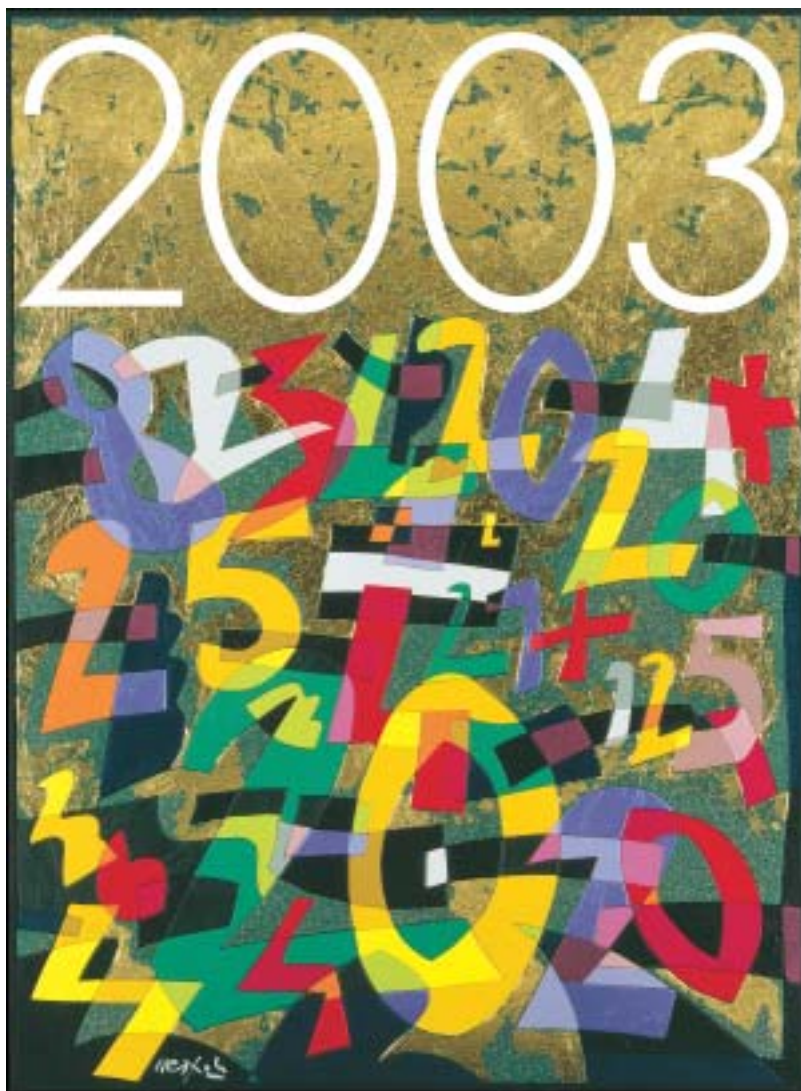


S A N P A O L O I M I



QUARTERLY REPORT 30 SEPTEMBER 2003

SANPAOLO IMI GROUP

Quarterly Report 30 September 2003

SANPAOLO IMI S.p.A.

REGISTERED OFFICE: PIAZZA SAN CARLO 156, TURIN, ITALY

SECONDARY OFFICES:

- VIALE DELL'ARTE 25, ROME, ITALY

- VIA FARINI 22, BOLOGNA, ITALY

COMPANY REGISTER OF TURIN 06210280019

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

PARENT BANK OF THE SANPAOLO IMI BANKING GROUP

MEMBER OF THE INTERBANK DEPOSIT GUARANTEE FUND

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Key figures

	First nine months 2003	First nine months 2002 pro forma (1)	Change first nine months 2003 / First nine months 2002 pro forma (%)	2002 pro forma (1)
CONSOLIDATED STATEMENT OF INCOME (€/mil)				
Net interest income	2,889	2,817	+2.6	3,775
Net commissions and other net dealing revenues	2,234	2,097	+6.5	2,866
Administrative costs	-3,489	-3,464	+0.7	-4,700
Operating income	2,071	1,825	+13.5	2,367
Provisions and net adjustments to loans and financial fixed assets	-390	-764	-49.0	-1,426
Income before extraordinary items	1,566	934	+67.7	723
Net income of the Group	786	575	+36.7	901
CONSOLIDATED BALANCE SHEET (€/mil)				
Total assets	203,451	205,874	-1.2	204,841
Loans to customers (excluding NPLs and SGA loans)	123,414	121,722	+1.4	125,257
Securities	27,151	26,431	+2.7	22,137
Equity investments	4,021	4,091	-1.7	4,015
Subordinated liabilities	6,484	6,210	+4.4	6,605
Shareholders' equity of the Group	10,760	10,364	+3.8	10,554
CUSTOMER FINANCIAL ASSETS (€/mil)				
Customer financial assets	375,826	360,557	+4.2	363,896
- Direct deposits	133,967	137,617	-2.7	137,884
- Indirect deposits	241,859	222,940	+8.5	226,012
- Asset management	148,121	135,385	+9.4	138,135
- Asset administration	93,738	87,555	+7.1	87,877
PROFITABILITY RATIOS (%)				
Annualized RoE (2)	9.8	7.2		8.4
Cost / Income ratio (3)	61.5	64.3		65.4
Net commissions / Administrative costs	64.0	60.5		61.0
CREDIT RISK RATIOS (%)				
Net non-performing loans / Net loans to customers	1.1	1.2		1.0
Net problem loans and loans in restructuring / Net loans to customers	1.1	1.2		1.1
SOLVENCY RATIOS (%) (4)				
Tier 1 ratio	7.3	7.3		7.3
Total ratio	10.6	10.2		10.7
SHARES				
Number of shares (millions)	1,837	1,837	-	1,837
Quoted price per share (€)				
- average	7.551	10.383	-27.3	9.439
- low	5.796	5.686	+1.9	5.231
- high	9.225	13.702	-32.7	13.702
Earnings / Average number of shares in circulation (€)	0.43	0.31	+38.7	0.49
Dividend per share (€)				0.30
Dividend per share / Average annual price (%)				3.18
Book value per share (€) (5)	5.9	5.6	+3.8	5.7
OPERATING STRUCTURE				
Employees	45,900	46,939	-2.2	46,456
Domestic branches	3,158	3,102	+1.8	3,115
Foreign branches and representative offices	178	171	+4.1	176
Financial planners	4,779	5,158	-7.3	4,951

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

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

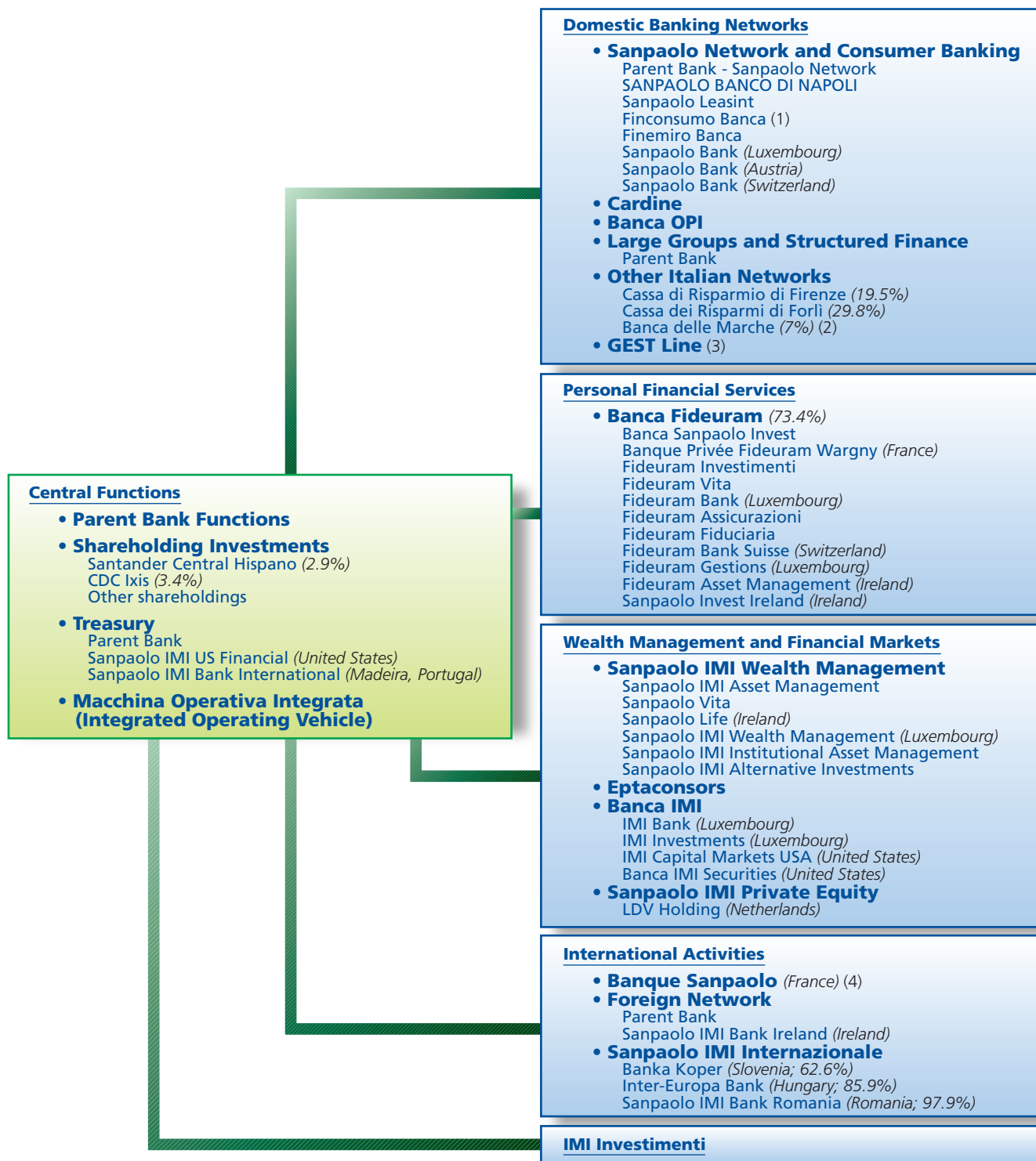
(3) Administrative costs (excluding indirect duties and taxes) and amortization (excluding adjustments to goodwill and merger and consolidation differences) / Net interest and other banking income (including other net income).

(4) Figures related to 30/9/2003 are estimated; the solvency ratios as of 30/9/2002 and 31/12/2002 are not pro forma.

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

The pro forma figures for the first nine months of 2002 and for 2002 as well as the figures for the first nine months of 2003 are unaudited.

Group structure



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

(2) The takeover of the share is currently being completed.

(3) On 1 October 2003 the stakes held by the Group in the tax collection sector were converged in GEST Line (formerly Esaban).

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

Reclassified consolidated financial statements

RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

QUARTERLY ANALYSIS OF THE RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

RECLASSIFIED CONSOLIDATED BALANCE SHEET

QUARTERLY ANALYSIS OF THE RECLASSIFIED CONSOLIDATED BALANCE SHEET

Reclassified consolidated statement of income

	First nine months 2003 (€/mil)	First nine months 2002 pro forma (1) (€/mil)	Change first nine months 2003 / First nine months 2002 pro forma (%)	2002 pro forma (1) (€/mil)
NET INTEREST INCOME	2,889	2,817	+2.6	3,775
Net commissions and other net dealing revenues	2,234	2,097	+6.5	2,866
Profits and losses from financial transactions and dividends on shares	344	233	+47.6	300
Profits from companies carried at equity and dividends from shareholdings	196	239	-18.0	293
NET INTEREST AND OTHER BANKING INCOME	5,663	5,386	+5.1	7,234
Administrative costs	-3,489	-3,464	+0.7	-4,700
- <i>personnel</i>	-2,165	-2,136	+1.4	-2,888
- <i>other administrative costs</i>	-1,121	-1,136	-1.3	-1,551
- <i>indirect duties and taxes</i>	-203	-192	+5.7	-261
Other operating income, net	244	262	-6.9	354
Adjustments to tangible and intangible fixed assets	-347	-359	-3.3	-521
OPERATING INCOME	2,071	1,825	+13.5	2,367
Adjustments to goodwill and merger and consolidation differences	-115	-127	-9.4	-218
Provisions and net adjustments to loans and financial fixed assets	-390	-764	-49.0	-1,426
- <i>provisions for risks and charges</i>	-108	-163	-33.7	-262
- <i>net adjustments to loans and provisions for guarantees and commitments</i>	-296	-337	-12.2	-603
- <i>net adjustments to financial fixed assets</i>	14	-264	n.s.	-561
INCOME BEFORE EXTRAORDINARY ITEMS	1,566	934	+67.7	723
Net extraordinary income/expense	-211	171	n.s.	321
INCOME BEFORE TAXES	1,355	1,105	+22.6	1,044
Income taxes for the period	-541	-498	+8.6	-463
Change in reserves for general banking risks	6	11	-45.5	363
Income attributable to minority interests	-34	-43	-20.9	-43
NET INCOME	786	575	+36.7	901

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

Quarterly analysis of the reclassified consolidated statement of income

	2003				2002 pro forma (1)			
	Third quarter (€/mil)	Second quarter (€/mil)	First quarter pro forma (1) (€/mil)	Fourth quarter (€/mil)	Third quarter (€/mil)	Second quarter (€/mil)	First quarter (€/mil)	Quarterly average (€/mil)
NET INTEREST INCOME	970	964	955	958	936	952	929	944
Net commissions and other net dealing revenues	806	730	698	769	681	704	712	717
Profits and losses from financial transactions and dividends on shares	77	183	84	67	19	128	86	75
Profits from companies carried at equity and dividends from shareholdings	57	90	49	54	55	135	49	73
NET INTEREST AND OTHER BANKING INCOME	1,910	1,967	1,786	1,848	1,691	1,919	1,776	1,809
Administrative costs	-1,160	-1,182	-1,147	-1,236	-1,142	-1,188	-1,134	-1,175
- <i>personnel</i>	-716	-732	-717	-752	-700	-728	-708	-722
- <i>other administrative costs</i>	-376	-382	-363	-415	-382	-389	-365	-388
- <i>indirect duties and taxes</i>	-68	-68	-67	-69	-60	-71	-61	-65
Other operating income, net	82	81	81	92	93	91	78	88
Adjustments to tangible and intangible fixed assets	-117	-120	-110	-162	-131	-116	-112	-130
OPERATING INCOME	715	746	610	542	511	706	608	592
Adjustments to goodwill and merger and consolidation differences	-35	-46	-34	-91	-40	-45	-42	-54
Provisions and net adjustments to loans and financial fixed assets	-70	-186	-134	-662	-454	-154	-156	-357
- <i>provisions for risks and charges</i>	-44	-37	-27	-99	-65	-53	-45	-66
- <i>net adjustments to loans and provisions for guarantees and commitments</i>	-121	-107	-68	-266	-182	-58	-97	-151
- <i>net adjustments to financial fixed assets</i>	95	-42	-39	-297	-207	-43	-14	-140
INCOME BEFORE EXTRAORDINARY ITEMS	610	514	442	-211	17	507	410	181
Net extraordinary income/expense	-39	-214	42	150	34	81	56	80
INCOME BEFORE TAXES	571	300	484	-61	51	588	466	261
Income taxes for the period	-219	-128	-194	35	-78	-247	-173	-116
Change in reserves for general banking risks	6	-	-	352	13	-2	-	91
Income attributable to minority interests	-13	-12	-9	-	-14	-15	-14	-11
NET INCOME	345	160	281	326	-28	324	279	225

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

Reclassified consolidated balance sheet

	30/9/2003 (€/mil)	30/9/2002 pro forma (1) (€/mil)	Change 30/9/03-30/9/02 pro forma (%)	31/12/2002 pro forma (1) (€/mil)
ASSETS				
Cash and deposits with central banks and post offices	968	1,124	-13.9	1,508
Loans	144,654	147,096	-1.7	150,117
- due from banks	18,794	22,289	-15.7	22,268
- loans to customers	125,860	124,807	+0.8	127,849
Dealing securities	23,841	23,293	+2.4	19,217
Fixed assets	9,869	10,068	-2.0	9,615
- investment securities	3,310	3,138	+5.5	2,920
- equity investments	4,021	4,091	-1.7	4,015
- intangible fixed assets	366	406	-9.9	433
- tangible fixed assets	2,172	2,433	-10.7	2,247
Differences arising on consolidation and on application of the equity method	992	1,148	-13.6	1,080
Other assets	23,127	23,145	-0.1	23,304
Total assets	203,451	205,874	-1.2	204,841
LIABILITIES				
Payables	161,072	164,721	-2.2	162,513
- due to banks	27,105	27,104	+0.0	24,629
- due to customers and securities issued	133,967	137,617	-2.7	137,884
Provisions	4,070	4,333	-6.1	3,844
- for taxation	755	1,219	-38.1	681
- for termination indemnities	985	975	+1.0	967
- for risks and charges	2,021	1,792	+12.8	1,848
- for pensions and similar	309	347	-11.0	348
Other liabilities	20,767	19,809	+4.8	20,983
Subordinated liabilities	6,484	6,210	+4.4	6,605
Minority interests	298	437	-31.8	342
Shareholders' equity	10,760	10,364	+3.8	10,554
Total liabilities	203,451	205,874	-1.2	204,841

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

Quarterly analysis of the reclassified consolidated balance sheet

	2003			2002 pro forma (1)			
	30/9 (€/mil)	30/6 (€/mil)	31/3 pro forma (1) (€/mil)	31/12 (€/mil)	30/9 (€/mil)	30/6 (€/mil)	31/3 (€/mil)
ASSETS							
Cash and deposits with central banks and post offices	968	980	973	1,508	1,124	1,098	1,512
Loans	144,654	151,344	153,064	150,117	147,096	148,044	148,827
- due from banks	18,794	21,129	23,742	22,268	22,289	23,046	21,597
- loans to customers	125,860	130,215	129,322	127,849	124,807	124,998	127,230
Dealing securities	23,841	24,805	20,715	19,217	23,293	24,696	25,306
Fixed assets	9,869	9,804	10,121	9,615	10,068	10,639	11,707
- investment securities	3,310	3,369	3,475	2,920	3,138	3,662	3,950
- equity investments	4,021	3,860	4,044	4,015	4,091	4,043	4,754
- intangible fixed assets	366	372	404	433	406	426	447
- tangible fixed assets	2,172	2,203	2,198	2,247	2,433	2,508	2,556
Differences arising on consolidation and on application of the equity method	992	1,027	1,055	1,080	1,148	1,195	1,175
Other assets	23,127	26,645	22,359	23,304	23,145	23,003	23,175
Total assets	203,451	214,605	208,287	204,841	205,874	208,675	211,702
LIABILITIES							
Payables	161,072	165,842	167,389	162,513	164,721	167,679	169,550
- due to banks	27,105	28,597	28,117	24,629	27,104	30,468	33,216
- due to customers and securities issued	133,967	137,245	139,272	137,884	137,617	137,211	136,334
Provisions	4,070	3,718	3,958	3,844	4,333	4,218	4,635
- for taxation	755	460	873	681	1,219	1,099	1,445
- for termination indemnities	985	971	971	967	975	995	998
- for risks and charges	2,021	1,939	1,766	1,848	1,792	1,776	1,817
- for pensions and similar	309	348	348	348	347	348	375
Other liabilities	20,767	27,546	19,237	20,983	19,809	19,780	19,659
Subordinated liabilities	6,484	6,784	6,533	6,605	6,210	6,147	5,785
Minority interests	298	292	354	342	437	445	805
Shareholders' equity	10,760	10,423	10,816	10,554	10,364	10,406	11,268
Total liabilities	203,451	214,605	208,287	204,841	205,874	208,675	211,702

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

Report on Group Operations

ACTION POINTS AND INITIATIVES IN THE QUARTER

CONSOLIDATED RESULTS

CAPITAL AND RESERVES

FINANCIAL RISK MANAGEMENT AND CONTROL

SUPPLEMENTARY INFORMATION

Performance of share prices

Shareholders

Ratings

GROUP BUSINESS AREAS

Action points and initiatives in the quarter

The initiatives undertaken by the SANPAOLO IMI Group were aimed at the pursuit of the targets of the 2003-2005 Plan, articulated in five issues: the improvement of the “core business” performance, strict control of operating costs, the exploitation of other assets, the active management of the investment portfolio, and the transparent communication and constant monitoring of the progress of the same Plan. Significant progress was made during the first nine months with reference to all the strategic lines mentioned above, through the integration of the banking networks, the activity to optimize the IT platform and the rationalization of the Group structure. The initiatives carried out during the third quarter are described below.

The SANPAOLO BANCO DI NAPOLI start-up

Upon completion of the territorial reorganization of the Sanpaolo and Banco di Napoli distribution structures, the SANPAOLO BANCO DI NAPOLI start-up was launched on 1 July 2003. This is the only Group bank operating in mainland Southern Italy, to which the branches operating in the Campania, Apulia, Calabria and Basilicata regions were transferred, as envisaged in the integration project between SANPAOLO IMI and Banco di Napoli.

The transfer took place in two phases, in order to consider organizational and IT needs connected with the completion of the operation. The 626 Banco di Napoli branches and other operating points were integrated on 1 July, while the 129 Sanpaolo operating points in the same area were transferred on 29 September.

SANPAOLO BANCO DI NAPOLI has 755 operating points and about 6,000 employees and serves more than a million customers, including more than 20,000 companies. As of 30 September 2003, loans to customers were around 9 billion euro, while customer financial assets amounted to around 37 billion, represented by 15 billion in direct deposits, 15 billion in asset management and 7 billion in asset administration. Net shareholders' equity totaled around 1.2 billion euro, to which 400 million in subordinated loans are added, thus allowing a solvency ratio of more than 8%.

Integration of the Cardine network

On 12 September 2003, the SANPAOLO IMI Board of Directors approved the project for the merger by incorporation of Cardine Finanziaria into the Parent Bank, which will be submitted to the Shareholders' Meeting on 25 November. The merger, already envisaged in the 2003-2005 Plan, will lead to the creation of the North East Territorial Direction in support of the bank networks operating in the Triveneto (comprising the regions Veneto, Friuli Venezia Giulia and Trentino Alto Adige) and Emilia areas. The Direction, which will be based in Padua, will control the commercial and credit activities of the Group banks operating in this area. It will also support the development activities of its reference market, coordinating the distribution networks and the other Group structures.

The integration of Cardine Finanziaria into SANPAOLO IMI will allow:

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

Also on 12 September, the Bank's Board of Directors gave the go ahead to the merger between Cassa di Risparmio di Udine e Pordenone and Cassa di Risparmio di Gorizia, through the formation of a regional bank which will assume the name of Friulcassa S.p.A. Cassa di Risparmio Regionale.

Both transactions are part of the initiatives to put into effect the plan to develop and rationalize the distribution networks of the Group, with the aim to introduce gradually the model already successfully adopted by the Sanpaolo Network and recently extended to the branches of the former Banco di Napoli. The plan envisages that, at full capacity, the Group geographic presence will cover a certain number of territorial areas and bank networks with light central structures, providing uniform and complete supervision of the respective territory.

Development initiatives in Italy

On 1 July 2003 SANPAOLO IMI reached a draft agreement with Banca delle Marche, Fondazione CR Jesi, Fondazione CR Provincia di Macerata and Fondazione CR Pesaro for the

acquisition of a strategic share of the Banca delle Marche share capital. According to the agreement, signed by the parties on 16 July 2003, SANPAOLO IMI would take over a 7% share of the capital of Banca delle Marche, of which 4.8% directly from the bank and 2.2% from the Fondazioni; SANPAOLO IMI has granted the latter a put option on a further 8% of the bank's capital, exercisable before 31/12/2006. The purchase price arranged for the 7% stake is 1.77 euro per share, equivalent to a total outlay of 92 million euro.

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

Banca delle Marche, leader in one of Italy's most dynamic regions, operates for retail customers and small- and medium-sized companies through a network of over 260 branches in Central Italy, of which 234 situated in the Marche. The bank has 711 million euro in own funds and manages customer financial assets totaling almost 14 billion euro and around 9 billion euro in customer loans.

For SANPAOLO IMI the acquisition is part of a development project that prioritizes alliances or aggregations with medium-sized banks rooted in their reference territories and equipped with operating networks concentrated in territorial areas of particular interest.

The transaction is currently being completed.

Commercial agreements and alliances with international partners

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

structure through the realization of a leading entity in services to small- and medium-sized companies.

The initiatives to rationalize the Group structure

On 2 July 2003, SANPAOLO IMI subscribed an agreement with Unipol Assicurazioni for the acquisition of 51% of Noricum Vita, an insurance company which sells its own products through the branches of Cassa di Risparmio in Bologna and Banca Popolare dell'Adriatico, and in which SANPAOLO IMI already holds a 44% share through Cardine Finanziaria. The transaction will involve a total outlay of 40 million euro, including a majority premium equal to 15% of the company's economic capital. To achieve complete control of Noricum Vita, on 3 September a contract was signed with Reale Mutua for the acquisition of its 5% shareholding with an envisaged outlay of 3.6 million euro. For SANPAOLO IMI, the transaction, which will depend upon receipt of the required authorization from Regulatory Authorities, is part of the rationalization of the activities taken over with the merger with Cardine Banca and allows consolidation of the already relevant presence in the insurance sector.

Consistent with the forecasts of the 2003-2005 Plan and on the basis of the agreement signed on 10 June, the use of 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") was activated. This will enable the Group, on the one hand, to absorb excess personnel by offering staff leaving incentives, and on the other to implement a rejuvenation of staff, the benefits of which, in terms of savings on personnel expenses, represent the main cost synergies already incorporated in the Plan. The staff leaving incentive is part of the wider project for the rationalization of the Group structure, which also includes the disposals of the shares in Banque Sanpaolo and Finconsumo Banca, already contractually defined but only partially booked, as well as the project for the disposal of real estate which is not instrumental, in which interest has already been shown by some primary Italian and foreign investors.

Agreements with FIAT

In accordance with that provided for by the Framework Agreement in May 2002 between FIAT, on the one side, and SANPAOLO IMI, together with Banca Intesa,

Unicredito and Capitalia, on the other, in May 2003 the final contracts were signed for the acquisition by the above mentioned banks (SANPAOLO IMI operated through IMI Investimenti) from FIAT Auto of 51% of Fidis Retail Italia, lead company in the automobile sector in various European countries for consumer credit activities, at a price in line with the shareholders' equity of the compendium, adjusted according to due diligence. After the first execution of these agreements, referred to a first group of companies, terminated at the time of closing on 27 May, the second phase of the transaction, regarding the sale of the further former Fidis assets, was formalized on 30 September and completed in October 2003; the IMI Investimenti outlay amounted to 93 million euro, which could rise to approximately 100 million euro following the

envisaged price adjustment. It has been agreed that FIAT Auto can repurchase the shareholding, at a prearranged price, by exercising a call option by 2006.

This transaction completed all the operations provided for by the aforementioned Framework Agreement of May 2002.

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

Consolidated results

In the third quarter of 2003, the growth of the international economy continued to be characterized, on the one hand, by a positive trend in the United States, Japan and the emerging areas in general and, on the other, by persistent stagnation in Europe, where weakness in terms of investments by companies and household consumption continued. The performance of Borsa Italiana, with capitalization at the end of September reaching similar values to those at the end of June, was lower than that of the financial markets of the major economies, which continued the growth commenced at the end of the first quarter.

Summary of results

In this context, the SANPAOLO IMI Group, in the configuration following the deconsolidation of IW Bank, the valuation at equity of Finconsumo Banca and the consolidation of Eptaconsors, Inter-Europa Bank and Cassa dei Risparmi di Forlì, showed a positive evolution of the income margins during the first nine months of 2003 compared with the same pro forma period of 2002.

The net income of 786 million euro showed a growth of 36.7% compared with the value of the first nine months of 2002, benefiting during the quarter from a flow of 345

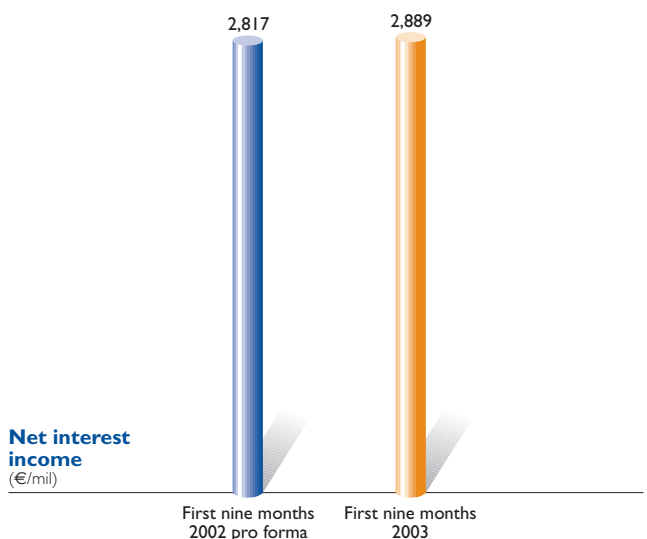
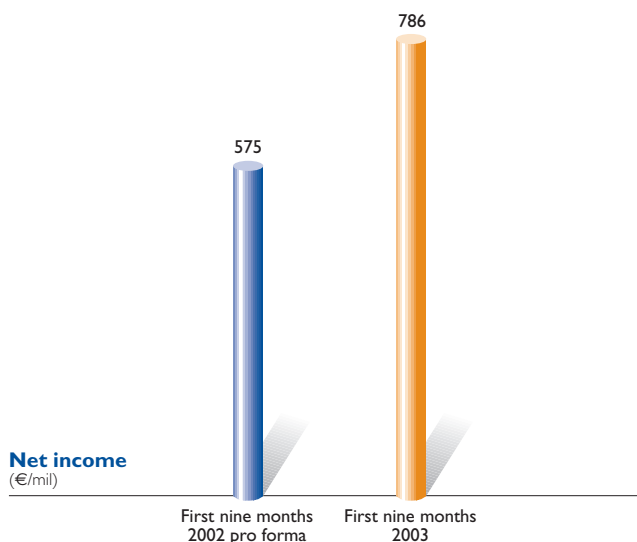
million, the highest since the beginning of the year. This result was achieved thanks to higher operating revenues and writebacks of equity investments allowing the offsetting of extraordinary expenses for the “Fund for staff in the banking industry” for staff leaving incentives. The income of the period is fully in line with the growth forecasted in the budget for 2003.

Net interest income

The net interest income for the first nine months of 2003 was 2,889 million euro; the 2.6% increase compared with the same period of 2002 was the result of a greater spread in transactions with customers, joined by the positive contribution of an increase in volumes, partially cancelled by lower profitability of the fund imbalance.

In terms of market rates, three-month Euribor, decreasing from 2.96% in December 2002 to 2.15% in September 2003, averaged 99 basis points lower when compared to the first nine months of 2002.

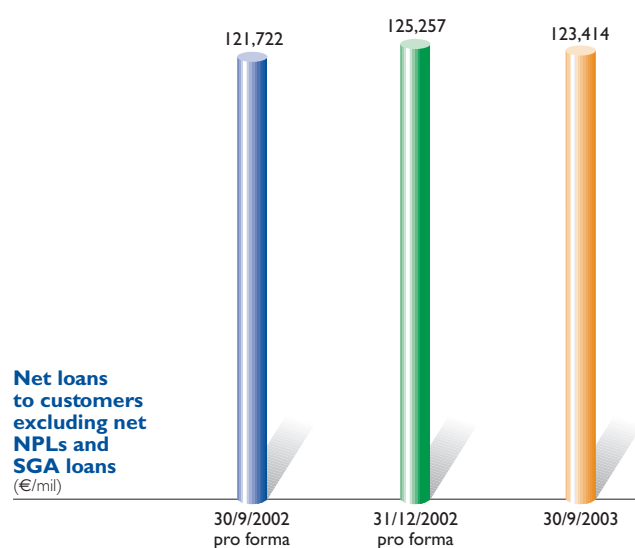
The return on the Group’s interest-earning assets was 4.59% and the cost of interest-bearing liabilities was 2.28%. As a consequence, the total spread of 2.31% is 4 basis points higher than that recorded in the same period of 2002. In particular, in customer transactions the growth of the average spread was 24 basis points.



The average amounts of the Group's interest-earning assets showed a growth of 3.2% compared with the first nine months of 2002, despite the 10.2% reduction of the securities portfolio following the rationalization measures taken as a result of the centralizing of Group finance. The evolution of the average amounts of loans to customers remained positive, with an increase of 1.9%. On the liability side, average interest-bearing liabilities rose by 4.1%; in the context of the total aggregate, the 0.7% drop in average volumes of customer deposits, net of repurchase agreements, is the result of a drop in securities issued (-5.8%), only in part compensated for by an increase in other customer deposits (+3.0%).

At the end of September 2003, the amounts of net loans to Group customers, excluding non-performing loans and loans to SGA, were 123.4 billion euro, an increase of 1.4% on the end of September 2002 and a decline of 1.5% on the beginning of the year. Within this aggregate, there was a positive trend in medium- and long-term loans (+6.6% on the 12 months, +3.5% on the end of December 2002) against a drop in short-term loans (-6.7% and -9.2% respectively).

The main events that have influenced the trend of loans to customers include, on the one hand, the resizing of exposures to corporate and institutional customers, reduced use by the customers of the Parent Bank's foreign branches and the drop in loans linked with transactions in securities



Analysis of average amounts and interest rates

	First nine months 2003		First nine months 2002 pro forma		Change first nine months 2003 / First nine months 2002 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	161,897	4.59	156,841	5.29	+3.2	-0.70
- loans to customers (excluding repos)	120,535	5.23	118,258	5.79	+1.9	-0.56
- securities	15,459	3.30	17,216	4.23	-10.2	-0.93
- other interest-earning assets	25,903	2.36	21,367	3.36	+21.2	-1.00
Non interest-earning assets (1)	47,107		51,909		-9.3	
Total assets	209,004		208,750		+0.1	
Interest-bearing liabilities	156,727	2.28	150,518	3.02	+4.1	-0.74
- direct customer deposits (excluding repos)	115,462	2.07	116,271	2.87	-0.7	-0.80
- due to customers	69,718	1.20	67,705	1.73	+3.0	-0.53
- securities issued	45,744	3.40	48,566	4.45	-5.8	-1.05
- other interest-bearing liabilities	41,265	2.86	34,247	3.52	+20.5	-0.66
Non interest-bearing liabilities (1)	41,620		47,555		-12.5	
Shareholders' equity	10,657		10,677		-0.2	
Total liabilities and shareholders' equity	209,004		208,750		+0.1	

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

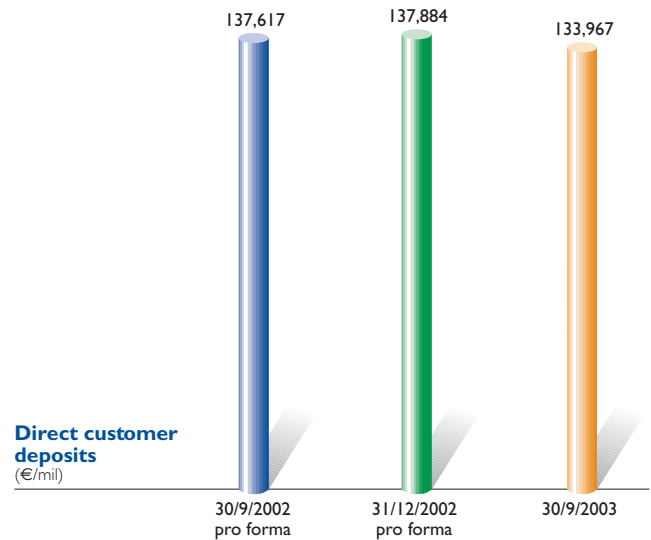
of Banca IMI and, on the other, the expansion of Banca OPI's loans to the public sector and the growth of financings by the Cardine bank networks.

In medium- and long-term loans, good progress in financings directed to the retail sector continued: mortgage disbursements to households by the Sanpaolo Network were 1.6 billion euro in the first nine months of the year, joined by 0.8 billion euro disbursed by Cardine bank networks and 0.2 billion euro issued by SANPAOLO BANCO DI NAPOLI. The above mentioned evolution in terms of loans made by Banca OPI for public works and infrastructure, which rose to 18.2 billion euro at the end of September, with an increase of 12.4% on the 12 months, was also positive.

Direct customer deposits, 134 billion euro at the end of September 2003, showed a reduction both from the beginning of the year (-2.8%) and over the 12 months (-2.7%). Certificates of deposit showed a positive annual change (+30%) thanks to the high number of placements of foreign currency certificates by the Parent Bank's London branch, partially offsetting the decline in bonds, repurchase agreements and commercial paper. Current accounts and

deposits rose by 0.9% on an annual basis against a 2.6% drop from the end of December 2002.

At the end of September the Group's domestic market shares were 10.8% in loans and 10.3% in direct customer deposits.



Loans to customers

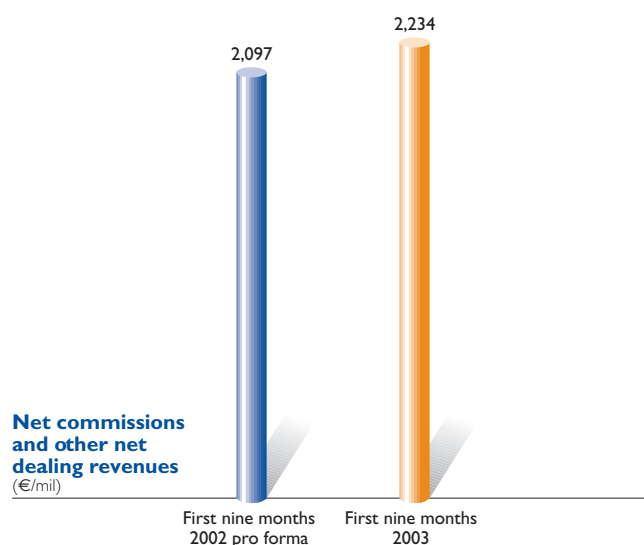
	30/9/2003		30/9/2002 pro forma		Change 30/9/03-30/9/02 pro forma (%)	31/12/2002 pro forma		Change 30/9/03-31/12/02 pro forma (%)
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%	
Short-term loans	44,597	35.4	47,809	38.3	-6.7	49,092	38.4	-9.2
Medium- and long-term loans	78,817	62.6	73,913	59.2	+6.6	76,165	59.6	+3.5
Loans to customers excluding NPLs and SGA loans	123,414	98.0	121,722	97.5	+1.4	125,257	98.0	-1.5
Non-performing loans	1,340	1.1	1,436	1.2	-6.7	1,340	1.0	-
SGA loans	1,106	0.9	1,649	1.3	-32.9	1,252	1.0	-11.7
Loans to customers	125,860	100.0	124,807	100.0	+0.8	127,849	100.0	-1.6

Direct customer deposits

	30/9/2003		30/9/2002 pro forma		Change 30/9/03-30/9/02 pro forma (%)	31/12/2002 pro forma		Change 30/9/03-31/12/02 pro forma (%)
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%	
Current accounts and deposits	69,166	51.6	68,576	49.8	+0.9	71,037	51.5	-2.6
Certificates of deposit	8,598	6.4	6,616	4.8	+30.0	7,343	5.3	+17.1
Bonds	38,805	29.0	40,523	29.5	-4.2	39,545	28.7	-1.9
Commercial paper	2,750	2.1	3,529	2.6	-22.1	4,057	3.0	-32.2
Reverse repurchase agreements and securities lending	11,694	8.7	14,205	10.3	-17.7	12,967	9.4	-9.8
Other deposits	2,954	2.2	4,168	3.0	-29.1	2,935	2.1	+0.6
Direct customer deposits	133,967	100.0	137,617	100.0	-2.7	137,884	100.0	-2.8

Net commissions and other net dealing revenues

Group net commissions in the first nine months of 2003, amounted to 2,234 million euro, up 6.5% on the same period of the previous year, benefiting from a quarterly flow of 806 million euro, the highest since the beginning of the year. This is in part attributable to the recovery of the



financial markets and has accelerated compared with the first half of the year.

The positive evolution of commission revenues characterized all areas. Management, dealing and advisory services increased by 2.4% thanks to the positive trend of revenues for brokerage and custody of securities and currencies (+20.8%), against a modest decline in asset management related commissions (-0.9%, recovering in comparison to the -6.5% registered in June). The latter is attributable both to the evolution of assets under management, which was affected by fluctuating share prices, and to the change in the customer financial assets mix, oriented towards more prudent choices in relation to the increased volatility of the markets. Among other commission revenues, deposits and current accounts registered an increase of 15.5%.

Indirect deposits showed an increase on the end of September 2002 (+8.5%) and on the beginning of the year (+7%), reaching 241.9 billion euro, owing to the favorable development of asset management and asset administration.

The stock of asset management, 148.1 billion euro at the end of September, showed a growth of 7.2% from the beginning of the year. This evolution was made possible by significant net inflows through the distribution networks

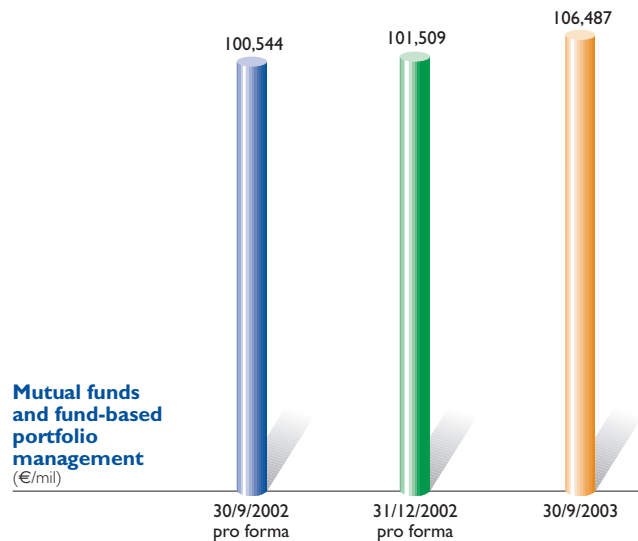
Net commissions and other net dealing revenues

	First nine months 2003 (€/mil)	First nine months 2002 pro forma (€/mil)	Change first nine months 2003 / First nine months 2002 pro forma (%)	2002 pro forma (€/mil)
Management, dealing and advisory services	1,316	1,285	+2.4	1,709
- asset management	1,078	1,088	-0.9	1,426
- brokerage and custody of securities and currencies	238	197	+20.8	283
Loans and guarantees	192	183	+4.9	253
Collection and payment services	186	177	+5.1	237
Deposits and current accounts	366	317	+15.5	440
Other services and net dealing revenues	174	135	+28.9	227
Net commissions and other net dealing revenues	2,234	2,097	+6.5	2,866

Customer financial assets

	30/9/2003		30/9/2002 pro forma		Change 30/9/03- 30/9/02 pro forma (%)	31/12/2002 pro forma		Change 30/9/03- 31/12/02 pro forma (%)
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%	
Asset management	148,121	39.4	135,385	37.5	+9.4	138,135	38.0	+7.2
Asset administration	93,738	24.9	87,555	24.3	+7.1	87,877	24.1	+6.7
Direct deposits	133,967	35.7	137,617	38.2	-2.7	137,884	37.9	-2.8
Customer financial assets	375,826	100.0	360,557	100.0	+4.2	363,896	100.0	+3.3

(7.8 billion euro) and by the positive performance effect (2.2 billion euro).



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

- the volumes of mutual funds and fund-based portfolio management came to 106.5 billion euro, up 4.9% from the beginning of the year, benefiting from a net inflow of 3.7 billion euro. In the context of the various types, recomposition continued from the equity funds (from 23.6% at the end of September 2002 to 20.7% at the end of September 2003) and from the balanced funds (from 11.6% to 8.7%) to the bond funds (from 39.2% to 41.5%) and liquidity funds (from 25.6% to 29.1%). At the end of September 2003, the SANPAOLO IMI Group held the top position in the domestic market, with a share of 21.1%;
- life technical reserves, amounting to 32.6 billion euro, confirmed last year's growth, up 28% on the 12 months and 19.9% from the beginning of the year; net inflow through the distribution networks in the first nine months came to 4.6 billion euro. The forms of invest-

Asset management

	30/9/2003		30/9/2002 pro forma		Change 30/9/03-30/9/02 pro forma (%)	31/12/2002 pro forma		Change 30/9/03-31/12/02 pro forma (%)
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%	
Mutual funds and fund-based portfolio management	106,487	71.9	100,544	74.3	+5.9	101,509	73.5	+4.9
Portfolio management	9,045	6.1	9,378	6.9	-3.6	9,451	6.8	-4.3
Life technical reserves	32,589	22.0	25,463	18.8	+28.0	27,175	19.7	+19.9
Asset management	148,121	100.0	135,385	100.0	+9.4	138,135	100.0	+7.2

Change in assets under management

	First nine months 2003 (€/mil)	First nine months 2002 pro forma (€/mil)	2002 pro forma (€/mil)
Net inflow for the period	7,819	2,423	3,723
- Mutual funds and fund-based portfolio management	3,699	-3,170	-3,193
- Portfolio management	-478	-452	-773
- Life policies	4,598	6,045	7,689
Performance effect	2,167	-12,005	-10,555
Change in assets under management	9,986	-9,582	-6,832

Mutual funds by type

	30/9/2003 (%)	30/9/2002 pro forma (%)	31/12/2002 pro forma (%)
Equity	20.7	23.6	22.4
Balanced	8.7	11.6	10.5
Bond	41.5	39.2	39.3
Liquidity	29.1	25.6	27.8
Total Group mutual funds	100.0	100.0	100.0

ment preferred by customers included, in particular, index and unit linked policies.

Asset administration reached 93.7 billion euro, up 7.1% on an annual basis and 6.7% since the end of December 2002.

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

Profits from financial transactions and dividends on shares in the first nine months of 2003 amounted to 344 million euro, up 47.6% compared with the same period of 2002. The flow of the third quarter, equal to 77 million euro, is substantially in line with that of the first three months of the year and with last year's quarterly average. However, it was lower than the flow of the second quarter, which included the seasonal component represented by dividends on shares. More than two thirds of these revenues were formed by typical income generated by Banca IMI's and the Parent Bank's dealing activities in securities, exchanges and derivatives.

Profits from companies carried at equity and dividends from shareholdings, amounting to 196 million euro, fell by 18% compared with the same period in 2002. In particular:

- profits from companies carried at equity came to 121 million euro compared with 101 million euro for the first nine months of 2002. The increase was mainly attributable to the results achieved by the insurance companies;

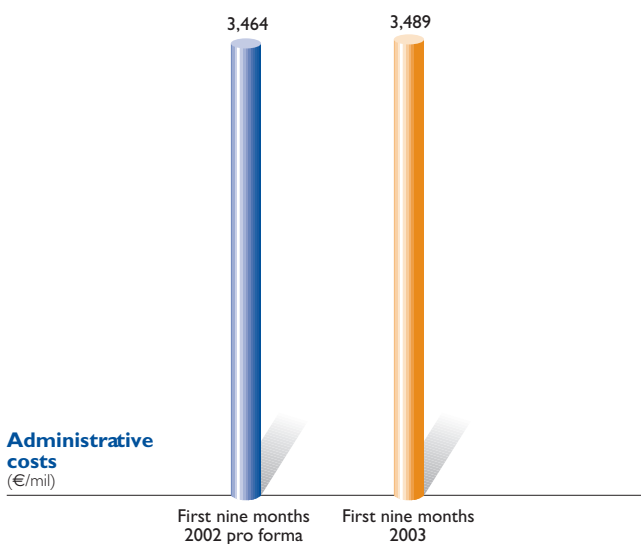
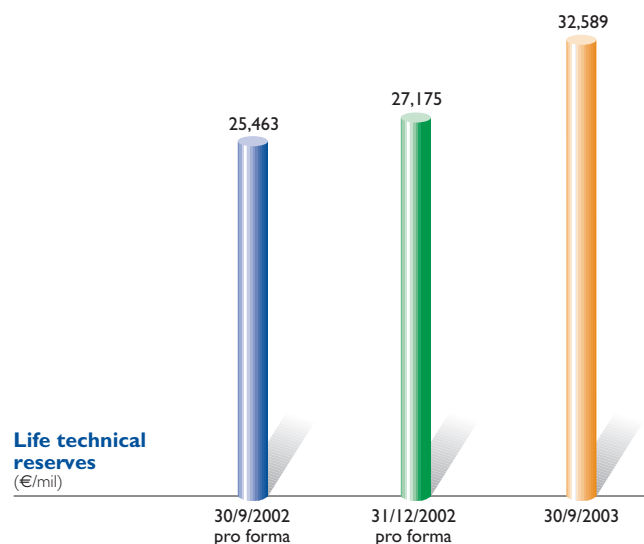
- dividends paid to the Group by minority shareholdings not included in the consolidation area amounted to 75 million euro, compared with 138 million euro collected for the same period of 2002, which discounted unrepeatable components.

Costs

Administrative costs amounted to 3,489 million euro, against 3,464 million euro incurred during the first nine months of 2002. The 0.7% increase is mainly due to the growth of personnel costs (+1.4%) and indirect duties and taxes (+5.7%), which were only partially offset by the drop in other administrative costs (-1.3%).

In particular, personnel costs, 2,165 million euro, were influenced by the increases induced by the national collective labor contract (last increase in August 2003), which were partially balanced by the positive effects of the optimization of staff, which were reduced on average by 2.1% when compared to the first nine months of 2002.

Other administrative costs, 1,121 million euro, showed a negative trend (-1.3%) confirming the control over all types of costs, which enabled savings especially in the context of promotional and advertising, professional and property costs. However, there was an increase in indirect personnel costs, which were influenced by the integration processes underway in the distribution networks.



In the first nine months of 2003, adjustments to the value of tangible and intangible fixed assets came to 347 million euro, compared with 359 million euro for the same period of last year (-3.3%). Investments to improve the central processing capacity, integrate the IT systems and specialize the commercial network continued in the third quarter.

The cost/income ratio fell from 64.3% to 61.5%, improving by almost 3 percentage points on the first nine months of 2002, owing to the improvement in revenues.

Provisions and adjustments

Adjustments to goodwill and merger and consolidation differences, 115 million euro, were 9.4% lower than the values booked for the first nine months of last year. This drop is mainly attributable to the completion, at the end of 2002, of the ten-year amortization related to the merger of the former Banca Provinciale Lombarda and the former Banco Lariano.

Provisions and net adjustments to loans and financial fixed assets came to 390 million euro in the first nine months, down 49% compared with 764 million euro of the same period last year.

Provisions for risks and charges came to 108 million euro compared with the 163 million euro of the same period in 2002. The reduction is mainly related to:

- the recalculation of the potential charge in connection with the renegotiation of subsidized home mortgage

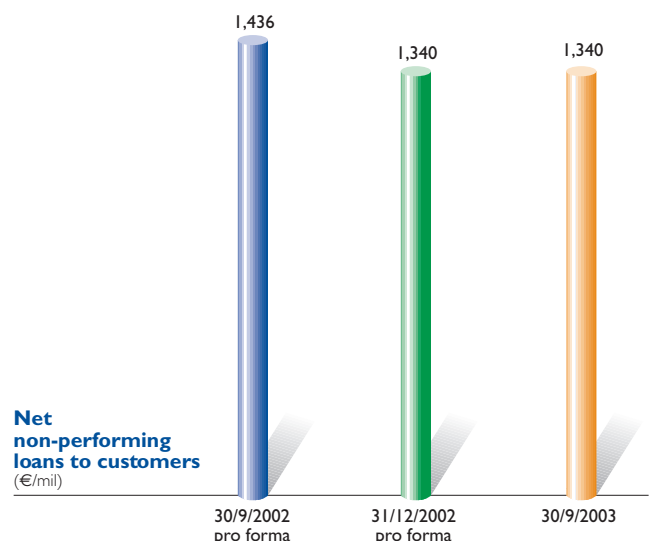
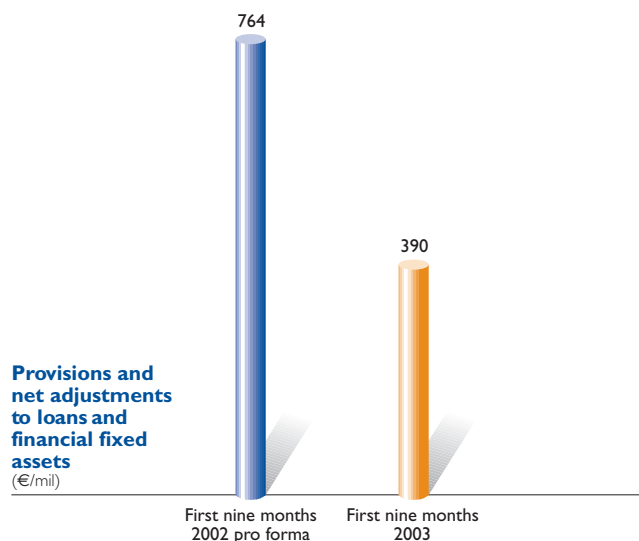
loans (Art. 29 of Law 133/99), in compliance with the terms established by the Government with the Ministerial Decree dated 31/3/2003;

- the termination of charges for restructuring accrued in 2002 by Banca Fideuram for the integration with Banca Sanpaolo Invest.

Provisions and adjustments for credit risks deriving from adjusting the estimated realizable value of specific accounts and from strengthening the coverage of the physiological risk of the performing loans, came to 296 million euro (337 million in the first nine months of 2002).

At the end of September 2003 Group net doubtful loans were 2,811 million euro, falling 7.5% from the end of September 2002 and 3.4% from the beginning of the year. The decline involved all categories of risk; specifically, with reference to loans to customers:

- net non-performing loans, equal to 1,340 million euro, were down 6.7% compared with 1,436 million at the end of September 2002, maintaining the same levels as the end of 2002. The net non-performing loans/net loans to customers ratio was 1.1%;
- problem, restructured and in course of restructuring loans were 1,407 million euro, down both on the 1,493 million of the end of September 2002 (-5.8%) and the 1,460 million of the end of December 2002 (-3.6%);
- non-guaranteed loans to customers in countries subject to country risk were 24 million euro, against the 70 million at the end of September 2002 and 59 million euro at the beginning of the year.



In the first nine months of the year, the coverage levels of loans to customers were strengthened even further: as of 30 September 2003, the coverage ratios were 69.2% for non-performing loans and 34.4% for problem, restructured and in course of restructuring loans. The Group's general reserves, also taking into account the reserves for possible loan losses, amounted to 1,141 million euro, thus maintaining the coverage level of performing loans at 0.9%.

The evaluation of fixed financial assets determined net writebacks for 14 million euro, compared with the 264 million in net adjustments for the first nine months of 2002. 24 million of the writebacks refer to equity investments while 10 million of adjustments were made to investment securities. With regard to the investment portfolio, there was a significant rise in the shares of Santander Central Hispano which, in accordance with the average price for the last six months (7.426 euro), produced a writeback of 126 million euro. The adjustment of the value of the shareholding in H3G involved the booking in the first nine months of 2003 of a capital loss of 74 million euro, corresponding to the Group's share of the period loss of the telecoms company. Lastly, the adaptation of the stake in FIAT to market values determined the booking of a loss of 10 million euro in the statement of income for the first nine months.

Extraordinary income/charges and taxes

The Group's net extraordinary charges in the first nine months of 2003 were 211 million euro, compared with the 171 million euro net income for the same period of the

previous year. The net flow of the period includes:

- 363 million euro provisions for staff leaving, largely attributable to the "Income, employment and re-training fund for staff in the banking industry";
- 17 million euro expenses for use of the tax reform. This amount only partially reflects the Group's total outlay, which also includes 11 million related to insurance subsidiaries, the results of which are recorded using the equity method, and 20 million for which existing tax reserves were used;
- 69 million gains on the sale of shareholdings, of which 44 attributable to the sale of the first 20% of Finconsumo Banca;
- 68 million euro income from the release of reserves for potential expenses in excess, largely owing to the renegotiation of subsidized home mortgage loans.

The flow in the first nine months of 2002 most significantly benefited from the gains from the sale of shareholdings (112 million euro), as well as from 27 million euro relating to real estate proceeds and sales and recovery of taxation for 21 million euro related to Banque Sanpaolo.

Income taxes for the period, totaling 541 million euro, established a Group tax rate of 39.9%, lower than the 45.1% registered in the first nine months of 2002. The improvement was the result of the two percentage point reduction in IRPEG (Corporate Income Tax) and the half percentage point reduction in IRAP (Regional Income Tax), and by the higher amount of income not subject to IRAP, or taxable at reduced rates, such as writebacks of equity investments, gains for the sale of shareholdings and dividends, which balanced the non-deductibility of staff leaving expenses.

Analysis of loan portfolio

	30/9/2003		30/9/2002 pro forma		Change 30/9/03- 30/9/02 pro forma (%)	31/12/2002 pro forma		Change 30/9/03- 31/12/02 pro forma (%)
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%	
Non-performing loans	1,340	1.1	1,436	1.2	-6.7	1,340	1.0	-
Problem, restructured and in course of restructuring loans	1,407	1.1	1,493	1.2	-5.8	1,460	1.1	-3.6
Loans to countries at risk - customers	24	0.0	70	0.1	-65.7	59	0.1	-59.3
Doubtful loans to customers	2,771	2.2	2,999	2.5	-7.6	2,859	2.2	-3.1
Performing loans	123,089	97.8	121,808	97.5	+1.1	124,990	97.8	-1.5
Total loans to customers	125,860	100.0	124,807	100.0	+0.8	127,849	100.0	-1.6
Non-performing and problem loans - banks	-		1		n.s.	1		n.s.
Loans to countries at risk - banks	40		38		+5.3	51		-21.6
Total doubtful loans - customers and banks	2,811		3,038		-7.5	2,911		-3.4

Capital and reserves

Net shareholders' equity

Group shareholders' equity as of 30 September 2003 was 10,760 million euro. Movements during the first nine months were as follows:

<i>Movements in Group shareholders' equity</i>	<i>€/mil</i>
Pro forma shareholders' equity as of 31 December 2002	10,554
Pro forma adjustments	-17
Shareholders' equity as of 1 January 2003	10,537
Decreases	-563
- Dividends	-551
- Use of reserve for general banking risks	-6
- Exchange and other adjustments	-6
Increases	786
- Income for the period	786
Shareholders' equity as of 30 September 2003	10,760

As of 30 September 2003, the Parent Bank alone held 3,292,919 SANPAOLO IMI shares in its portfolio, equal to 0.18% of the share capital, which were recorded, among the assets in the Balance sheet, at market value for 28.4 million euro.

Compared with the situation represented in the consolidated Half Year Report as of 30 June 2003, as of 30 September 2003 the SANPAOLO IMI shares held previously by subsidiaries were written off.

Regulatory capital and solvency ratios

At the end of September 2003 the ratio of regulatory capital to total weighted assets against credit and market risks was estimated at around 10.6%; the ratio of Group primary capital to total weighted assets was estimated at 7.3%.

Financial risk management and control

Financial risks from lending activities

Market risk generated by the lending activities of the Group in the first nine months of 2003 was lower than the average levels observed last year, suitably restated to take the inclusion of the Cardine Banca's accounts into consideration. The change in the market value of the banking book, measured in terms of shift sensitivity, as an upward, parallel and uniform movement of 100 basis points on the interest rate curve, showed a negative average value of 130 million euro during the nine months (-231 million euro in the previous year).

The Value at Risk (VaR) of the banking book, calculated as the maximum "unexpected" potential loss of the market value of the portfolio which could occur in the 10 following working days with a statistical confidence interval of 99%, oscillated around an average value of 80 million euro in the first nine months of the year. At the end of September the VaR was 60 million euro.

Equity investments in non-Group listed companies

Equity investments held in listed companies not consolidated line by line or at net equity showed at the end of

September a market value of 1,392 million euro (of which 287 million held by IMI Investimenti), aligned with the book value (after adjustments and writebacks during the quarter).

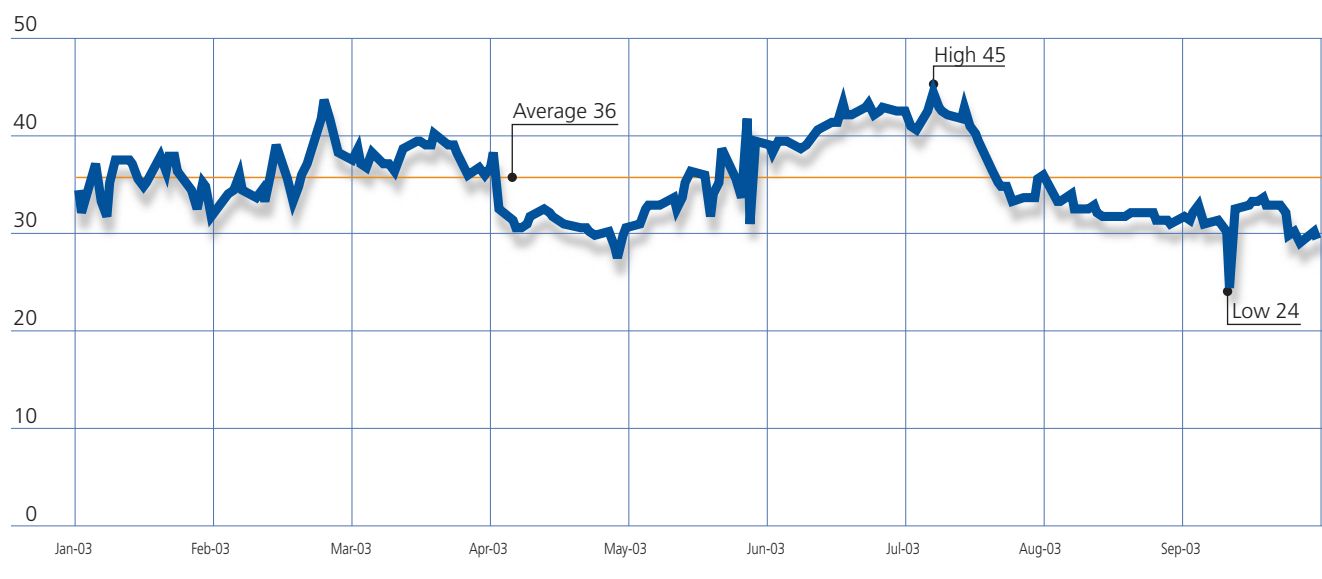
The VaR related to the minority investments in listed companies came to 208 million euro at the end of September, down compared with the 251 million euro registered at the end of June, following the reduction in volatility observed in stock market prices.

Trading activities

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

The VaR of the trading activities, concentrated in Banca IMI and its subsidiaries, oscillated between a minimum of 8 million euro and a maximum of 17.5 million euro during the third quarter, reaching 11.4 million euro at the end of September. The average value since the beginning of the year came to 11.9 million euro, compared with 7.8 million euro in the first nine months of 2002.

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 development of the maximum potential daily loss in the first nine months was largely stable in terms of potential risks, always oscillating around the average value, at 36 million euro.



Trading activity maximum potential daily loss (€/mil)

Backtesting showed the prudential nature of the internal measurement techniques used. In no case the ex ante

potential daily exposure, in terms of VaR and maximum potential loss, was exceeded by actual losses.

Supplementary information

Performance of share prices

At the end of September 2003, SANPAOLO IMI's share price was 8.559 euro, up 38% from the beginning of the

year, against an increase of 18.9% in the MIB bancario index. On the same date, the SANPAOLO IMI share traded on a price/book value of 1.5 and a price/earnings, calculated on consensus earnings for 2003, of 16.8.

On 7 November 2003, the quoted price was 9.914 euro, representing a growth of 59.9% since the start of the year.

Market comparison

	7/11/2003	30/9/2003	30/9/2002	Change 30/9/03-30/9/02 (%)
SANPAOLO IMI share price (€)	9.914	8.559	5.686	+50.5
Banking index (historical MIB bancario)	2,235	2,053	1,626	+26.3

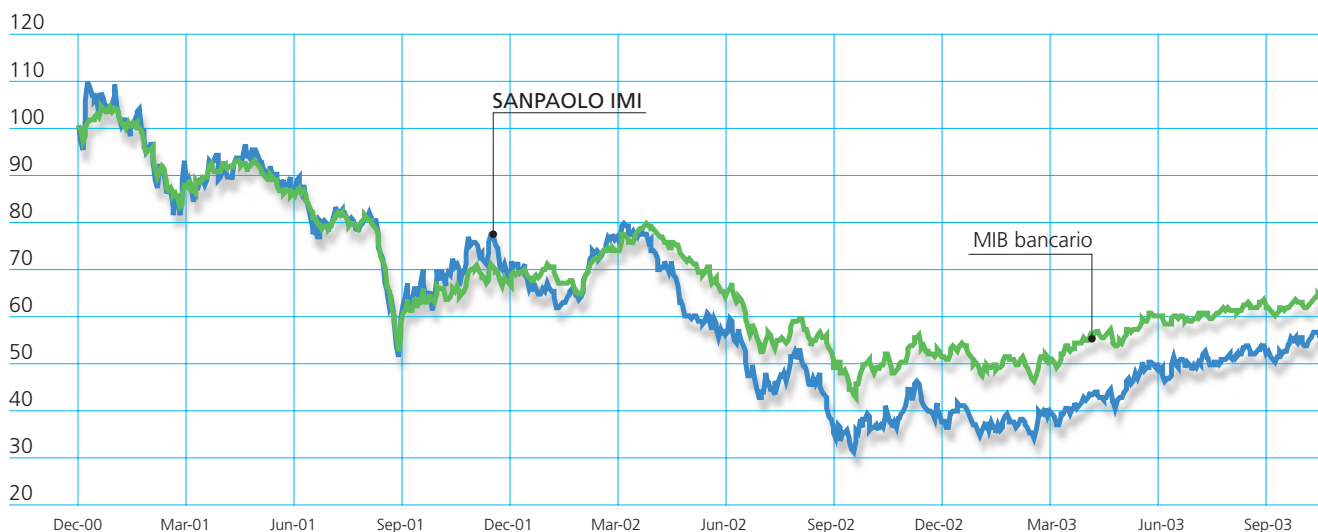
SANPAOLO IMI share price (1)

Year	High (€)	Low (€)	Average (€)
1995	5.118	4.025	4.577
1996	5.269	4.236	4.766
1997	8.800	4.564	6.275
1998	16.274	8.717	12.429
1999	16.071	10.970	13.192
2000	20.800	11.483	16.612
2001	18.893	8.764	14.375
2002	13.702	5.231	9.439
2003 (up to 7/11/2003)	9.914	5.796	7.781

SANPAOLO IMI statement of income and balance sheet indicators

	30/9/2003	30/9/2002
Book value per share (€)	5.9	5.6
Consensus earnings per share (EPS) (€)	2003E 0.51	2004E 0.63

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



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

Shareholders

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

Shareholders of SANPAOLO IMI

	% of capital	
	total	ordinary
Compagnia di San Paolo	14.48	7.50
Fondazione CR Padova e Rovigo	10.80	4.38
Santander Central Hispano	7.70	9.76
Fondazione CR in Bologna	7.69	3.12
Giovanni AGNELLI e C.	3.83	4.86
Deutsche Bank	2.13	2.71
Fondazione Cariplo	1.75	2.21
Caisse des Dépôts et Consignations (CDC)	1.70	2.16
Templeton Global Advisers	1.54	1.95
Società Reale Mutua di Assicurazioni	1.54	1.95
Ente CR Firenze	1.53	1.94
Fondazione CR Venezia	1.47	1.87
Other shareholders (1)	43.84	55.59
Total	100.00	100.00

(1) Includes own shares held by the Group.

Ratings

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

SANPAOLO IMI debt ratings

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

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

Group Business Areas

Organization by Business Areas

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

- Domestic Banking Networks, including: the Sanpaolo Network, which is widespread in North Western Italy; SANPAOLO BANCO DI NAPOLI, the new company, operating since 1 July 2003, to which branches operating in the Southern regions of Italy have been transferred; Cardine, rooted in the North East. The networks, dedicated to the service of retail and private customers and companies, present an optimal coverage of the Italian territory through approximately 3,000 banking branches and integrated multi-channel infrastructures. The banking networks are flanked by specialist units to serve domestic clients: Banca OPI, which provides consultancy and medium- and long-term financing to public bodies and infrastructure, tax collection companies, as well as, within the Sanpaolo Network and Consumer Banking, companies operating in private banking, consumer credit and leasing. This sector also includes the Other Italian Networks, which handle the Group's shareholdings in Cassa di Risparmio di Firenze and in Cassa dei Risparmi di Forlì, as well as Large Groups and Structured Finance;
- Personal Financial Services, with activities carried out by the networks of financial planners of the Banca

Fideuram group to serve customers with a medium/high savings potential;

- Wealth Management and Financial Markets which include: the Sanpaolo IMI Wealth Management companies, dedicated to providing asset management products to the Group networks and associated networks, as well as institutional investors and other networks; Eptaconsors, operating mainly in asset management; Banca IMI, the Group's investment bank, whose business priorities concern, on the one side, the supply of specialist services to companies and institutional customers and, on the other, the development of structured products distributed to retail customers and companies through the Group's networks; Sanpaolo IMI Private Equity, in which the private equity activities of the Group have been concentrated;
- International Activities, which include the Parent Bank's Foreign Network, limited to corporate lending, and Sanpaolo IMI Internazionale, established to develop and supervise the Group's activities in geographic areas and foreign countries of strategic interest. This sector also includes Banque Sanpaolo, operating in France, for which approval has been given for sale to Caisse Nationale des Caisses d'Épargne (CNCE).

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

Criteria used to calculate profitability and the allocation of capital are detailed in the Explanatory Notes.

Results of the Business Areas

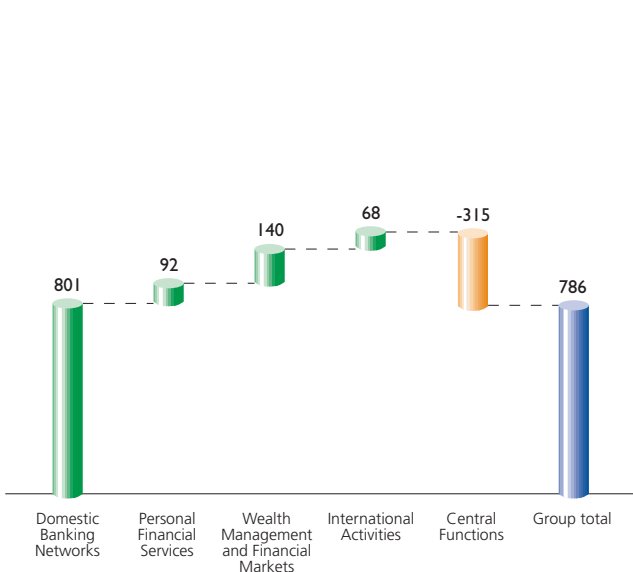
The table below summarizes the economic results and the profitability ratios for the business sectors in which the Group operates. In relation to the main Business Areas, the most important initiatives of the third quarter, along with the operating and

income results for the first nine months, are presented below.

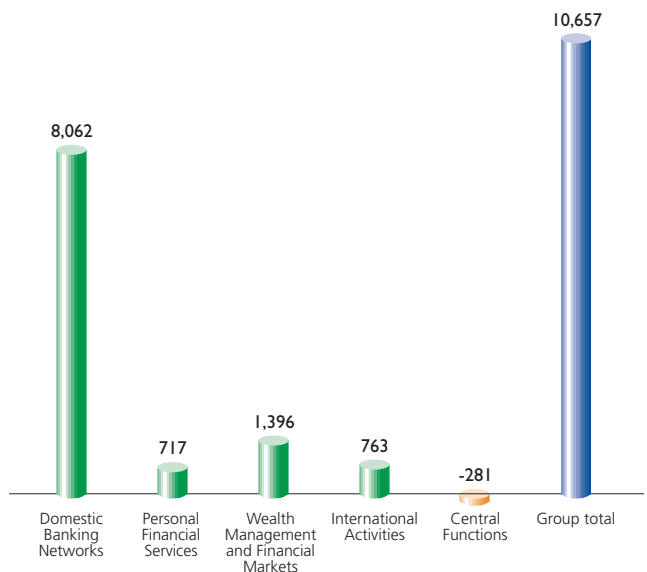
Where necessary, the figures used to evaluate the performance compared with the previous periods have been consistently reconstructed, assuming that this organizational model was launched as of 1/1/2002.

	Contribution to net income of the Group				Average capital			Annualized profitability		
	First nine months 2003	First nine months 2002	Change first nine months 2003 / First nine months 2002 (%)	2002	First nine months 2003	First nine months 2002	2002	First nine months 2003	First nine months 2002	2002
	(€/mil)	(€/mil)	(%)	(€/mil)	(€/mil)	(€/mil)	(€/mil)	(%)	(%)	(%)
DOMESTIC BANKING NETWORKS	801	643	+24.6	781	8,062	7,632	7,665	13.2	11.2	10.2
PERSONAL FINANCIAL SERVICES	92	104	-11.5	111	717	811	788	17.1	17.1	14.1
WEALTH MANAGEMENT AND FINANCIAL MARKETS	140	97	+44.3	146	1,396	1,252	1,329	13.4	10.3	11.0
INTERNATIONAL ACTIVITIES	68	33	+106.1	46	763	806	806	11.9	5.5	5.7
CENTRAL FUNCTIONS (1)	-315	-302	+4.3	-183	-281	177	184	n.s.	n.s.	n.s.
GROUP TOTAL	786	575	+36.7	901	10,657	10,677	10,772	9.8	7.2	8.4

(1) The contribution to net income of the Group for the first nine months of 2003 was influenced by expenses concerning the staff leaving incentives; that for the first nine months and for 2002 had been influenced by the adjustments to the investment portfolio.



Net income first nine months of 2003 by business sectors



Allocated capital first nine months of 2003 by business sectors

Domestic Banking Networks

Sanpaolo Network and Consumer Banking

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

- the Sanpaolo Network, consisting of more than 2,400 branches and operating points of the Parent Bank and of SANPAOLO BANCO DI NAPOLI, supported by the

Internet, phone and mobile banking direct channels;

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

Globally, in the first nine months of 2003, Sanpaolo Network and Consumer Banking presented a net income of 466 million euro, up 18.3% on the same period of the

	Sanpaolo Network and Consumer Banking				of which: Sanpaolo Network			
	First nine months 2003	First nine months 2002	Change first nine months 2003 / First nine months 2002 (%)	2002	First nine months 2003	First nine months 2002	Change first nine months 2003 / First nine months 2002 (%)	2002
STATEMENT OF INCOME (€/mil)								
Net interest and other banking income	2,933	2,828	+3.7	3,813	2,669	2,570	+3.9	3,472
Operating costs	-1,875	-1,852	+1.2	-2,495	-1,758	-1,738	+1.2	-2,338
Operating income	1,058	976	+8.4	1,318	911	832	+9.5	1,134
Provisions and net adjustments to loans and financial fixed assets	-234	-196	+19.4	-348	-200	-189	+5.8	-287
Income before extraordinary items	824	780	+5.6	970	711	643	+10.6	847
Net extraordinary income	31	-2	n.s.	1	21	-4	n.s.	-6
Income before taxes	855	778	+9.9	971	732	639	+14.6	841
Income taxes for the period	-372	-362	+2.8	-457	-332	-317	+4.7	-420
Change in reserves for general banking risks and income attributable to minority interests	-17	-22	-22.7	-29	-	-	-	-
Net income	466	394	+18.3	485	400	322	+24.2	421
ALLOCATED CAPITAL (€/mil)	3,830	3,622	+5.7	3,640	3,034	2,895	+4.8	2,916
RATIOS (%)								
Annualized RORAC	16.2	14.5		13.3	17.6	14.8		14.4
Cost / Income ratio	64.2	65.6		65.6	65.8	67.6		67.3
	30/9/2003	30/9/2002	Change 30/9/03 - 30/9/02 (%)	31/12/2002	30/9/2003	30/9/2002	Change 30/9/03 - 30/9/02 (%)	31/12/2002
OPERATING DATA (€/mil)								
Customer financial assets	204,037	191,984	+6.3	193,412	199,527	185,900	+7.3	187,874
- Direct deposits	52,335	53,174	-1.6	53,722	49,735	49,013	+1.5	50,074
- Asset management	76,282	70,378	+8.4	71,369	76,049	70,062	+8.5	71,087
- Mutual funds and fund-based portfolio management	55,451	52,949	+4.7	53,046	55,308	52,821	+4.7	52,923
- Portfolio management	4,188	5,024	-16.6	4,923	4,098	4,836	-15.3	4,764
- Life technical reserves	16,643	12,405	+34.2	13,400	16,643	12,405	+34.2	13,400
- Asset administration	75,420	68,432	+10.2	68,321	73,743	66,825	+10.4	66,713
Net asset management flows	3,460	1,122		1,689	3,521	1,259		1,869
Net loans to customers excluding NPLs	53,964	52,784	+2.2	54,554	51,401	47,738	+7.7	51,742
OPERATING STRUCTURE								
Employees	23,799	24,055	-1.1	24,175	22,673	22,825	-0.7	23,030
Domestic branches	2,143	2,113	+1.4	2,117	2,120	2,111	+0.4	2,115

previous year. The profitability of the Area, expressed in terms of annualized RORAC, was 16.2%.

The third quarter of the year was characterized by important organizational events:

- the SANPAOLO BANCO DI NAPOLI start-up, this new Group company being destined for development in the four Southern regions traditionally serviced by Banco di Napoli: Campania, Apulia, Calabria and Basilicata. The company operates through more than 750 operating points, with a single commercial coordination compared to the Sanpaolo Network structures existing in the other Italian regions. The IT, administrative and back office activities of the new bank are centralized within the Parent Bank; this has enabled improved efficiency of processes thanks to scale economies;
- the organization model of the Sanpaolo branches, based on specialization by the type of customer served, continued to be extended to the former Banco di Napoli branches, and a plan to rationalize and improve presence throughout the territory was launched: before the end of November the Sanpaolo Network will have around 150 operating points and 60 detached teams dedicated to companies; over 20 branches and around 50 modules and detached units serving private customers will be operating in the first quarter of 2004.

In the same period, the Sanpaolo Network pursued the budget targets, which provide for the strengthening of the market position in terms of private and retail customers as well as the development of relations with companies with adequate creditworthiness. In particular:

- regarding private and retail customers, the budget target was pursued through initiatives aimed at improving relations with customers and through the specialization and personalization of the product range. In more detail:
 - the distribution model based on the specialization of operating points by customer segments, extended throughout the network at the beginning of the year, was consolidated. In the new organizational structure, the retail branches are articulated in modules dedicated to serving the customers of the various sub-markets: personal, family market and small business, dedicated respectively to customers with significant financial funds, to households and to customers comprising professionals, artisans, farmers and small companies. Within the retail branches, there are also modules specialized in serving private customers and these join the branches specifically dedicated to this type of customer to offer better coverage of the territory;

- an intense training activity and more evolved models were implemented to provide branch operators with more effective means for a financial planning tailored to suit customer needs, in line with the principles of the investment policy, presented last April, which establishes the guidelines to be followed in the assistance provided by branches to customers in relation to investments. Work also continued on the design of new products, particularly with guaranteed capital;
- initiatives aimed at increasing operations with small businesses with adequate creditworthiness continued. This was carried out by making products and instruments specific to the customer segment available to branch specialists;
- the spread of the multi-channel infrastructure continued: at the end of September, direct banking contracts rose to more than 413,000, with growth of around 27% compared with the beginning of the year;
- regarding companies, the aim to increase operations with companies with appropriate creditworthiness was pursued together with pricing policies better correlated to the risk involved. The emphasis placed on increased operations and profitability was accompanied by the presentation of a commercial policy which, first of all, provides for the principle of the partnership with companies. Also worth noting are:
 - the commercial effort made towards the development of the range of financial instruments dedicated to hedging interest and exchange rate risks offered to companies: since the beginning of the year transactions were concluded with around 2,250 customers compared with 1,000 during the whole of 2002;
 - the increase of the spread of direct channels: the number of Internet banking contracts with companies and small businesses reached 28,500 at the end of September, a growth of more than 30% on the beginning of the year;
 - the relaunch of operations to support the internationalization processes of companies by strengthening central and peripheral organization, repackaging the product range and launching dedicated commercial initiatives.

Under the operational profile, Sanpaolo Network customer financial assets showed an annual growth of 7.3%, concentrated in 2003 and attributable to asset management and administration. The net asset management flow in particular was 3.5 billion euro in the first nine months of the year, almost doubled if compared to the whole of

2002. Loans to customers increased by 7.7% compared with the end of September 2002. The performance of retail mortgages for households was particularly strong: 1.8 billion euro have been disbursed since the beginning of the year, of which 0.5 billion in the third quarter.

The Sanpaolo Network operating income registered a growth of 9.5% in the first nine months, thanks to the positive trend in all revenue components and to the limited movement registered by costs. Provisions and adjust-

ments to loans rose slightly because of general postings against performing loans. Net income rose by 24.2% and annualized RORAC reached 17.6%, compared with 14.8% in the first nine months of 2002.

Cardine

Cardine operated in North East Italy through the 852 branches of the bank networks of Cassa di Risparmio di Padova e Rovigo (which incorporated Banca Agricola di

Cardine (1)

	First nine months 2003	First nine months 2002	Change first nine months 2003 / First nine months 2002 (%)	2002
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	1,088	1,062	+2.4	1,435
Operating costs	-652	-665	-2.0	-893
Operating income	436	397	+9.8	542
Provisions and net adjustments to loans and financial fixed assets	-94	-213	-55.9	-277
Income before extraordinary items	342	184	+85.9	265
Net extraordinary income	-22	4	n.s.	-11
Income before taxes	320	188	+70.2	254
Income taxes for the period	-148	-100	+48.0	-137
Change in reserves for general banking risks and income attributable to minority interests	7	-6	n.s.	-10
Net income	179	82	+118.3	107
Contribution to net income of the Group (2)	176	134	+31.3	163
ALLOCATED CAPITAL (€/mil)	2,576	2,542	+1.3	2,536
RATIOS (%)				
Annualized RoE	9.1	7.0		6.4
Cost / Income ratio	58.4	61.1		60.8
	30/9/2003	30/9/2002	Change 30/9/03-30/9/02 (%)	31/12/2002
OPERATING DATA (€/mil)				
Customer financial assets	53,388	50,685	+5.3	51,815
- Direct deposits	26,756	26,243	+2.0	26,524
- Asset management	14,264	12,535	+13.8	13,159
- Mutual funds and fund-based portfolio management	9,042	8,199	+10.3	8,539
- Portfolio management	3,227	2,940	+9.8	3,038
- Life technical reserves	1,995	1,396	+42.9	1,582
- Asset administration	12,368	11,907	+3.9	12,132
Net asset management flows	1,378	1,076		1,478
Net loans to customers excluding NPLs	25,627	23,630	+8.5	24,588
OPERATING STRUCTURE				
Employees	9,633	9,848	-2.2	9,719
Domestic branches	852	835	+2.0	841

(1) Cardine Finanziaria group consolidated.

(2) After the posting of consolidation attributable to the Area, which in the first nine months and in 2002 mainly concerned the reversal of adjustments to loans on actualization.

Cerea as of 1 June 2003), Cassa di Risparmio in Bologna, Cassa di Risparmio di Venezia, Banca Popolare dell'Adriatico, Cassa di Risparmio di Udine e Pordenone and Cassa di Risparmio di Gorizia (the merger of the last two to form Friulcassa, as described in a previous chapter of this Report, was approved).

The main initiatives realized by Cardine during the third quarter of 2003 were aimed at the improvement of the new distribution model articulated by customer segments, individuating instruments to coordinate activities and monitor the individual positions, the portfolios of single consultants and customer segments as a whole. The marketing of products and services for the various types of customers also began.

With a view to achieving commercial integration at Group level, during the third quarter the activity of the Cardine bank networks focused on offering products originating from the SANPAOLO IMI Group's companies, especially in respect of asset management and bancassurance products.

In asset management, the net inflow from the start of the year, 1.4 billion euro, more than offset the devaluation of the stock, which at the end of September 2003 was 14.3 billion euro, an increase of 13.8% on an annual basis and 8.4% on the end of December 2002. The trend of loans to customers, net of non-performing loans, was also positive, rising 8.5% on an annual basis and 4.2% since the beginning of the year; in particular, new disbursements in connection with retail mortgages were also relevant at 0.8 billion euro for the first nine months of the year, of which 0.3 billion during the third quarter.

In the first three quarters of 2003 the operating income showed an increase of 9.8% compared to the same period in the previous year, at 436 million euro. This trend was made possible by the growth of net interest and other banking income (+2.4%), encouraged by the positive evolution of all its components and by the reduction in operating costs (-2%). Provisions and adjustments fell by 55.9% compared with the first nine months of 2002, which included extraordinary components in relation to the actualization of doubtful loans and provisions to the general reserve. Net income for the period reached 179 million euro, compared with the 82 million euro of the same period last year. Annualized RoE was 9.1%, a rise compared with the 7% referring to the first nine months of 2002.

Banca OPI

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

In the first nine months of 2003, the bank:

- issued new loans concerning mainly land preservation and public services, at national (the postal service) and local levels (regional companies involved in the management of important property assets for residential and tourism purposes); issued mortgage loans for investments in reclamation work and irrigation systems and works to preserve the area of the Venetian lagoon;
- underwrote securities by public issuers (mainly foreign counterparties from the European Union operating in the rail transport sector);
- in the advisory sector, obtained a mandate from the Municipality of Padua for the privatization of APS S.p.A., a municipal company operating in the public utilities sector; performed a preliminary study, commissioned by the Municipality of Orvieto in view of the exploitation of an important property asset; was appointed by ASM S.p.A., a public utility from Settimo Torinese, for the appraisal of a company in the same sector, aimed at an acquisition;
- in project financing, structured, together with an important German bank, the FIBE project for the construction and management of an integrated waste disposal system for the Province of Naples, which has reached final closing and for which Banca OPI performed the role of financial advisor; began the procedures for participation in the project to construct and manage a highway in Ireland, as well as the purification system servicing The Hague;
- was appointed, together with a major Austrian bank, for the arranging mandate for the Euroypass project, sponsored by Autostrade S.p.A., in relation to the construction of a toll paying system for heavy vehicles on the Austrian road network;
- continued the arranging mandates underway in the highway transport sector (Pedemontana Veneta and Nuova Romea freeways), construction work for the health sector (Vallata Hospital of Genoa), for the public sector (new premises of the Municipality of Bologna and Turin School of Biotechnologies), for the environmental

sector (preliminary mandate for the construction of the waste disposal system of the provinces of Catania and Messina) and for the water sector (in particular assistance to the waterworks in Apulia).

In the first nine months of 2003 the bank made new disbursements for 3.2 billion euro, of which 0.4 billion during the third quarter. Total loans at the end of September rose to 18.2 billion euro, up 12.4% in the 12 months and 8.7% from the beginning of the year. These were joined by a flow of new subscriptions of securities issued by public bodies, 1.5 billion euro.

The income results for the first nine months of 2003 showed a rise in net interest and other banking income (+18.2%), determined by the higher net commissions and higher profits from financial transactions and dividends on shares which more than offset the decline in net interest income. Net income for the period reached 36 million euro, compared with the 32 million of the same period in 2002.

Large Groups and Structured Finance

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

In the first nine months of 2003, the Large Groups unit achieved good economic results (annualized RORAC higher than 8%) despite the deterioration of the ratings of some counterparties, which involved increased absorption of capital and the need for major provisions for potential losses; the Structured Finance unit also achieved positive results.

Other Italian Networks

Other Italian Networks operate in the domestic market through the distribution networks of the Cassa di

Banca OPI

	First nine months 2003	First nine months 2002	Change first nine months 2003 / First nine months 2002 (%)	2002
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	130	110	+18.2	143
Operating costs	-18	-16	+12.5	-23
Operating income	112	94	+19.1	120
Provisions and net adjustments to loans and financial fixed assets	-59	-49	+20.4	-68
Income before extraordinary items	53	45	+17.8	52
Net extraordinary income	2	3	-33.3	4
Income before taxes	55	48	+14.6	56
Income taxes for the period	-19	-16	+18.8	-17
Net income	36	32	+12.5	39
Contribution to net income of the Group (1)	73	62	+17.7	77
ALLOCATED CAPITAL (€/mil)	680	669	+1.6	675
RATIOS (%)				
Annualized RoE	14.3	12.4		11.4
Cost / Income ratio	13.6	14.4		15.3
	30/9/2003	30/9/2002	Change 30/9/03-30/9/02 (%)	31/12/2002
OPERATING DATA (€/mil)				
Net loans to customers excluding NPLs	18,164	16,163	+12.4	16,717
Disbursements in the period	3,156	1,933	+63.3	3,231
OPERATING STRUCTURE				
Employees	156	168	-7.1	167

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

Risparmio di Firenze, in which the Group has a stake of 19.5%, and the Cassa dei Risparmi di Forlì (29.8% stake); upon completion of the transaction the 7% stake in Banca delle Marche will be added to these.

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

- positive progress in the marketing of mutual funds managed by CR Firenze Gestion Internationale (in which an 80% interest is held by Carifirenze and a 20% interest by SANPAOLO IMI); the net flow for the third quarter, equal to 335 million euro, brought the flow from the beginning of the year to 1.2 billion euro and total amounts at the end of September to 3.3 billion euro;
- placement by the Cariforlì network, in the first nine months of the year, of SANPAOLO IMI Group asset management products for 35 million euro, of which 17 million in the third quarter; this net flow took the total amounts, at the end of September, to 204 million euro, up 22.9% since the beginning of the year and 37.8% on the 12 months.

Personal Financial Services

Banca Fideuram

Banca Fideuram has a network of 4,617 financial planners and 89 branches in Italy and operates using its own specialized companies dedicated to the production of asset management services.

During the third quarter of 2003, Banca Fideuram's activities were aimed at the completion of the integration process

with Banca Sanpaolo Invest. From 1 July 2003 the spin off in favor of Banca Fideuram of the Banca Sanpaolo Invest banking branch became legally effective. Banca Sanpaolo Invest ceased performance of banking branch and will assume the status of SIM, focusing on the provision of investment services through its network of financial planners.

The program for the reorganization of investment services was also completed. Effective as of 1 July 2003:

- after Fideuram Capital sold the advisory branch to Fideuram Fondi in the first quarter, it was incorporated

Banca Fideuram (1)

	First nine months 2003	First nine months 2002	Change first nine months 2003 / First nine months 2002 (%)	2002
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	437	451	-3.1	598
Operating costs	-251	-252	-0.4	-344
Operating income	186	199	-6.5	254
Adjustments to goodwill and merger and consolidation differences	-5	-9	-44.4	-58
Provisions and net adjustments to loans and financial fixed assets	-20	-47	-57.4	-68
Income before extraordinary items	161	143	+12.6	128
Net extraordinary income	-6	22	n.s.	19
Income before taxes	155	165	-6.1	147
Income taxes for the period	-35	-17	+105.9	-13
Change in reserves for general banking risks and income attributable to minority interests	1	-	n.s.	16
Net income	121	148	-18.2	150
Contribution to net income of the Group (2)	92	104	-11.5	111
ALLOCATED CAPITAL (€/mil)	717	811	-11.6	788
RATIOS (%)				
Annualized RoE	17.1	17.1		14.1
Cost / Income ratio	55.4	54.0		55.3
	30/9/2003	30/9/2002	Change 30/9/03-30/9/02 (%)	31/12/2002
OPERATING DATA (€/mil)				
Customer financial assets	59,018	55,758	+5.8	56,457
- Direct deposits	3,951	3,790	+4.2	3,901
- Asset management	43,373	39,839	+8.9	40,028
- Mutual funds and fund-based portfolio management	30,841	29,319	+5.2	28,756
- Portfolio management	583	483	+20.7	525
- Life technical reserves	11,949	10,037	+19.0	10,747
- Asset administration	11,694	12,129	-3.6	12,528
Net asset management flows	2,653	-853		-1,153
OPERATING STRUCTURE				
Employees	1,860	1,882	-1.2	1,880
Financial planners	4,617	4,951	-6.7	4,754
Domestic branches	89	87	+2.3	87

(1) Including Banca Sanpaolo Invest.

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

in Banca Fideuram;

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

At the end of September 2003 customer financial assets of Banca Fideuram, including those of Banca Sanpaolo Invest, were 59 billion euro, up 5.8% over the 12 months and 4.5% since the beginning of the year. During the first nine

months the net asset management inflow was 2.7 billion euro, compared with an outflow of 0.9 billion in the same period of 2002.

Profit margins for the first three quarters were generally reduced; net interest and other banking income of 437 million euro, fell by 3.1%. This trend is the result of the decline in commission revenues only partially compensated for the reduction in operating costs. Net income for the period was 121 million euro, a drop of 18.2% on the same period of 2002. Annualized RoE was 17.1%.

Wealth Management and Financial Markets

Sanpaolo IMI Wealth Management

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

During the third quarter of 2003, the Area continued initiatives aimed at rationalizing its corporate structure, especially through the merger by incorporation of Banco di Napoli Asset Management into Sanpaolo IMI Asset Management, legally effective as of 1 September 2003 and for accounting purposes as of 1 January 2003.

In the quarter 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 issue of a new index linked policy (more than 800 million euro);
- the unification of the product range of Sanpaolo IMI Wealth Management and Banco di Napoli Asset Management, especially mutual funds and portfolio management;
- the restyling of some life insurance products;
- the opening of the eleventh season of the "Active Portfolio" protected capital unit linked policy.

The Area's assets under management, as of the end of September 2003, amounted to 92.2 billion euro, up 13.7% on an annual basis and 10.6% from the end of 2002. Noteworthy within the total amount is the sustained growth

Sanpaolo IMI Wealth Management

	First nine months 2003	First nine months 2002	Change first nine months 2003 / First nine months 2002 (%)	2002
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	186	169	+10.1	234
Operating costs	-68	-64	+6.3	-88
Operating income	118	105	+12.4	146
Adjustments to goodwill and merger and consolidation differences	-5	-5	-	-7
Provisions and net adjustments to loans and financial fixed assets	-1	-	-	-
Income before extraordinary items	112	100	+12.0	139
Net extraordinary income	-10	2	n.s.	2
Income before taxes	102	102	-	141
Income taxes for the period	-9	-10	-10.0	-7
Change in reserves for general banking risks and income attributable to minority interests	-	-	-	-2
Net income	93	92	+1.1	132
Contribution to net income of the Group (1)	102	100	+2.0	142
ALLOCATED CAPITAL (€/mil)	697	636	+9.6	655
RATIOS (%)				
Annualized RoE	19.5	21.0		21.7
Cost / Income ratio	38.7	40.4		40.5
	30/9/2003	30/9/2002	Change 30/9/03-30/9/02 (%)	31/12/2002
OPERATING DATA (€/mil)				
Assets under management	92,216	81,119	+13.7	83,407
OPERATING STRUCTURE				
Employees	370	381	-2.9	404

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

in life technical reserves, which rose to 18.1 billion euro (+37.1% in comparison with the end of September 2002).

In the first nine months of 2003, Wealth Management registered net interest and other banking income of 186 million euro, up 10.1% compared with the same period in the previous year; this trend was due in particular to a significant growth (+24.1%) in the contribution of the Sanpaolo Vita and Sanpaolo Life insurance companies, booked as profits from companies carried at equity. The increase in revenues resulted in a net income of 93 million euro which, despite being influenced by extraordinary expenses attributable to use of the Budget Law 2003 for the tax reform, remained largely in line with that of the first nine months of 2002. The profitability, expressed in terms of annualized RoE, was 19.5%.

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 third quarter of 2003, with reference to corporate finance and capital markets, Banca IMI:

- with regard to Public Offers, coordinated the residual Public Offer on Italdesign Giugiaro shares which will lead to the cancellation of the share from the list in the last quarter of the year;
- with reference to capital increases, in Italy, participated as lead manager and co-secretary for the FIAT issue and as coordinator and lead manager for the

Banca IMI (1)

	First nine months 2003	First nine months 2002	Change first nine months 2003 / First nine months 2002 (%)	2002
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	185	124	+49.2	185
Operating costs	-110	-114	-3.5	-150
Operating income	75	10	n.s.	35
Provisions and net adjustments to loans and financial fixed assets	-2	-3	-33.3	-5
Income before extraordinary items	73	7	n.s.	30
Net extraordinary income	-2	-3	-33.3	5
Income before taxes	71	4	n.s.	35
Income taxes for the period	-24	-	n.s.	-11
Net income	47	4	n.s.	24
Contribution to net income of the Group	47	4	n.s.	24
ALLOCATED CAPITAL (€/mil)	382	359	+6.4	361
RATIOS (%)				
Annualized RoE	16.4	1.5		6.6
Cost / Income ratio	59.9	91.3		81.0
OPERATING DATA (€/mil)				
Banca IMI SpA trading volumes				
- trading	547,877	489,636	+11.9	671,677
- sales	151,736	98,009	+54.8	143,809
- repurchase agreements	1,461,742	1,152,653	+26.8	1,621,992
- placements	8,169	5,454	+49.8	6,360
	30/9/2003	30/9/2002	Change 30/9/03-30/9/02 (%)	31/12/2002
OPERATING STRUCTURE				
Employees	614	632	-2.8	634
Branches	1	2	-50.0	2

(1) Excluding IW Bank.

IFIL issue; performed a first tranche of the Mondo TV capital increase; on the international market, acted as guarantor in the Royal & Sun Alliance capital increase;

- in the debt market, performed the role of leader and placer in six transactions, acted as lead manager and book runner for the first inflation indexed BTP and for the issues of financial institutions (Landsbanki Islands, Banco Itau Europa, Merrill Lynch, SNS Bank, Caixa Montepio and SANPAOLO IMI) and industrial companies (Deutsche Bahn and Volkswagen Intl Finance); with reference to securitization transactions, presented the fourth tranche of the securitization of INPS credits.

As regards corporate finance advisory, Banca IMI:

- completed the assistance to the Ministry of Economy and Finance (evaluation for the privatization of ETI), to Buzzi Unicem (consulting in the Public Offer on Dyckerhoff preference shares), to Cassa di Risparmio di Firenze and Cassa di Risparmio di Genova (purchase of Cassa di Risparmio di La Spezia and Cassa di Risparmio di Carrara, respectively) and to the issuer in the Roland Public Offer;
- with regard to current transactions, continued global advisory activities for the FIAT Group and advisory activities for Finmeccanica (exploitation of the Elsag assets), for the Albanian government (privatization of the fixed telecommunication and energy sectors), and for Edison (sale of a gas transportation network).

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

In the first nine months of 2003, the total revenues of Banca IMI were 185 million euro, up 49.2% compared with the same period last year, benefiting from the recovery of corporate finance and capital markets and from an improvement in income from sales. This, together with the reduction in operating costs (-3.5%), allowed the bank to achieve a net income of 47 million euro, compared with 4 million euro in the first nine months of 2002, and an annualized RoE of 16.4%.

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.

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

NHS Mezzogiorno, operating in Southern Italy, is completing the first two investment transactions of the closed-end fund that it manages “Fondo di Promozione del Capitale di Rischio per il Mezzogiorno” (Risk capital fund for Southern Italy), with 100 million euro subscribed capital.

Sanpaolo IMI Fondi Chiusi, operating in the other Italian regions, manages the two Cardine Impresa and Eptasviluppo funds, with 100 million euro total capital. Two new funds are being added to Cardine Impresa and Eptasviluppo, specialized in the North East, each having a target of 100 million euro, for which the necessary Bank of Italy authorization process was begun during the third quarter. The first, Fondo Centro Impresa, will invest in Emilia Romagna, Tuscany, Marche, Umbria and Lazio, while the second, Fondo Nord Ovest Impresa, will be dedicated to Piedmont, Lombardy, Liguria and Valle d’Aosta. These two initiatives will take the total capital managed by the SGR subsidiaries to 400 million euro, covering the whole country, with teams of professionals supporting the respective development programs.

On the international scene, Sanpaolo IMI Private Equity is involved in the launch of a pan European closed-end fund, in partnership with CDC and Bayerische Landesbank, for which fund raising has already begun with a target of up to 500 million euro. The fund will invest in three equal stakes destined to French, German and Italian companies; in relation to the latter stake, the SANPAOLO IMI Group will act as advisor.

During the third quarter Sanpaolo IMI Private Equity, together with SAGAT and TecnoHolding, was granted the tender for the privatization of Florence Airport, directly investing its own capital, and is currently involved in the Aeroporti Holding project for the construction of a network of regional airports.

With reference to the income results for the first nine months of 2003, Sanpaolo IMI Private Equity, together

with its subsidiaries, showed a slight profit, which does not include the amortization of differences arising on application of the equity method to an important sub-

subsidiary, which will be posted at the time of its sale. This was against the loss registered for last year, the first year of operation after the spin off of the former NHS.

International Activities

Banque Sanpaolo

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

In the third quarter of 2003 Banque Sanpaolo carried on the specialization of the branch network on the reference

customer segments.

In operating terms, the bank reported a positive trend in direct customer deposits and loans to customers which highlighted growths of 10.9% and 6% respectively on the 12 months.

Assets under management reached 6.1 billion euro, up 12.9% over the 12 months and 17.1% since the beginning of the year, thanks to the positive trend of all the components.

Net interest and other banking income in the first nine months of 2003 reached 156 million euro, up 6.8% com-

Banque Sanpaolo

	First nine months 2003	First nine months 2002	Change first nine months 2003 / First nine months 2002 (%)	2002
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	156	146	+6.8	196
Operating costs	-104	-101	+3.0	-135
Operating income	52	45	+15.6	61
Provisions and net adjustments to loans and financial fixed assets	-5	-10	-50.0	-13
Income before extraordinary items	47	35	+34.3	48
Net extraordinary income	1	1	-	1
Income before taxes	48	36	+33.3	49
Income taxes for the period	-18	-13	+38.5	-19
Net income	30	23	+30.4	30
Contribution to net income of the Group (1)	30	22	+36.4	29
ALLOCATED CAPITAL (€/mil)	435	438	-0.7	441
RATIOS (%)				
Annualized RoE	9.2	6.7		6.6
Cost / Income ratio	64.7	66.4		66.3
	30/9/2003	30/9/2002	Change 30/9/03-30/9/02 (%)	31/12/2002
OPERATING DATA (€/mil)				
Customer financial assets	12,615	n.d.	n.d.	11,485
- Direct deposits	4,867	4,388	+10.9	4,648
- Asset management	6,094	5,397	+12.9	5,204
- <i>Mutual funds and fund-based portfolio management</i>	4,217	3,661	+15.2	3,527
- <i>Portfolio management</i>	975	897	+8.7	865
- <i>Life technical reserves</i>	902	839	+7.5	812
- Asset administration	1,654	n.d.	n.d.	1,633
Net asset management flows	606	617		548
Net loans to customers excluding NPLs	3,685	3,475	+6.0	3,582
OPERATING STRUCTURE				
Employees	1,225	1,230	-0.4	1,239
Branches	62	59	+5.1	62

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

pared with the same period last year, following the favorable evolution of net interest income and profits from financial transactions. Net income also benefited from fewer provisions and adjustments, reaching 30 million euro, 30.4% higher against the same three quarters of 2002.

Foreign Network

The Area is responsible for the foreign network of the Parent Bank composed, at the end of September 2003, of 11 branches, 19 representative offices (joined by a new office in Barcelona as of 4 November 2003) and one operating desk, as well as for the Irish subsidiary Sanpaolo IMI Bank Ireland. This structure has a direct presence in 27 countries.

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

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

During the first nine months of 2003, lending activities were marked by selectivity and safeguarding the quality of the assets rather than increasing operating volumes, confirming a strong customer oriented policy, focused on direct and strategic relationships with customers. With reference to this issue, the Foreign Network concentrated, on the one side, on consolidating the position achieved in a European context and gradually developing the presence on the Asian market and, on the other, on reducing the risk profile with counterparties from the United States, through major diversification in both the number of customers and the economic sectors. In relation to the cross

selling of products and services, the synergies with the Italian branches of SANPAOLO IMI continued to be strengthened.

From an economic viewpoint, operations with customers on the Foreign Network in the first nine months of 2003 showed an improvement in revenues, bringing annualized RORAC to 18.2%. Lending exposure with foreign counterparties is slightly down compared with 2002, while the portfolio quality maintained good levels. The adjustment of some positions was amply offset by significant recoveries in value as a result of the total repayment of partially written down loans, such as Xerox, and the restructuring of critical loans, such as Marconi, at better conditions than expected.

Sanpaolo IMI Internazionale

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

At full capacity this company will hold all the interests of the Group in Central Eastern Europe and the Mediterranean. On 4 April 2003, the Parent Bank transferred to it the shareholding in the Hungarian Inter-Europa Bank, which has 25 branches, and on 2 July 2003, the 5.2% shareholding in the Polish Kredyt Bank and the 5.6% shareholding in the Tunisian bank, BIAT (Banque Internationale Arabe de Tunisie). The transfer of the shareholding in Banka Koper (62.6%), operating in Slovenia through a network of 39 branches, has to be completed: the necessary authorization from the Central Bank has arrived on 3 September. The transfer of the equity investment in West Bank (97.9%), operating in Romania through 17 branches, is still subject to necessary approval by the local Regulatory Authorities.

The plan to restructure and strengthen the capital of West Bank continued during the third quarter. With reference to the latter, the name was changed to Sanpaolo IMI Bank Romania in October.

IMI Investimenti

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

With regard to the shareholding in Synesis Finanziaria S.p.A., the newco in which SANPAOLO IMI participates equally with Capitalia, Banca Intesa and Unicredito, taking over from the FIAT Group 51% of the European network of the finance company Fidis (exclusively within the retail financing activities), with a total commitment by IMI Investimenti for about 100 million euro, the company made a disbursement of 30 million euro during the quar-

ter, in addition to the 63 million euro disbursed last May.

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

The economic performance in the first nine months of 2003 is still penalized by significant adjustments to the investment portfolio which have resulted in negatively influencing the Group’s net income by 39 million euro.

Explanatory Notes

ACCOUNTING AND VALUATION PRINCIPLES

CHANGES IN THE CONSOLIDATION AREA

CONSOLIDATED PRO FORMA SCHEDULES FOR 2002
AND THE FIRST QUARTER OF 2003

CRITERIA FOR CALCULATING THE PROFITABILITY OF THE BUSINESS AREAS

Accounting and valuation principles

The Quarterly Report of the SANPAOLO IMI Group as of 30 September 2003 has been prepared according to Consob Regulation 11971 of 14 May 1999 and successive modifications and integration.

The balance sheet and the statement of income as of 30 September 2003 have been prepared using accounting and valuation principles consistent with the Annual Report 2002, to which reference is made for further detail. Here, the following should be noted:

- the quarterly accounts have been prepared using the discrete approach, by which the reference period is considered to be an independent financial period. Accordingly, the quarterly statement of income reflects both the ordinary and extraordinary components pertaining to the period, in accordance with the accrual principle. In particular, income tax reflects the cost attributable to the period according to current and deferred taxation;
- the accounting situations used for consolidation are those prepared by subsidiary companies (consolidated line by line, proportionally or at net equity) with reference to 30 September 2003, as adjusted when necessary in line with Group accounting principles;
- valuations according to the net equity method of subsidiaries subject to a significant degree of influence have been made on the basis of information made available by them also using, for the statement of income for the period, prudent estimates;
- the positive differences, generated by line by line, proportional and net equity consolidation, have been taken against the total of negative differences at first consolidation pre-existing or arising in the same year and to their extent, pursuant to art. 32 of D. Lgs. n. 87 of 27/1/1992 and successive applicative instructions issued by Bank of Italy;
- adjustments and provisions made exclusively for tax purposes by the Parent Bank and by consolidated companies are reversed;
- only significant balances and transactions with Group companies have been eliminated.

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

Changes in the consolidation area

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

- the passage from the area of consolidation according to the equity method to consolidation on a line by line basis of:
 - the company Eptaconsors S.p.A. and its subsidiaries (Eptasim S.p.A., Eptafid S.p.A., Eptafund S.G.R.p.A. and Epta Global Investment Ltd) because of the increase in the investment held by the Group, from 40.48% as of 31 December 2002 to 100% following additional acquisitions of 20.24% and 39.28% made in January and June 2003 respectively;
 - the Hungarian Inter-Europa Bank RT and its main subsidiaries (Inter-Europa Beruhazo Kft, Inter-Europa Consulting Kft, Inter-Europa Fejlesztési Kft and Inter-Europa Szolgaltato Kft) following the increase of interest held by the Group, which rose in April 2003 from 32.51% to 85.23%;
- the passage of IW Bank S.p.A. from consolidation on a line by line basis to consolidation according to the equity method, following the disposal in May 2003 of 80% of its entire shares previously held by Banca IMI S.p.A.;
- the passage of Finconsumo Banca S.p.A. from the area of proportional consolidation to the area of consolidation according to the equity method, as an effect of the sale in September 2003 of 20% of the interest held and of the end of joint control;
- inclusion in the area of consolidation according to the equity method as of May 2003 of the interest in Synesis Finanziaria S.p.A. (25%), holder of the shares in FIDIS Retail Italia;
- the passage of Cassa dei Risparmi di Forlì S.p.A. from the area of consolidation according to the equity method, to that of proportional consolidation, following the attainment of joint control by the Parent Bank which, in May 2003, increased its investment from 21.02% to 29.77%.

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

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

The pro forma results for the year 2002 were prepared conventionally assuming the line by line consolidation of

the Eptaconsors Group and Inter-Europa Bank, the proportional consolidation of Cassa dei Risparmi di Forlì and the non-consolidation of IW Bank and Finconsumo Banca with effect from 1 January 2002. Furthermore, since the consolidated quarterly financial statements of the SANPAOLO IMI Group as of 31 March 2003 did not reflect the line by line consolidation of Inter-Europa Bank, the proportional consolidation of Cassa dei Risparmi di Forlì and the non-consolidation of Finconsumo Banca, a pro forma reconstruction of the results of the first quarter of 2003 has also been made. Finally, it is noted that the pro forma results as of 31 March 2002 also take into consideration the line by line consolidation of the former Cardine Group, which first took place on 30 June 2002, with accounting effect from the beginning of the year.

For a more detailed analysis of the preparation of the pro forma accounts for 2002 and the first quarter of 2003, reference must be made to the statements and explanatory notes in the consolidated Half year report of the SANPAOLO IMI Group as of 30 June 2003.

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

Criteria for calculating the profitability of the Business Areas

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

- for those Areas whose business is carried out both by the Parent Bank and by subsidiaries, consolidation of the accounts of the Parent Bank attributable to the relevant Area has been effected with the income statement line items of the subsidiary companies. The attribution to individual Areas of Parent Bank line items, in particular, is made on the basis of the following principles:
 - the net interest income has been calculated using appropriate internal transfer rates;
 - in addition to commissions in effect, notional commissions for services rendered by one Area to another have also been quantified;
 - the direct costs of each Area have been calculated and, according to parameters, operating costs of the central structures other than those attributable to holding company functions, have been allocated to the Areas. It must be highlighted that, compared to the previous Reports and to guarantee the usual consistent comparison with 2002, some methodological

changes have been made in relation to internal transfer prices applied to non interest-earning assets and non interest-bearing liabilities, IT and real estate services. With particular reference to IT expenses, the difference between the costs effectively incurred by the MOI and the revenues of the services charged at standard prices remains allocated to Central Functions;

- for those Areas whose business is carried out wholly by subsidiaries, the income statements of the companies are reported; their contribution to consolidated net income is also shown, net of minority interest and after the posting of consolidation attributable to the Area; amortization of goodwill consequent upon investments made directly by the Parent Bank in the Areas has thus been allocated to Central Functions.

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

- for those Areas whose business is carried out both by the Parent Bank and by subsidiaries, consolidation of the average economic capital of the Parent Bank with that of the subsidiaries has been effected. The capital is measured according to VaR, distinguishing among the different types of risk: credit risk, market risks and operational risks;
- for those Areas whose business is carried out exclusively by subsidiaries, reference is made to the average accounting net shareholders' equity (including income for the period).

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

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

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

Turin, 11 November 2003

The Board of Directors

