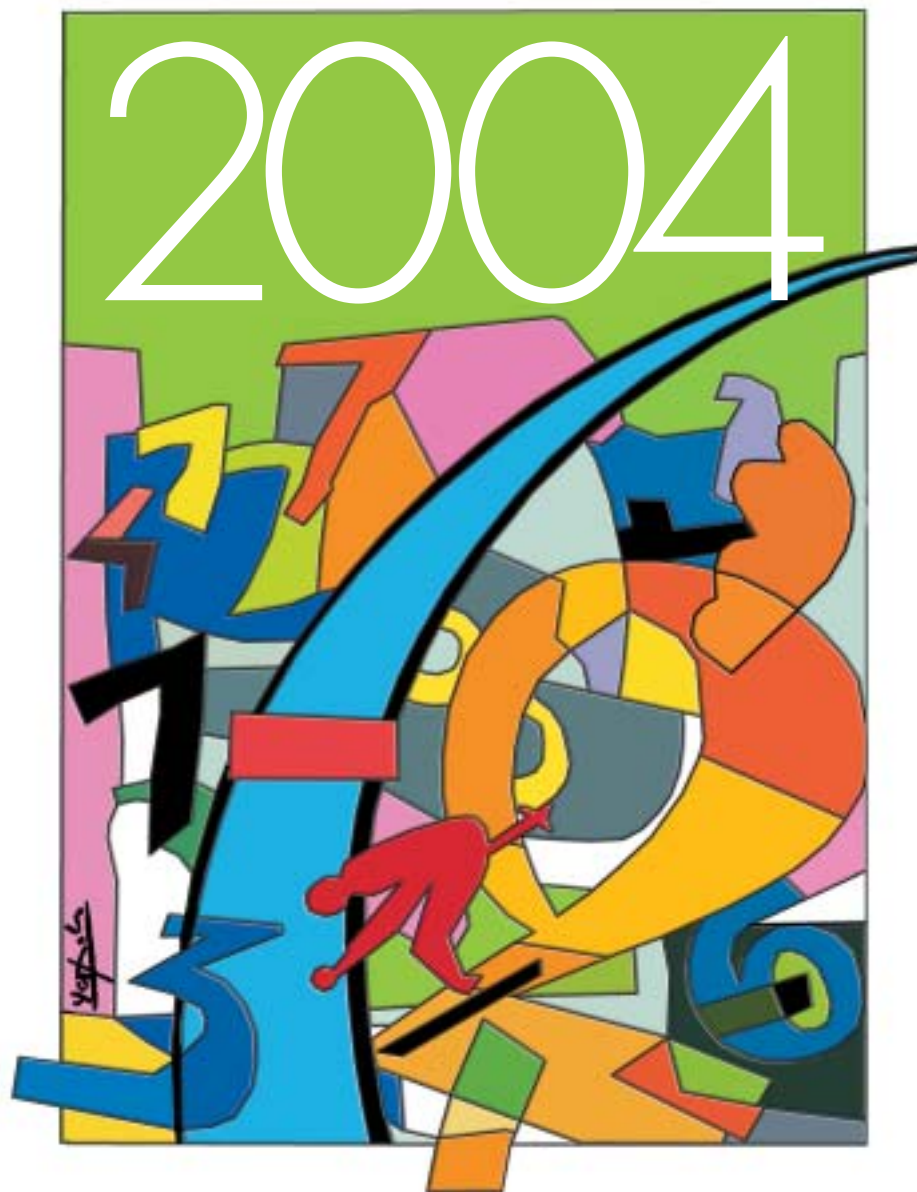


S A N P A O L O I M I



QUARTERLY REPORT 31 MARCH 2004

SANPAOLO IMI GROUP

Quarterly Report 31 March 2004

SANPAOLO IMI S.p.A.

REGISTERED OFFICE: PIAZZA SAN CARLO 156, TURIN, ITALY

SECONDARY OFFICES:

- VIALE DELL'ARTE 25, ROME, ITALY

- VIA FARINI 22, BOLOGNA, ITALY

COMPANY REGISTER OF TURIN 06210280019

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

PARENT BANK OF THE SANPAOLO IMI BANKING GROUP

MEMBER OF THE INTERBANK DEPOSIT GUARANTEE FUND

Contents

4	Key figures
5	Group structure
7	Reclassified consolidated financial statements
8	Reclassified consolidated statement of income
10	Reclassified consolidated balance sheet
13	Report on Group Operations
14	Action points and initiatives in the quarter
16	Consolidated results
25	Capital and reserves
26	Financial risk management and control
28	Supplementary information
28	• Performance of share prices
29	• Shareholders
29	• Ratings
30	Group Business Areas
53	Explanatory Notes

Key figures

	First quarter 2004	First quarter 2003 pro forma (1)	Change first quarter 2004 / First quarter 2003 pro forma (%)	2003 (2)
CONSOLIDATED STATEMENT OF INCOME (€/mil)				
Net interest income	904	924	-2.2	3,716
Net commissions and other net dealing revenues	785	682	+15.1	3,036
Administrative costs	-1,115	-1,116	-0.1	-4,610
Operating income	720	605	+19.0	2,704
Provisions and net adjustments to loans and financial fixed assets	-150	-134	+11.9	-859
Income before extraordinary items	535	437	+22.4	1,687
Net income of the Group	386	281	+37.4	972
CONSOLIDATED BALANCE SHEET (€/mil)				
Total assets	206,997	202,775	+2.1	202,580
Loans to customers (excluding NPLs and loans to SGA)	120,647	123,054	-2.0	122,415
Securities	31,470	23,439	+34.3	25,292
Equity investments	4,586	4,453	+3.0	4,572
Subordinated liabilities	6,666	6,533	+2.0	6,414
Shareholders' equity of the Group	11,383	10,816	+5.2	10,995
CUSTOMER FINANCIAL ASSETS (€/mil)				
Customer financial assets	374,116	355,867	+5.1	368,042
- Direct deposits	134,863	134,258	+0.5	131,721
- Indirect deposits	239,253	221,609	+8.0	236,321
- Asset management	145,282	134,371	+8.1	143,711
- Asset administration	93,971	87,238	+7.7	92,610
PROFITABILITY RATIOS (%)				
Annualized RoE (3)	13.8	10.4		9.0
Cost / Income ratio (4)	59.5	63.3		62.0
Net commissions / Administrative costs	70.4	61.1		65.9
CREDIT RISK RATIOS (%)				
Net non-performing loans / Net loans to customers	1.0	1.0		0.9
Net problem loans and loans in restructuring / Net loans to customers	1.2	1.2		1.1
SOLVENCY RATIOS (%) (5)				
Tier 1 ratio	7.6	7.4		7.4
Total ratio	10.9	10.7		10.5
SHARES (6)				
Number of shares (millions)	1,837	1,837	-	1,837
Quoted price per share (€)				
- average	10.293	6.409	+60.6	8.158
- low	9.141	5.796	+57.7	5.796
- high	11.072	7.029	+57.5	11.346
Earnings / Average number of shares in circulation (€)	0.21	0.15	+40.3	0.53
Dividend per share (€)				0.39
Dividend per share / Average annual price (%)				4.78
Book value per share (€) (7)	6.21	5.89	+5.4	6.00
OPERATING STRUCTURE				
Employees	43,397	45,022	-3.6	43,465
Domestic branches	3,179	3,118	+2.0	3,168
Foreign branches and representative offices	122	116	+5.2	122
Financial planners	4,502	4,885	-7.8	4,675

(1) The pro forma figures have been prepared, according to the criteria detailed in the Explanatory Notes, assuming, from 1/1/2003, the line by line consolidation of Inter-Europa Bank, the proportional consolidation of Cassa dei Risparmi di Forlì and the exclusion of Banque Sanpaolo and Finconsumo Banca, carried at equity, from the consolidation area.

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

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

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

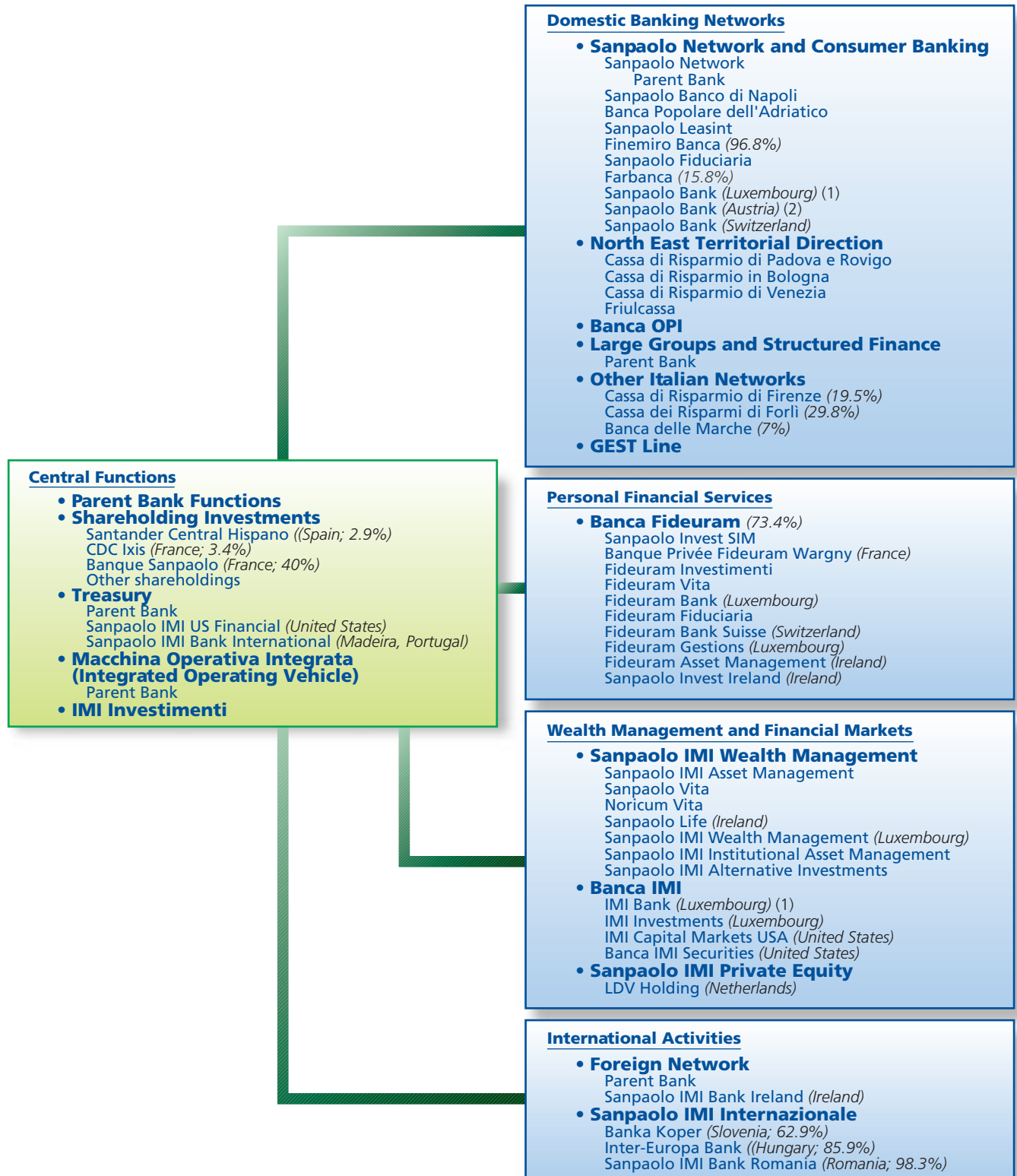
(5) Figures related to 31/3/2004 are estimated; the solvency ratios as of 31/3/2003 are not pro forma.

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

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

The pro forma figures for the first quarter of 2003 as well as the figures for the first quarter of 2004 are unaudited.

Group structure



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

(2) The termination of the activity of Sanpaolo Bank (Austria) authorized on 16 December 2003, is still underway.

Reclassified consolidated financial statements

RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

RECLASSIFIED CONSOLIDATED BALANCE SHEET

Reclassified consolidated statement of income

	First quarter 2004 (€/mil)	First quarter 2003 pro forma (1) (€/mil)	Change first quarter 2004 / First quarter 2003 pro forma (%)	2003 (2) (€/mil)
NET INTEREST INCOME	904	924	-2.2	3,716
Net commissions and other net dealing revenues	785	682	+15.1	3,036
Profits and losses from financial transactions and dividends on shares	81	85	-4.7	447
Profits from companies carried at equity and dividends from shareholdings	89	56	+58.9	270
NET INTEREST AND OTHER BANKING INCOME	1,859	1,747	+6.4	7,469
Administrative costs	-1,115	-1,116	-0.1	-4,610
- personnel	-693	-697	-0.6	-2,841
- other administrative costs	-358	-353	+1.4	-1,512
- indirect duties and taxes	-64	-66	-3.0	-257
Other operating income, net	76	81	-6.2	329
Adjustments to tangible and intangible fixed assets	-100	-107	-6.5	-484
OPERATING INCOME	720	605	+19.0	2,704
Adjustments to goodwill and merger and consolidation differences	-35	-34	+2.9	-158
Provisions and net adjustments to loans and financial fixed assets	-150	-134	+11.9	-859
- provisions for risks and charges	-27	-27	-	-195
- net adjustments to loans and provisions for guarantees and commitments	-130	-68	+91.2	-724
- net adjustments to financial fixed assets	7	-39	n.s.	60
INCOME BEFORE EXTRAORDINARY ITEMS	535	437	+22.4	1,687
Net extraordinary income/expense	59	42	+40.5	-32
INCOME BEFORE TAXES	594	479	+24.0	1,655
Income taxes for the period	-190	-189	+0.5	-644
Change in reserve for general banking risks	-	-	-	9
Income attributable to minority interests	-18	-9	+100.0	-48
NET INCOME	386	281	+37.4	972

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

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

The pro forma statements of income for the first quarter of 2003 and the statement of income for the first quarter of 2004 are unaudited.

Quarterly analysis of the reclassified consolidated statement of income

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

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

The quarterly statements of income are unaudited.

Reclassified consolidated balance sheet

	31/3/2004 (€/mil)	31/3/2003 pro forma (1) (€/mil)	Change 31/3/04-31/3/03 pro forma (%)	31/12/2003 (€/mil)
ASSETS				
Cash and deposits with central banks and post offices	914	967	-5.5	1,474
Loans	144,342	148,267	-2.6	146,877
- due from banks	21,527	22,741	-5.3	22,278
- loans to customers	122,815	125,526	-2.2	124,599
Dealing securities	28,557	20,489	+39.4	22,357
Fixed assets	9,755	9,866	-1.1	9,822
- investment securities	2,913	2,950	-1.3	2,935
- equity investments	4,586	4,453	+3.0	4,572
- intangible fixed assets	327	370	-11.6	343
- tangible fixed assets	1,929	2,093	-7.8	1,972
Differences arising on consolidation and on application of the equity method	933	1,055	-11.6	959
Other assets	22,496	22,131	+1.6	21,091
Total assets	206,997	202,775	+2.1	202,580
LIABILITIES				
Payables	164,476	162,154	+1.4	160,255
- due to banks	29,613	27,896	+6.2	28,534
- due to customers and securities issued	134,863	134,258	+0.5	131,721
Provisions	4,304	3,908	+10.1	4,019
- for taxation	1,000	838	+19.3	732
- for termination indemnities	946	971	-2.6	946
- for risks and charges	2,055	1,751	+17.4	2,037
- for pensions and similar	303	348	-12.9	304
Other liabilities	19,878	19,010	+4.6	20,626
Subordinated liabilities	6,666	6,533	+2.0	6,414
Minority interests	290	354	-18.1	271
Shareholders' equity	11,383	10,816	+5.2	10,995
Total liabilities	206,997	202,775	+2.1	202,580

(1) The pro forma figures as of 31 March 2003 were prepared to enable consistent comparison with the figures as of 31 March 2004. The above-mentioned pro forma schedules reflect the line by line consolidation of the Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì commencing from 1 January 2003, as well as the exclusion of Banque Sanpaolo from the line by line consolidation area and of Finconsumo Banca from the proportional consolidation area as of the same date.

The pro forma balance sheet figures as of 31/3/2003 and the balance sheet figures as of 31/3/2004 are unaudited.

Quarterly analysis of the reclassified consolidated balance sheet

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

(1) The pro forma figures were prepared to enable consistent comparison with the figures as of 31 March 2004. The pro forma schedules reflect the line by line consolidation of the Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì commencing from 1 January 2003, as well as the exclusion of Banque Sanpaolo from the line by line consolidation area and of Finconsumo Banca from the proportional consolidation area as of the same date.

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

Report on Group Operations

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

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

Plan to develop and rationalize the distribution networks

Following the merger by incorporation of Cardine Finanziaria into the Parent Bank, the North East Territorial Direction (NETD) began operating from 1 January 2004; it was created in support of the four bank networks in the Triveneto (comprising the regions Veneto, Friuli Venezia Giulia and Trentino Alto Adige) and Emilia areas (Cassa di Risparmio di Padova e Rovigo, Cassa di Risparmio in Bologna, Cassa di Risparmio di Venezia and Friulcassa). The Direction, based in Padua, supports the development activities on its reference market, coordinating the distribution networks and the other Group structures. The integration of the bank networks continues with the migration of the branches of Cassa di Risparmio di Venezia to the SANPAOLO IMI IT systems at the end of March and of Cassa di Risparmio in Bologna in April. The IT migration of the other bank networks will be completed by the summer.

To enable the integration in the territories characterized by the presence of various historical brands and provide efficient management of the network, some interventions in terms of territorial organization, including the Sanpaolo Network, became necessary and were carried out through the incorporation of certain areas and the redefinition of the outline of others.

The new Group organization model

To complete the integration process underway, when the new company executives were elected, the Board of Directors, nominated on 29 April 2004 by the SANPAOLO IMI Shareholders' Meeting, defined the Group's new organization model, effective from 1 May. This model confirms the work done up to now, characterized by the commercial bank focus on the one hand and the rationalization, optimization and development of specialist businesses on the other. The new organization model further strengthens the unitary governance of the distribution networks and their specialization by customer segments. The Group's central governance, direction and control structures are also rationalized and strengthened.

Development initiatives in Italy

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

Agreements and alliances with international partners

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

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

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

The initiatives to rationalize the Group structure

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

On 13 February 2004, the SANPAOLO IMI Board of Directors approved the project to reorganize the Group's insurance activities. This plan provides for the concentration of all the life insurance companies and those in the property and casualty branch into a single pole, and is aimed at reaching a market leadership position.

The new insurance pole will enable:

- rationalizing the presence in the market, achieving a critical volume capable of encouraging increased efficiency through cost synergies and scale economies;
- increase the focus on insurance business, encouraging product innovation in sectors such as welfare and personal insurance;
- exploit the complementary nature of insurance and financial needs.

Noricum Vita is the corporate vehicle identified for the realization of the plan in question, and the Group acquired total control of this company in December 2003.

Corporate bond risk and the protection of savers

The heavy repercussions of the recent corporate bond defaults, which have affected savers' portfolios at domestic and international level, have led the Group to take several precautions to protect its customers. In the belief that it has maintained an attitude focused on maximum fairness in the performance of investment services, SANPAOLO IMI has adopted an approach aimed at examining those areas in which customers complain of specific shortcomings in the relationship with the reference branch. The aim of this activity is to amicably resolve any controversy.

During the quarter, in order to confirm once again its openness towards customers, SANPAOLO IMI signed an agreement with the "Committee to defend SANPAOLO IMI Group Parmalat bondholders". This committee was founded on 2 February 2004 as the result of the initiative of several Group customers, with the aim of taking all actions necessary for the admission of their credits into the extraordinary administration procedures and instigating any collective legal proceedings for compensation. In accordance with this agreement, SANPAOLO IMI has undertaken to provide organizational and financial support to guarantee the protection of the interests of its customers free of charge. On 20 April the application for admission to the liabilities of the extraordinary administration procedure related to the insolvency of Parmalat S.p.A. on behalf of 21,446 creditors, for a total amount of 460 million euro was deposited. On 30 April a further 32 million euro of credits related to 1,416 customers were added to the liabilities. Up to now, 88% of the credits of Sanpaolo customers with the Parmalat group have been presented for admission to liabilities.

Lastly, with reference to the need for clear, comprehensible and transparent customer advisory activities, the "Patti Chiari" (Clear Deal) initiative promoted by ABI (the Italian Bankers Association), joined by Group banks, continued. In the first quarter of 2004, the last projects related to savings, credit and services, aimed at improving the information available to potential users and facilitating comparison of the products on offer, were completed.

Consolidated results

The picture that emerges from the real cycle indicators in the first quarter of 2004 showed clear signs of recovery of the United States and Asian economies, while the euro-zone growth remains weak. The stock markets presented an upward trend which was halted abruptly by the terrorist attacks on Madrid on 11 March and the increased tension in Iraq: prices on the American stock exchange returned to beginning of year levels, while positive changes were registered on the Tokyo stock exchange and, to a lesser extent, on the European stock exchanges.

Summary of results

In this context, the SANPAOLO IMI Group showed an increase in operating revenues compared with the first quarter last year which, accompanied by cost containment, enable significant progress of the operating income (+19%). The latter was 44 million euro higher than the average quarterly value for 2003. The cost to income ratio benefited considerably, falling below 60%.

Net income was 386 million euro compared with the 281 million euro of the same period last year. Annualized RoE reached 13.8% compared with 10.4% in the first quarter of 2003.

To enable consistent comparison, the figures for 2003 have been reconstructed to take account of the line by line con-

solidation of Inter-Europa Bank, the proportional consolidation of Cassa dei Risparmi di Forlì and the exclusion of Banque Sanpaolo from the line by line consolidation area and Finconsumo Banca from the proportional consolidation area.

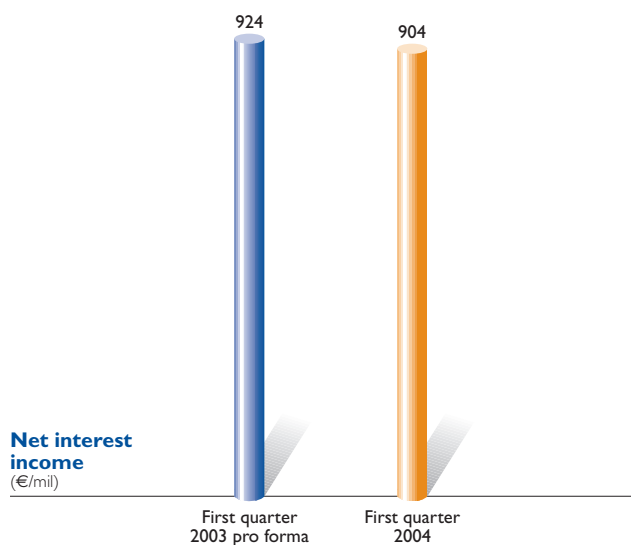
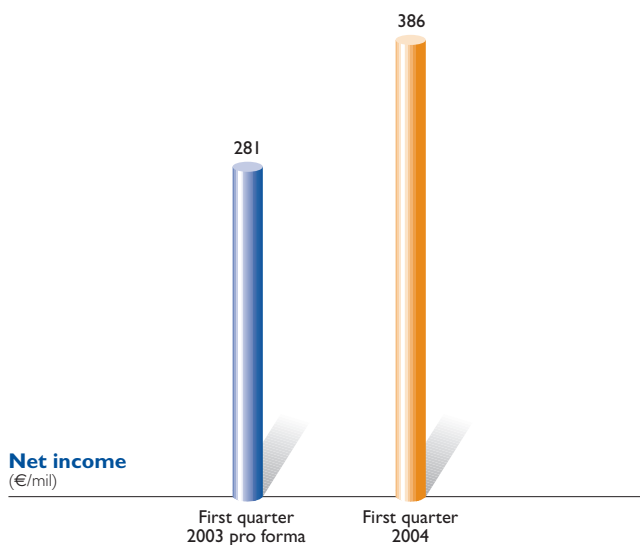
Net interest income

Net interest income realized in the first quarter of 2004, 904 million euro, fell by 2.2% compared with the same period in 2003. This trend is attributable to the deterioration of the total spread between interest-earning assets and interest-bearing liabilities and the lower profitability of the fund imbalance, only partly compensated for by the positive contribution generated by the volumes handled.

In terms of market rates, three-month Euribor fell from 2.15% in December 2003 to 2.04% in March 2004. It averaged 62 basis points lower compared to the first three months of 2003.

The average return on the Group's interest-earning assets was 4.27% and the cost of interest-bearing liabilities was 2.05%. As a consequence, the total spread of 2.22% was 9 basis points lower than that recorded in the same period of 2003. In customer transactions the average spread also fell, albeit to a lesser extent (5 basis points).

The average amounts of the Group's interest-earning assets showed a growth of 3.2% on the first quarter of 2003, mainly attributable to the development of loans due

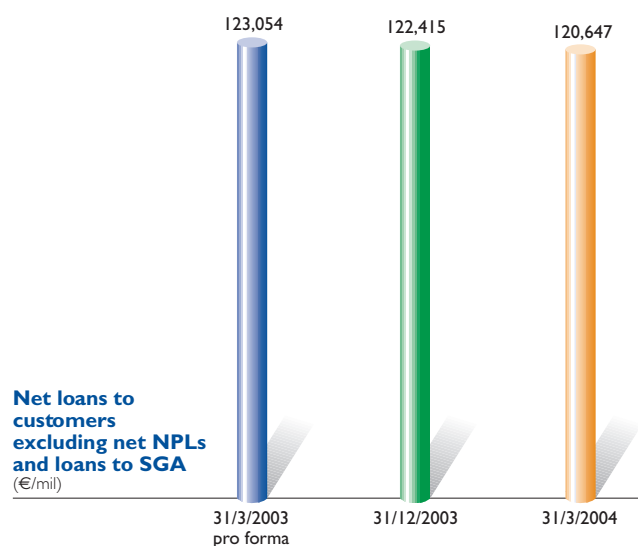


from banks and loans to customers, which more than compensated for the drop in repurchase agreements and in securities. On the liability side there was an increase (+4.4%) in the average interest-bearing amounts, attributable both to payables due to customers and securities issued, and to interbank deposits, included among other interest-bearing liabilities.

At the end of March 2004, the Group's net loans to customers, excluding non-performing loans and loans to SGA, were 120.6 billion euro, a decline of 2% on the end of March 2003 and 1.4% on the beginning of the year. The annual change is the result of a 14.9% drop in short-term loans and a positive trend in medium- and long-term loans, which increased by 6.3%. However, in average terms, loans to customers excluding repurchase agreements registered a 3.3% increase.

In medium- and long-term loans, good progress in financings directed to the retail sector continued: mortgage disbursements by the Group's banking networks to households in the first three months of the year were 0.9 billion euro, up 9.5% compared with the flow of the first quarter

of 2003. Also positive was the development in loans made by Banca OPI for public works and infrastructure, which rose at the end of March to 18.4 billion euro, with a change of 2.1% in the 12 months.



Analysis of average amounts and interest rates

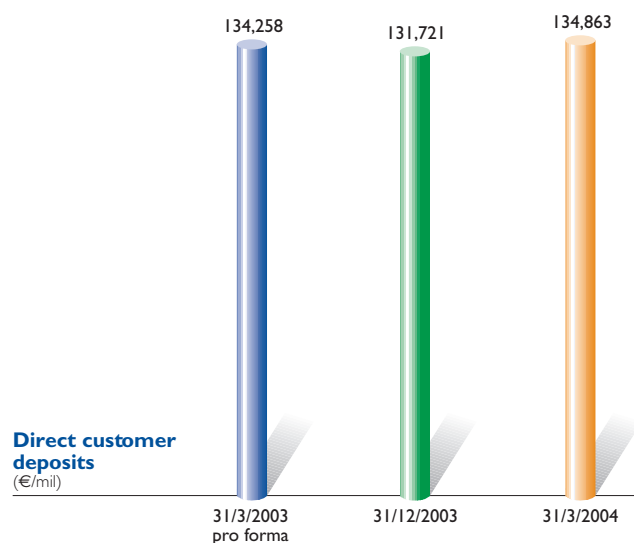
	First quarter 2004		First quarter 2003 pro forma		Change first quarter 2004 / First quarter 2003 pro forma	
	Average amounts (€ mil)	Annualized average rate (%)	Average amounts (€ mil)	Annualized average rate (%)	Change in average amounts (%)	Difference in rates (points %)
Interest-earning assets	159,041	4.27	154,054	4.85	+3.2	-0.58
- loans to customers (excluding repos)	120,418	4.84	116,541	5.42	+3.3	-0.58
- securities	14,791	3.06	15,068	3.58	-1.8	-0.52
- other interest-earning assets	23,832	2.11	22,445	2.74	+6.2	-0.63
Non interest-earning assets (1)	46,492		47,677		-2.5	
Total assets	205,533		201,731		+1.9	
Interest-bearing liabilities	154,864	2.05	148,368	2.54	+4.4	-0.49
- direct customer deposits (excluding repos)	114,883	1.78	110,146	2.31	+4.3	-0.53
- due to customers	69,192	0.89	65,358	1.42	+5.9	-0.53
- securities issued	45,691	3.13	44,788	3.62	+2.0	-0.49
- other interest-bearing liabilities	39,981	2.81	38,222	3.20	+4.6	-0.39
Non interest-bearing liabilities (1)	39,480		42,604		-7.3	
Shareholders' equity	11,189		10,759		+4.0	
Total liabilities and shareholders' equity	205,533		201,731		+1.9	

(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.

The decline in loans to customers, excluding non-performing loans and loans to SGA, was determined by the Domestic Banking Networks (-0.4%), following recoveries from corporate customers (Large Groups and Structured Finance), by Wealth Management and Financial Markets (-39.2%), as a result of short-term transactions by Banca IMI at the beginning of 2003, and by International Activities (-20.8%), thanks to major selectivity in loans to corporate customers of the Foreign Network.

Direct customer deposits increased by 2.4% since the beginning of the year and by 0.5% in the 12 months (+4.3% average change in the aggregate excluding repurchase agreements). The amount at the end of March 2004 reached 134.9 billion euro, benefiting from the increase in bonds which more than compensated for the outflow of commercial paper and certificates of deposit. Current accounts and deposits and repurchase agreements, on the other hand, remained largely stable.

The new bond issues are related both to the development of medium- and long-term loans and to the sustained



Loans to customers

	31/3/2004		31/3/2003 pro forma		Change 31/3/04- 31/3/03 pro forma (%)	31/12/2003		Change 31/3/04- 31/12/03 (%)
	Amount (€mil)	%	Amount (€mil)	%		Amount (€mil)	%	
Short-term loans	40,831	33.2	47,999	38.2	-14.9	42,815	34.4	-4.6
Medium- and long-term loans	79,816	65.0	75,055	59.8	+6.3	79,600	63.9	+0.3
Loans to customers excluding NPLs and loans to SGA	120,647	98.2	123,054	98.0	-2.0	122,415	98.3	-1.4
Non-performing loans	1,178	1.0	1,248	1.0	-5.6	1,171	0.9	+0.6
Loans to SGA	990	0.8	1,224	1.0	-19.1	1,013	0.8	-2.3
Loans to customers	122,815	100.0	125,526	100.0	-2.2	124,599	100.0	-1.4

Loans to customers by Business Sector

	31/3/2004 (€mil)	31/3/2003 pro forma (€mil)	Change 31/3/04-31/3/03 pro forma (%)	31/12/2003 pro forma (€mil)
Domestic Banking Networks	109,522	110,004	-0.4	113,108
- Sanpaolo Network and Consumer Banking	57,486	55,881	+2.9	58,305
- North East Territorial Direction	24,134	22,687	+6.4	24,137
- Banca OPI	18,434	18,056	+2.1	18,692
- Large Groups and Structured Finance	8,834	12,804	-31.0	11,340
- other Business Areas	634	576	+10.1	634
Personal Financial Services	774	550	+40.7	735
Wealth Management and Financial Markets	2,468	4,060	-39.2	1,097
International Activities	4,591	5,800	-20.8	4,639
Central Functions	3,292	2,640	+24.7	2,836
Loans to customers excluding NPLs and loans to SGA	120,647	123,054	-2.0	122,415

demand for banking securities by institutional investors operating in the Euromarket and by savers in the domestic market.

Domestic Banking Networks' deposits, which represent about two thirds of the Group's direct deposits, showed a slight decline (-0.4%), attributable to Banca OPI for early extinction of bonds; the performance of the atypical components of the aggregate was also negative, being characterized by increased volatility, especially deposits of the Parent Bank's foreign branches (International Activities) and through Banca IMI repurchase agreements (Wealth Management and Financial Markets). On the contrary, funding from Central Functions, mainly through securities issued by Group Finance, increased by 12.7%.

At the end of March the Group's domestic market shares were 10.5%, both in loans and in direct customer deposits.

Net commissions and other net dealing revenues

Group net commissions in the first quarter of 2004, amounted to 785 million euro, a growth of 15.1% compared with the same period of the previous year. This trend, generated by the positive performances of all the commission areas, was particularly supported by the asset management, dealing and advisory services (+18.4%), thanks to the performance of asset management and brokerage. Commissions from asset management, which represented in the quarter about 50% of the total, were 65 million euro higher than those of the same period in 2003. The development of these commission revenues was encouraged by the positive performance effect and by a mix focused more clearly on equity products.

Indirect deposits showed an increase of 8% compared with the end of March 2003 reaching 239.3 billion euro,

Direct customer deposits

	31/3/2004		31/3/2003 pro forma		Change 31/3/04- 31/3/03 pro forma (%)	31/12/2003		Change 31/3/04- 31/12/03 (%)
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%	
Current accounts and deposits	67,741	50.2	67,853	50.5	-0.2	68,373	51.9	-0.9
Certificates of deposit	5,355	4.0	5,926	4.4	-9.6	7,149	5.4	-25.1
Bonds	41,479	30.8	38,432	28.6	+7.9	39,979	30.4	+3.8
Commercial paper	3,659	2.7	4,408	3.3	-17.0	3,766	2.9	-2.8
Repurchase agreements and securities lending	12,757	9.4	12,817	9.6	-0.5	10,073	7.6	+26.6
Other deposits	3,872	2.9	4,822	3.6	-19.7	2,381	1.8	+62.6
Direct customer deposits	134,863	100.0	134,258	100.0	+0.5	131,721	100.0	+2.4

Direct customer deposits by Business Sector

	31/3/2004 (€/mil)	31/3/2003 pro forma (€/mil)	Change 31/3/04-31/3/03 pro forma (%)	31/12/2003 pro forma (€/mil)
Domestic Banking Networks	87,502	87,879	-0.4	87,681
- Sanpaolo Network and Consumer Banking	56,145	56,073	+0.1	56,014
- North East Territorial Direction	24,561	23,752	+3.4	24,559
- Banca OPI	5,227	6,492	-19.5	5,557
- other Business Areas	1,569	1,562	+0.4	1,551
Personal Financial Services	3,832	4,049	-5.4	3,581
Wealth Management and Financial Markets	13,948	14,428	-3.3	10,365
International Activities	2,526	3,897	-35.2	3,198
Central Functions	27,055	24,005	+12.7	26,896
Direct customer deposits	134,863	134,258	+0.5	131,721

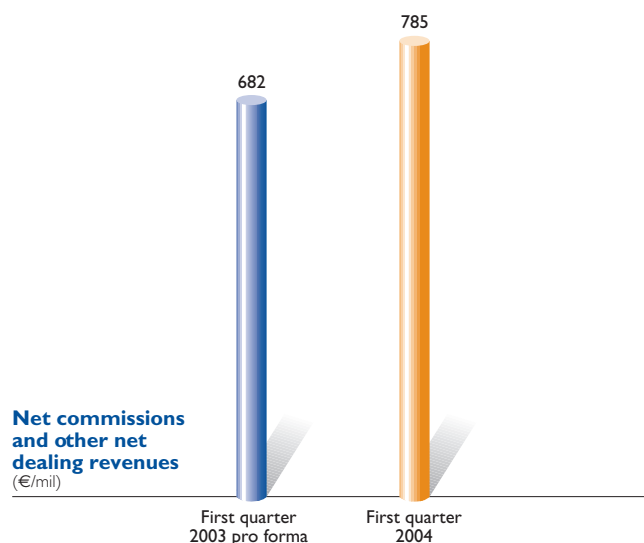
owing to the favorable trend of both asset management (+8.1%) and asset administration (+7.7%).

In the first quarter of 2004 the Group's distribution networks showed a negative net flow of asset management of 882 million euro, attributable to disinvestments out of

mutual funds (-1.2 billion euro, including fund-based portfolio management) and from portfolio management (-1 billion) against a positive inflow of the insurance sector (+1.4 billion). The quarter's negative flow was conditioned by the lack of the Adriavita portfolio management at Cassa di Risparmio di Venezia, following the sale of the Group's shareholding in the General group insurance company.

At the end of March 2004 asset management reached 145.3 billion euro, an increase of 1.6 billion when compared to the end of 2003. It should be noted that:

- the volumes of mutual funds and fund-based portfolio management benefited from the recovery of the stockmarket, which easily counterbalanced the negative net flows, allowing a 0.5% increase in stock from the end of December 2003. Over the 12 months, the portion of equity funds increased from 19.4% to 24.9%, while all the other fund categories suffered a decline. At the end of the quarter, the SANPAOLO IMI Group held the top position in the domestic market, with a market share of 21%;
- life technical reserves confirmed the growth path already revealed during 2003: the change was 26.2% in the 12 months and 5.6% from the beginning of the year. The net flow realized in the quarter by the distri-



Net commissions and other net dealing revenues

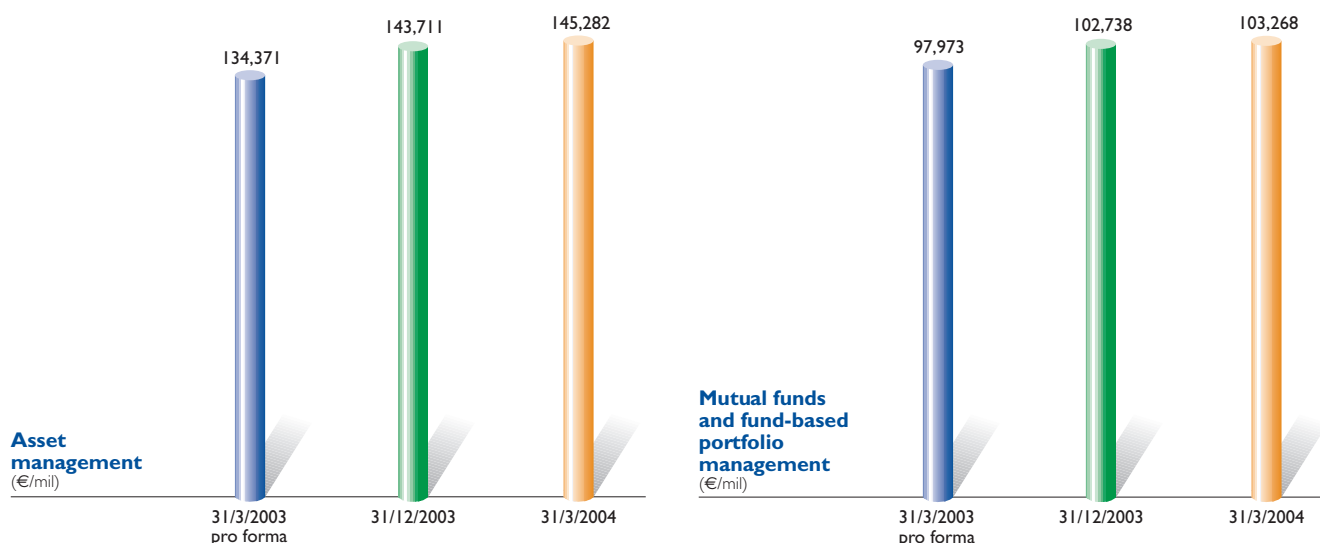
	First quarter 2004 (€/mil)	First quarter 2003 pro forma (€/mil)	Change first quarter 2004 / First quarter 2003 pro forma (%)	2003 (€/mil)
Management, dealing and advisory services	477	403	+18.4	1,776
- asset management	405	340	+19.1	1,479
- brokerage and custody of securities and currencies	72	63	+14.3	297
Loans and guarantees	76	63	+20.6	281
Collection and payment services	62	57	+8.8	239
Deposits and current accounts	119	111	+7.2	488
Other services and net dealing revenues	51	48	+6.3	252
Net commissions and other net dealing revenues	785	682	+15.1	3,036

Customer financial assets

	31/3/2004		31/3/2003 pro forma		Change 31/3/04-31/3/03 pro forma (%)	31/12/2003		Change 31/3/04-31/12/03 (%)
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%	
Asset management	145,282	38.8	134,371	37.8	+8.1	143,711	39.0	+1.1
Asset administration	93,971	25.1	87,238	24.5	+7.7	92,610	25.2	+1.5
Direct deposits	134,863	36.1	134,258	37.7	+0.5	131,721	35.8	+2.4
Customer financial assets	374,116	100.0	355,867	100.0	+5.1	368,042	100.0	+1.7

bution networks, 1.4 billion euro, took technical reserves to 35.4 billion at the end of March 2004. The

premiums were mainly addressed to index linked policies and traditional products.



Asset management

	31/3/2004		31/3/2003 pro forma		Change 31/3/04-31/3/03 pro forma (%)	31/12/2003		Change 31/3/04-31/12/03 (%)
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%	
Mutual funds and fund-based portfolio management	103,268	71.1	97,973	72.9	+5.4	102,738	71.5	+0.5
Portfolio management	6,590	4.5	8,332	6.2	-20.9	7,437	5.2	-11.4
Life technical reserves	35,424	24.4	28,066	20.9	+26.2	33,536	23.3	+5.6
Asset management	145,282	100.0	134,371	100.0	+8.1	143,711	100.0	+1.1

Change in assets under management

	First quarter 2004 (€/mil)	First quarter 2003 pro forma (€/mil)	2003 (€/mil)
Net inflow for the period	-882	3,437	7,748
- Mutual funds and fund-based portfolio management	-1,233	2,015	2,659
- Portfolio management	-1,001	-188	-1,251
- Life policies	1,352	1,610	6,340
Performance effect	2,453	-1,997	3,032
Change in assets under management	1,571	1,440	10,780

Mutual funds by type

	31/3/2004 (%)	31/3/2003 pro forma (%)	31/12/2003 (%)
Equity	24.9	19.4	23.6
Balanced	7.4	8.6	7.4
Bond	41.5	43.0	41.5
Liquidity	26.2	29.0	27.5
Total Group mutual funds	100.0	100.0	100.0

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

Net profits from financial transactions and dividends on shares in the first quarter of 2004 came to 81 million euro, just under the 85 million of the first quarter of 2003. More than 80% of these revenues can be attributed to Banca IMI's and the Parent Bank's dealing activities in securities, foreign exchange and derivatives.

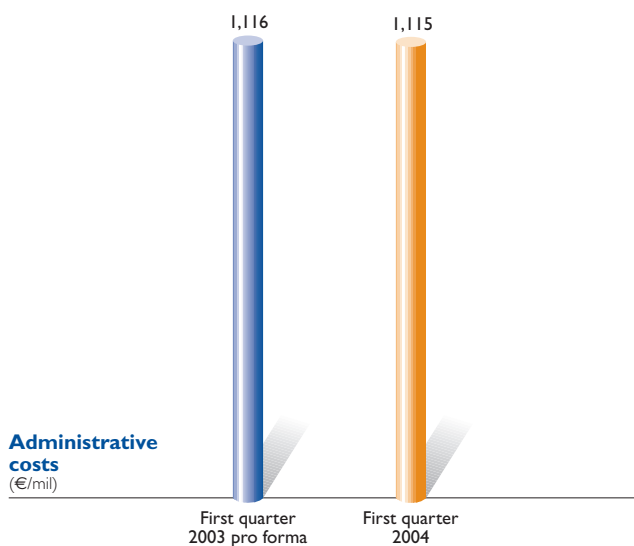
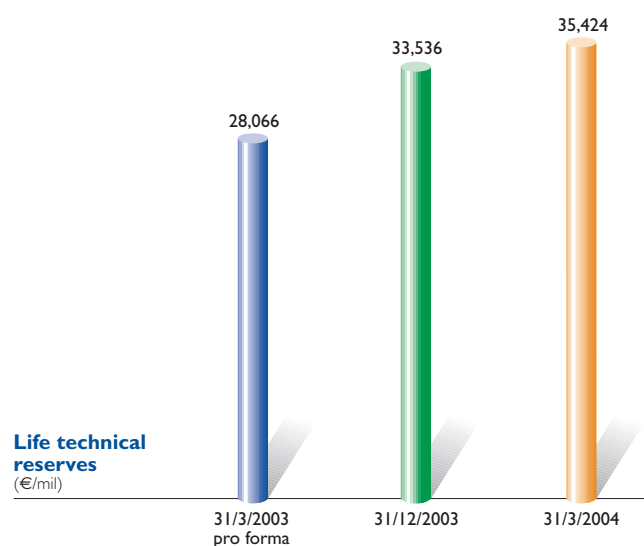
The growth of the profits from companies carried at equity and dividends from shareholdings was considerable (+58.9%). In the quarter these proceeds reached 89 million euro, 79 of which are attributable to the profits from companies carried at equity, generated by the positive results of the Group's insurance companies, and 10 million

made up of dividends from minority shareholdings not included in the consolidation setting (9 million in the same period of 2003).

Operating costs

Administrative costs in the first quarter of 2004 amounted to a total of 1,115 million euro, remaining largely in line with the value of the first three months of 2003. The increase in other administration costs (+1.4%) was offset by the reduction in personnel costs (-0.6%) and indirect duties and taxes (-3%).

In particular, the decrease in personnel costs is the result of actions to optimize staff (-3.7% in average terms) which



Other administrative costs

	First quarter 2004 (€/mil)	First quarter 2003 pro forma (€/mil)	Change first quarter 2004 / First quarter 2003 pro forma (%)	2003 (€/mil)
IT costs	102	100	+2.0	426
Property costs	73	68	+7.4	289
General expenses	65	62	+4.8	268
Professional and insurance fees	55	64	-14.1	260
Utilities	21	22	-4.5	87
Promotion, advertising and marketing expenses	19	18	+5.6	91
Indirect personnel costs	23	19	+21.1	91
Other administrative costs	358	353	+1.4	1,512

more than compensated for the growth of payment determined by contractual adjustments.

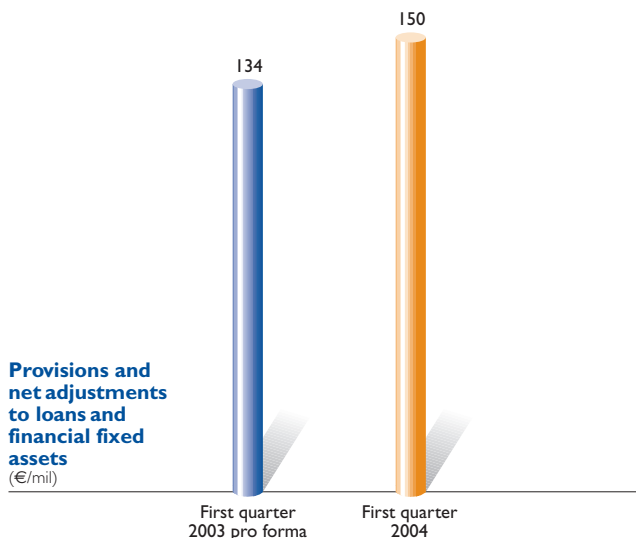
Other administrative costs reached 358 million euro, compared with the 353 million of the same period in 2003, showed growth below the rate of inflation (+2.3%). Savings on professional, insurance and utility costs are registered among the various types of expense. On the contrary, indirect personnel costs increased as a result of the growing cost of employee transfers in relation to reorganization initiatives and the integration of the distribution networks. There was an increase in real estate costs, also following the sale of real estate at the end of 2003, leading to a rise in rental charges, advertising costs, general expenses, as a result of the increase in postage charges, and IT costs.

Adjustments to tangible and intangible fixed assets came to 100 million euro, continuing the downtrend already registered last year.

The cost to income ratio of the first quarter of 2004 was 59.5%, showing a reduction of 3.8 percentage points compared with the same period in 2003, attributable principally to the favorable revenue trend.

Provisions and adjustments

Adjustments to goodwill and merger and consolidation differences, 35 million euro, of which 23 attributable to the former Banco di Napoli, are in line with those of the first quarter of 2003.

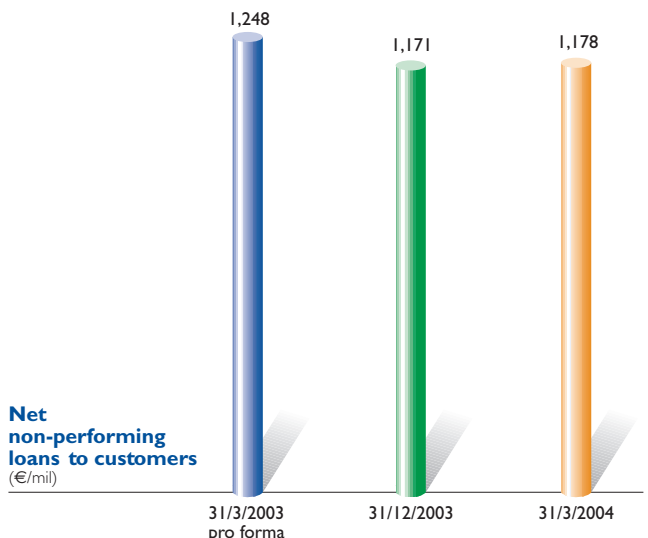


Provisions and net adjustments to loans and financial fixed assets came to 150 million euro, compared with 134 million euro for the first three months of 2003. More net adjustments to loans were booked compared to last year's value; also in the first quarter of 2004, writebacks to financial fixed assets were carried out against the adjustments registered in the same period last year.

The net flow includes:

- 27 million euro provisions for risks and charges, compared with the same value for the first quarter of 2003;
- 130 million euro of provisions and adjustments for credit risks (68 million in the first quarter of 2003), resulting mainly from the adjustment of the estimated realizable value of specific analytical accounts, transferred from performing to doubtful loans;
- 7 million euro of writebacks to financial fixed assets, compared to 39 million in adjustments for the first three months of last year. Positive was the influence of the 92 million revaluation of the shareholding in Santander Central Hispano (SCH), the book value of which was aligned, within the limits set by the original book value, to the average of market prices over the last six months. On the contrary, prudential adjustment was made to CDC Ixis (50 million) and the shareholdings in H3G (30 million) and in FIAT (5 million) were also adjusted.

At the end of March 2004 Group net doubtful loans reached 2,794 million euro, falling 1.4% from the end of March 2003, but climbing 8.7% from the beginning of the year.



More specifically, in loans to customers:

- net non-performing loans, equal to 1,178 million euro, were up 0.6% compared with 1,171 million at the end of December 2003; the net non-performing loans/net loans to customers ratio reached 1%;
- problem, restructured and in course of restructuring loans rose to 1,553 million euro, 15.2% more than the 1,348 million of the end of December 2003;
- non-guaranteed loans to customers in countries subject to country risk amounted to 30 million euro, up compared with the 22 million at the end of 2003.

The coverage level of non-performing loans is the same as the end of 2003, at 73.2%, while for problem, restructured and in course of restructuring loans it fell to 32.2% from 33.9% at the end of December 2003. Against a resizing of the loans portfolio compared with end of 2003 values, the Group's general reserve was 1,140 million euro (1,102 million as of 31 December 2003), maintaining unchanged, at 0.9%, the coverage level of performing loans.

Extraordinary income and taxes

The Group's net extraordinary income in the first quarter of 2004 was 59 million euro, compared with 42 million realized in the same period of the previous year.

The most relevant component of this aggregate is represented by the capital gain (55 million euro) realized on the sale of the remaining 30% of Finconsumo Banca to SCH, in January 2004.

Incomes taxes for the quarter were calculated at 190 million euro; the SANPAOLO IMI Group's tax rate was 32%, lower than the 39.5% registered in the first quarter of 2003, mainly as a result of the resolutions introduced by the new system of income and charges related to equity investments effective as of 2004, and also because of the decrease of one percentage point in the companies' income tax rate and the rebalance of the IRAP (Regional Income Tax) taxable amount.

Qualitative analysis of loan portfolio

	31/3/2004		31/3/2003 pro forma		Change 31/3/04- 31/3/03 pro forma (%)	31/12/2003		Change 31/3/04- 31/12/03 (%)
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%	
Non-performing loans	1,178	1.0	1,248	1.0	-5.6	1,171	0.9	+0.6
Problem, restructured and in course of restructuring loans	1,553	1.2	1,480	1.2	+4.9	1,348	1.1	+15.2
Loans to countries at risk	30	0.0	62	0.0	-51.6	22	0.0	+36.4
Doubtful loans - customers	2,761	2.2	2,790	2.2	-1.0	2,541	2.0	+8.7
Performing loans	120,054	97.8	122,736	97.8	-2.2	122,058	98.0	-1.6
Total loans to customers	122,815	100.0	125,526	100.0	-2.2	124,599	100.0	-1.4
Non-performing and problem loans - banks	-		1		n.s.	-		-
Loans to countries at risk - banks	33		44		-25.0	30		+10.0
Total doubtful loans - customers and banks	2,794		2,835		-1.4	2,571		+8.7

Capital and reserves

Net shareholders' equity

Group shareholders' equity, 11,383 million euro as of 31 March 2004, showed during the first quarter the following movements:

<i>Movements in Group shareholders' equity</i>	<i>(€/mil)</i>
Shareholders' equity as of 1 January 2004	10,995
Increases	388
- Exchange and other adjustments	2
- Net income for the period	386
Shareholders' equity as of 31 March 2004	11,383

The reserves include 716 million euro profits for the year 2003, allocated for payment of dividend to SANPAOLO IMI shareholders, which will take place during May.

Own shares

As of 31 March 2004, own shares held by the Group were 3,833,691, equal to 0.21% of the equity capital booked at market value in the dealing portfolio for 35.8 million euro (9.336 euro unit value).

The increase of 612,772 units when compared to the end of 2003 figure is attributable to the operations carried out by Banca IMI within the context of its institutional dealing activities.

Regulatory capital and solvency ratios

At the end of March 2004 the ratio of regulatory capital to total weighted assets against credit and market risks was estimated at around 10.9%; the ratio of Group primary capital to total weighted assets was estimated at 7.6%.

Financial risk management and control

Financial risks from lending activities

Market risk generated by the lending activities of the Group in the first quarter of 2004 was slightly lower than the average level observed last year. The change in the banking book's market value, measured in terms of shift sensitivity, as an upward, parallel and uniform movement of 100 basis points in the interest rate curve, had in the first three months of 2004 an average negative value of 125 million euro, against 131 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%, came to an average value of 51 million euro in the three months, falling compared with the average value of the previous year (78 million euro).

Non-Group listed equity investments

Equity investments held in listed companies not consolidated line by line or at net equity showed – after disposals

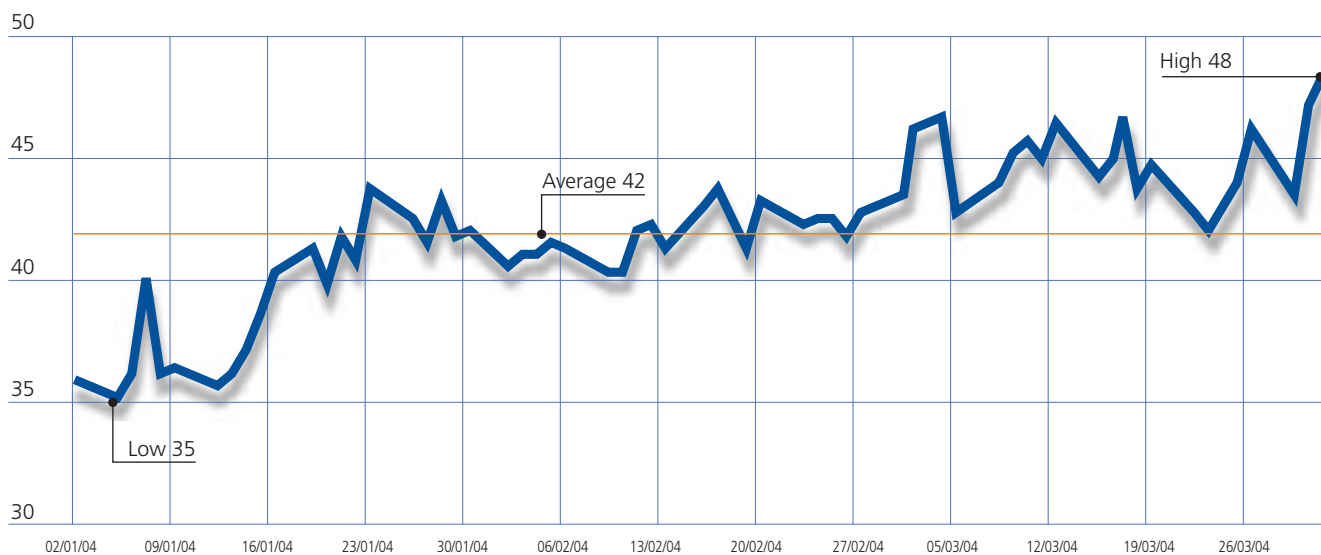
for about 100 million euro during the first quarter – a market value, at end of March prices, of 1,502 million euro (167 million of which held by IMI Investimenti), compared with 1,674 million euro at the end of 2003. The market value of equity investments showed, according to prices at the end of March, a net potential capital gain on book value of 37 million euro (after economic adjustments of the value during the quarter).

The VaR related to the minority investments in listed companies came to 145 million euro at the end of March, down compared with the level observed at the end of last year (217 million euro), as a result of the combined effect of the reduction in volatility observed in stock market prices and of the value of the portfolio.

Trading activities

The own financial risks from the Group's trading activities, concentrated in Banca IMI and its subsidiaries, registered an average value in the quarter, measured in terms of Value at Risk, of around 13 million euro (11 million euro in the first quarter of 2003), oscillating between a minimum of 4 million euro and a maximum of 20 million euro.

In addition to VaR, Worst Case Scenario methodology is also used to monitor the impact of potential losses that could occur in extreme conditions. In this context, the



Trading activity maximum potential daily loss (€/mil)

“maximum potential daily loss” during the first quarter of 2004 was 42 million euro, compared with 37 million euro in the same period last year.

Backtesting showed the prudential nature of the internal measurement techniques used. Actual losses were never higher than the ex ante risk measures.

Supplementary information

Performance of share prices

At the end of March 2004, SANPAOLO IMI's share price was 9.268 euro, up 48.7% compared with 31 March 2003,

against an increase of 25.8% 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 2004, of 13.1.

On 7 May 2004, the quoted price was 9.396 euro, down 9.1% since the start of the year.

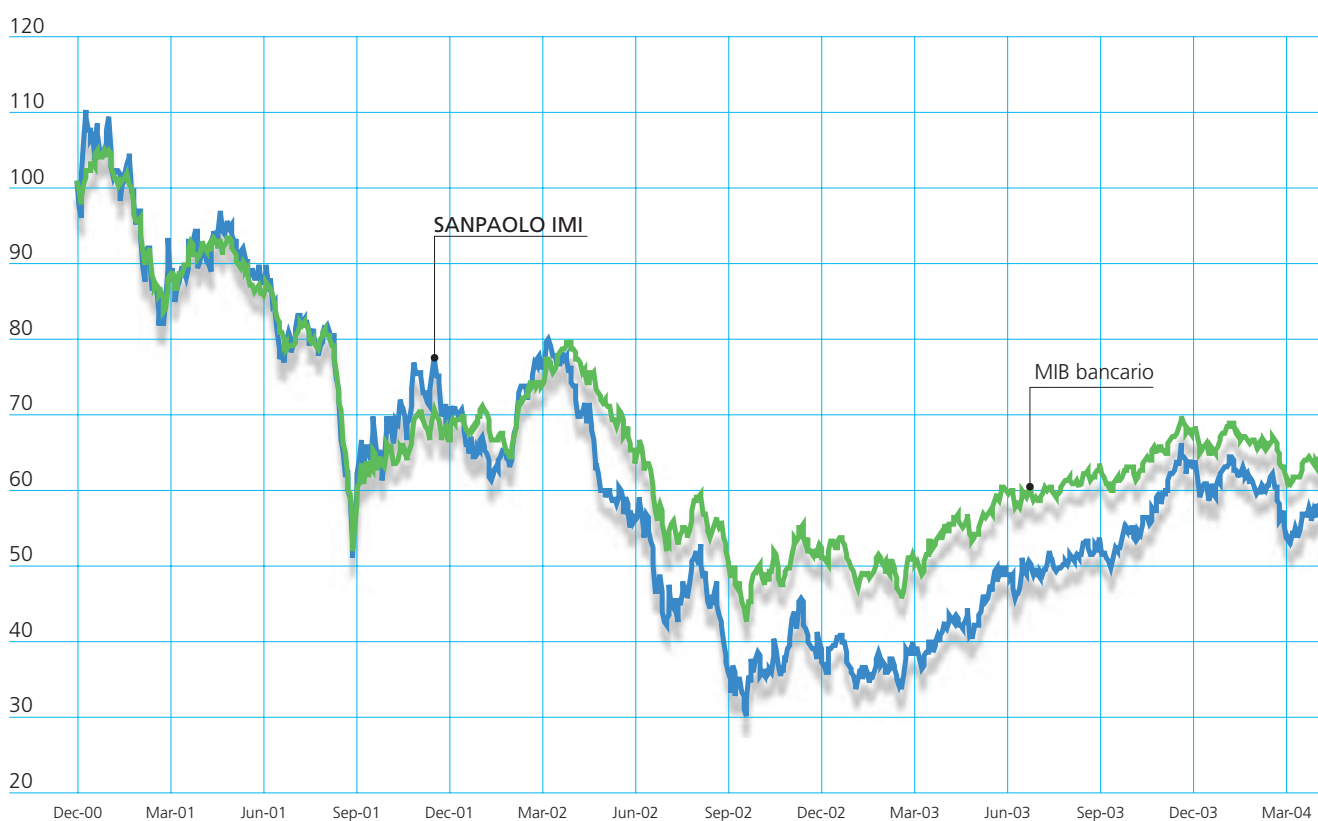
	31/3/2004	31/3/2003
Book value per share (€)	6.21	5.89
	2004E	2005E
Consensus earnings per share (EPS) (€)	0.71	0.86

Market comparison

	7/5/2004	31/3/2004	31/3/2003	Change 31/3/04 - 31/3/03 (%)
SANPAOLO IMI share price (€)	9.396	9.268	6.231	+48.7
Historical MIB bancario index	2,117	2,109	1,676	+25.8

SANPAOLO IMI share price

Year	High (€)	Low (€)	Average (€)
1995	5.118	4.025	4.577
1996	5.269	4.236	4.766
1997	8.800	4.564	6.275
1998	16.274	8.717	12.429
1999	16.071	10.970	13.192
2000	20.800	11.483	16.612
2001	18.893	8.764	14.375
2002	13.702	5.231	9.439
2003	11.346	5.796	8.158
2004 (up to 7/5/2004)	11.072	9.141	10.142



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

Shareholders

The shareholder structure of SANPAOLO IMI, based on the information available today, is 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
Banco Santander Central Hispano	8.61	10.92
Fondazione CR in Bologna	7.69	3.12
Giovanni AGNELLI e C.	3.83	4.86
Deutsche Bank	2.95	3.75
Mediobanca	1.93	2.45
Fondazione Cariplo	1.75	2.21
Caisse des Dépôts et Consignations (CDC)	1.70	2.16
Società Reale Mutua di Assicurazioni	1.53	1.94
Ente CR Firenze	1.53	1.94
Credit Lyonnais	1.50	1.91
Fondazione CR Venezia	1.50	1.90
Other shareholders (1)	40.20	50.96
Total	100.00	100.00

(1) Includes own shares held by the Group.

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

Ratings

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

SANPAOLO IMI debt ratings

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

Group Business Areas

Organization by Business Areas

In the first quarter of 2004, the SANPAOLO IMI Group operated through a structure organized by Business Areas in the following Business Sectors:

- Domestic Banking Networks
- Personal Financial Services
- Wealth Management and Financial Markets
- International Activities
- Central Functions.

The following tables show the data of the statement of income, the operating structure and the main profitability ratios. There are two types of report: that referring to Business Sectors ("Reportable Segments"), with data expressing the contribution to the Group income, and that referring to Business Areas ("Business Segments"), where the data is expressed, in the case in which the business is performed by companies, before the posting of consolidation, reporting the contribution to Group income as additional information.

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 January 2003.

It should be noted that, on the basis of the changes introduced to the Group organization structure from 1 May 2004, the organization by Business Areas at the end of March and described above is still evolving.

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

Results of the Business Sectors

The **Domestic Banking Networks**, which constitute the Group's core business, comprise: the Sanpaolo Network, which is widespread in North Western Italy and Sanpaolo Banco di Napoli, in the mainland South and Banca Popolare dell'Adriatico, in the central Adriatic regions; the North East Territorial Direction (NETD) to which the following refer: Cassa di Risparmio di Padova e Rovigo, Cassa di Risparmio in Bologna, Cassa di Risparmio di Venezia and Friulcassa, all rooted in the North East. The networks, ded-

icated to the service of retail and private customers and companies, present an optimal coverage of the Italian territory through more than 3,000 banking branches and integrated multi-channel infrastructures. The banking networks are flanked by specialist units to serve domestic clients: Banca OPI, which provides consultancy and medium- and long-term financing to public bodies and infrastructure, GEST Line in which the Group's tax collection activities converged, as well as, within the Sanpaolo Network and Consumer Banking, companies operating in private banking, consumer credit, and leasing. This sector also includes the Other Italian Networks, which handles the Group's shareholdings in Cassa di Risparmio di Firenze, in Cassa dei Risparmi di Forlì and in Banca delle Marche, as well as Large Groups and Structured Finance.

The Domestic Banking Networks manage most of the volumes handled by the Group, accounting for almost 97% of net interest income. Owing to the defense of customer spreads and the positive contribution generated by the evolution of the assets of deposits and loans, the decline in the margin was contained at 0.8% compared with the first three months of 2003.

In the first quarter of 2004, the favorable trend in commissions and profits from financial transactions was reflected in an increase in net interest and other banking income from the sector of 4.5% compared with the same period in 2003.

Operating costs presented a 2.8% increase. Among these, personnel costs are the most relevant component; the Domestic Banking Networks employ 33,716 resources, corresponding to 78% of the Group's total staff.

The operating income of the sector grew by 7.1%, while net income reached 278 million euro, showing an increase of 2.6% compared with the same period last year owing to the rising trend in provisions and net adjustments. The annualized profitability of the Domestic Banking Networks fell to 13.7%, from 14.1% in the first quarter of 2003 owing to an increase in the capital allocated higher than the growth in net gains. The sector absorbed 72% of the Group's capital.

Personal Financial Services manage the activities carried out by the networks of financial planners of the Banca Fideuram group to serve customers with a medium/high savings potential. The staff operating in this sector includes 4,498 financial planners and 1,853 employees. The contri-

bution to the Group's net income for the quarter was 49 million euro, a significant increase compared with the 20 million of the same period in 2003.

The sector contributed 13% to the Group's net income and absorbed 7% of the capital.

Transactions concerning assets under management benefited from the positive results obtained in terms of net inflow, reversing the trend compared with the negative total system figure. The operating income, more than doubled compared to the same period in 2003, reached 87 million euro, thanks to the significant increases in commission revenues and profits from companies carried at equity. This movement is reflected in the net income, up 145%, and in annualized RoE, rising to 25.5% from 10.7%.

The **Wealth Management and Financial Markets** sector includes: 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; 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

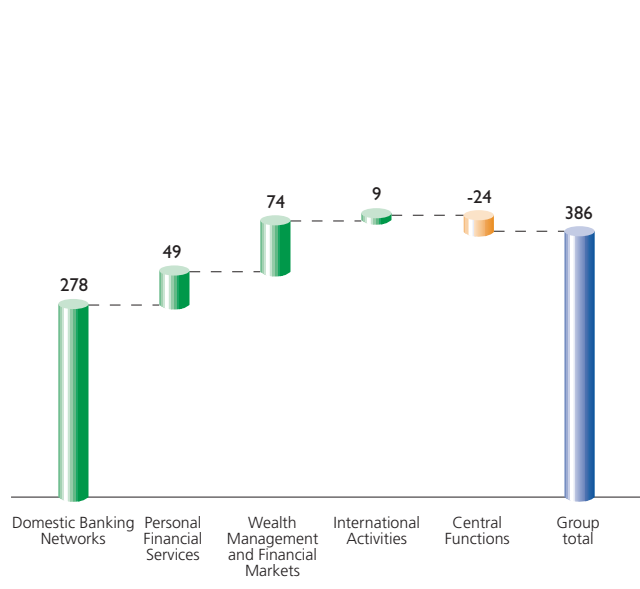
the private equity activities of the Group have been concentrated.

Wealth Management and Financial Markets contributed 19% to the consolidated net income for the first quarter of 2004, absorbing 13% of the capital. The sector, which obtains considerable synergies from the placement of its products through the Group's banking networks, which are widespread throughout the country, was characterized by high profitability levels, which rose to 20.7% compared with 13.5% in the same period last year, which suffered a less favorable market context.

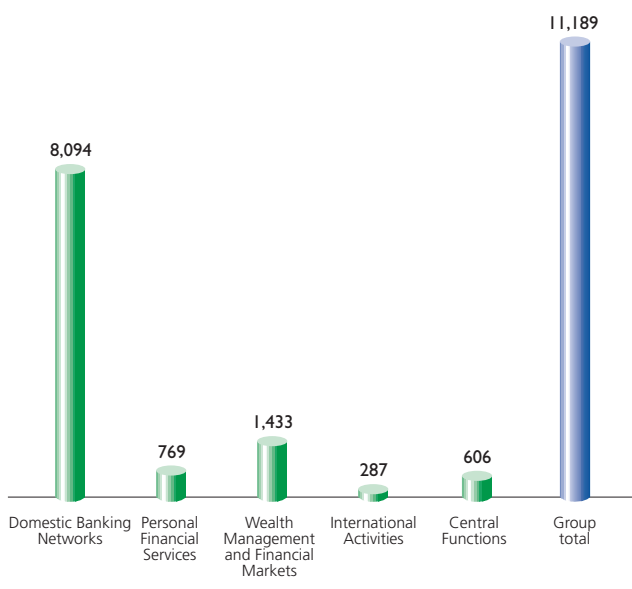
The contribution to net income of the Group rose to 74 million euro, compared with the 44 million of the first quarter of 2003, thanks to the increase in profits from companies carried at equity and commission revenues, as well as the reduction in operating costs.

International Activities 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.

The sector operated in the first quarter of 2004 through a network of 116 branches and representative offices, employing 1,750 resources.



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



Allocated capital first quarter 2004 by Business Sectors (€/mil)

The sector's contribution to Group's net income was 2%, with about 3% absorption of capital.

The positive trend in net commissions and profits from financial transactions were compensated for by the reduction in net interest income and the increase in operating costs, causing an operating result in line with that of the first quarter of 2003, 21 million euro. However the contribution to net income fell by 18.2%, reaching 9 million euro. This was reflected in the profitability ratio, which fell from 13.8% to 12.5%.

The **Central Functions** comprise holding activities, finance, the Macchina Operativa Integrata and the management of property, shareholding investments and Group lending policy. Consequently, all the activities for the direc-

tion, support, management and control of the Group's other Business Sectors are positioned in this sector, as well as the postings for the sector.

The income results reflect the transversal nature of these Functions, which sustain costs using a centralized system and on behalf of other Group companies, only partially allocating them to the operating units. This decision answers the need to safeguard cost control by central bodies, which have the facilities to govern costs and tangibly monitor the pursuit of "objective" efficiency levels declared in the internal integration processes. The Central Functions registered a loss of 24 million euro in the first quarter of 2004, 41 million lower than in the same period of 2003. This result is largely attributable to adjustments to the investment portfolio and to higher capital gains deriving from the sale of equity investments.

First quarter 2004

	Domestic Banking Networks	Personal Financial Services	Wealth Management and Financial Markets	International Activities	Central Functions	Group total
STATEMENT OF INCOME (€/mil)						
Net interest income	874	11	1	24	-6	904
Net commissions and other net dealing revenues	589	135	56	16	-11	785
Profits and losses from financial transactions and dividends on shares	32	1	42	3	3	81
Profits from companies carried at equity and dividends from shareholdings	3	24	46	-	16	89
Net interest and other banking income	1,498	171	145	43	2	1,859
Administrative costs	-935	-82	-59	-20	-19	-1,115
- <i>personnel</i>	-525	-37	-28	-11	-92	-693
- <i>other administrative costs</i>	-362	-40	-30	-9	83	-358
- <i>indirect duties and taxes</i>	-48	-5	-1	-	-10	-64
Other operating income, net	66	7	4	1	-2	76
Adjustments to tangible and intangible fixed assets	-14	-9	-5	-3	-69	-100
Operating income	615	87	85	21	-88	720
Adjustments to goodwill and merger and consolidation differences	-	-1	-2	-	-32	-35
Provisions and net adjustments to loans and financial fixed assets	-129	-9	-	-6	-6	-150
- <i>provisions for risks and charges</i>	-13	-10	-1	-	-3	-27
- <i>net adjustments to loans and provisions for guarantees and commitments</i>	-116	-	-	-4	-10	-130
- <i>net adjustments to financial fixed assets</i>	-	1	1	-2	7	7
Income before extraordinary items	486	77	83	15	-126	535
Net extraordinary income/expense	1	-	-1	-	59	59
Income before taxes	487	77	82	15	-67	594
Income taxes for the period	-206	-10	-8	-5	39	-190
Change in reserve for general banking risks	-	-	-	-	-	-
Income attributable to minority interests	-3	-18	-	-1	4	-18
Net income	278	49	74	9	-24	386
AVERAGE ALLOCATED CAPITAL (€/mil)	8,094	769	1,433	287	606	11,189
RATIOS (%)						
Annualized profitability (RoE, RORAC)	13.7	25.5	20.7	12.5	n.s.	13.8
Cost / Income ratio	57.6	48.3	42.3	52.3	n.s.	59.5

31/3/2004

OPERATING STRUCTURE						
Employees	33,716	1,853	1,122	1,750	4,956	43,397
Financial planners	4	4,498	-	-	-	4,502
Domestic branches	3,090	89	-	-	-	3,179
Foreign branches and representative offices	1	4	1	116	-	122

First quarter 2003 pro forma

	Domestic Banking Networks	Personal Financial Services (1)	Wealth Management and Financial Markets	International Activities	Central Functions	Group total
STATEMENT OF INCOME (€/mil)						
Net interest income	881	15	2	25	1	924
Net commissions and other net dealing revenues	514	108	50	14	-4	682
Profits and losses from financial transactions and dividends on shares	28	-5	44	2	16	85
Profits from companies carried at equity and dividends from shareholdings	10	6	26	-	14	56
Net interest and other banking income	1,433	124	122	41	27	1,747
Administrative costs	-917	-80	-63	-19	-37	-1,116
- personnel	-522	-38	-29	-9	-99	-697
- other administrative costs	-345	-36	-34	-9	71	-353
- indirect duties and taxes	-50	-6	-	-1	-9	-66
Other operating income, net	72	6	4	1	-2	81
Adjustments to tangible and intangible fixed assets	-14	-9	-5	-2	-77	-107
Operating income	574	41	58	21	-89	605
Adjustments to goodwill and merger and consolidation differences	-	-1	-2	-	-31	-34
Provisions and net adjustments to loans and financial fixed assets	-103	-6	-2	-6	-17	-134
- provisions for risks and charges	-9	-6	-1	-	-11	-27
- net adjustments to loans and provisions for guarantees and commitments	-93	-	-	-6	31	-68
- net adjustments to financial fixed assets	-1	-	-1	-	-37	-39
Income before extraordinary items	471	34	54	15	-137	437
Net extraordinary income/expense	7	2	-1	1	33	42
Income before taxes	478	36	53	16	-104	479
Income taxes for the period	-200	-8	-9	-5	33	-189
Change in reserve for general banking risks	-	-	-	-	-	-
Income attributable to minority interests	-7	-8	-	-	6	-9
Net income	271	20	44	11	-65	281
AVERAGE ALLOCATED CAPITAL (€/mil)	7,696	746	1,300	318	699	10,759
RATIOS (%)						
Annualized profitability (RoE, RORAC)	14.1	10.7	13.5	13.8	n.s.	10.4
Cost / Income ratio	58.5	63.8	54.0	47.6	n.s.	63.3

31/3/2003 pro forma

OPERATING STRUCTURE

Employees	34,857	1,878	1,182	1,683	5,422	45,022
Financial planners	186	4,699	-	-	-	4,885
Domestic branches	3,031	87	-	-	-	3,118
Foreign branches and representative offices	2	4	2	108	-	116

(1) The figures shown are not pro forma as there were no changes within the company setting.

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

	Domestic Banking Networks	Personal Financial Services	Wealth Management and Financial Markets	International Activities	Central Functions	Group total
STATEMENT OF INCOME (€/mil)						
Net interest income	-0.8	-26.7	-50.0	-4.0	n.s.	-2.2
Net commissions and other net dealing revenues	14.6	25.0	12.0	14.3	175.0	15.1
Profits and losses from financial transactions and dividends on shares	14.3	n.s.	-4.5	50.0	-81.3	-4.7
Profits from companies carried at equity and dividends from shareholdings	-70.0	n.s.	76.9	-	14.3	58.9
Net interest and other banking income	4.5	37.9	18.9	4.9	-92.6	6.4
Administrative costs	2.0	2.5	-6.3	5.3	-48.6	-0.1
- <i>personnel</i>	0.6	-2.6	-3.4	22.2	-7.1	-0.6
- <i>other administrative costs</i>	4.9	11.1	-11.8	-	16.9	1.4
- <i>indirect duties and taxes</i>	-4.0	-16.7	n.s.	n.s.	11.1	-3.0
Other operating income, net	-8.3	16.7	-	-	-	-6.2
Adjustments to tangible and intangible fixed assets	-	-	-	50.0	-10.4	-6.5
Operating income	7.1	112.2	46.6	-	-1.1	19.0
Adjustments to goodwill and merger and consolidation differences	-	-	-	-	3.2	2.9
Provisions and net adjustments to loans and financial fixed assets	25.2	50.0	n.s.	-	-64.7	11.9
- <i>provisions for risks and charges</i>	44.4	66.7	-	-	-72.7	-
- <i>net adjustments to loans and provisions for guarantees and commitments</i>	24.7	-	-	-33.3	n.s.	91.2
- <i>net adjustments to financial fixed assets</i>	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
Income before extraordinary items	3.2	126.5	53.7	-	-8.0	22.4
Net extraordinary income/expense	-85.7	n.s.	-	n.s.	78.8	40.5
Income before taxes	1.9	113.9	54.7	-6.3	-35.6	24.0
Income taxes for the period	3.0	25.0	-11.1	-	18.2	0.5
Change in reserve for general banking risks	-	-	-	-	-	-
Income attributable to minority interests	-57.1	125.0	-	n.s.	-33.3	100.0
Net income	2.6	145.0	68.2	-18.2	-63.1	37.4
AVERAGE ALLOCATED CAPITAL (€/mil)	5.2	3.1	10.2	-9.8	-13.3	4.0

Change 31/3/2004 - 31/3/2003 pro forma (%)

OPERATING STRUCTURE						
Employees	-3.3	-1.3	-5.1	4.0	-8.6	-3.6
Financial planners	-97.8	-4.3	-	-	-	-7.8
Domestic branches	1.9	2.3	-	-	-	2.0

2003 pro forma

	Domestic Banking Networks	Personal Financial Services (1)	Wealth Management and Financial Markets	International Activities	Central Functions	Group total (2)
STATEMENT OF INCOME (€/mil)						
Net interest income	3,572	51	5	102	-14	3,716
Net commissions and other net dealing revenues	2,315	479	231	61	-50	3,036
Profits and losses from financial transactions and dividends on shares	127	26	222	9	63	447
Profits from companies carried at equity and dividends from shareholdings	40	37	91	-	102	270
Net interest and other banking income	6,054	593	549	172	101	7,469
Administrative costs	-3,773	-321	-255	-82	-179	-4,610
- personnel	-2,129	-148	-121	-43	-400	-2,841
- other administrative costs	-1,449	-150	-132	-37	256	-1,512
- indirect duties and taxes	-195	-23	-2	-2	-35	-257
Other operating income, net	300	24	18	1	-14	329
Adjustments to tangible and intangible fixed assets	-65	-42	-22	-10	-345	-484
Operating income	2,516	254	290	81	-437	2,704
Adjustments to goodwill and merger and consolidation differences	-	-2	-16	-	-140	-158
Provisions and net adjustments to loans and financial fixed assets	-815	-33	-16	-18	23	-859
- provisions for risks and charges	-112	-31	-8	-3	-41	-195
- net adjustments to loans and provisions for guarantees and commitments	-700	-2	-1	-11	-10	-724
- net adjustments to financial fixed assets	-3	-	-7	-4	74	60
Income before extraordinary items	1,701	219	258	63	-554	1,687
Net extraordinary income/expense	51	-6	1	-2	-76	-32
Income before taxes	1,752	213	259	61	-630	1,655
Income taxes for the period	-749	-34	-53	-21	213	-644
Change in reserve for general banking risks	11	-	-2	-	-	9
Income attributable to minority interests	-24	-47	-	-1	24	-48
Net income	990	132	204	39	-393	972
AVERAGE ALLOCATED CAPITAL (€/mil)	7,784	737	1,332	293	703	10,849
RATIOS (%)						
Profitability (RoE, RORAC)	12.7	17.9	15.3	13.3	n.s.	9.0
Cost / Income ratio	57.3	55.1	48.5	52.0	n.s.	62.0

31/12/2003

OPERATING STRUCTURE

Employees (3)	33,820	1,871	1,149	1,689	4,936	43,465
Financial planners	132	4,543	-	-	-	4,675
Domestic branches	3,080	88	-	-	-	3,168
Foreign branches and representative offices	1	4	1	116	-	122

(1) The figures shown are not pro forma as there were no changes within the company setting.

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

(3) The number of employees of Domestic Banking Networks and Central Functions is pro forma.

Results of the Business Areas

Domestic Banking Networks

Sanpaolo Network and Consumer Banking

Sanpaolo Network and Consumer Banking operated according an activity base comprising the following busi-

ness units:

- the Sanpaolo Network, consisting of the branches of the Parent Bank, Sanpaolo Banco di Napoli and Banca Popolare dell'Adriatico, 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 Network and Consumer Banking

	First quarter 2004	First quarter 2003 pro forma	Change first quarter 2004 / First quarter 2003 pro forma (%)	2003 pro forma
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	1,063	1,004	+5.9	4,187
Operating costs	-656	-644	+1.9	-2,644
- administrative costs	-700	-689	+1.6	-2,834
- <i>personnel</i>	-387	-387	-	-1,587
- <i>other administrative costs</i>	-279	-266	+4.9	-1,114
- <i>indirect duties and taxes</i>	-34	-36	-5.6	-133
- other operating income, net	47	50	-6.0	208
- amortization	-3	-5	-40.0	-18
Operating income	407	360	+13.1	1,543
Provisions and net adjustments to loans and financial fixed assets	-78	-68	+14.7	-391
Income before extraordinary items	329	292	+12.7	1,152
Net extraordinary income/expense	1	3	-66.7	31
Income before taxes	330	295	+11.9	1,183
Income taxes for the period	-140	-129	+8.5	-524
Change in reserve for general banking risks and income attributable to minority interests	-3	-7	-57.1	-24
Contribution to net income of the Group	187	159	+17.6	635
AVERAGE ALLOCATED CAPITAL (€/mil)	4,281	4,122	+3.9	4,164
RATIOS (%)				
Annualized RORAC	17.5	15.4		15.3
Cost / Income ratio	60.3	62.4		61.9
	31/3/2004	31/3/2003 pro forma	Change 31/3/04-31/3/03 pro forma (%)	31/12/2003 pro forma
OPERATING DATA (€/mil)				
Customer financial assets	217,073	201,688	+7.6	212,774
- Direct deposits	56,145	56,073	+0.1	56,014
- Asset management	80,006	74,182	+7.9	79,223
- <i>Mutual funds and fund-based portfolio management</i>	57,172	54,664	+4.6	57,051
- <i>Portfolio management</i>	3,431	4,734	-27.5	3,721
- <i>Life technical reserves</i>	19,403	14,784	+31.2	18,451
- Asset administration	80,922	71,433	+13.3	77,537
Net asset management flows	-163	2,069		3,827
Net loans to customers excluding NPLs and loans to SGA	57,486	55,881	+2.9	58,305
OPERATING STRUCTURE				
Employees	24,495	25,622	-4.4	24,631
Domestic branches	2,290	2,252	+1.7	2,282

(Sanpaolo Bank Luxembourg and Sanpaolo Bank Switzerland).

The first quarter of 2004 was characterized by actions aimed at pursuing the budget targets, based on development, the correct profitability for the risk and efficiency. The achievement of these aims is based on the complete use of the service model spread across the entire distribution network in 2003, which envisages:

- specialization of the branches by the type of customer served: retail, private and companies;
- the articulation of the retail branches in modules dedicated to serving its various submarkets: personal, family market and small business, dedicated respectively to serving customers with significant financial funds, to households and to customers comprising traders, professionals, artisans, farmers and other small entrepreneurs.

In detail, the initiatives of the quarter related to the private and retail market were addressed at strengthening the relationship with customers by improving the quality of service and personalizing the offer. This was achieved by:

- an intense training activity to disseminate the instruments conceived in 2003 aimed at providing branch operators with more effective means for a financial planning tailored to suit customer needs. These instruments appear to be particularly useful in the context of initiatives underway, aimed at contacting customers whose asset placement may be improved. The initiatives, which aim to optimize the customer risk profile in observance of specific needs, meet the requirements of the "Investment Policy", presented in April 2003, which establishes the guidelines to be followed in the assistance provided by branches to customers in relation to investments;
- development actions in terms of private customers, with the aim of improving cross selling especially as regards customers of numerous banks, and expanding the customer base by increasing the rate of retention and the acquisition of new customers;
- initiatives aimed at increasing operations with small businesses with adequate creditworthiness. This was carried out by making specific products and instruments for this customer segment available to branch specialists;
- the spread of multi-channel infrastructures: at the end of March, direct banking contracts rose to 486,000, with a growth of around 6.4% compared with the beginning of the year. The positive reaction by customers was encouraged, among other things, by the

expansion of the services offered through the Internet banking channel.

As regards companies, the business development guidelines in the quarter were addressed at strengthening the competitive position on the segment represented by small- and medium-sized companies. The aim was pursued by:

- developing a project in conjunction with the major Industrial Loans Consortia in Central Northern Italy and with the respective business associations. The initiative, which envisages the provision, at Group level, of 500 million euro in loans to small- and medium-sized companies, was organized to allow them, through a subsequent securitization transaction, indirect access to the capitals market;
- the start up of an articulated program which focuses on customers, speeding up decision-making processes and strengthening commercial backing instruments.

In the context of transactions with companies, the activity aimed at the dissemination of risk coverage services, the development of foreign business and the increase of telematic transactions also continued:

- about 1,100 companies completed transactions to cover interest and exchange rate risks in the first quarter, with almost 20% growth compared with the same period in 2003;
- flows with foreign countries, while being influenced by the unfavorable market situation, presented higher performances compared with the system;
- the number of Internet banking contracts reached 33,900 units, about 9% higher than the end of the year.

In the first quarter of 2004, Sanpaolo Network and Consumer Banking presented a net income of 187 million euro, up 17.6% on the same period in 2003. Profitability expressed in terms of annualized RORAC, rose to 17.5%. The growth of profitability was possible firstly thanks to the positive evolution of revenues, and commissions in particular. The moderate trend of costs benefited from the reduction in staff following voluntary incentive retirement schemes. Provisions and adjustments to loans were confirmed at absolutely prudent levels.

In operating terms, the quarter showed a growth of customer financial assets and, in this context, substantial stability in terms of direct deposits and an increase in life insurance. There was a moderate reduction in loans in the three months, also owing to the recovery of loans to primary borrowers and the usual start of year expiries of

mortgage installments; transactions with households and companies were in line with expectations and registered, like last year, a lively trend of medium- and short-term disbursements.

North East Territorial Direction

Following the merger by incorporation of Cardine Finanziaria in the Parent Bank, on 1 January 2004 the

Sanpaolo Network and Consumer Banking

	of which: Sanpaolo Network				of which: Sanpaolo Banco di Napoli			
	First quarter 2004	First quarter 2003 pro forma	Change first quarter 2004 / First quarter 2003 pro forma (%)	2003 pro forma	First quarter 2004	First quarter 2003 pro forma	Change first quarter 2004 / First quarter 2003 pro forma (%)	2003 pro forma
STATEMENT OF INCOME (€/mil)								
Net interest and other banking income	699	658	+6.2	2,754	235	220	+6.8	911
Operating costs	-437	-424	+3.1	-1,743	-153	-155	-1.3	-636
- administrative costs	-467	-460	+1.5	-1,887	-161	-163	-1.2	-667
- <i>personnel</i>	-266	-265	+0.4	-1,086	-87	-88	-1.1	-361
- <i>other administrative costs</i>	-179	-171	+4.7	-716	-66	-67	-1.5	-275
- <i>indirect duties and taxes</i>	-22	-24	-8.3	-85	-8	-8	-	-31
- other operating income, net	30	36	-16.7	144	8	8	-	31
- amortization	-	-	-	-	-	-	-	-
Operating income	262	234	+12.0	1,011	82	65	+26.2	275
Adjustments to goodwill and merger and consolidation differences	-	-	-	-	-18	-18	-	-73
Provisions and net adjustments to loans and financial fixed assets	-43	-43	-	-232	-10	-5	+100.0	-75
Income before extraordinary items	219	191	+14.7	779	54	42	+28.6	127
Net extraordinary income/expense	-1	-1	-	21	-	-	-	2
Income before taxes	218	190	+14.7	800	54	42	+28.6	129
Income taxes for the period	-94	-86	+9.3	-361	-25	-20	+25.0	-67
Net income	124	104	+19.2	439	29	22	+31.8	62
Contribution to net income of the Group (1)	124	104	+19.2	439	41	33	+24.2	108
AVERAGE ALLOCATED CAPITAL (€/mil)	2,496	2,386	+4.6	2,387	786	825	-4.7	825
RATIOS (%)								
Annualized RORAC	19.9	17.4		18.4	20.9	16.0		13.1
Cost / Income ratio	61.0	62.8		62.2	63.0	68.0		67.5
	31/3/2004	31/3/2003 pro forma	Change 31/3/04 - 31/3/03 pro forma (%)	31/12/2003 pro forma	31/3/2004	31/3/2003 pro forma	Change 31/3/04 - 31/3/03 pro forma (%)	31/12/2003 pro forma
OPERATING DATA (€/mil)								
Customer financial assets	168,183	153,620	+9.5	163,599	37,718	37,296	+1.1	37,393
- Direct deposits	35,107	34,066	+3.1	34,941	15,778	16,105	-2.0	15,525
- Asset management	62,624	58,194	+7.6	61,675	15,270	14,046	+8.7	15,267
- <i>Mutual funds and fund-based portfolio management</i>	44,830	43,052	+4.1	44,573	10,826	10,254	+5.6	10,908
- <i>Portfolio management</i>	2,476	3,376	-26.7	2,693	776	1,069	-27.4	793
- <i>Life technical reserves</i>	15,318	11,766	+30.2	14,409	3,668	2,723	+34.7	3,566
- Asset administration	70,452	61,360	+14.8	66,983	6,670	7,145	-6.6	6,601
Net asset management flows	-59	1,291		2,031	-25	708		1,617
Net loans to customers excluding NPLs and loans to SGA	45,028	43,037	+4.6	45,351	7,612	7,661	-0.6	8,344
OPERATING STRUCTURE								
Employees	16,407	17,345	-5.4	16,542	5,792	5,960	-2.8	5,813
Domestic branches	1,445	1,430	+1.0	1,438	688	688	-	688

(1) After the posting of consolidation, for Sanpaolo Banco di Napoli, represented by the reversal of amortization for goodwill.

North East Territorial Direction (NETD) was set up to control and supervise the commercial and credit activities of the four bank networks (Cassa di Risparmio di Padova e Rovigo, Cassa di Risparmio in Bologna, Cassa di Risparmio di Venezia and Friulcassa) operating in the Triveneto (com-

prising the regions Veneto, Friuli Venezia Giulia and Trentino Alto Adige) and Emilia areas.

The operations of the NETD, carried out in the context of SANPAOLO IMI Group's strategic address guidelines, also

North East Territorial Direction

	First quarter 2004	First quarter 2003 pro forma	Change first quarter 2004 / First quarter 2003 pro forma (%)	2003 pro forma
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	323	314	+2.9	1,302
Operating costs	-180	-171	+5.3	-711
- administrative costs	-189	-183	+3.3	-752
- <i>personnel</i>	-112	-110	+1.8	-444
- <i>other administrative costs</i>	-64	-60	+6.7	-257
- <i>indirect duties and taxes</i>	-13	-13	-	-51
- other operating income, net	18	21	-14.3	85
- amortization	-9	-9	-	-44
Operating income	143	143	-	591
Provisions and net adjustments to loans and financial fixed assets	-39	-32	+21.9	-160
Income before extraordinary items	104	111	-6.3	431
Net extraordinary income/expense	-1	9	n.s.	-59
Income before taxes	103	120	-14.2	372
Income taxes for the period	-45	-50	-10.0	-175
Change in reserve for general banking risks and income attributable to minority interests	-	-	-	11
Net income	58	70	-17.1	208
Contribution to net income of the Group (1)	58	70	-17.1	252
AVERAGE ALLOCATED CAPITAL (€/mil)	2,012	1,911	+5.3	1,929
RATIOS (%)				
Annualized RoE	11.5	14.7		13.1
Cost / Income ratio	54.3	53.4		53.7
	31/3/2004	31/3/2003 pro forma	Change 31/3/04-31/3/03 pro forma (%)	31/12/2003 pro forma
OPERATING DATA (€/mil)				
Customer financial assets	47,126	45,933	+2.6	48,745
- Direct deposits	24,561	23,752	+3.4	24,559
- Asset management	11,902	11,650	+2.2	12,458
- <i>Mutual funds and fund-based portfolio management</i>	7,590	7,298	+4.0	7,704
- <i>Portfolio management</i>	2,484	2,974	-16.5	3,051
- <i>Life technical reserves</i>	1,828	1,378	+32.7	1,703
- Asset administration	10,663	10,531	+1.3	11,728
Net asset management flows	-766	558		948
Net loans to customers excluding NPLs	24,134	22,687	+6.4	24,137
OPERATING STRUCTURE				
Employees	7,346	7,310	+0.5	7,326
Domestic branches	724	709	+2.1	722

(1) After the posting of consolidation attributable to the Area, mainly concerning in 2003 the integration of the criteria of attribution of the expenses connected with staff leaving incentives.

consists in coordinating the activity of the four bank networks, performed through 724 branches, with that of the other Group branches in the same area.

During the first quarter of 2004, certain important processes aimed at integration with the SANPAOLO IMI Group were launched. In particular, the migration of the bank networks IT systems towards the Group target began, regarding, at the end of March, Cassa di Risparmio di Venezia and, in April, Cassa di Risparmio in Bologna. The IT integration and commercial and organization integration processes will be completed by the end of the third quarter of this year. Simultaneously, the Sanpaolo Network distribution model was adopted, leading to the redefinition of the central office functions and an articulation of the commercial structure specialized by customer segments. In operational terms, this meant that three private and retail Markets and a companies Market were created for Cassa di Risparmio di Venezia. The operating points dedicated to private customers refer to the first, with the opening of two new private branches, while the operating points specialized in serving companies refer to the second, with four company branches and five new “detached teams” dedicated to companies.

The realization of the integration processes described was aided by actions aimed at training staff to enable the commercial networks to offer their customers the Group’s complete range of products and services.

The commercial development of the bank networks was supported by promotional initiatives, aimed at specific customer segments and also of general nature, related to the placement of products and services originating from the Group’s product factories, as well as actions aimed at acquiring new customers, increasing volumes and developing the dissemination of more evolved financial products, combining the advantages of strong territorial roots with product specialization, aimed at satisfying specific customer needs.

The positive development in the marketing of bancassurance products shown last year continued, with higher than expected results.

At the end of March 2004, customer financial assets showed a growth of 2.6% on an annual basis, attributable to the positive trend of all components. The trend of this aggregate since the beginning of the year (-3.3%) was influenced by the transfer of the Noricum and Adriavita insurance company balances (557 million asset management and 671 million asset under administration), net of

which the situation is largely stable (-0.8%). Loans to customers increased by 6.4% on the 12 months, reaching 24.1 billion euro at the end of March; the latter were particularly supported by new disbursements of retail property mortgage loans, reaching 282 million euro in the quarter.

The operating result of the first quarter of 2004 was 143 million euro, in line with the value of the same period last year, thanks to a growth on revenues compensated for by the increase in operating costs. Net income fell by 17.1%, mainly as a result of higher provisions, reaching 58 million euro. Annualized RoE was 11.5% compared with 14.7% for the first quarter of 2003.

Banca OPI

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

In the first quarter of 2004, the bank:

- issued new loans mainly concerning the rail sector (high speed/capacity), the freeway sector (first stretch of the Salerno – Reggio Calabria), the public utilities sector and public companies involved in local and territorial services at municipal and regional level, and the public urban transport companies;
- continued operating for Public Bodies aimed at optimizing debt management in terms of financial cost/risk;
- in project financing:
 - was involved in projects for Line C of the Rome subway, for Bologna Municipal Town Hall and for the Biotechnology School in Turin;
 - participated, as arranger, in a project for the construction and management of an urban solid waste treatment plant in Great Britain;
 - continued, together with an Austrian bank, the arranging mandate for the Europpass project (sponsored by Autostrade S.p.A.) in relation to the construction of a toll paying system for heavy vehicles on the Austrian road network, for which the final details of the contract have been defined.

In the first quarter of 2004, the subscriptions of securities issued by customers showed a positive trend, with a flow of 1 billion euro; these were joined by new loan disbursements for 0.6 billion. Total financings at the end of the quarter were 18.4 billion euro, up 2.1% on an annual basis, but down 1.4% since the beginning of the year, while securities in portfolio issued by reference customers reached 3.1 billion euro.

The income results for the quarter showed a growth in net interest and other banking income of 8.6% compared with the same period in 2003, largely due to the higher net interest income. The favorable trend of revenues generated net income of 18 million euro, also influenced by the provisions introduced by the new tax system. Annualized RoE reached 10.3%.

Large Groups and Structured Finance

Large Groups and Structured Finance are the Group's two specialist units, the first appointed to manage relations

with the major groups of domestic and international importance, the latter project financing and specialized structured lending.

During the first quarter of 2004, the profit results of Large Groups were in line with expectations, despite the physiological slow down in transactions which characterized the first months of the year.

The net interest and other banking income of Structured Finance benefited in the first three months of 2004 from the economic effects of important transactions completed

Banca OPI

	First quarter 2004	First quarter 2003	Change first quarter 2004 / First quarter 2003 (%)	2003
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	38	35	+8.6	165
Operating costs	-6	-6	-	-25
- administrative costs	-7	-7	-	-28
- <i>personnel</i>	-3	-3	-	-13
- <i>other administrative costs</i>	-3	-3	-	-11
- <i>indirect duties and taxes</i>	-1	-1	-	-4
- other operating income, net	1	1	-	3
- amortization	-	-	-	-
Operating income	32	29	+10.3	140
Provisions and net adjustments to loans and financial fixed assets	-3	-16	-81.3	-78
Income before extraordinary items	29	13	+123.1	62
Net extraordinary income/expense	1	-	n.s.	9
Income before taxes	30	13	+130.8	71
Income taxes for the period	-12	-5	+140.0	-25
Net income	18	8	+125.0	46
Contribution to net income of the Group (1)	18	18	-	100
AVERAGE ALLOCATED CAPITAL (€/mil)	702	682	+2.9	686
RATIOS (%)				
Annualized RoE	10.3	10.6		14.6
Cost / Income ratio	15.4	16.7		14.3
	31/3/2004	31/3/2003	Change 31/3/04-31/3/03 (%)	31/12/2003
OPERATING DATA (€/mil)				
Net loans to customers excluding NPLs	18,434	18,056	+2.1	18,693
Disbursements in the period	557	1,884		5,209
Investments in customer stocks (stock)	3,082	867	n.s.	2,106
Subscriptions of stocks issued by customers (flow)	977	-		1,651
OPERATING STRUCTURE				
Employees	156	166	-6.0	156

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

last year. Net income was stable compared with the first quarter of 2003.

Other Italian Networks

Other Italian Networks operate in the domestic market through the distribution networks of the Cassa di Risparmio di Firenze, in which the Group has a stake of 19.5%, the Cassa dei Risparmi di Forlì (29.8% stake), and the Banca delle Marche, in which SANPAOLO IMI holds a 7% share.

In the context of the distribution agreements between SANPAOLO IMI and the companies in the Area, the fol-

lowing 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 quarter, equal to 166 million euro, brought the total amounts at the end of March to 4.1 billion;
- placement by the Cariforlì network, in the first three months of the year, of asset management products for 57 million euro, of which 40 million related to products belonging to the SANPAOLO IMI Group; this net flow took the stock, at the end of March, to 753 million euro, up 8.5% since the beginning of the year and 31% on the 12 months.

Personal Financial Services

Banca Fideuram

Banca Fideuram has a network of 4,498 financial planners and 89 branches in Italy and operates using its own spe-

cialized companies dedicated to the production of asset management services.

During the first quarter of 2004 the bank undertook initiatives aimed mainly at rationalizing its structure:

- the whole shareholding in Fideuram Assicurazioni was

Banca Fideuram

	First quarter 2004	First quarter 2003	Change first quarter 2004 / First quarter 2003 (%)	2003
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	171	124	+37.9	592
Operating costs	-83	-82	+1.2	-338
- administrative costs	-81	-80	+1.3	-321
- <i>personnel</i>	-36	-38	-5.3	-147
- <i>other administrative costs</i>	-40	-36	+11.1	-151
- <i>indirect duties and taxes</i>	-5	-6	-16.7	-23
- other operating income, net	6	7	-14.3	26
- amortization	-8	-9	-11.1	-43
Operating income	88	42	+109.5	254
Adjustments to goodwill and merger and consolidation differences	-1	-1	-	-6
Provisions and net adjustments to loans and financial fixed assets	-9	-6	+50.0	-31
Income before extraordinary items	78	35	+122.9	217
Net extraordinary income/expense	-	1	n.s.	-6
Income before taxes	78	36	+116.7	211
Income taxes for the period	-11	-7	+57.1	-36
Change in reserve for general banking risks and income attributable to minority interests	-	-	-	1
Net income	67	29	+131.0	176
Contribution to net income of the Group (1)	49	20	+145.0	132
AVERAGE ALLOCATED CAPITAL (€/mil)	769	746	+3.1	737
RATIOS (%)				
Annualized RoE	25.5	10.7		17.9
Cost / Income ratio	47.5	63.4		55.2
	31/3/2004	31/3/2003	Change 31/3/04-31/3/03 (%)	31/12/2003
OPERATING DATA (€/mil)				
Customer financial assets	60,874	55,921	+8.9	59,517
- Direct deposits	3,832	4,049	-5.4	3,581
- Asset management	46,141	40,120	+15.0	44,573
- <i>Mutual funds and fund-based portfolio management</i>	32,750	28,579	+14.6	31,736
- <i>Portfolio management</i>	624	532	+17.3	593
- <i>Life technical reserves</i>	12,767	11,009	+16.0	12,244
- Asset administration	10,901	11,752	-7.2	11,363
Net asset management flows	348	845		3,560
Assets under management (stock)	59,450	54,201	+9.7	58,129
Assets under management (net inflow)	-30	118		1,204
OPERATING STRUCTURE				
Employees	1,853	1,878	-1.3	1,871
Financial planners	4,498	4,699	-4.3	4,543
Domestic branches	89	87	+2.3	88

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

sold to the subsidiary Fideuram Vita. This transaction took place in preparation for the split of the insurance product companies in favor of SANPAOLO IMI, as part of the Group's new insurance pole;

- the reorganization of the French subsidiary Fideuram Wargny continued.

At the end of March 2004 customer financial assets of Banca Fideuram were 60.9 billion euro, up 2.3% since the beginning of the year and 8.9% on the 12 months. The strategy to reconvert the assets under administration, aimed at increasing the weight of asset management con-

tinued. The amounts managed were 46.1 billion euro, up on the end of March 2003 (+15%) and since the beginning of the year (+3.5%), thanks to a positive performance effect accompanied by net inflow of 0.3 billion.

The net income for the quarter was 67 million euro, more than double the amount for the same period of 2003. This result was mainly generated by the growth of net interest and other banking income (+37.9%), produced largely by the increase in commission revenues and profits from companies carried at equity. Annualized profitability was 25.5% compared with 10.7% for the first quarter of 2003.

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 first quarter of 2004 the following shareholdings were acquired as part of a project to strengthen and rationalize the company structure:

- All Funds Bank: on 16 February 2004, 50% of the shareholding was acquired from Banco Banif, a company controlled entirely by Santander Central Hispano. The bank is specialized in offering "open architecture" services (orders, selection, negotiation of third party funds and consulting) aimed at professional operators in asset management;
- Obiettivo SGR: on 22 March 2004 the whole shareholding was acquired from Banca IMI and IMI Bank Luxembourg. The company operates in the pure hedge funds market.

Sanpaolo IMI Wealth Management also implemented actions to strengthen the range of commercial products

Sanpaolo IMI Wealth Management

	First quarter 2004	First quarter 2003 pro forma	Change first quarter 2004 / First quarter 2003 pro forma (%)	2003 pro forma
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	93	70	+32.9	289
Operating costs	-22	-29	-24.1	-106
- administrative costs	-24	-29	-17.2	-109
- <i>personnel</i>	-10	-12	-16.7	-43
- <i>other administrative costs</i>	-14	-17	-17.6	-65
- <i>indirect duties and taxes</i>	-	-	-	-1
- other operating income, net	3	3	-	15
- amortization	-1	-3	-66.7	-12
Operating income	71	41	+73.2	183
Adjustments to goodwill and merger and consolidation differences	-2	-2	-	-14
Provisions and net adjustments to loans and financial fixed assets	-1	-1	-	-7
Income before extraordinary items	68	38	+78.9	162
Net extraordinary income/expense	-	-	-	-11
Income before taxes	68	38	+78.9	151
Income taxes for the period	-5	-4	+25.0	-19
Net income	63	34	+85.3	132
Contribution to net income of the Group (1)	65	37	+75.7	142
AVERAGE ALLOCATED CAPITAL (€/mil)	780	717	+8.8	719
RATIOS (%)				
Annualized RoE	33.3	20.6		19.7
Cost / Income ratio	26.0	43.8		39.5
	31/3/2004	31/3/2003 pro forma	Change 31/3/04-31/3/03 pro forma (%)	31/12/2003 pro forma
OPERATING DATA (€/mil)				
Assets under management	108,049	98,446	+9.8	105,409
OPERATING STRUCTURE				
Employees	474	530	-10.6	508

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

and to increase the penetration of the Group banking networks by these products, especially through:

- the activation of a new possibility for participating in the “Profilo Protetto” capital management scheme, with 100% hedging of the capital;
- the placement of Valore Equilibrio Classe RD, which envisages a regular distribution of proceeds;
- the launch of the new Sanpaolo Vita life temporary policy;
- the launch of the subscription of a new tranche of the “Blue Profits” index linked line, with a flow of more than 700 million euro.

At the end of March 2004, the Area’s volumes of assets under management were 108 billion euro, up 9.8% on an annual basis and 2.5% compared with the end of 2003.

In the first quarter of 2004 Wealth Management registered net interest and other banking income of 93 million euro, up by 32.9% compared with the same period of the previous year; this trend was determined by the contribution of the insurance companies Sanpaolo Vita and Sanpaolo Life, booked as profits from companies carried at equity, and by the increase in net commissions. This, together with the reduction in operating costs (-24.1%), led to a 73.2% growth of the operating income. Net income reached 63 million euro, registering an increase of 85.3%. Annualized profitability expressed in terms of RoE was 33.3% compared with 20.6% for the first quarter of 2003.

Banca IMI

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

In the first quarter of 2004, with reference to corporate finance and capital markets, Banca IMI:

- in relation to stock placements, took part in the Initial Public Offer of shares of the Tecla real estate fund, the only IPO that took place in Italy in the quarter and, in the international context, acted as co-manager regarding the institutional offer of General Electric ordinary shares;
- with reference to capital increases, performed another three tranches of the Mondo TV capital increase and acquired an assignment from Buongiorno Vitaminic for a capital increase to be carried out in the same way in tranches;
- in the debt market, performed the role of leader and placer in 10 transactions.

As regards corporate finance advisory, Banca IMI:

- completed the assistance to SIA in setting up a joint venture with GL Trade, to Manuli in the context of the inverse merger of FinM into Manuli, to Edison on the evaluation of the ISE subsidiary, to Cassa di Risparmio di Firenze and Cassa di Risparmio di Genova in the purchase of Cassa di Risparmio di La Spezia and Cassa di Risparmio di Carrara, respectively;
- with regard to current transactions, continued global advisory activities for the FIAT group, the assistance to Edison in the sale of a gas transportation network, to the Albanian government in the privatization of the fixed telecommunication and energy sectors, and the Merlo group in the context of a company reorganization. The bank also performed advisory activities for Smat of Turin and Amga of Genoa for the purchase of shares in Acque Potabili and assisted one of the counterparties involved in the purchase of Eco in Udine, the European leader in the manufacture of heat exchangers for industrial air conditioning and cooling.

Banca IMI’s total revenues in the first quarter of 2004 were 50 million euro, a drop of 5.7% compared with the same period last year. The control of operating costs, along with extraordinary net income, allowed the bank to achieve a net income of 13 million euro, a growth of 30% and an annualized RoE of 10.2%.

Sanpaolo IMI Private Equity

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

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

During the first quarter of 2004, Sanpaolo IMI Fondi Chiusi SGR continued the activities aimed at the launch of the two new multi-regional funds, Nord Ovest Impresa and Centro Impresa, dedicated to investments

in small- and medium-sized companies in their respective areas of competence. On 16 February, after obtaining the authorization from the Bank of Italy, the fund raising phase began, with a target of 75-100 million euro for each Fund.

In February 2004, the subsidiary NHS Mezzogiorno SGR, to which the "Fondo di Promozione del Capitale di Rischio per il Mezzogiorno" ("Risk capital fund for Southern Italy")

refers, changed its name to Sanpaolo IMI Investimenti per lo Sviluppo SGR in order to maximize the value of its belonging to the Group, also with a view to the possibility of expanding the operating context.

As regards the activity of foreign-law funds, the fund raising activity was launched for the new pan European fund, E.A. Partners, in conjunction with CDC Ixis and Bayerische Landesbank, with total flow targets from 300 to 500 mil-

Banca IMI

	First quarter 2004	First quarter 2003	Change first quarter 2004 / First quarter 2003 (%)	2003
STATEMENT OF INCOME (€/mil)				
Net interest and other banking income	50	53	-5.7	254
Operating costs	-35	-35	-	-149
- administrative costs	-32	-32	-	-137
- <i>personnel</i>	-17	-16	+6.3	-74
- <i>other administrative costs</i>	-15	-16	-6.3	-62
- <i>indirect duties and taxes</i>	-	-	-	-1
- other operating income, net	-	1	n.s.	2
- amortization	-3	-4	-25.0	-14
Operating income	15	18	-16.7	105
Provisions and net adjustments to loans and financial fixed assets	-	-1	n.s.	-5
Income before extraordinary items	15	17	-11.8	100
Net extraordinary income/expense	2	-1	n.s.	-
Income before taxes	17	16	+6.3	100
Income taxes for the period	-4	-6	-33.3	-33
Change in reserve for general banking risks and income attributable to minority interests	-	-	-	-2
Net income	13	10	+30.0	65
Contribution to net income of the Group (1)	11	11	-	66
AVERAGE ALLOCATED CAPITAL (€/mil)	432	364	+18.7	392
RATIOS (%)				
Annualized RoE	10.2	12.1		16.8
Cost / Income ratio	70.0	66.7		58.6
OPERATING DATA (€/mil)				
Banca IMI SpA trading volumes				
- trading	150,416	194,342	-22.6	705,250
- sales	44,821	44,968	-0.3	211,620
- repurchase agreements	493,193	480,492	+2.6	1,922,541
- placements	1,675	2,847	-41.2	9,392
	31/3/2004	31/3/2003	Change 31/3/04-31/3/03 (%)	31/12/2003
OPERATING STRUCTURE				
Employees	615	622	-1.1	608
Branches	1	2	-50.0	1

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

lion, a third of which destined to investment in the Italian market, focusing mainly on buy-outs.

A project for the corporate simplification of the SIPEF1 fund has also been entered into with the aim of transferring the management company activity from the existing British law vehicles (Sanpaolo IMI Management Company and Sanpaolo IMI Capital Partners) to the Luxembourg subsidiary Sanpaolo IMI Equity Management.

As regards investments with own capital, Sanpaolo IMI Private Equity is involved in the “Network Aeroporti Regionali” project, aimed at aggregating several regional

airports under the management and coordination of a single holding to be floated on the stock market.

Lastly, consistent with the strategic address of gradually disposing of stakes held directly, the sale of the shareholding in Amga and in the US Spinner fund was completed, and the gradual disposal on the market of the shares held in Acegas was launched.

With reference to the income results, Sanpaolo IMI Private Equity, together with its subsidiaries, largely balance out the first quarter of 2004, excluding the amortization of goodwill arising from consolidation.

International Activities

Foreign Network

The Area is responsible for the foreign network of the Parent Bank composed, at the end of March 2004, of 12 branches, 17 representative offices and 1 operating desk, as well as for the Irish subsidiary Sanpaolo IMI Bank Ireland. The strategic position in the reference markets is supervised through three territorial structures (Americas, Europe and Asia), giving direction and controlling the various operating points which guarantee a total direct presence in 26 countries.

Moreover, to optimize the synergies with Sanpaolo IMI Internazionale, the latter was assigned, as of 2003, the hierarchical responsibility for the 5 representative offices in Central Eastern Europe, which will however continue to remain, from the corporate point of view, within the Parent Bank.

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

In the first quarter of 2004, as happened last year, the lending activities with foreign counterparties were marked by the selectivity and safeguard of the quality of assets, in the context of a strong customer oriented policy. The synergies with the Group's product factories and domestic networks have continued to gain strength, with particular reference to the sale of international cash management services.

Lending exposure with foreign counterparties, rising slightly thanks to the recent increase in value of the main currencies, is otherwise in line with that of the end of December 2003.

As regards the economic profile for the first quarter of 2004, the profitability of the Foreign Network, expressed in terms of annualized RORAC, reached 16.7%, rising compared with the same period in 2003.

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.

The company is responsible for the 85.9% shareholding in the Hungarian Inter-Europa Bank, which has 25 branches, the 3.6% shareholding in the Polish Kredyt Bank and the 5.6% shareholding in the Tunisian bank BIAT (Banque Internationale Arabe de Tunisie). On 3 February 2004, after receiving the necessary authorization from the Central Bank, the conferral by the Parent Bank of the shareholding in Sanpaolo IMI Bank Romania (98.3%), operating in Romania through 22 branches, was completed. Sanpaolo IMI Internazionale is also responsible for the operational control of Banka Koper, operating in Slovenia through a network of 40 branches, of which 62.9% is held by the Parent Bank.

The plan to restructure and strengthen the capital of Sanpaolo IMI Bank Romania continued during the first quarter, after the payment of a first tranche of capital increase of 5 million euro at the end of last year.

In the first quarter of 2004 the Business Area obtained an increase in the operating income; net income, despite being penalized by the booking of higher adjustments to loans and equity investments, reached about 4 million euro, largely in line with the same period of 2003.

IMI Investimenti

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

In the first quarter of 2004, in the context of the plan to reallocate the shareholdings within the Group, in which IMI Investimenti plays the dual role of buyer and seller, several assets have been acquired, such as the 7.35% shareholding in Infracom, 7.25% in Sitcom and a further 0.76% in addition to the existing shareholding of 1.21%, in

Fincantieri. The acquisition of a shareholding in Merloni Termosanitari and the sale of that held in SAGAT are currently being completed.

At the same time the disposal of the securities in the dealing portfolio continued, also involving ENI shares.

The quarter’s economic performance was still penalized by adjustments to shareholdings in the company vehicles holding shares in Hutchison 3G Italia, determined according to prudent criteria, given the particular innovation of the investment, on the basis of the budget of the operating company.

Explanatory Notes

ACCOUNTING AND VALUATION PRINCIPLES

CHANGES IN THE CONSOLIDATION AREA

CONSOLIDATED PRO FORMA STATEMENTS FOR 2003

CRITERIA FOR CALCULATING THE PROFITABILITY OF BUSINESS SECTORS
AND BUSINESS AREAS

Accounting and valuation principles

The Quarterly Report of the SANPAOLO IMI Group as of 31 March 2004 has been prepared according to Consob Regulation 11971 of 14 May 1999 and successive modifications and integration.

The balance sheet as of 31 March 2004 and the statement of income for the first quarter of 2004 have been prepared using accounting and valuation principles consistent with the Annual Report 2003 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 31 March 2004, 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. 87 of 27/1/1992 and successive applicative instructions issued by Bank of Italy;
- stocks of 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 line by line and proportional consolidation area of the SANPAOLO IMI Group as of 31 March 2004, showed no

significant changes compared with 31 December 2003, apart from the proportional consolidation of All Funds Bank S.A., while the following principle changes have taken place compared with 31 March 2003:

- the passage from the area of consolidation according to the equity method, to line by line consolidation of the Hungarian Inter-Europa Bank RT and its main subsidiaries, following the increase in the investment held by the Group which, in 2003, rose from 32.51% to 85.87%;
- the passage of Cassa dei Risparmi di Forlì S.p.A. from the area of consolidation according to the equity method, to that of proportional consolidation, following the attainment of joint control by the Parent Bank which, in May 2003, increased its investment from 21.02% to 29.77%;
- the passage from the area of consolidation according to the line by line method, to that of consolidation according to the equity method of Banque Sanpaolo S.A. and its subsidiaries following the disposal in December 2003 of 60% of its entire shareholding previously held by the Parent Bank;
- the passage of Finconsumo Banca S.p.A. from the area of proportional consolidation to the area of consolidation according to the equity method, as an effect of the sale agreement and of the end of joint control (which was followed by the disposal of 20% of the investment during 2003 and of the remaining 30% share in the early months of this year).

Lastly, attention is brought to the inclusion in the area of consolidation according to the equity method, in May 2003, of the interest in Synesis Finanziaria S.p.A. (25%), holder of controlling interest in Fidis Retail Italia.

Consolidated pro forma statements for 2003

In order to ensure comparability of the accounting results on a consistent basis in relation to the main changes to the consolidation area, the consolidated accounts of the SANPAOLO IMI Group for the first three quarters of 2003 are presented in a pro forma version.

In particular, the consolidated financial statements of the SANPAOLO IMI Group for the quarter as of 31 March 2003 and the half year as of 30 June 2003 have been reconstructed to reflect the line by line consolidation of Inter-Europa Bank, the proportional consolidation of Cassa dei Risparmi di Forlì and the non-consolidation of Banque Sanpaolo and Finconsumo Banca, recorded using the equi-

ty method. The consolidated situation as of 30 September 2003 has been reclassified to reflect the exit of Banque Sanpaolo from line by line consolidation.

For a more detailed analysis of the preparation of the pro forma accounts for the first three quarters of 2003, reference must be made to the statements and Explanatory Notes in the Consolidated Financial statements of the SAN-PAOLO IMI Group as of 31 December 2003.

Besides the above-mentioned changes linked with the changes in the consolidation area, the consolidated statements of income for 2003 have been subject to reclassification also in relation to tax credit on dividends from shareholdings. These have been reclassified from "Profits from companies carried at equity and dividends from shareholdings", under "Income taxes for the period". The reclassification (for a total of 13 million euro, 9 million referring to the second quarter and 4 million to the third quarter) became necessary to allow better comparison with this year's figures, in which the above-mentioned tax credits have been largely abolished following the exemption of dividends from taxation.

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

Criteria for calculating the profitability of Business Sectors and Business Areas

The statement of income of the Business Sectors is the result of the statements of income of its Business Areas. The latter have been prepared as follows:

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

It should be noted that, for IT services, allocation was made on the basis of services performed at standard prices, allocating to head office the difference between costs effectively sustained and costs allocated. This methodological choice is aimed at making the central structures responsible for the recovery of efficiency and will be extended during 2004 to all bodies providing services to operating business units;

- for those Areas whose business is carried out wholly by subsidiaries, the income statements of the companies are reported; their contribution to consolidated net income is also shown, net of minority interest and after the posting of consolidation attributable to the Area.

As with the statement of income, the capital of the Business Sectors is the result of adding up the capitals of the respective Business Areas. The 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 May 2004

The Board of Directors

