del Varano S.r.l.	Cassa di Risparmio Padova e Rovigo	26.58
Alilaguna S.r.l.	Cassa di Risparmio Venezia	80.00
AMA International S.p.A.	FIN.Opi	14.97
Banque Galliere S.A. (in liq.)	Cassa di Risparmio Bologna	17.50
Beato Edoardo Materiali Ferrosi S.r.l.	Cassa di Risparmio Padova e Rovigo	50.00
	Cassa di Risparmio Venezia	50.00
		100.00
Biessefin S.p.A. (in liq.)	Sanpaolo IMI	36.10
Calitri Denim Industries S.p.A.	Isveimer (in liq.)	14.29
Calzaturificio Novella S.r.l. (in liq.)	Cassa di Risparmio Venezia	45.00
Celeasing S.r.l.	Sanpaolo IMI	100.00
Centro Agroalimentare di Napoli S.c.p.a.	Sanpaolo IMI	15.68
Cen. Ser. Centro Servizi S.p.A.	Cassa di Risparmio Padova e Rovigo	11.60
Cive S.p.A.	Sanpaolo IMI	68.97
Combimar & Agemar S.p.A.	Sanpaolo IMI	98.00
Crif S.p.A.	Invesp	5.05
	Sanpaolo IMI	5.05
		10.10
Dulevo S.p.A. (bankrupt)	Sanpaolo IMI	16.30
Efrem S.r.l.	Servizi	20.00
Elvetia Edile S.r.l.	Sanpaolo IMI	100.00
Emporium S.r.l.	Cassa di Risparmio Padova e Rovigo	51.27
Esatto S.p.A.	GEST Line	16.33
Esped Spedizioni S.r.l.	Cassa di Risparmio Padova e Rovigo	29.80
Eufigest S.A.	Sanpaolo IMI Asset Management	12.88
Evoluzione 94 S.p.A.	Sanpaolo IMI	5.99
	Cassa di Risparmio Bologna	2.55
	Friulcassa	1.97
		10.51
Fata Group S.r.l.	IMI Investimenti	13.17
Fides S.p.A. (bankrupt)	Isveimer (in liq.)	20.00
Fin. Tess. S.p.A.	Cassa di Risparmio Padova e Rovigo	98.00
Finlombarda Leasing S.p.A. (in liq.)	Sanpaolo IMI	14.00
Finpaper S.p.A.	Friulcassa	51.00
Finplozner S.p.A.	Friulcassa	25.00
Fonti di Gaverina S.p.A.	Sanpaolo IMI	63.44
Gerard H Polderman S.r.l.	Cassa di Risparmio Padova e Rovigo	100.00
Giraglia Immobiliare S.p.A.	Sanpaolo IMI	17.15
Guiness Peat Aviation ATR Ltd	Sanpaolo IMI Bank Ireland	12.50

Name	Held by	%
I Guardi S.r.l. (in liq.)	Cassa di Risparmio Venezia	56.00
IAM Piaggio S.p.A. (in liq.)	Sanpaolo IMI	9.68
	Banca Fideuram	3.74
		13.42
Idra Partecipazioni S.p.A. (in liq.)	Ldv Holding	11.56
Immobiliare dell'Isola Cattaneo S.p.A.	Sanpaolo IMI	48.57
Immobiliare Femar S.p.A.	Cassa di Risparmio Padova e Rovigo	38.57
Immobiliare Meduna S.r.l.	Cassa di Risparmio Venezia	40.00
Immobiliare Peonia Rosa S.r.l.	Sanpaolo IMI	57.00
Immobiliare Santa Caterina S.r.l.	Sanpaolo Banco di Napoli	100.00
Impianti S.r.l. (in liq.)	Sanpaolo IMI	14.16
Integrated Shipping Company S.p.A.	Sanpaolo IMI	100.00
Istituto per l'Enciclopedia della Banca e della Borsa S.p.A.	Sanpaolo IMI	12.12
	Banca Fideuram	0.34
		12.46
Isveimer S.p.A. (in liq.)	Sanpaolo IMI	65.22
	Banca Popolare dell'Adriatico	0.17
		65.39
Italpower S.p.A. (in liq.)	IMI Investimenti	15.00
Ittica Ugento S.p.A. (bankrupt)	Sanpaolo Banco di Napoli	26.96
Kall Kwik Italia S.p.A. (in liq.)	Sanpaolo Leasint	15.00
Kish Receivables Co.	Tobuk	20.83
La Compagnia Finanziaria S.p.A.	Sanpaolo IMI	12.09
Lingotto S.p.A.	FIN.Opi	17.02
Loop S.p.A.	Sanpaolo Leasint	19.79
Loseri S.p.A.	Sanpaolo IMI	18.40
Marche Capital S.p.A.	Banca Popolare dell'Adriatico	11.99
Mirano Costruzioni S.r.l.	Cassa di Risparmio Venezia	100.00
Pantecna S.p.A. (bankrupt)	Sanpaolo IMI	15.50
PDP Box Doccia S.p.A.	Cassa di Risparmio Padova e Rovigo	80.00
Pharmacom S.r.l.	Farbanca	17.00
Pila 2000 S.p.A.	Cassa di Risparmio Padova e Rovigo	37.19
Praxis Calcolo S.p.A.	Ldv Holding	14.52
	Sanpaolo IMI Private Equity	0.29
		14.81
Print S.r.l.	Banca Popolare dell'Adriatico	100.00
Raco S.p.A.	Ldv Holding	12.30
Sago S.p.A. (2)	Sanpaolo IMI	26.67
Serit S.p.A. - Servizi Riscoss. Imposte e Tesoreria (in liq.)	Sanpaolo IMI	18.64
SI Holding S.p.A.	Sanpaolo IMI	11.16
Siteba S.p.A.	Sanpaolo IMI	10.45
Soa Nordest S.p.A.	Cassa di Risparmio Padova e Rovigo	15.00
Società Capua Group Imbottigliamento Bevande Gassate S.p.A.	Sanpaolo Banco di Napoli	80.19
Società per la Gestione di Attività S.p.A. - S.g.a.	Sanpaolo IMI	100.00

Name	Held by	%
SSB - Società per i Servizi Bancari S.p.A.	Sanpaolo IMI	15.54
	Banca Fideuram	0.02
		15.56
Società Trasporto Telematico S.p.A.	Sanpaolo IMI	14.00
Tecnoalimenti S.c.p.A. (2)	Sanpaolo IMI	20.00
Tecnobiomedica S.p.A. (2)	Sanpaolo IMI	26.32
Tecnocittà S.r.l.	Sanpaolo IMI	12.00
Tecnofarmaci S.p.A. (2)	Sanpaolo IMI	20.50
Tecnogen S.c.p.a. (2)	Sanpaolo IMI	29.96
Tecnotessile S.r.l. (2)	Sanpaolo IMI	40.00
Trieste - Terminal Cereali S.r.l.	Cassa di Risparmio Padova e Rovigo	31.25
Torsyl S.A. (in liq.)	Sanpaolo IMI International	15.79
Venezia Tronchetto Real Estate S.p.A.	Cassa di Risparmio Padova e Rovigo	99.62
Zampieri S.r.l.	Cassa di Risparmio Venezia	25.00

(1) This excludes equity investments already listed in Part E - Sections 1 and 2 of the Consolidated Explanatory Notes.
(2) Equity investments originating from transactions as per Law 1089 of 25 October 1968 (Applied Research Reserve).

METHODOLOGICAL NOTES TO DETERMINE THE PRO FORMA CONSOLIDATED STATEMENTS OF INCOME AND BALANCE SHEETS FOR THE FIRST THREE QUARTERS 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 consolidated accounts of the SANPAOLO IMI Group for the first three quarters of 2003 are presented in a pro forma version.

In particular, the consolidated financial statements of the SANPAOLO IMI Group for the quarter as of 31 March 2003 have been reconstructed to reflect the line by line consolidation of Inter-Europa Bank, the proportional consolidation of Cassa dei Risparmi di Forlì and the non-consolidation of Banque Sanpaolo and Finconsumo Banca, recorded using the equity method. The consolidated pro forma schedules as of 30 June 2003 and 30 September 2003 have been reconstructed to reflect the exit of Banque Sanpaolo and its subsidiaries from the line by line consolidation.

Besides the above-mentioned amendments linked with the changes in the consolidation area, only reclassified consolidated statements of income for 2003 (with commentary in the Report on Operations) have been classified in relation to the tax credit on dividends from shareholdings. These have been reclassified from “Profits from companies carried at equity and dividends from shareholdings”, under “Income taxes for the period”. The reclassification (for a total of 13 million euro, 9 million referring to the second quarter and 4 million to the third quarter) became necessary to allow better comparison with this year’s figures, in which the above-mentioned tax credits have been largely abolished following the exemption of dividends from taxation.

It should be noted that the aforementioned pro forma schedules are unaudited.

Statements of the pro forma consolidated statements of income and balance sheets for the first three quarters of 2003

First quarter of 2003: statement of reclassified consolidated pro forma statement of income of the SANPAOLO IMI Group

(€/mil)

	SANPAOLO IMI Group (a)	Expansion of the line by line and proportional consolidation area (1) (b)	Reduction of the line by line and proportional consolidation area (2) (c)	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)
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
- personnel	*-713*	*-6*	*2*	*20*	*-697*
- other administrative costs	*-361*	*-4*	*2*	*10*	*-353*
- indirect duties and taxes	*-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 reserve for general banking risks	-	-	-	-	-
Income attributable to minority interests	-9	-	-	-	-9
NET INCOME	**280**	**1**	**-**	**-**	**281**

(1) The figures refer to the line by line consolidation of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì not recorded to the quarterly report of the SANPAOLO IMI Group as of 31 March 2003.

(2) The figures refer to the non-consolidation of Finconsumo Banca.

31 March 2003: statement of reclassified consolidated pro forma balance sheet of the SANPAOLO IMI Group

(€/mil)

	SANPAOLO IMI Group (a)	Expansion of the line by line and proportional consolidation area (1) (b)	Reduction of the line by line and proportional consolidation area (2) (c)	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)
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 March 2003.

(2) The figures refer to the non-consolidation of Finconsumo Banca.

First half of 2003: statement of reclassified consolidated pro forma statement of income of the SANPAOLO IMI Group

(€/mil)

	SANPAOLO IMI Group (a)	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity (b)	SANPAOLO IMI Group pro forma (c) = (a+b)
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	130	16	146
NET INTEREST AND OTHER BANKING INCOME	**3,744**	**-84**	**3,660**
Administrative costs	-2,329	61	-2,268
- personnel	*-1,449*	*39*	*-1,410*
- other administrative costs	*-745*	*20*	*-725*
- indirect duties and taxes	*-135*	*2*	*-133*
Other operating income, net	162	-	162
Adjustments to tangible and intangible fixed assets	-230	7	-223
OPERATING INCOME	**1,347**	**-16**	**1,331**
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	**947**	**-10**	**937**
Net extraordinary income/expense	-172	-1	-173
INCOME BEFORE TAXES	**775**	**-11**	**764**
Income taxes for the period	-313	11	-302
Change in reserve for general banking risks	-	-	-
Income attributable to minority interests	-21	-	-21
NET INCOME	**441**	**-**	**441**

30 June 2003: statement of reclassified consolidated pro forma balance sheet of the SANPAOLO IMI Group

(€/mil)

	SANPAOLO IMI Group (a)	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity (b)	SANPAOLO IMI Group pro forma (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 of the SANPAOLO IMI Group

(€/mil)

	SANPAOLO IMI Group (a)	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity (b)	SANPAOLO IMI Group pro forma (c) = (a+b)
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	183	26	209
NET INTEREST AND OTHER BANKING INCOME	**5,650**	**-126**	**5,524**
Administrative costs	-3,489	93	-3,396
- personnel	*-2,165*	*59*	*-2,106*
- other administrative costs	*-1,121*	*31*	*-1,090*
- indirect duties and taxes	*-203*	*3*	*-200*
Other operating income, net	244	-	244
Adjustments to tangible and intangible fixed assets	-347	11	-336
OPERATING INCOME	**2,058**	**-22**	**2,036**
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	**1,553**	**-17**	**1,536**
Net extraordinary income/expense	-211	-	-211
INCOME BEFORE TAXES	**1,342**	**-17**	**1,325**
Income taxes for the period	-528	17	-511
Change in reserve for general banking risks	6	-	6
Income attributable to minority interests	-34	-	-34
NET INCOME	**786**	**-**	**786**

30 September 2003: statement of reclassified consolidated pro forma balance sheet of the SANPAOLO IMI Group

(€/mil)

	SANPAOLO IMI Group (a)	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity (b)	SANPAOLO IMI Group pro forma (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**

Statement of consolidated pro forma statement of income - Official format for the first half of 2003

(€/mil)

	SANPAOLO IMI Group		Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity		SANPAOLO IMI Group pro forma	
		(a)		(b)		(c) = (a+b)
10. Interest income and similar revenues		3,966		-138		3,828
of which:						
- loans to customers	*3,296*		*-93*		*3,203*	
- debt securities	*360*		*-19*		*341*	
20. Interest expense and similar charges		-2,065		75		-1,990
of which:						
- amounts due to customers	*-600*		*19*		*-581*	
- securities issued	*-961*		*26*		*-935*	
30. Dividends and other revenues		283		-		283
a) shares, quotas and other equities	231		-		231	
b) equity investments	52		-		52	
40. Commission income		1,760		-37		1,723
50. Commission expense		-324		6		-318
60. Profits (losses) on financial transactions		54		-4		50
70. Other operating income		190		-2		188
80. Administrative costs		-2,329		61		-2,268
a) personnel	-1,449		39		-1,410	
of which:						
- wages and salaries	*-1,038*		*25*		*-1,013*	
- social security charges	*-326*		*12*		*-314*	
- termination indemnities	*-68*		*2*		*-66*	
- pensions and similar	*-17*		*-*		*-17*	
b) other administrative costs	-880		22		-858	
90. Adjustments to tangible and intangible fixed assets		-310		7		-303
100. Provisions for risks and charges		-64		1		-63
110. Other operating expense		-36		-		-36
120. Adjustments to loans and provisions for guarantees and commitments		-393		13		-380
130. Writebacks of adjustments to loans and provisions for guarantees and commitments		225		-8		217
140. Provisions to the reserve for probable loan losses		-7		-		-7
150. Adjustments to financial fixed assets		-87		-		-87
160. Writebacks of adjustments to financial fixed assets		6		-		6
170. Income (losses) from investments carried at equity		87		16		103
180. Income from ordinary activities		**956**		**-10**		**946**
190. Extraordinary income		158		-1		157
200. Extraordinary expense		-330		-		-330
210. Extraordinary net income		**-172**		**-1**		**-173**
230. Change in reserve for general banking risks		-		-		-
240. Income taxes		-322		11		-311
250. Income (loss) attributable to minority interests		-21		-		-21
260. Net income		**441**		**-**		**441**

Statement of consolidated pro forma balance sheet - Official format as of 30 June 2003

(€/mil)

ASSETS		SANPAOLO IMI Group (a)		Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity (b)		SANPAOLO IMI Group pro forma (c) = (a+b)
10. Cash and deposits with central banks and post offices		980		-6		974
20. Treasury bills and similar bills eligible for refinancing with central banks		2,837		-		2,837
30. Due from banks		21,129		-1,079		20,050
a) repayable on demand	8,013		-828		7,185	
b) other deposits	13,116		-251		12,865	
40. Loans to customers		130,215		-3,884		126,331
of which:						
- loans using public funds	*172*		*-*		*172*	
50. Bonds and other debt securities		20,567		-683		19,884
a) public entities	12,394		-110		12,284	
b) banks	5,328		-103		5,225	
of which:						
- own bonds	*2,281*		*-*		*2,281*	
c) financial institutions	1,935		-6		1,929	
of which:						
- own bonds	*16*		*-*		*16*	
d) other issuers	910		-464		446	
60. Shares, quotas and other equities		4,737		-16		4,721
70. Equity investments		3,015		396		3,411
a) carried at equity	446		400		846	
b) other	2,569		-4		2,565	
80. Investments in Group companies		845		-3		842
a) carried at equity	845		-3		842	
b) other	-		-		-	
90. Goodwill arising on consolidation		944		-		944
100. Goodwill arising on application of the equity method		83		-		83
110. Intangible fixed assets		372		-33		339
of which:						
- start-up costs	*2*		*-*		*2*	
- goodwill	*15*		*-*		*15*	
120. Tangible fixed assets		2,203		-104		2,099
140. Own shares or quotas		33		-		33
150. Other assets		23,866		-128		23,738
160. Accrued income and prepaid expenses		2,779		-57		2,722
a) accrued income	1,977		-42		1,935	
b) prepaid expenses	802		-15		787	
of which:						
- discounts on bond issues	*240*		*-*		*240*	
Total assets		**214,605**		**-5,597**		**209,008**

(€/mil)

LIABILITIES	SANPAOLO IMI Group (a)		Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity (b)		SANPAOLO IMI Group pro forma (c) = (a+b)	
10. Due to banks		28,597		-510		28,087
a) repayable on demand	6,208		-281		5,927	
b) time deposits or with notice period	22,389		-229		22,160	
20. Due to customers		87,610		-2,868		84,742
a) repayable on demand	68,528		-1,529		66,999	
b) time deposits or with notice period	19,082		-1,339		17,743	
30. Securities issued		49,459		-1,946		47,513
a) bonds	38,651		-404		38,247	
b) certificates of deposit	6,372		-1,542		4,830	
c) other	4,436		-		4,436	
40. Public funds administered		176		-		176
50. Other liabilities		25,582		-166		25,416
60. Accrued expenses and deferred income		1,964		-69		1,895
a) accrued expenses	1,434		-54		1,380	
b) deferred income	530		-15		515	
70. Provisions for employee termination indemnities		971		-		971
80. Provisions for risks and charges		2,663		-38		2,625
a) pensions and similar	348		-		348	
b) taxation	460		-24		436	
c) other	1,855		-14		1,841	
90. Reserve for probable loan losses		84		-		84
110. Subordinated liabilities		6,784		-		6,784
120. Negative goodwill arising on consolidation		-		-		-
130. Negative goodwill arising on application of the equity method		211		-6		205
140. Minority interest		292		-		292
Capital and reserves (captions 100, 150, 160, 170, 180)		9,771		6		9,777
200. Net income		441		-		441
Total liabilities and shareholders' equity		**214,605**		**-5,597**		**209,008**

GUARANTEES AND COMMITMENTS						
10. Guarantees given		18,309		-625		17,684
of which:						
- acceptances	*183*		*-2*		*181*	
- other guarantees	*18,126*		*-623*		*17,503*	
20. Commitments		31,696		-619		31,077

Half Year Report on the Parent Bank

Financial statements

Parent Bank reclassified balance sheet

	30/6/2004 (€/mil)	31/12/2003 pro forma (€/mil)	Change 30/6/04-31/12/03 pro forma (%)	30/6/2003 pro forma (€/mil)
ASSETS				
Cash and deposits with central banks and post offices	487	741	-34.3	513
Loans	91,313	91,368	-0.1	97,295
- due from banks	*28,487*	*27,385*	*+4.0*	*30,923*
- loans to customers	*62,826*	*63,983*	*-1.8*	*66,372*
Dealing securities	9,732	8,816	+10.4	9,083
Fixed assets	14,807	14,820	-0.1	15,045
- investment securities	*2,409*	*2,458*	*-2.0*	*2,519*
- equity investments	*10,449*	*10,291*	*+1.5*	*10,421*
- intangible fixed assets	*732*	*797*	*-8.2*	*809*
- tangible fixed assets	*1,217*	*1,274*	*-4.5*	*1,296*
Other assets	8,783	8,857	-0.8	10,562
Total assets	**125,122**	**124,602**	**+0.4**	**132,498**
LIABILITIES				
Payables	97,658	97,470	+0.2	102,267
- due to banks	*36,264*	*37,800*	*-4.1*	*45,493*
- due to customers and securities issued	*61,394*	*59,670*	*+2.9*	*56,774*
Provisions	2,163	2,112	+2.4	2,108
- for taxation	*403*	*282*	*+42.9*	*282*
- for termination indemnities	*516*	*529*	*-2.5*	*511*
- provisions for risks and charges	*1,244*	*1,301*	*-4.4*	*1,275*
- for pensions and similar	*-*	*-*	*n.s.*	*40*
Other liabilities	9,122	8,787	+3.8	12,261
Subordinated liabilities	6,275	5,887	+6.6	6,310
Shareholders' equity	9,904	10,346	-4.3	9,552
- capital	*5,144*	*5,144*	*-*	*5,144*
- reserves	*4,489*	*4,378*	*+2.5*	*4,428*
- net income for the period	*271*	*758*	*-64.2*	*-45*
- adjustment for alignment with net income	*-*	*66*	*n.s.*	*25*
Total liabilities	**125,122**	**124,602**	**+0.4**	**132,498**
GUARANTEES AND COMMITMENTS				
Guarantees given	29,100	29,298	-0.7	26,834
Commitments	11,808	14,057	-16.0	13,493

The pro forma data have been prepared according to the criteria detailed in the Explanatory Notes and are unaudited.

Parent Bank reclassified statement of income

	First half 2004 (€/mil)	First half 2003 pro forma (€/mil)	Change first half 2004 / First half 2003 pro forma (%)	2003 pro forma (€/mil)
NET INTEREST INCOME	**720**	**764**	**-5.8**	**1,530**
Net commissions and other net dealing revenues	696	600	16.0	1,301
Profits and losses from financial transactions and dividends on shares	46	62	-25.8	82
Dividends from shareholdings	53	44	20.5	816
NET INTEREST AND OTHER BANKING INCOME	**1,515**	**1,470**	**3.1**	**3,729**
Administrative costs	-1,199	-1,200	-0.1	-2,477
- personnel	*-737*	*-746*	*-1.2*	*-1,529*
- other administrative costs	*-396*	*-388*	*2.1*	*-825*
- indirect duties and taxes	*-66*	*-66*	*-*	*-123*
Other operating income, net	230	227	1.3	467
Adjustments to tangible and intangible fixed assets	-144	-154	-6.5	-332
OPERATING INCOME	**402**	**343**	**17.2**	**1,387**
Adjustments to goodwill and merger differences	-36	-36	-	-72
Provisions for risks and charges	-26	-31	-16.1	-109
Net adjustments to loans and provisions for guarantees and commitments	-75	-21	n.s.	-373
Net adjustments to financial fixed assets	-22	-77	-71.4	-61
INCOME BEFORE EXTRAORDINARY ITEMS	**243**	**178**	**36.5**	**772**
Net extraordinary items	162	-170	n.s.	182
INCOME BEFORE TAXES	**405**	**8**	**n.s.**	**954**
Income taxes for the period	-134	-53	n.s.	-196
NET INCOME	**271**	**-45**	**n.s.**	**758**
Adjustment for alignment with aggregate net income		25		66
Aggregate net income (SANPAOLO IMI + Cardine Finanziaria)		-20		824

The pro forma data have been prepared according to the criteria detailed in the Explanatory Notes and are unaudited.

Parent Bank balance sheet

(in Euro)

Assets	30/06/2004		31/12/2003 pro forma		31/12/2003 SANPAOLO IMI	
10. Cash and deposits with central banks and post offices		487,462,729		741,061,563		741,061,563
20. Treasury bills and similar bills eligible for refinancing with central banks		1,199,863,370		2,191,213,836		2,191,213,836
30. Due from banks:		28,486,746,829		27,384,886,332		27,384,886,332
a) repayable on demand	4,449,512,528		8,930,400,397		8,930,400,397	
b) other deposits	24,037,234,301		18,454,485,935		18,454,485,935	
40. Loans to customers		62,825,500,250		63,982,919,330		63,982,919,330
of which:						
- loans using public funds	*30,861,196*		*32,100,438*		*32,100,438*	
50. Bonds and other debt securities		10,906,858,776		9,047,597,319		9,047,597,319
a) public entities	3,208,843,676		2,005,491,053		2,005,491,053	
b) banks	7,216,580,976		6,531,126,488		6,531,126,488	
of which:						
- own bonds	*842,100,630*		*768,758,229*		*768,758,229*	
c) financial institutions	187,238,032		202,412,256		202,412,256	
of which:						
- own bonds	-		-		-	
d) other issuers	294,196,092		308,567,522		308,567,522	
60. Shares, quotas and other equities		2,198,282		807,678		807,678
70. Equity investments		2,037,117,566		2,013,834,465		2,013,834,465
80. Investments in Group companies		8,412,295,583		8,277,025,695		8,277,025,695
90. Intangible fixed assets		732,388,403		796,715,430		796,715,430
of which:						
- start-up costs	-		-		-	
- goodwill	*529,488,523*		*565,245,215*		*565,245,215*	
100. Tangible fixed assets		1,216,749,766		1,273,642,861		1,273,642,861
120. Own shares or quotas (nominal value € 9,018,573.20)		32,173,760		33,539,430		33,539,430
130. Other assets		6,362,890,056		7,135,774,061		7,460,680,759
140. Accrued income and prepaid expenses:		2,419,662,200		1,776,121,286		1,776,121,286
a) accrued income	2,134,286,500		1,447,246,271		1,447,246,271	
b) prepaid expenses	285,375,700		328,875,015		328,875,015	
of which:						
- discounts on bond issues	*18,565,693*		*17,506,412*		*17,506,412*	
Total assets		125,121,907,570		124,655,139,286		124,980,045,984

The pro forma balance sheet as of 31/12/2003, unaudited, has been prepared in order to enable comparability with the balance sheet as of 30/06/2004.

(in Euro)

Liabilities	30/06/2004		31/12/2003 pro forma		31/12/2003 SANPAOLO IMI	
10. Due to banks:		36,263,654,496		37,799,877,102		37,799,877,102
a) repayable on demand	4,909,827,151		4,336,225,692		4,336,225,692	
b) time deposits or with notice period	31,353,827,345		33,463,651,410		33,463,651,410	
20. Due to customers:		42,972,900,289		40,499,322,667		40,499,322,667
a) repayable on demand	32,453,314,188		30,220,655,729		30,220,655,729	
b) time deposits or with notice period	10,519,586,101		10,278,666,938		10,278,666,938	
30. Securities issued:		18,385,688,141		19,131,734,612		19,131,734,612
a) bonds	16,765,056,913		15,098,732,104		15,098,732,104	
b) certificates of deposit	1,195,482,098		3,716,975,365		3,716,975,365	
c) other	425,149,130		316,027,143		316,027,143	
40. Public funds administered		30,678,311		32,150,975		32,150,975
50. Other liabilities		7,349,532,260		7,538,892,559		7,538,892,559
60. Accrued expenses and deferred income:		1,777,200,579		1,254,881,271		1,254,881,271
a) accrued expenses	1,568,167,461		1,034,662,707		1,034,662,707	
b) deferred income	209,033,118		220,218,564		220,218,564	
70. Provisions for employee termination indemnities		516,515,001		529,121,440		529,121,440
80. Provisions for risks and charges:		1,647,034,571		1,635,557,428		1,960,464,126
a) pensions and similar	-		-		-	
b) taxation	402,587,558		334,692,582		659,599,280	
c) other	1,244,447,013		1,300,864,846		1,300,864,846	
100. Reserve for general banking risks		-		-		-
110. Subordinated liabilities		6,274,861,708		5,887,492,939		5,887,492,939
120. Capital		5,144,064,800		5,144,064,800		5,144,064,800
130. Additional paid-in capital		707,767,359		707,767,359		707,767,359
140. Reserves:		3,780,962,146		3,669,966,295		3,669,966,295
a) legal reserve	1,028,812,960		1,028,812,960		1,028,812,960	
b) reserve for own shares or quotas	32,173,760		33,539,430		33,539,430	
c) statutory reserves	-		-		-	
d) other reserves	2,719,975,426		2,607,613,905		2,607,613,905	
170. Income for the period		271,047,909		824,309,839		824,309,839
Adjustments for alignment with net income		-		-		-
Total liabilities and shareholders' equity		**125,121,907,570**		**124,655,139,286**		**124,980,045,984**

GUARANTEES AND COMMITMENTS	30/06/2004		31/12/2003 pro forma		31/12/2003 SANPAOLO IMI	
10. Guarantees given		29,099,883,944		29,298,297,442		29,298,297,442
of which:						
- acceptances	*126,187,728*		*101,812,094*		*101,812,094*	
- other guarantees	*28,973,696,216*		*29,196,485,348*		*29,196,485,348*	
20. Commitments		11,807,897,691		14,056,523,002		14,056,523,002
of which:						
- for derivatives on loans	*451,107,304*		*530,147,753*		*530,147,753*	
- for sales with obligation to repurchase	-		-		-	

The pro forma balance sheet as of 31/12/2003, unaudited, has been prepared in order to enable comparability with the balance sheet as of 30/06/2004.

Parent Bank statement of income

(in Euro)

	First half 2004		First half 2003 pro forma		SANPAOLO IMI first half 2003	
10. Interest income and similar revenues		1,757,353,124		2,321,624,563		2,319,853,955
of which:						
- loans to customers	*1,291,039,973*		*1,782,731,017*		*1,782,731,017*	
- debt securities	*170,610,803*		*210,263,647*		*210,263,647*	
20. Interest expense and similar charges		-1,037,202,656		-1,272,048,409		-1,271,999,970
of which:						
- amounts due to customers	*-232,013,688*		*-394,660,722*		*-394,660,722*	
- securities issued	*-386,299,384*		*-403,530,841*		*-403,530,841*	
30. Dividends and other revenues		52,958,015		44,725,725		55,961,934
a) shares, quotas and other equities	123,153		290,461		290,461	
b) equity investments	52,834,862		44,435,264		55,671,473	
c) investments in Group companies	-		-		-	
40. Commission income		740,172,550		795,964,616		795,964,616
50. Commission expense		-44,200,055		-50,562,709		-49,961,664
60. Profits (losses) on financial transactions		46,356,302		67,998,238		67,998,238
70. Other operating income		242,472,578		151,295,990		99,910,032
80. Administrative costs		-1,198,748,583		-1,424,139,776		-1,349,309,426
a) personnel	-737,097,131		-884,519,364		-880,208,306	
of which:						
- wages and salaries	*-529,916,817*		*-630,833,792*		*-627,654,024*	
- social security charges	*-171,692,343*		*-207,626,005*		*-206,722,903*	
- termination indemnities	*-35,487,971*		*-45,952,346*		*-45,831,379*	
- pensions and similar	*-*		*-107,221*		*-*	
b) other administrative costs	-461,651,452		-539,620,412		-469,101,120	
90. Adjustments to tangible and intangible fixed assets		-180,342,423		-236,119,289		-223,377,750
100. Provisions for risks and charges		-26,437,756		-35,219,034		-35,200,604
110. Other operating expense		-12,298,719		-5,347,082		-5,308,707
120. Adjustments to loans and provisions for guarantees and commitments		-157,180,892		-184,983,029		-184,983,029
130. Writebacks of adjustments to loans and provisions for guarantees and commitments		82,455,442		135,014,337		135,014,337
140. Provisions for probable loan losses		-		-		-
150. Adjustments to financial fixed assets		-251,064,063		-83,795,493		-23,747,156
160. Writebacks of adjustments to financial fixed assets		32,961,236		6,925,260		6,925,260
170. Income from ordinary activities		**47,254,100**		**231,333,908**		**337,740,066**
180. Extraordinary income		368,428,149		109,716,470		108,948,186
190. Extraordinary expense		-10,635,345		-280,127,394		-280,014,008
200. Extraordinary net income		**357,792,804**		**-170,410,924**		**-171,065,822**
220. Income taxes for the period		-133,998,995		-81,555,142		-117,034,213
230. Net income for the period		**271,047,909**		**-20,632,158**		**49,640,031**

Adjustment for alignment with net income for the first half 2003	70,272,189
SANPAOLO IMI net income for the first half 2003	49,640,031

The statement of income for the first half 2003, unaudited, has been prepared in order to enable comparability with the statement of income for the first half 2004.

Explanatory Notes to the Half Year Report on the Parent Bank

Introduction

With a view to rationalizing the obligatory aspects of preparing the Half Year Report, the Bank has chosen not to publish Explanatory Notes to the Financial Statements of the Parent Bank, as allowed by Consob in Art. 81 of Resolution no. 11971 of 14/5/99 (as amended by Consob Resolution no. 12475 of 6/4/2000). In fact, the Bank believes that the information published on the Group's performance in the first half of 2004, consisting in a Report on Operations and Consolidated Financial Statements, is perfectly adequate to ensure in-depth analysis of the financial and economic situation of the SANPAOLO IMI Group, both as a whole and by business sector.

The Half Year Report of the Parent Bank is therefore limited to the following documents:
- Statutory statement of income and balance sheet, reclassified for management purposes and prepared on a consistent basis with respect to the Group's annual reports;
- Financial statements of the Parent Bank (Balance sheet and Statement of income prepared in accordance with the compulsory format required by the Bank of Italy);
- Attachments to the financial statements:
  - Intercompany balances between the Parent Bank, subsidiaries and companies subject to significant influence;
  - Statement of changes in shareholders' equity of the Parent Bank.

The Bank's financial statements for the first half of 2004 have been prepared pursuant to D. Lgs. 87 dated 27 January 1992, which implemented EEC Directive 86/635. They also take into account the requirements contained in the Bank of Italy instructions dated 30 July 1992 and subsequent amendments. For all matters not governed by special regulations, reference has been made to the Italian Civil Code and to national accounting standards.

The Bank's financial statements as of 30 June 2004 have been prepared using the accounting policies adopted in relation to the financial statements as of 31 December 2003.

Audit of the Half Year Report on the Parent Bank

The Half Year Report on the Parent Bank has been subjected to a limited audit by PricewaterhouseCoopers S.p.A., in accordance with Consob Recommendations no. 97001574 dated 20 February 1997 and no. 10867 dated 31 July 1997, and with the shareholders' resolution dated 29 April 2004, which reappointed them as auditors for the 2004/2006 three-year period.

Pro forma balance sheet and income schedules

The statements of income and balance sheets as of 30 June 2004 show the comparative values as of 30 June 2003. In order to enable comparability of these figures, the following pro forma schedules have been prepared:
- Statement of income in official format as of 30 June 2003 and in reclassified format as of 30 June and 31 December 2003;
- Balance sheet in official format as of 31 December 2003 and in reclassified format as of 30 June and 31 December 2003.

These pro forma schedules are unaudited.

The pro forma schedules take into consideration:
- the merger by incorporation of Cardine Finanziaria, completed on 31 December 2003, effective for accounting and tax

purposes as of 1 January 2003;
- the transfer to Sanpaolo Banco di Napoli S.p.A. of the business branch made up of the branch networks, human resources and legal bodies belonging to the Southern Territorial Direction, this was completed in two tranches legally effective from, respectively, 1 July 2003 and 29 September 2003;
- the transfer to CSP Investimenti S.r.l. of the real estate branch comprising the properties not functional to the activities of the Parent Bank. This was completed on 31 December 2003.

Adjustments following company transactions

a) Incorporation of Cardine Finanziaria

As already mentioned, for the purpose of the pro forma adjustments, it was assumed that the merger took place on 1 January 2003. Consequently a simulation was made of the cancellation of shares in Cardine Finanziaria, equal to 2,439 million euro, against a net equity in the same company.

Adjustments made to the reclassified balance sheet as of 30 June 2003:
- increase in amounts due from banks of 182 million euro (net of those from SANPAOLO IMI, equal to 53 million euro);
- decrease in shareholdings of 287 million euro (through the cancellation of the investment in Cardine Finanziaria, net of the investments purchased from the same during the merger);
- increase in intangible fixed assets of 27 million euro;
- increase in tangible fixed assets of 65 million euro;
- increase in other assets of 129 million euro;
- decrease in payables to banks of 53 million euro;
- increase in the tax reserve of 69 million euro;
- increase in provisions for other risks and charges of 1 million euro;
- increase in other liabilities of 53 million euro;
- recording of merger goodwill of 116 million euro;
- decrease in net equity following losses for the period of 70 million euro.

Adjustments made to the reclassified statement of income for the first half of 2003:
- increase in net interest income (+ 2 million euro);
- decrease in net commission (- 1 million euro);
- increase in dividends from shareholdings (+ 4 million euro);
- increase in personnel costs (- 42 million euro);
- increase in other administrative costs (- 32 million euro);
- increase in other net revenues (+ 51 million euro);
- increase in adjustments to the value of fixed assets (- 13 million euro);
- increase in extraordinary income (+ 1 million euro);
- increase in adjustments to the value of fixed assets (- 60 million euro).

Net of the tax effect (+ 20 million euro), the impact on net income for the first half of 2003 is **- 70 million euro.**

In order to provide a comparison of the captions relating to personnel costs and other administrative costs, the costs referring to personnel of the Bank networks in the North East Territorial Direction have been reclassified. Previously controlled by Cardine Finanziaria, the employment contracts of these personnel were transferred to Cardine Finanziaria with effect from 1 October 2003. This adjustment determined an increase of 38 million euro in personnel costs and a decrease for the same amount to administrative costs in respect of the first half of 2003 and of 59 million euro for the full twelve months period.

b) Transfer of the assets and liabilities to Sanpaolo Banco di Napoli S.p.A.

Adjustments made to the reclassified balance sheet as of 30 June 2003:
- decrease in cash and deposits with central banks and post offices of 141 million euro;
- decrease in loans to banks of 520 million euro;
- decrease in loans to customers of 9,234 million euro;
- decrease in intangible fixed assets (goodwill) of 731 million euro;
- decrease in other assets of 2,114 million euro;
- increase in payables to banks of 6,083 million euro;
- decrease in customer deposits of 15,576 million euro;
- decrease in provisions for termination indemnities of 174 million euro;
- decrease in provisions for risks and other charges of 181 million euro;
- decrease in other liabilities of 1,701 million euro.

To fund the transfer, the shareholdings were increased by the net value of the branch assets transferred, equal to 1,191 million euro.

Adjustments made to the reclassified balance sheet as of 31 December 2003:
- decrease in other assets of 34 million euro;
- decrease in the tax reserve of 34 million euro.

Adjustments made to the reclassified statement of income for the first half of 2003:
- decrease in net interest income (- 285 million euro);
- decrease in net commission (- 146 million euro);
- decrease in profits and losses from financial transactions (- 6 million euro);
- decrease in personnel costs (+ 177 million euro);
- decrease in other administrative costs (+ 134 million euro);
- decrease in indirect duties and taxes (+ 15 million euro);
- decrease in other net operating income (- 15 million euro);
- decrease in adjustments to the value of goodwill (+ 43 million euro);
- decrease in provisions for risks and charges (+ 4 million euro);
- decrease in adjustments to the value of loans and provisions (+ 29 million euro).

Net of the tax effect (+ 27 million euro), the impact on net income for the first half of 2003 is **- 23 million euro.**

Adjustments made to the reclassified statement of income for the year 2003:
- decrease in net interest income (- 319 million euro);
- decrease in net commission (- 166 million euro);
- decrease in profits and losses from financial transactions (- 7 million euro);
- decrease in personnel costs (+ 195 million euro);
- decrease in other administrative costs (+ 154 million euro);
- decrease in indirect duties and taxes (+ 17 million euro);
- decrease in other net operating income (- 16 million euro);
- decrease in adjustments to the value of goodwill (+ 43 million euro);
- decrease in provisions for risks and charges (+ 8 million euro);
- decrease in adjustments to the value of loans and provisions (+ 28 million euro).

Net of the tax effect (+ 34 million euro), the impact on net income for the year 2003 is **- 29 million euro.**

Taking into account that following the aforementioned transfers, a number of activities relating to the organization and management of Sanpaolo Banco di Napoli were outsourced to SANPAOLO IMI, it has been assumed that such services had already been performed in 2003. This resulted in an increase in other administrative costs and other net operating income of 102 million euro for the first half of 2003 and of 120 million euro for the full twelve months period.

c) Transfer of the real estate branch to C.S.P. Investimenti S.r.l.

Adjustments made to the reclassified balance sheet as of 30 June 2003:
- decrease in tangible fixed assets of 149 million euro;
- decrease in other assets of 1 million euro;
- decrease in the tax reserve of 1 million euro;
- increase of 51 million euro in equity reserves for gains realized.

To fund the transfer, the shareholdings were increased by the net value of the branch asset transferred, equal to 200 million euro.

Adjustments made to the reclassified balance sheet as of 31 December 2003:
- decrease in other assets of 19 million euro;
- decrease in the tax reserve of 19 million euro.

Adjustments made to the reclassified statement of income for the first half of 2003:
- decrease in other net operating income (- 6 million euro);
- decrease in adjustments to the value of fixed assets (+ 3 million euro).

Net of the tax effect (+ 1 million euro), the impact on net income for the first half of 2003 is **- 2 million euro.**

Adjustments made to the reclassified statement of income for the year 2003:
- decrease in other net operating income (- 12 million euro);
- decrease in adjustments to the value of fixed assets (+ 7 million euro);
- decrease in extraordinary income (- 51 million euro).

Net of the tax effect (+ 19 million euro), the impact on net income for the year 2003 is **- 37 million euro.**

Other adjustments

Considering that the fiscal reform provided for the abolition of the tax credit on dividends with effect from 1 January 2004, the statements of income for the first half of 2003 and for the year 2003 have been adjusted to reduce the caption non-subsidiary dividends, recorded on a cash basis, for an amount equal to the relevant tax credit for, respectively, **15 million euro** and **16 million euro.** This adjustment has not had any effect on net income since the income tax has been reduced by the same amount.

In order to provide a comparison of the balance sheet captions relating to tax credit on dividends, these captions have been reduced in the reclassified balance sheet as of 30 June 2003 and 31 December 2003 by, respectively, **286 million euro** and **325 million euro** with a reduction for the same amounts in the respective provisions for taxation.

Pro forma schedules used for the official financial statements

In order to prepare the schedules for the official financial statements, the pro forma figures for the year 2003 have been adjusted attributing a different importance in respect of the following:

I. "realization" transactions, which determine the definitive transfer of assets/liabilities;
II. transactions which have resulted in the integration of other companies;

III. reclassification of financial statement captions;
IV. extraordinary components.

With respect to the different aims for the presentation of the official financial statements, in the construction of the 2003 comparative financial statements, a criteria was followed to distinguish between company transactions which represent the sale/purchase of assets (eg. transfer of business branches) and those transactions which result in the Bank taking over the assets/liabilities of the merged company.

In the first case (point I), taking into consideration that the transactions resulted in the definitive transfer of the assets/liabilities of the Bank, no pro forma adjustments were made to the 2003 figures: this enables, among others, a clearer indication of the movements during the year.

In the second case (point II) however, given that the incorporating company acquires the assets/liabilities in the same manner in which they were recorded by the merged company, it is considered correct and appropriate to adjust the pro forma figures of the previous year, increasing them to reflect the results of the incorporated company.

Lastly, in line with that envisaged by IAS 1, the reclassifications to financial statement captions (point III) led to adjustments to pro forma figures for the previous year, whilst no adjustments were made to the extraordinary components for the year 2003 (point IV).

To conclude, adjustments to the **financial statements** referred to:

- the merger by incorporation of Cardine Finanziaria (for the statement of income for the first half of 2003);
- reclassifications to balance sheet captions referring to tax credits on dividends.

The tables determining the pro forma schedules, in reclassified and official versions are shown below.

Reclassified pro forma balance sheet as of 30/06/03

	30/6/2003 SANPAOLO IMI (€/mil)	30/6/2003 pro forma adjustments (€/mil)	30/6/2003 pro forma (€/mil)
ASSETS			
Cash and deposits with central banks and post offices	654	-141	513
Loans	106,867	-9,572	97,295
- due from banks	*31,261*	*-338*	*30,923*
- loans to customers	*75,606*	*-9,234*	*66,372*
Dealing securities	9,083	-	9,083
Fixed assets	14,729	+316	15,045
- investment securities	*2,519*	*-*	*2,519*
- equity investments	*9,317*	*+1,104*	*10,421*
- intangible fixed assets	*1,513*	*-704*	*809*
- tangible fixed assets	*1,380*	*-84*	*1,296*
Other assets	12,861	-2,299	10,562
Total assets	**144,194**	**-11,696**	**132,498**
LIABILITIES			
Payables	111,813	-9,546	102,267
- due to banks	*39,463*	*+6,030*	*45,493*
- due to customers and securities issued	*72,350*	*-15,576*	*56,774*
Provisions	2,707	-599	2,108
- for taxation	*527*	*-245*	*282*
- for termination indemnities	*685*	*-174*	*511*
- provisions for risks and charges	*1,455*	*-180*	*1,275*
- for pensions and similar	*40*	*-*	*40*
Other liabilities	13,908	-1,647	12,261
Subordinated liabilities	6,310	-	6,310
Shareholders' equity	9,456	96	9,552
- capital	*5,144*	*-*	*5,144*
- reserves	*4,262*	*+166*	*4,428*
- net income for the period	*50*	*-95*	*-45*
- adjustment for alignment with net income	*-*	*+25*	*25*
Total liabilities	**144,194**	**-11,696**	**132,498**
GUARANTEES AND COMMITMENTS			
Guarantees given	27,593	-759	26,834
Commitments	13,786	-293	13,493

Reclassified pro forma balance sheet as of 31/12/2003

	31/12/2003 SANPAOLO IMI (€/mil)	31/12/2003 pro forma adjustments (€/mil)	31/12/2003 pro forma (€/mil)
ASSETS			
Cash and deposits with central banks and post offices	741	-	741
Loans	91,368	-	91,368
- due from banks	*27,385*	-	*27,385*
- loans to customers	*63,983*	-	*63,983*
Dealing securities	8,816	-	8,816
Fixed assets	14,820	-	14,820
- investment securities	*2,458*	-	*2,458*
- equity investments	*10,291*	-	*10,291*
- intangible fixed assets	*797*	-	*797*
- tangible fixed assets	*1,274*	-	*1,274*
Other assets	9,235	-378	8,857
Total assets	**124,980**	**-378**	**124,602**
LIABILITIES			
Payables	97,470	-	97,470
- due to banks	*37,800*	-	*37,800*
- due to customers and securities issued	*59,670*	-	*59,670*
Provisions	2,490	-378	2,112
- for taxation	*660*	*-378*	*282*
- for termination indemnities	*529*	-	*529*
- provisions for risks and charges	*1,301*	-	*1,301*
- for pensions and similar	-	-	-
Other liabilities	8,787	-	8,787
Subordinated liabilities	5,887	-	5,887
Shareholders' equity	10,346	-	10,346
- capital	*5,144*	-	*5,144*
- reserves	*4,378*	-	*4,378*
- net income for the period	*824*	-66	*758*
- adjustment for alignment with net income	-	+66	*66*
Total liabilities	**124,980**	**-378**	**124,602**
GUARANTEES AND COMMITMENTS			
Guarantees given	29,298	-	29,298
Commitments	14,057	-	14,057

Reclassified pro forma statement of income for the first half 2003

	First half 2003 SANPAOLO IMI (€/mil)	First half 2003 pro forma adjustments (€/mil)	First half 2003 pro forma (€/mil)
NET INTEREST INCOME	**1,048**	**-284.0**	**764**
Net commissions and other net dealing revenues	746	-146.0	600
Profits and losses from financial transactions and dividends on shares	68	-6.0	62
Dividends from shareholdings	56	-12.0	44
NET INTEREST AND OTHER BANKING INCOME	**1,918**	**-448.0**	**1,470**
Administrative costs	-1,349	+149.0	-1,200
- personnel	*-880*	*+134.0*	*-746*
- other administrative costs	*-387*	*-1.0*	*-388*
- indirect duties and taxes	*-82*	*+16.0*	*-66*
Other operating income, net	94	+133.0	227
Adjustments to tangible and intangible fixed assets	-144	-10.0	-154
OPERATING INCOME	**519**	**-176.0**	**343**
Adjustments to goodwill and merger differences	-79	+43.0	-36
Provisions for risks and charges	-35	+4.0	-31
Net adjustments to loans and provisions for guarantees and commitments	-50	+29.0	-21
Net adjustments to financial fixed assets	-17	-60.0	-77
INCOME BEFORE EXTRAORDINARY ITEMS	**338**	**-160.0**	**178**
Net extraordinary items	-171	+1.0	-170
INCOME BEFORE TAXES	**167**	**-159.0**	**8**
Income taxes for the period	-117	+64.0	-53
NET INCOME	**50**	**-95.0**	**-45**

Adjustment for alignment with net income for the first half 2003	25
Aggregate net income for the first half 2003 (SANPAOLO IMI + Cardine Finanziaria)	-20

Reclassified pro forma statement of income for 2003

	2003 SANPAOLO IMI (€/mil)	2003 pro forma adjustments (€/mil)	2003 pro forma (€/mil)
NET INTEREST INCOME	**1,849**	**-319**	**1,530**
Net commissions and other net dealing revenues	1,467	-166	1,301
Profits and losses from financial transactions and dividends on shares	89	-7	82
Dividends from shareholdings	832	-16	816
NET INTEREST AND OTHER BANKING INCOME	**4,237**	**-508**	**3,729**
Administrative costs	-2,723	246	-2,477
- personnel	*-1,665*	*136*	*-1,529*
- other administrative costs	*-918*	*93*	*-825*
- indirect duties and taxes	*-140*	*17*	*-123*
Other operating income, net	375	92	467
Adjustments to tangible and intangible fixed assets	-339	7	-332
OPERATING INCOME	**1,550**	**-163**	**1,387**
Adjustments to goodwill and merger differences	-115	43	-72
Provisions for risks and charges	-117	8	-109
Net adjustments to loans and provisions for guarantees and commitments	-401	28	-373
Net adjustments to financial fixed assets	-61	-	-61
INCOME BEFORE EXTRAORDINARY ITEMS	**856**	**-84**	**772**
Net extraordinary items	233	-51	182
INCOME BEFORE TAXES	**1,089**	**-135**	**954**
Income taxes for the period	-265	69	-196
NET INCOME	**824**	**-66**	**758**

Adjustment for alignment with net income for 2003	66
SANPAOLO IMI net income for 2003	824

SANPAOLO IMI statement of pro forma balance sheet as of 31 December 2003

(in Euro)

Assets		31/12/2003 SANPAOLO IMI		31/12/2003 pro forma adjustments		31/12/2003 Total pro forma
10. Cash and deposits with central banks and post offices		741,061,563		-		741,061,563
20. Treasury bills and similar bills eligible for refinancing with central banks		2,191,213,836		-		2,191,213,836
30. Due from banks:		27,384,886,332		-		27,384,886,332
a) repayable on demand	8,930,400,397		-		8,930,400,397	
b) other deposits	18,454,485,935		-		18,454,485,935	
40. Loans to customers		63,982,919,330		-		63,982,919,330
of which:						
- loans using public funds	*32,100,438*		-		*32,100,438*	
50. Bonds and other debt securities		9,047,597,319		-		9,047,597,319
a) public entities	2,005,491,053		-		2,005,491,053	
b) banks	6,531,126,488		-		6,531,126,488	
of which:						
- own bonds	*768,758,229*		-		*768,758,229*	
c) financial institutions	202,412,256		-		202,412,256	
d) other issuers	308,567,522		-		308,567,522	
60. Shares, quotas and other equities		807,678		-		807,678
70. Equity investments		2,013,834,465		-		2,013,834,465
80. Investments in Group companies		8,277,025,695		-		8,277,025,695
90. Intangible fixed assets		796,715,430		-		796,715,430
of which:						
- start-up costs	-		-		-	
- goodwill	*565,245,215*		-		*565,245,215*	
100. Tangible fixed assets		1,273,642,861		-		1,273,642,861
120. Own shares or quotas (nominal value € 9,018,573.20)		33,539,430		-		33,539,430
130. Other assets		7,460,680,759		-324,906,698		7,135,774,061
140. Accrued income and prepaid expenses:		1,776,121,286		-		1,776,121,286
a) accrued income	1,447,246,271		-		1,447,246,271	
b) prepaid expenses	328,875,015		-		328,875,015	
of which:						
- discounts on bond issues	*17,506,412*		-		*17,506,412*	
Total assets		**124,980,045,984**		**-324,906,698**		**124,655,139,286**

(in Euro)

Liabilities		31/12/2003 SANPAOLO IMI		31/12/2003 pro forma adjustments		31/12/2003 Total pro forma
10. Due to banks:		37,799,877,102		-		37,799,877,102
a) repayable on demand	4,336,225,692		-		4,336,225,692	
b) time deposits or with notice period	33,463,651,410		-		33,463,651,410	
20. Due to customers:		40,499,322,667		-		40,499,322,667
a) repayable on demand	30,220,655,729		-		30,220,655,729	
b) time deposits or with notice period	10,278,666,938		-		10,278,666,938	
30. Securities issued:		19,131,734,612		-		19,131,734,612
a) bonds	15,098,732,104		-		15,098,732,104	
b) certificates of deposit	3,716,975,365		-		3,716,975,365	
c) other	316,027,143		-		316,027,143	
40. Public funds administered		32,150,975		-		32,150,975
50. Other liabilities		7,538,892,559		-		7,538,892,559
60. Accrued expenses and deferred income:		1,254,881,271		-		1,254,881,271
a) accrued expenses	1,034,662,707		-		1,034,662,707	
b) deferred income	220,218,564		-		220,218,564	
70. Provisions for employee termination indemnities		529,121,440		-		529,121,440
80. Provisions for risks and charges:		1,960,464,126		-324,906,698		1,635,557,428
a) pensions and similar	-		-		-	
b) taxation	659,599,280		-324,906,698		334,692,582	
c) other	1,300,864,846		-		1,300,864,846	
110. Subordinated liabilities		5,887,492,939		-		5,887,492,939
120. Capital		5,144,064,800		-		5,144,064,800
130. Additional paid-in capital		707,767,359		-		707,767,359
140. Reserves:		3,669,966,295		-		3,669,966,295
a) legal reserve	1,028,812,960		-		1,028,812,960	
b) reserve for own shares or quotas	33,539,430		-		33,539,430	
c) statutory reserves	-		-		-	
d) other reserves	2,607,613,905		-		2,607,613,905	
170. Income for the period		824,309,839		-		824,309,839
Adjustment for alignment with net income		-		-		-
Total liabilities and shareholders' equity		**124,980,045,984**		**-324,906,698**		**124,655,139,286**

GUARANTEES AND COMMITMENTS		31/12/2003 SANPAOLO IMI		31/12/2003 pro forma adjustments		31/12/2003 Total pro forma
10. Guarantees given		29,298,297,442		-		29,298,297,442
of which:						
- acceptances	*101,812,094*		-		*101,812,094*	
- other guarantees	*29,196,485,348*		-		*29,196,485,348*	
20. Commitments		14,056,523,002		-		14,056,523,002
of which:						
- for derivatives on loans	*530,147,753*		-		*530,147,753*	
- for sales with obligation to repurchase	-		-		-	

SANPAOLO IMI statement of pro forma statement of income for the first half 2003

(in Euro)

ITEMS		First half 2003 SANPAOLO IMI		First half 2003 pro forma adjustments		First half 2003 Total pro forma
10. Interest income and similar revenues		2,319,853,955		1,770,608		2,321,624,563
of which:						
- loans to customers	*1,782,731,017*		*-*		*1,782,731,017*	
- debt securities	*210,263,647*		*-*		*210,263,647*	
20. Interest expense and similar charges		-1,271,999,970		-48,439		-1,272,048,409
of which:						
- amounts due to customers	*-394,660,722*		*-*		*-394,660,722*	
- securities issued	*-403,530,841*		*-*		*-403,530,841*	
30. Dividends and other revenues		55,961,934		-11,236,209		44,725,725
a) shares, quotas and other equities	290,461		-		290,461	
b) equity investments	55,671,473		-11,236,209		44,435,264	
c) investments in Group companies	-		-		-	
40. Commission income		795,964,616		-		795,964,616
50. Commission expense		-49,961,664		-601,045		-50,562,709
60. Profits (losses) on financial transactions		67,998,238		-		67,998,238
70. Other operating income		99,910,032		51,385,958		151,295,990
80. Administrative costs		-1,349,309,426		-74,830,350		-1,424,139,776
a) personnel	-880,208,306		-4,311,058		-884,519,364	
of which:						
- wages and salaries	*-627,654,024*		*-3,179,768*		*-630,833,792*	
- social security charges	*-206,722,903*		*-903,102*		*-207,626,005*	
- termination indemnities	*-45,831,379*		*-120,967*		*-45,952,346*	
- pensions and similar			*-107,221*		*-107,221*	
b) other administrative costs	-469,101,120		-70,519,292		-539,620,412	
90. Adjustments to tangible and intangible fixed assets		-223,377,750		-12,741,539		-236,119,289
100. Provisions for risks and charges		-35,200,604		-18,430		-35,219,034
110. Other operating expense		-5,308,707		-38,375		-5,347,082
120. Adjustments to loans and provisions for guarantees and commitments		-184,983,029		-		-184,983,029
130. Writebacks of adjustments to loans and provisions for guarantees and commitments		135,014,337		-		135,014,337
140. Provisions for probable loan losses		-		-		-
150. Adjustments to financial fixed assets		-23,747,156		-60,048,337		-83,795,493
160. Writebacks of adjustments to financial fixed assets		6,925,260		-		6,925,260
170. Income from ordinary activities		**337,740,066**		**-106,406,158**		**231,333,908**
180. Extraordinary income		108,948,186		768,284		109,716,470
190. Extraordinary expense		-280,014,008		-113,386		-280,127,394
200. Extraordinary net income		**-171,065,822**		**654,898**		**-170,410,924**
210. Change in reserve for general banking risks		-		-		-
220. Income taxes for the period		-117,034,213		35,479,071		-81,555,142
230. Net income for the period		**49,640,031**		**-70,272,189**		**-20,632,158**

Adjustment for alignment with net income for the first half 2003	70,272,189
SANPAOLO IMI net income for the first half 2003	49,640,031

Attachments

INTERCOMPANY BALANCES BETWEEN THE PARENT BANK, SUBSIDIARIES AND COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT BANK

Intercompany balances between the Parent Bank, subsidiaries and companies subject to significant influence

(€/mil)

Group companies	Assets (a)	Liabilities	Guarantees and commitments (b)	Income (c)	Expenses
Banca Comerciala Sanpaolo Imi Bank Romania S.A.	12	1	-	-	-
Banca di Intermediazione Mobiliare Imi S.p.A.	3,132	67	350	50	29
Banca Fideuram S.p.A.	3	40	-	2	1
Banca Opi S.p.A.	13,498	5	952	170	-
Banca Popolare dell' Adriatico S.p.A.	66	337	13	7	5
Cassa di Risparmio di Padova e Rovigo S.p.A.	261	2,190	27	23	24
Cassa di Risparmio di Venezia S.p.A.	53	1,473	4	11	16
Cassa di Risparmio in Bologna S.p.A.	1,090	416	134	28	5
CSP Investimenti S.r.l.	-	1	-	-	3
Farbanca S.p.A.	23	2	-	1	-
Fideuram Bank (Suisse) A.G.	-	-	10	-	-
Fideuram Bank S.A.	3	2	-	-	-
Fideuram Vita S.p.A.	-	103	-	-	-
FIN.OPI S.p.A.	-	1	-	-	-
Finemiro Banca S.p.A.	1,581	-	296	21	-
Finemiro Finance S.p.A.	1,770	1	-	21	-
Friulcassa S.p.A.	21	294	1	7	4
GEST Line S.p.A.	-	-	318	2	-
Imi Bank (Lux) S.A.	36	339	-	1	3
IMI Investimenti S.p.A.	2	150	2	1	1
Inter-Europa Bank Rt	30	1	23	1	-
Invesp S.p.A.	-	2	5	-	-
Ldv Holding B.V.	-	2	-	-	-
Noricum Vita S.p.A.	-	5	-	-	-
Sanpaolo Banco di Napoli S.p.A.	622	8,701	3	109	87
Sanpaolo Bank (Austria) A.G.	3	-	-	-	-
Sanpaolo Bank S.A.	139	1,872	6	2	21
Sanpaolo Fiduciaria S.p.A.	-	6	-	-	-
Sanpaolo Imi Alternative Investments Sgr S.p.A.	-	5	-	-	-
Sanpaolo Imi Asset Management Sgr S.p.A.	-	116	-	224	1
Sanpaolo Imi Bank (International) S.A.	193	7,695	7,732	5	99
Sanpaolo Imi Bank Ireland Plc	36	17	3	1	1
Sanpaolo Imi Capital Company I LLC	-	1,000	-	-	39
Sanpaolo Imi Institutional Asset Management Sgr S.p.A.	-	25	-	-	-
Sanpaolo Imi Internazionale S.p.A.	17	25	-	1	-
Sanpaolo Imi Investimenti per lo Sviluppo Sgr S.p.A.	-	1	-	-	-
Sanpaolo Imi Private Equity S.p.A.	5	1	4	1	-
Sanpaolo Imi Us Financial Co.	-	2,737	2,737	-	9

(€/mil)

Group companies	Assets (a)	Liabilities	Guarantees and commitments (b)	Income (c)	Expenses
Sanpaolo Imi Wealth Management S.p.A.	-	6	-	1	-
Sanpaolo Imi WM Luxembourg S.A.	-	-	-	34	-
Sanpaolo Leasint Gmbh	9	1	2	-	-
Sanpaolo Leasint S.p.A.	4,238	3	283	46	3
Sanpaolo Life Ltd.	-	4	-	-	-
Sanpaolo Vita S.p.A.	123	771	1	37	2
Sep - Servizi e Progetti S.p.A.	1	-	-	-	3
Sicilsud Leasing S.p.A. (in liq.)	1	-	-	-	-
Universo Servizi S.p.A.	-	2	-	-	-
Total Group companies	**26,968**	**28,420**	**12,906**	**807**	**356**
Jointly held subsidiaries					
Banka Koper D.D.	28	8	26	1	-
Cassa dei Risparmi di Forlì S.p.A.	25	1	-	-	-
Total	**53**	**9**	**26**	**1**	-
Other companies subject to significant influence					
Banque Sanpaolo S.A.	534	2	173	6	-
Cassa di Risparmio di Firenze S.p.A.	53	10	6	-	-
Hdi Assicurazioni S.p.A.	-	51	1	-	-
Società Gestione per il Realizzo S.p.A.	4	-	-	-	-
Total	**591**	**63**	**180**	**6**	-

(a) Excluding the book value of the investment.
(b) Excluding commitments to subscribe to increases in capital.
(c) Excluding dividends received.

Statement of changes in shareholders' equity of the Parent Bank

(€/mil)

	Capital	Legal reserve	Additional paid-in capital	Extraordinary reserve	Unrestricted reserve for the acquisition of own shares	Restricted reserve for the acquisition of own shares	Reserve ex art. 13 c.6 D.Lgs. 124/93	Reserve D.Lgs. 213/98	Reserve D.Lgs. 153/99	Income for the period	Total
Shareholders' equity as of 1 January 2004	**5,144**	**1,029**	**708**	**768**	**966**	**34**	**5**	**14**	**854**	**824**	**10,346**
Allocation of 2003 net income:											
- extraordinary reserve				109						-109	-
- reserve ex art.13 c.6 D.Lgs. 124/93											-
- dividends distributed										-715	-715
Reserve for reclassifications D.Lgs. 153/99				854					-854		-
Valuation of own shares as of 30/06/04					2	-2					-
Recalculation of deferred tax liability on reserves subject to taxation								2			2
Net income for the first half 2004										271	271
Shareholders' equity as of 30 June 2004	**5,144**	**1,029**	**708**	**1,731**	**968**	**32**	**5**	**16**	**-**	**271**	**9,904**

AGES ARTI GRAFICHE - TURIN