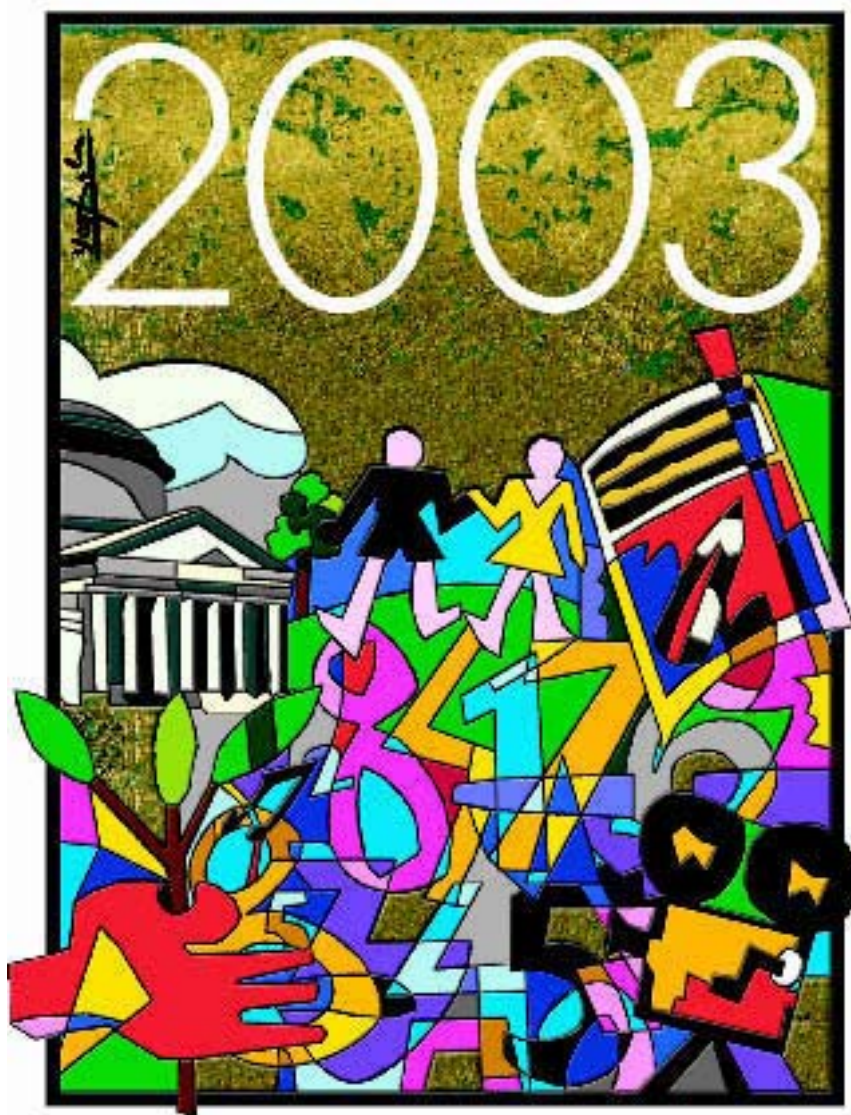


S A N P A O L O I M I



S O C I A L R E P O R T

SANPAOLO IMI GROUP

2003 Social Report

SANPAOLO IMI

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 N. 06210280019

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

PARENT BANK OF THE SANPAOLO IMI BANKING GROUP

MEMBER OF THE INTERBANK DEPOSIT GUARANTEE FUND

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

Board of Statutory Auditors	Mario Paolillo	<i>Chairman</i>
	Aureliano Benedetti	<i>Auditor</i>
	Maurizio Dallochio	<i>Auditor</i>
	Paolo Mazzi	<i>Auditor</i>
	Enrico Vitali	<i>Auditor</i>
	Stefania Bortoletti	<i>Auditor</i>
	Antonio Ottavi (**)	<i>Auditor</i>
	<i>(**) Prof. Ottavi has resigned on January 19, 2004</i>	

Ethical Committee	Abel Matutes Juan	<i>Chairman</i>
	Alberto Carmi	<i>Member</i>
	Richard Gardner	<i>Member</i>
	Mario Manuli	<i>Member</i>
	Antonio Maria Marocco	<i>Member</i>
	Rainer Stefano Masera	<i>Member</i>
	Remi François Vermeiren	<i>Member</i>

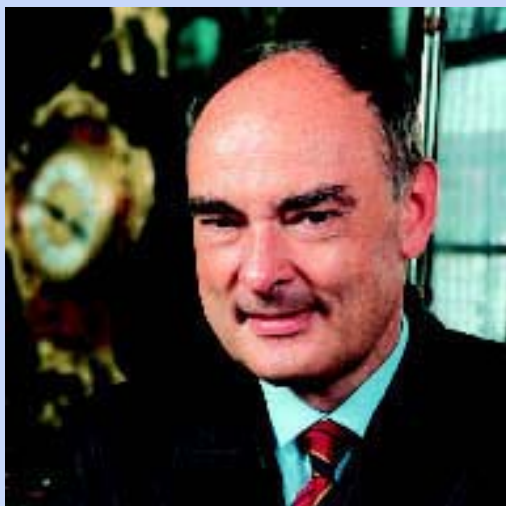
Independent Auditors	PricewaterhouseCoopers S.p.A.
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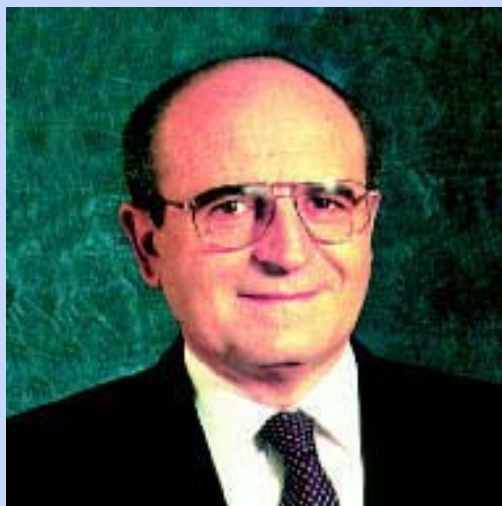
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Letter to Stakeholders



Rainer Masera
Chairman of Sanpaolo IMI



Abel Matutes Juan
Chairman of the Sanpaolo IMI Ethical Committee

Last year, when we published our first Social Report, we set ourselves a new challenge: to make it an instrument of governance, not just communication, according to an increasingly systematic approach and organized by the issues of the social responsibility of a business.

Today we can say that we have created the conditions to win this challenge. First, because this second edition of the Social Report involves the entire Group. This extension concerns above all the various Banking Networks, through a choice consistent with the Sanpaolo IMI organization and distribution model, based on the unity of lines and on a common business culture while, at the same time, valuing the identity and the strong territorial roots of the individual Banks. A greater emphasis has also been reserved for the specialized Group companies. Second, this year the Social Report is in line with the publication of the Annual Report: an increasingly widespread choice throughout Europe, which combines the presentation of the economic results with the social and environmental elements. Finally, we report on the achievement of the objectives set last year and we identify new objectives for this year, following a path of continual improvement.

This is an approach which correctly represents our meaning of corporate social responsibility, based on the conviction that there should be complete consistency between the creation of value for shareholders and the moral behavior which is substantiated by the attention paid to relationships with all the stakeholders: the customers, the people that work for the Group, local communities and the environment in which we operate. Our activities are inspired by this virtuous circle in which the business and its interlocutors converge, to which the Ethical Committee actively contribute through its role as stimulus, evaluation and control.

Our first and most important asset is composed of the 7 million private and business customers of the Group. In the current environment, the first and most urgent challenge is towards them. Our main objective is to reinforce the confidence of investors, by safeguarding and enhancing savings and, at the same time, providing adequate support to the development of the business system: two principles already contained in our mission. To this end we consider it important to underline how, in all seriousness, our Group has - for some time now - consistently continued to pursue its commitment to define and apply internally rules and instruments of absolute transparency, aimed at providing substance and solidity to ethical principles and social responsibilities, so that they do not remain mere statements of principle.

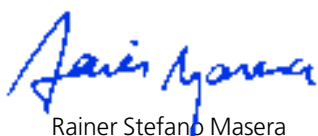
In particular, 2003 saw considerable efforts to encourage greater internalization of these values and their daily application at all levels of business. In our relations with private customers and businesses, we adopted charters of value which confirm the importance of operating in the interests of and to satisfy customers, our commitment to offer expertise and professionalism, as well as the respect toward the ethical principles recognized by the Group. These were widely diffused, accompanied by intensive training of employees and the development of particularly advanced computer software. We reasserted and strengthened the Group's orientation to asset management, an area in which Sanpaolo IMI is leader in Italy, in the belief that professional management of assets is the most appropriate, efficient and secure approach for our customers. We have also developed new instruments and methods to support businesses in an environment which, unfortunately, still does not show any significant and long-term sign of recovery. Finally, we prepared an Ethical Code which was sent out at the beginning of 2004 to all Group employees and private bankers. This Code defines the general principles and rules of conduct which all internal and external interlocutors must adhere to.

There is no doubt that the serious illegal accounting practices, which came to light within important quoted industrial groups in the United States and in Italy, originated from a deviation from the most elementary principles of correctness and honesty. These events have determined a situation in which the aspiration for ethics has assumed a crucial function and become an urgent matter of priority. As a matter of fact, over a span of two years these events have seriously damaged the entire economic-financial system, creating a climate that is irreconcilable with the needs of a market which is ever more global and, for this reason, increasingly in need of guarantees and certainties.

On the basis of the above projects and major actions, which by now constitute structural elements of our commitment, we have started an initiative aimed, on one side, at intervening in respect of holders of bonds in default where, from the positions of some customers, it may emerge that case by case valuations would not be sufficient and, on the other side, at offering concrete support to the Committee of Group customers holding Parmalat bonds.

We believe that our efforts to refine and constantly improve the mechanisms of support to operators and preventive and internal controls should be combined with a commitment common to all economic and social parties, in which each, within its own specific role, will contribute toward the ethical growth of the company, thereby giving rise to consent and solidarity. Also on our part, exactly in this spirit, in this second edition of the Social Report we have especially dedicated ample space to the topics of corporate governance. As a matter of fact we consider that these are essential elements of corporate social responsibility, in that they safeguard not only the shareholders, but all the interlocutors of a company and contribute towards upholding the medium/long-term value created by the company. Sanpaolo IMI, the only Italian bank quoted on the New York exchange, accomplished further significant steps in 2003, in compliance with the strict provisions of American law, in particular the Sarbanes-Oxley Act.

Submitting this Social Report to the stakeholders for their evaluation, we would like to underline that we are convinced of the importance of forceful and constructive communication with all our interlocutors. Only through open and constant communication, of which the Social Report is a periodical summary, shall we be able to comprehend the external perception of the importance and social impact of our decisions and actions, to prevent any risk of conceit, and in strong and concrete form, characterize our way of being a socially responsible business.



Rainer Stefano Masera
Chairman of Sanpaolo IMI



Abel Matutes Juan
Chairman of the Sanpaolo IMI Ethical Committee

Introduction and preparation principles

This second Social report is presented from the structure's viewpoint for the purposes of continuity: our initial intent to use this tool to carry out a self-analysis of our activities in the light of the principles of social corporate responsibility and to look for ways of communicating with stakeholders has not changed and leads us to prefer an arrangement of this document which remains constant, enabling, as far as possible, comparison with subsequent editions. Since this is the second step on our journey to report the social responsibility, we also wanted to develop the document, expanding the reporting context, enriching the contents and articulating the ways in which it is distributed.

We can describe this year's edition as the first edition of a consolidated Social Report: the information and figures reported concern many companies within the Sanpaolo IMI Group. The date of issue has also been brought forward to coincide with that of the Annual Report.

This choice has made it necessary to overcome certain difficulties because the gap between the first edition of the Social Report and the second has been less than a year. The time available to plan and implement the stages necessary to achieve the aims we set with the 2002 Report turned out to be very short. In observance of the intentions of the Social Report, which is a governance and monitoring tool, we have periodically

registered the trend of the indicators used in the 2002 Report and the level of progress of the activities to achieve the aims set: the results have been summarized in special schedules.

As regards the reporting principles adopted, again this year we have decided to avoid using a prearranged reporting model, preferring the construction of a document which adapts as much as possible to the specific characteristics of the Sanpaolo IMI Group. Despite this, our reporting activity has been inspired by certain fundamental social reporting principles and we have taken into consideration suggestions from different guidelines prepared specifically for the credit sector, such as the ABI guidelines, and those of a more general nature, such as the GRI (Global Reporting Initiative) and GBS (Gruppo Bilancio Sociale) guidelines.

Continuing on from the work done last year, we have tried to:

- make it possible to clearly identify the reference stakeholders;
- clarify the reporting context: to enable easier understanding we have introduced into this document a Group sociogram and the indication of the reporting setting when it differs from that of the Group as a whole;

- supply useful information for stakeholders in a summarized, linear format. For example, to fully illustrate how we operate, we have included an organization chart which graphically illustrates the main activities of our divisions and functions and the channels and tools through which these are coordinated;
- present facts and data to support the claims made;
- choose indicators which enable comparison of information in time. We have increased the number and types of indicators, trying to build an increasingly organized monitoring system;
- explaining economic and other impacts of the activities performed. After having identified the contexts involved, we have tried to expand the range of the impacts monitored, such as certain indirect environmental impacts for example;
- defining improvement targets. For every stakeholder we have set improvement targets for 2004, striving to distinguish wide scope targets and specific actions;
- understanding the degree of satisfaction of stakeholders. Again this year in some cases it has been possible to check this directly, while in other cases it has been verified indirectly, through the analysis of particularly relevant figures. Our intention for 2003 is, in particular, the use of the Social Report as a tool for communicating with personnel and for the systematic collection of feedback on the document from readers.

The Social Report comprises the following sections:

- Identity and Governance: this section has the purpose of presenting the Group profile, both from the strategic and value-related viewpoint and from the historical, geographical, organizational and corporate viewpoint. Particular attention is devoted to control, to the tools and actions implemented in the field of social responsibility; relevant stakeholders on which the socio-environmental report is based are also identified. The section extensively illustrates the corporate governance system, a system of defense for all stakeholders.
- Socio-environmental Report, dedicated to the interlocutors with whom the Sanpaolo IMI Group relates. Every section examines a different stakeholder and the actions, policies and results achieved, comparing them with the targets set in the 2002 Social report. The report contains various boxes dedicated to certain specialized companies within the Group.
- Economic Report: this section presents the Group's economic performance and the allocation of added value according to the ABI model guidelines.
- Banca Fideuram, to which a specific section has been dedicated, due both to its specific business compared with the rest of the Group and because it is a listed company.
- Objectives for 2004.
- PricewaterhouseCoopers' Opinion
- The glossary and analytical index are attached.



Identity and Governance



Contrasto

Group profile

The Sanpaolo IMI Group is one of the principal Italian banking and financial realities.

With more than 3,000 branches in Italy and a presence in 30 countries, it has a national coverage and wealth of distribution capacities which allow deep rooting in both the family and business markets, with market shares above 10%.

The vast network of branches, headed by the Group's Banks – characterized by trademarks strongly rooted within their reference territories – and an avant-garde multi-channel approach, are supported by a single IT and management system, within the framework of an efficient operating model. Completing the distribution structures are almost 4,700 recently integrated private bankers from Banca Fideuram and Banca Sanpaolo Invest. Through their know-how and that of its 43,500 employees, the Group serves around 7 million customers. Sanpaolo IMI is highly specialized in financial services aimed at private customers and, in particular, it is leader in Italy in asset management with a share of more than 21% of mutual funds. It also plays a leading role for business customers, focusing specifically on small- and



medium-sized businesses, thanks to a dedicated structure and specialist know-how. Making use of dedicated companies it has a role of primary importance in asset management through Sanpaolo IMI Wealth Management; in investment banking through Banca IMI; in financing and assistance to Public Authorities, particularly in respect of investments for infrastructures through Banca OPI; in private equity activities and in the management of closed-end funds with Sanpaolo IMI Private Equity; in consumer credit with Finemiro.



Rome, viale dell'Arte

Bologna, via Farini

Historical evolution

The roots of the Sanpaolo IMI Group go back a long way: as a matter of fact, two of its current components – the Parent Bank and Banco di Napoli – originated from charitable initiatives dating back to the 16th century. From then to date the Group has, before taking on its current appearance, naturally undergone significant changes in terms of financial and credit activities which see it at the head of the national system and projected with incisiveness in the international panorama.

The most significant stages in this evolution are shown below:

1563

The Compagnia della Fede Cattolica sotto l’invocazione di San Paolo is established in Turin. It is dedicated to providing help to the needy and to fighting against usury. A few years later the Compagnia begins granting gratuitous loans on pledge to the poor, through the Monte di Pietà.

19th century

The Napoleonic administration places emphasis on the banking characteristics of the Monte which then, after the Restoration, becomes a true bank empowered to apply interest. After the Unity of Italy, its managers are appointed by the government and the city council and from 1866 it is entitled to operate as a mortgage loan bank.

1900-1910

After surviving the banking recession at the end of the 1800’s, in addition to becoming increasingly active in its loan operations, San Paolo continues with its charitable activity, to the extent that in 1928 it takes the name of Istituto di San Paolo di Torino – Beneficenza e Credito.

1931

San Paolo acquires Banca Agricola Italiana in Piedmont, Liguria and the province of Pavia: its branches increase from 6 to 120, of which 10 are located in Turin and the others mainly distributed between Piedmont and Liguria.

In the same year, to face the difficulties following the world-wide recession, IMI was founded as a Public law body, with investments held by the Treasury Ministry.

1932

San Paolo becomes a public law credit institute.

After the war

After the second world war, both San Paolo and IMI contribute actively to the reconstruction of the country: the Roman bank in particular, starts up many of the interventions provided for by the European Recovery Program in the context of the “Marshall Plan”.

1970’s, 80’s and 90’s

Sanpaolo accelerates its growth process in Italy and abroad, also by starting a model of territorial expansion with the acquisition of national and foreign local banks. The dimensional growth goes with a great development of the services and products mix offered to customers.

1992 - 1997

With the enactment of the “Amato-Carli” Law 218/1990, the bank abandons its status of State Owned Bank: and is transformed into a SpA (joint-stock company) with parallel assumption of non profit activities by Compagnia di San Paolo. The privatization process of the Bank is completed in 1997.

1998

Merger with IMI and subsequent denomination as SANPAOLO IMI: the resulting multi-functional Group operates in various sectors of activity through ad hoc companies or business units.

2000 - 2003

Sanpaolo IMI completes its process of growth at national level first acquiring Banco di Napoli and then merging itself with the newly formed Veneto-Emilia banking conglomerate Cardine Group (refer to the respective box).

The Group's Banks in the North East of Italy

Cassa di Risparmio di Padova e Rovigo (Cariparo)

Formed in 1828 from the merger of Cassa di Risparmio di Padova and Cassa di Risparmio di Rovigo, with two main offices - a head office in Padova and a main office in Rovigo - with a network of branches distributed throughout the two provinces. Following the rhythm of development of the national economy, by constantly giving privilege to its relations within the territory in which it was originally established, Cariparo is active in interpreting and responding to local socio-economic and financial needs.

Cassa di Risparmio di Venezia (Carive)

Established in 1822. After becoming fully autonomous in 1853 and having opened the first branch outside of the city center in 1910 at Mestre, from 1988 it develops outside of its province with the acquisition of Banca Popolare S. Stefano di Portogruaro. Today it is present in seven provinces in the regions of Veneto and Friuli and conserves its strong local character and a distinct vocation for operations supporting small- and medium-sized businesses.

Cassa di Risparmio in Bologna (Carisbo)

Formed in 1837 by one hundred eminent citizens. Over time it has developed its activities originally aimed above all at the agricultural sector and at the economic-popular construction sector, to include operations across all typical bank sectors, even outside of its regional boundaries.

Cassa di Risparmio di Gorizia

Formed in 1831 by project to re-establish a Monte di Pietà and a Cassa di Risparmio with strong roots in the territory of Gorizia. The Cassa di Risparmio becomes one of the leaders in the reconstruction of the economy and social community in that region after the Second World War.

The Cassa di Risparmio di Udine, was established in 1876 to continue the work of a Monte di Pietà originally dating back to 1494. With the setting up of the Province of Pordenone in 1968, it changed its name to **Cassa di Risparmio di Udine e Pordenone (CRUP)**. After the earthquake which severely hit Friuli in 1976, CRUP contributed extraordinarily to the strength of the chorus for recovery, mainly by providing loans.

Banca Popolare dell'Adriatico

is set up in 1994 from the merger between Banca Popolare Pesarese e Ravennate (Pesaro) and Banca Popolare Abruzzese e Marchigiana (Teramo), thanks to which it reaches the size of an inter-regional bank. The current territorial network is spread across seven regions, concentrated along the Adriatic backbone. In 1997 it is partially purchased by Carisbo and CAER.

In 1994, Cariparo and Carive set up the **Casse Venete Group**, which is later widened to include the Banca Agricola di Cerea (1995) and CRUP and Cassa di Risparmio di Gorizia (1998).

In 1992 Cassa di Risparmio di Bologna is among the promoters of the setting up of the holding **Gruppo Bancario Casse Emiliano Romagnole (CAER)**. In 1994 it incorporates Bimer Banca, a leader in medium-term loans. In 1997, it is joined by Banca Popolare dell'Adriatico, Banca Agricola KMECKA and Finemiro Banca.

The **Cardine Group**, merged in 2002 with the Sanpaolo IMI Group, was formed in 2000 from the union of the Casse Venete and Casse Emiliano Romagnole (CAER) Groups and their seven banks (Cariparo, Carisbo, Carive, Cassa di Risparmio di Udine e Pordenone, Cassa di Risparmio di Gorizia, Banca Popolare dell'Adriatico and Banca Agricola di Cerea) the Group operates with a total of around 900 branches located in the North East of Italy. Its objective is to set up a banking center strongly rooted within its territory, with the aim of making the most of the competitive advantages of the consolidated local presence of each bank within the Group. On the other hand, the banks are genetically compatible by way of the reasons behind their formation (to encourage the general public to save and to support the economic development of their respective local communities), the historical period in which they were set up, their operating activities and the meaning, even psychologically and symbolically, that they can apply in perceiving territorial realities.

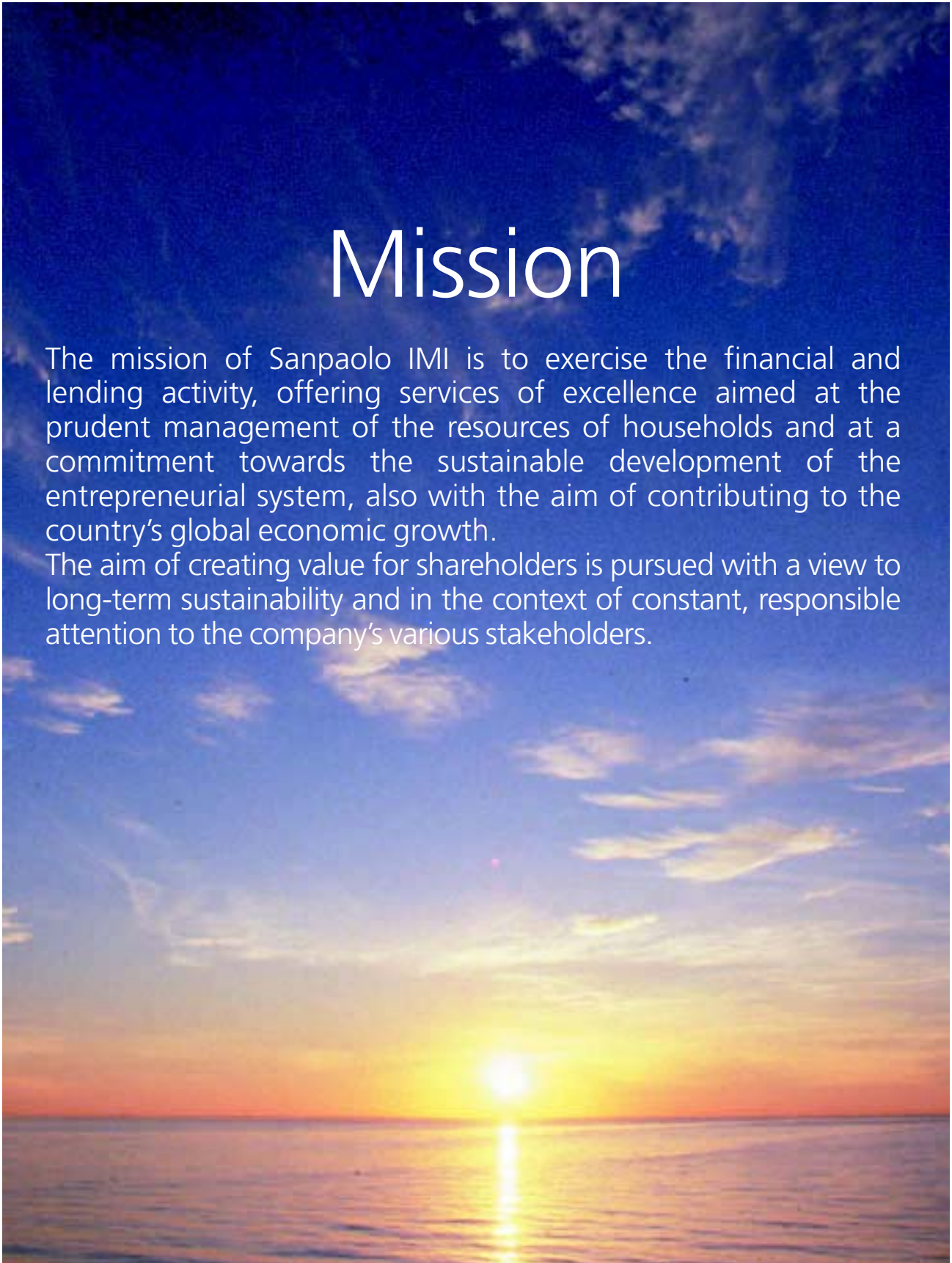
- In June 2003 Cariparo incorporated Banca Agricola di Cerea.

- In December 2003 CRUP and Cassa di Risparmio di Gorizia were merged, forming Friulcassa – Cassa di Risparmio Regionale.

Mission

The mission of Sanpaolo IMI is to exercise the financial and lending activity, offering services of excellence aimed at the prudent management of the resources of households and at a commitment towards the sustainable development of the entrepreneurial system, also with the aim of contributing to the country's global economic growth.

The aim of creating value for shareholders is pursued with a view to long-term sustainability and in the context of constant, responsible attention to the company's various stakeholders.





Values

Creation of value

The idea of value that we pursue integrates the dimensions of sustainable development, meaning:

- the creation of economic wealth;
- the promotion of social cohesion;
- the defense of the environment and natural resources.

Customer orientation

We place the customer at the center of our aims for a constant improvement. We intend to ensure that every single customer is served in a flexible and innovative way, to the best of our ability, adopting the same spirit of service to internal customers.

Integrity

We orient the actions and behavior of those who operate on behalf of the Group towards criteria of integrity and honesty, in full and substantial observance of the legal directives and the financial and lending system and of the spirit of the agreements subscribed with our counterparties.

Commitment to excellence

We intend to offer high quality services, constantly setting ourselves the aim of improving, looking to the future, anticipating challenges and cultivating innovation and creativity.

Growth in observance of specific qualities

We intend to combine big dimensions with strong territorial roots; to be a bank that is capable of thinking but without losing sight of the individual.

Responsibility in the use of resources

We aim to make attentive use of resources, encouraging behavior which avoids ostentation and waste.

Compliance with principles

UNEP

In 2002 Sanpaolo IMI complied with the UNEP Declaration for financial institutes in respect of the environment and sustainable development, an initiative set up in 1992 with the aim of involving a wide range of financial institutions in constructive debate on the link between economic development, environmental protection and sustainable development.

On the basis of the Declaration we:

- “consider sustainable development an essential component for businesses to be run successfully”;
- “are in favor of far-sighted environmental management in order to ascertain quickly and to prevent possible damage to the environment”, “aim to use the best methods for environmental management” and “aim to take into account environmental needs in all of our activities”;
- “encourage the financial services industry to develop products and services in favor of protecting the environment”;
- “are committed to opening up and speaking of environmental issues” and “are committed to sharing our experience and know-how”.

UN Global Compact

In May 2003 Sanpaolo IMI formalized its compliance to the UN Global Compact, a voluntary initiative launched by the Secretary General of the United Nations, Kofi Annan, and which intends to promote the dissemination of practices aimed at achieving a sustainable development program.

On the basis of the nine principles of the UN Global Compact, we are committed:

- in respect of human rights, to “observe and promote the respect of human rights” and to “ensure that the activities performed do not support any kind of abuse”;
- as far as employment is concerned, to support “the freedom to join trade unions” and to eliminate “every form of coercion to work, child labor and discrimination in the workplace”;
- in respect of the environment, we shall pursue a “sensitive approach towards environmental issues” and we shall also make every effort to “promote initiatives to disseminate responsibility towards the environment” and to “encourage the development and dissemination of environmentally friendly technologies”.



THE GLOBAL COMPACT



Creativ Collection

The path of social responsibility

In 1992, with the quotation of San Paolo, the Bank was progressively separated from Compagnia di San Paolo: on one side the Bank continued its financial operations fully respecting the ethical and social criteria and principles which are part of its tradition, and on the other side Compagnia di San Paolo undertook as its institutional mission the providing of loans for charitable and social benefit, becoming more systematic, articulated and regulated. After this transformation and the privatization of the Bank in 1997, the principal stages in the path towards Corporate Social Responsibility were the following:

1997

- Launching of the Ethical System Funds

2001

- Setting up of the Ethical Committee within the Board of Directors, as a governance body to deal with promoting and controlling social/ethical/environmental issues;
- inclusion of the Sanpaolo IMI share within the FTSE4Good Europe index¹.

2002

- Sanpaolo IMI's compliance with the principles of environmental protection and support of sustainable development detailed in the UNEP Declaration for financial institutions;
- creation, together with EIB, of a European Forum for the dissemination of environmental policies and practices;

- participation in the Forum for Sustainable Finance, a multi-stakeholder association aimed at spreading the culture of social responsibility within the financial community, Italian representative of Eurosif.

2003

- Formalization of the compliance with the principles of the UN Global Compact relating to human rights, employee rights and environmental protection;
- publication of the first Social Report for the year 2002, referring to the Parent Bank, presented in July 2003;
- the Board of Directors approves the Ethical Code, after the Ethical Committee expresses a favorable opinion;
- setting up of the Social Responsibility Unit.

Some examples of initiatives:

- launch of a policy for managing customer relations: in particular, the Investment Policy concentrates on the asset management of private customers and the Commercial Policy on business customers, on the basis of projects set up in 2002;
- participation in the social micro-credit project promoted by Compagnia di San Paolo.

2004

- distribution of the Ethical Code to all Group employees and financial planners;
- publication of the 2003 Social Report, referring to the entire Group.



The Ethical Code²

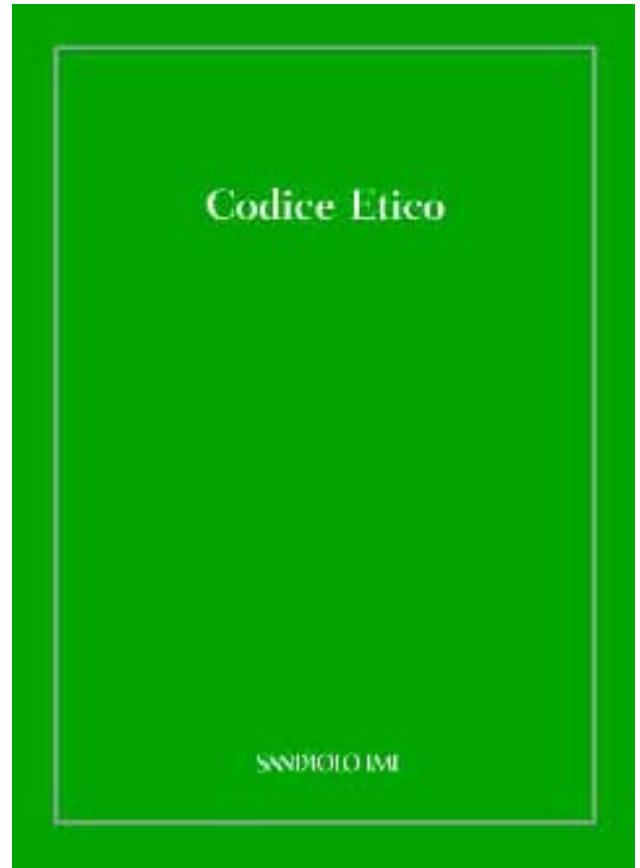
Of particular importance is the definitive approval of the Ethical Code by the Board of Directors and the favorable opinion expressed by the Ethical Committee. The Ethical Code which was sent out at the beginning of 2004 to all Group employees and financial planners, explains the principles of honesty, loyalty, fairness and impartiality and generally defines the rules of conduct which the management, employees and external co-workers must adhere to. It also envisages mechanisms and a controlling body, identified in the Ethical Committee, which is also required to carry out any modifications and integration necessary.

The Code is composed of three sections:

- General Principles;
- Rules of conduct, which include the rights and obligations of managing and controlling bodies, employees and co-workers and relations with Public Institutions;
- Implementation and fulfillment, which also include training activities, methods of reporting violations and the resulting consequences. More specifically, it clarifies that violation of the provisions of the Code is forbidden and is subject to disciplinary action which may include penalties.

The aforementioned Ethical Code satisfies the requirements of the Sarbanes-Oxley Act, the American law approved in the summer of 2002. It also completes the framework of initiatives linked to the implementation of law decree 231/2001 on the responsibility of the management of companies.

The letter accompanying the Code, signed by the Chairman of the Group and by the Chairman of the Ethical Committee, makes reference to the importance of not only formally complying with the Code and includes an invitation to apply it to the day-to-day aspects of the business: *'The major asset for a banking group is the respect for a high standard of behavior. This requires complete compliance with legal and deontological rules of transparency and fairness. Such rules should be shared in their essence and survive if internalized and applied to every day life and to relations with customers and with other stakeholders of the Group.'*



1. Footsie for good is a series of benchmark indexes whose selection criteria include, together with financial performance, conducts consistent with corporate social responsibility.
2. Available on the website www.grupposanpaoloimi.com.

Strategy guide-lines

The initiatives undertaken by the Group in 2003 were aimed at pursuing the targets of the 2003-2005 strategic Plan, which is articulated in five issues:

- improving the performance of the core business;
- curbing costs;
- exploiting other atypical banking activities;
- active management of the investment portfolio;
- transparent communication and constant monitoring of the progress of the Plan.

In relation to the first objective, the most significant action taken refers to the steps necessary to ensure the integration of Banco di Napoli and the banks from the former Cardine Group.

After the merger of Banco di Napoli at the end of December 2002, work commenced on the activities necessary for the integration of the Sanpaolo and former Banco di Napoli branches from a commercial, credit, organizational and IT perspective, which were concluded in June with the extension of the IT system to the Banco di Napoli branches. All of the 755 branches of Sanpaolo IMI and Banco di Napoli operating in the four Southern regions of mainland



Corbis

Italy – Campania, Apulia, Basilicata and Calabria – were spun-off in two separate operations, one in July and one in September and transferred to the newly formed Sanpaolo Banco di Napoli.

On 31 December 2003 the merger by incorporation of Cardine Finanziaria into Sanpaolo IMI was completed. Cardine Finanziaria was the sub-holding which coordinated the business activities of the former Cardine Group. To facilitate the integration process of the latter company, an aggregation process between companies operating within the same territory was set up: Banca Agricola di Cerea was absorbed by Cariparo, while CRUP and Cassa di Risparmio di Gorizia were merged into Friulcassa – Cassa di Risparmio Regionale. At the same time, a North East Territorial Direction was created. With head office in Padova, its aim is to support and develop the banks in Triveneto and Emilia in respect of their commercial activities coordinating them with other Group structures.

Other activities with the same aims refer to the development of advanced financial instruments for small- and medium-sized businesses and the public bodies sector, as well as the development of the life insurance sector. In this latter sector full control of the Noricum Vita insurance company was acquired in December 2003, into which all of the Group's insurance companies will be concentrated, on the basis of calculations made in February of this year.

As far as curbing costs is concerned, activities during the year referred to:

- optimization of the human resources of the Networks and of the other Group companies. In this respect a plan was set up for staff leaving incentives, through the "Income, employment and re-training fund for staff in the banking industry";
- realization and optimization of the Group's Integrated Operating Vehicle;
- rationalization of real estate.

Among the measures taken in 2003 aimed at exploiting the other activities, it is worth mentioning the growth in the market share of mortgage loans

and consumer credit, as well as the completion of the integration of Banca Sanpaolo Invest with Banca Fideuram by transferring the banking activity of the former to the latter.

Lastly, activities have commenced to develop and rationalize the investment portfolio and of business portfolio.

In respect of the first profile, the steps taken to develop commercial synergies with bank shareholdings stand out in particular over the acquisition of investments aimed mainly at exploiting other shareholdings already held in portfolio. These include:

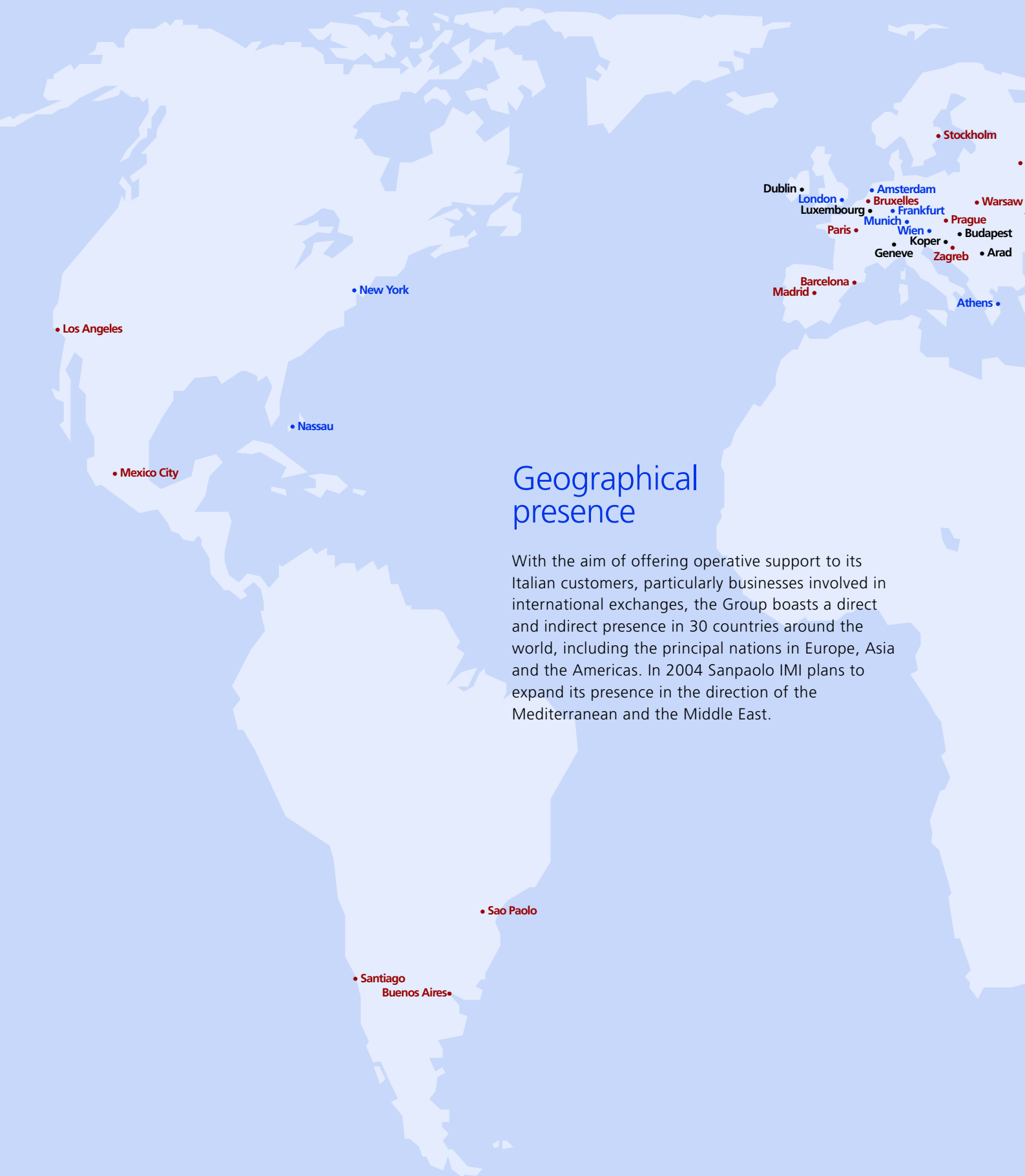
- the partnership in various operating sectors with the Cassa di Risparmio di Firenze, among which worth highlighting are Wealth Management, Investment Banking and Risk Management;
- the strengthening of the alliance with Cassa dei Risparmi di Forlì, for which the portion attributable to Sanpaolo IMI rose from 21.02% to 29.77%; the current partnership aims at improving the range of services and products offered by Cassa to its customers, as well as strengthening its presence in some areas of operations, such as loans, financing, planning and control;
- the agreement with Banca delle Marche, sealed by the acquisition of a 7% shareholding. Co-operation agreements are envisaged in many sectors: today they refer to Wealth Management, International Banking, finance and public works, tomorrow they could be extended to include Private Equity, Information Technology, investment management and debit cards.

In the context of management activities, in addition to the progressive realization of a medium term program of selective disposal of minority shareholdings, two sales transactions were made to important international partners: the first referred to the disposal of 60% of Banque Sanpaolo to Caisse Nationale des Caisses d'Épargne (CNCE), the third largest French banking group (the agreement envisages a put and call option on the remaining 40% exercisable after four years, in exchange for cash or shares in one of the companies of the CNCE Group); the second was the sale to Santander Central Hispano of the Finconsumo shareholding owned by Sanpaolo IMI (completed in January 2004).

In the same context, it is worth mentioning the rationalization activities in the business area and the simplification of the corporate structure of some sectors, such as Wealth Management, tax collection, closed-end Private Equity funds and insurance brokerage.

In the banking sector, shareholdings in Inter Europa Bank (Hungary), Kredyt Bank (Poland) and BIAT (Tunisia) were transferred to Sanpaolo Imi Internazionale – the company responsible for controlling the markets in Central and Eastern Europe and the Mediterranean, which are considered strategic to the Group. It is planned to transfer the shareholding in Sanpaolo Bank, Rumania in the near future. Sanpaolo IMI Internazionale also controls Banka Koper (Slovenia).

The last objective, that of transparent communication to the market, was pursued both through compulsory communications for the Regulatory Authorities, through quarterly conference calls by top management presenting intermediate results, and through Investor Relations activities which are described in more detail in the section “Shareholders”.



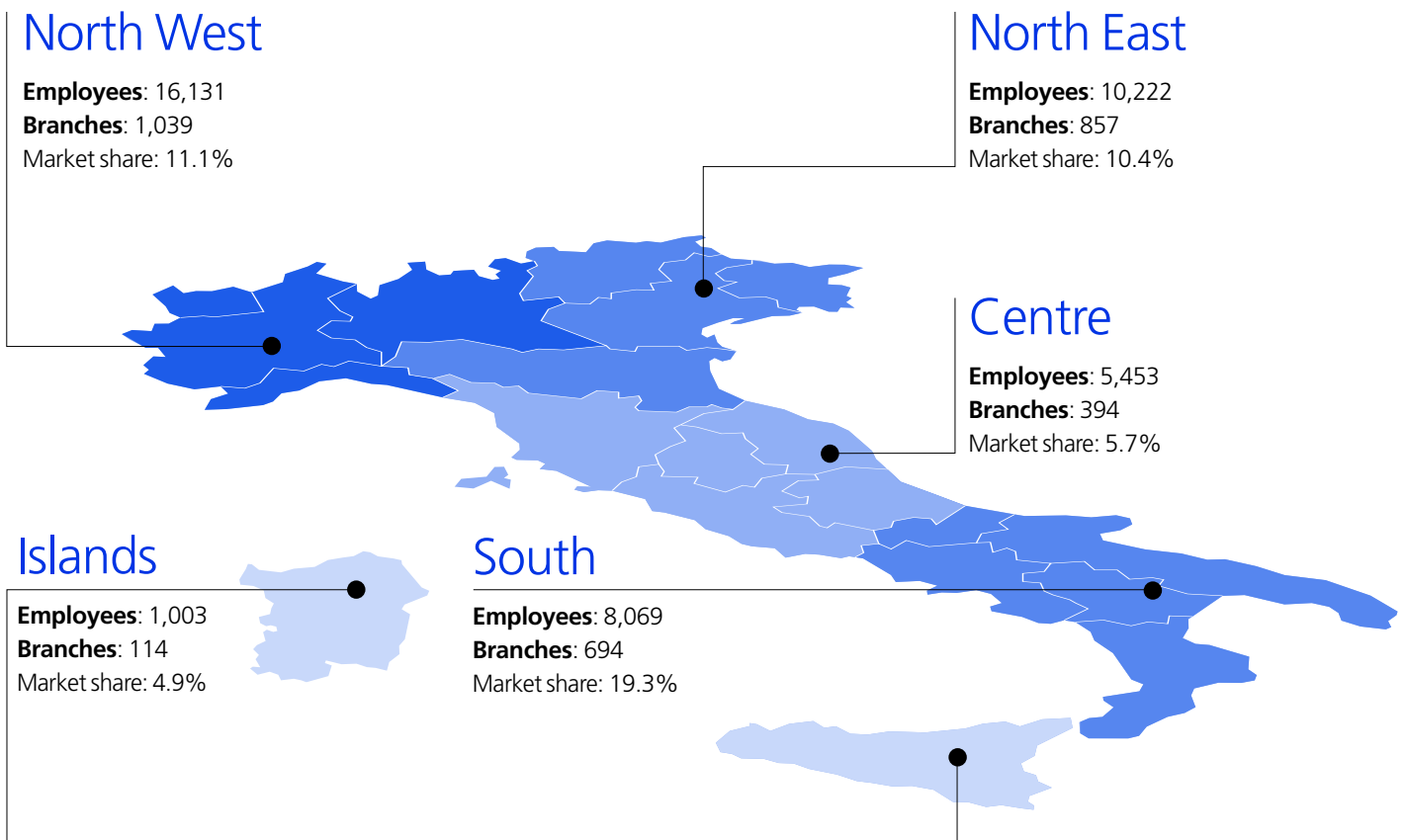
Geographical presence

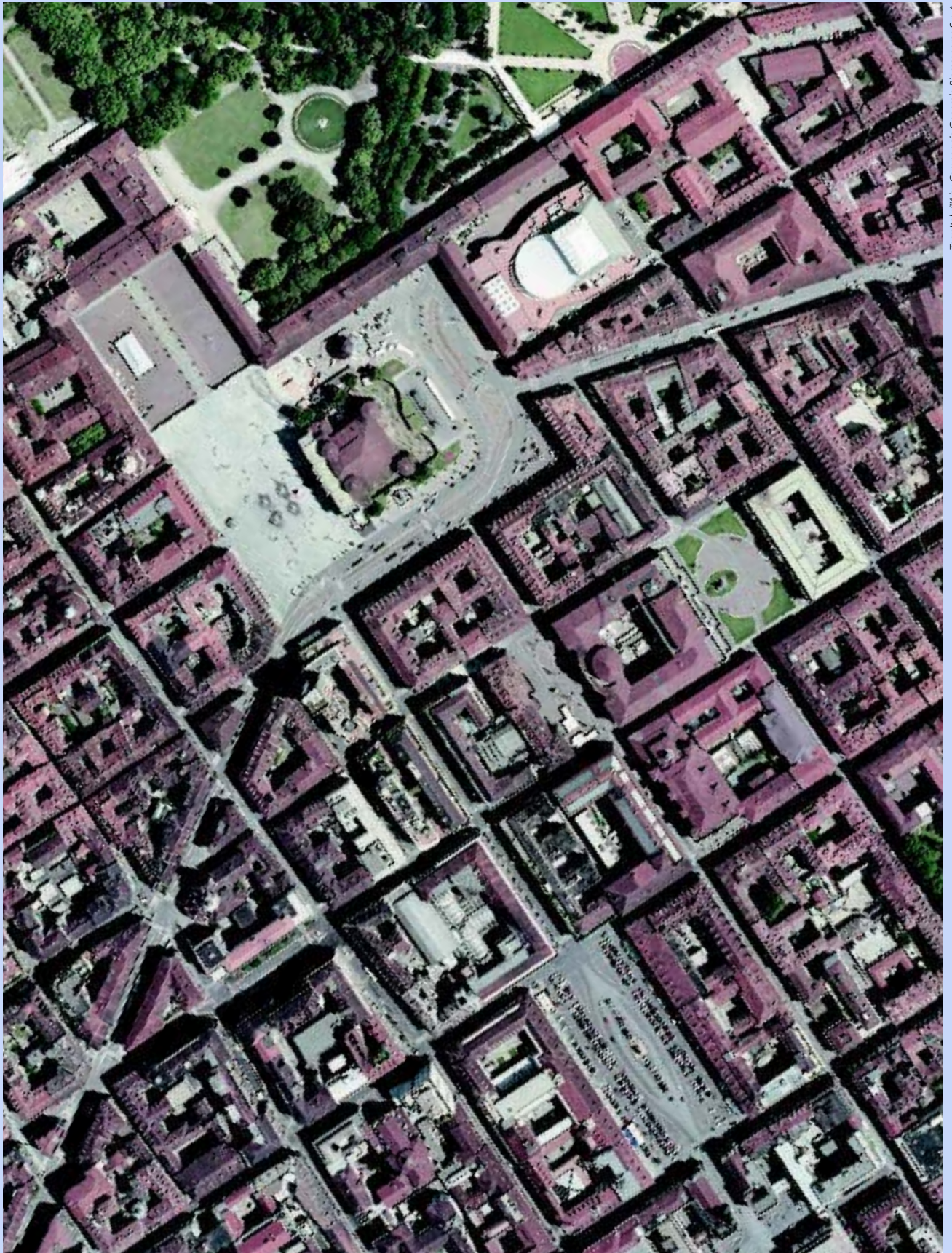
With the aim of offering operative support to its Italian customers, particularly businesses involved in international exchanges, the Group boasts a direct and indirect presence in 30 countries around the world, including the principal nations in Europe, Asia and the Americas. In 2004 Sanpaolo IMI plans to expand its presence in the direction of the Mediterranean and the Middle East.



- Subsidiaries
- Branches
- Representative offices

Sanpaolo IMI Group covers all of Italy with around 3,000 branches spread throughout the country.





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Turin, piazza Castello and piazza San Carlo

Organization

The organization reflects the business position already described, based on diverse Bank Networks strongly rooted within the territory, a series of specialized companies and Central Functions to direct, support, monitor and coordinate.

The following organization chart shows the main companies and divisions of the Group.

Specific control on matters concerning the social responsibility of the company is guaranteed by the presence of the Ethical Committee and the Social Responsibility Unit.

The Ethical Committee

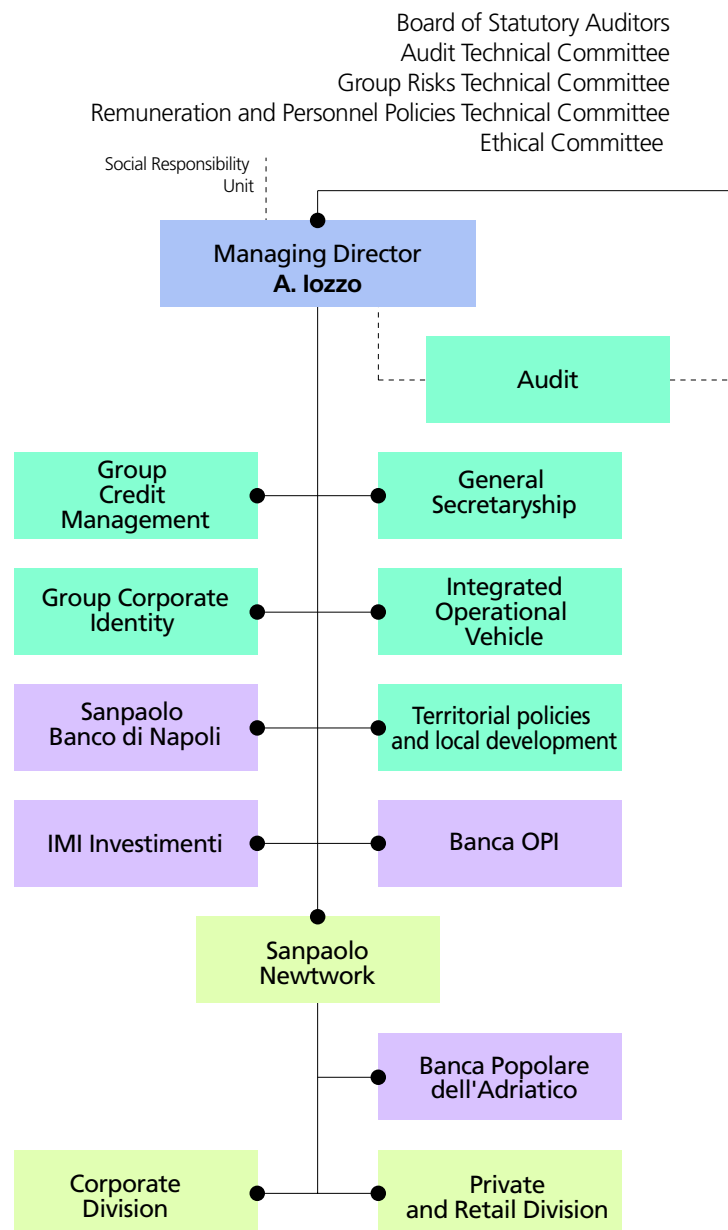
The Ethical Committee has a particularly important role in governing ethical matters related to social responsibility. Established in 2001 it is a body within the Board of Directors. The Ethical Committee issues guidelines on ethical, social and environmental matters. It has specific tasks, also to control, and acts as a propulsive stimulus and coordinator in respect of the aforementioned matters across all areas of the Group.

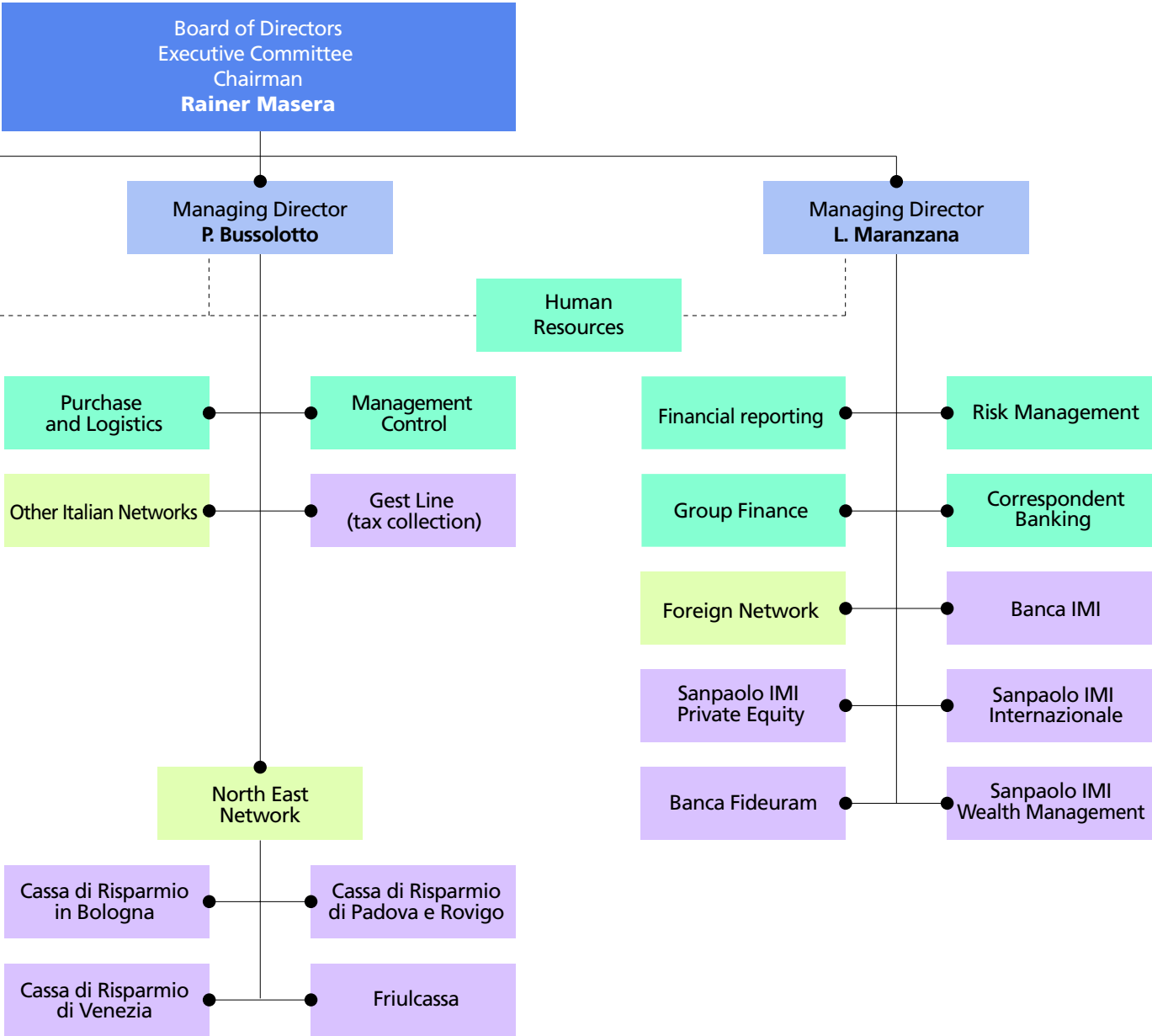
In 2003 the Committee met three times and once it requested an external opinion outside of a meeting. The Committee has examined many issues: some relate to customers (for example the investment policy and the ethical fund Venezia Serenissima), the environment (such as a position paper on the Kyoto Protocol, the High Capacity Turin-Lyon railway, sustainable mobility, the use of recycled paper), the community (such as the launch and constant monitoring of the micro-credit project, the senior citizens project Facciamo Futuro) and other matters and initiatives involving the Group (for example the risk to reputation or research activities carried out by Banca IMI). The Committee was also involved in approving the Ethical Code, which was deliberated by the Board of Directors.

The Committee also closely followed the preparation of the Social Report, examining three drafts and providing suggestions, comments and requesting changes. The Committee is also provided periodically with information about the activities carried out in respect of SRI investors (Socially Responsible Investors), inclusion in ethical indices and news on publications relating to ethical matters and governance.

The Social Responsibility Unit

In October 2003 a Social Responsibility Unit was set up. Reporting directly to the Managing Director Alfonso Iozzo, it is responsible for monitoring the different areas comprised in the Social Report and for defining action plans in respect of corporate giving, in order to render it more useful to the objectives of the Bank in a social context. The Unit was also appointed secretary to the Ethical Committee.







Contrasto

Corporate Governance

Sanpaolo IMI has complied with the aims and guidelines of the Code of Conduct for Listed Companies ever since it was issued. Based on the model contained therein, considered in-line with international best practices, the following represents Sanpaolo IMI's corporate governance model³.

To facilitate understanding of this structure, an explanatory diagram is used here to analytically summarize the main characteristics into four interpretations:

1. Proprietary structure
2. Company management structure
3. Transparency and control
4. Rights and duties of shareholders

1. PROPRIETARY STRUCTURE

Shareholders

Sanpaolo IMI's capital equals 5,144,064,800 euro divided into 1,448,831,982 ordinary shares and 388,334,018 preferred shares, which do not have voting rights in ordinary Shareholders' Meetings. The main shareholders are described in the "Shareholders" section, which also indicates the holders of preferred shares.

In particular, the shares held by members of the Board are published in the Annual Report.

Agreements between shareholders

As of April 2001, consultation agreements exist between shareholder Compagnia di San Paolo and shareholders IFI/IFIL4 and Società Reale Mutua di Assicurazioni, extended in February 2002 to shareholder CDC. These agreements – which will expire on 13 April 2004 – are aimed at keeping the shares held by them stable until the next Shareholders' Meeting, which will deliberate on the 2003 Annual Report. In June 2002, following the incorporation of Cardine Banca into Sanpaolo IMI, a letter of intent was signed between Compagnia di San Paolo, Fondazione Cassa di Risparmio di Padova e Rovigo, and Fondazione Cassa Risparmio in Bologna regarding the Bank's management rules, whose main elements are described in the "Shareholders" section.

A summary of the aforementioned agreements is available at: www.grupposanpaoloimi.com.

³ Updated March 2004. More information on Sanpaolo IMI's corporate governance model, until now contained in the Corporate Governance Report, is available on its internet site: www.grupposanpaoloimi.com.

⁴ On 23 April 2003, IFI SpA transferred its Sanpaolo IMI shares to the subsidiary IFIL SpA.

2. COMPANY MANAGEMENT STRUCTURE

Board of Directors⁵

Functions	It performs strategic tasks and holds all powers for managing the Bank, excluding those expressly attributed by law to exclusive competence of Shareholders' Meetings. It approves, after examination by the Board of Auditors, transactions with correlated parties considered to be significant ⁶ .
Composition	<p>18 directors</p> <ul style="list-style-type: none"> - of which 15 non-executive (including the Chairman) - of the non-executive directors, 12 are independent, as defined by the Code - Rainer Masera* (Chairman) - Pio Bussolotto* (Managing Director) - Giuseppe Fontana - Alfonso Iozzo* (Managing Director) - Luigi Maranzana* (Managing Director) - Virgilio Marrone* - Ili Mihalich* - Emilio Ottolenghi - Gian Guido Sacchi Morsiani - Remi François Vermeiren - Alberto Carmi - Richard Gardner - Mario Manuli - Antonio Maria Marocco - Abel Matutes - Anthony Orsatelli - Orazio Rossi* (Vice-Chairman) - Enrico Salza* (Vice-Chairman)
No. meetings in 2003	17
Expiry	At the time of approval of the 2003 Annual Report

* Members of the Executive Committee

Executive Committee

Functions	It has powers to be exercised within the context of the strategies, policies, and plans laid out by the Board of Directors, with the obligation of reporting to the Board, every 3 months, on the activities carried out. It can undertake urgent measures, in the interests of the Bank, reporting them to the Board at the next meeting.
Composition	<p>8 directors, of which:</p> <ul style="list-style-type: none"> - 5 non-executive, 3 of which are independent
No. meetings in 2003	20

⁵ Brief biographical and professional notes on the current Board members are available on the internet site: www.grupposanpaoloimi.com.

⁶ To identify the significance requirement, the following thresholds were established: 50,000 euro for atypical or unusual transactions and 10 million euro for loans and other transactions at standard conditions, undertaken with correlated parties outside the Group. Moreover, the definition of correlated parties adopted is particularly restrictive: in addition to that already provided for by the Consob and on the basis of SEC provisions, those adhering to parasocial agreements have also been included.

The Board of Directors is supported in its institutional functions by 4 technical committees formed by its members, with advisory, guidance, and management functions.

Remuneration and Personnel Policies Committee

Functions	It has the task of evaluating, in agreement with the Chairman of the Board of Statutory Auditors, the remuneration of the directors that hold special offices, examining the remuneration structure for directors, and considering in depth issues concerning top management remuneration policies and approval and modification of the general regulations regarding employer/employee relations.
Composition	- 9 directors - 6 non-executive, 4 of which are independent: Enrico Salza (Chairman) Giuseppe Fontana Mario Manuli Virgilio Marrone Iti Mihalich Orazio Rossi Pio Bussolotto, Alfonso Iozzo, and Luigi Maranzana as far as regards the definition of the general policies on remuneration.
No. meetings in 2003	6

Internal Audit Committee

Functions	It has the responsibility of analyzing the problems and relevant practices related to evaluating the internal control system, with the possibility to make specific analyses and further investigations. It also considers the adoption of corrective measures for improving audits (both internal ones and those of the auditing company).
Composition	4 non-executive directors, 3 of which are independent: Giuseppe Fontana (Chairman) Virgilio Marrone Emilio Ottolenghi Enrico Salza The Chairman of the Board of Statutory Auditors, the Managing Directors and, as speakers, the Report and Audit Management Heads, take part in the meetings.
No. meetings in 2003	17

Role of the Chairman, Vice-Chairmen, and Managing Directors

The Chairman of the Board of Directors is responsible for coordinating company activities and is its legal representative. Furthermore, he or she has the power to take any urgent measures in the company's interest, in agreement with the relevant Managing Director, informing the Board of Directors or Executive Committee about them at the next meeting. The Chairman is considered a non-executive Director since he or she is not assigned effective powers of attorney by the Board, without prejudicing the aforementioned tasks assigned by the Articles of Association.

The two Vice-Chairmen – nominated from and by the Board of Directors – are also non-executive Directors since they are not assigned powers of attorney by the Board but are exclusively able to take on, for all practical purposes, the Chairman's powers in the case of his or her absence or impediment, according to the order of succession established by the Board itself.

The Board has granted each Managing Director powers that are to be exercised within his or her respective area of competence as well as the strategies and plans laid out by the Board, with the obligation of reporting to the Board every three months on the activities performed. The sharing of responsibilities between the three Managing Directors is useful for achieving Group objectives. This division proceeds from the identification of related but separate operational areas and market areas, keeping in mind the various important mergers of major banking institutes, such as the former Banco di Napoli and Cardine Banca, into Gruppo Sanpaolo IMI.

Independence of directors

Based on the guidelines contained in the Code of Conduct, the Board of Directors periodically evaluates the existence of the requirement of independence concerning non-executive Directors.

In particular, the Code of Conduct states that:

- Shares held by the company's director do not invalidate the requirement of independence, unless their size permits control or considerable influence;
- Any existing economic relations prejudice the requirement of independence, if significant;
- For the purposes of evaluating independence, economic and "indirect" shareholding reports are also important (family, companies controlled even indirectly, etc.);

- "Independent" directors may be proposed by the controlling or majority shareholders themselves since independence is objective and may not be conditioned by the type of shareholders proposing the nomination.

In consideration of the relations between certain shareholders and Sanpaolo IMI, and the tasks they carry out, the following were considered Directors who are not independent:

- Anthony Orsatelli
- Virgilio Marrone
- Iti Mihalich

Nomination procedures

The directors are nominated based on proposals presented during Shareholders' Meetings, at which time the shareholders also illustrate the resumes and professional experience of the candidates. Sanpaolo IMI has not deemed necessary to create a Committee for Director nomination proposals since that task must be fulfilled by the shareholders through their active participation at the Shareholders' Meetings. It must also be pointed out that, according to current banking rules and regulations, the Board's members must hold specific professional and respectability requisites, whose existence is verified by the Board of Directors within thirty days of the nomination.

Remuneration

The remuneration of **Directors** consists of a fixed annual part, a variable part determined on the basis of parameters approved at a Shareholders' Meeting, and a fixed amount inclusive of the allowance for attending Board meetings (with reimbursement of expenses). In compliance with what is provided for by the Code of Conduct, the Board of Directors, as proposed by the Remuneration and Personnel Policies Committee, has established for the Chairman and the Managing Directors a fixed remuneration and a variable part linked with the achievement of specific Bank and Group targets, integrated with stock option plans. The latter, described in detail in the Annual Report, are divided into a fixed component and a variable component fixed to share performance.

The pay of the **Board of Statutory Auditors** was established at the Shareholders' Meeting and consists of a fixed annual part and a fixed amount that includes an allowance for every Board of Statutory Auditors meeting that is attended.

A detailed description of the remuneration received by the Directors and the Statutory Auditors for the activities

carried out during the 2003 financial year can be found in Section D of the company's Annual Report.

Finally, a total compensation of 1,302,000 euro for accounting audits carried out during 2002 by the auditing company, **PricewaterhouseCoopers**, was communicated at the Shareholders' Meeting held last April 2003.

3. TRANSPARENCY AND CONTROL

The great deal of attention that the Group places on the transparency and accessibility of Group data may be verified by the quality and content of the public information. In this sense, continuous updating of the company's internet site, both in Italian and English, plays an important role. The site contains special sections on Investor Relations, Press Releases, and Corporate Governance; the latter contains all of the documentation of the last Shareholders' Meeting.

In order to implement recent national and international regulatory innovations, in October 2003 Sanpaolo IMI's Board of Directors granted final approval of a special Ethical Code⁸.

US Rules and Regulations

As the only Italian bank listed on the NYSE and registered with the SEC (Securities and Exchange Commission - the American supervising authority), the market notification system is particularly large-scale. In regards to financial information, Sanpaolo IMI must prepare Form 20-F - the annual informative document. Prompt reconciliation between national and US GAAPs are also supplied for greater transparency on the Anglo-Saxon and American market.

The introduction of the Sarbanes-Oxley Act of 2002 added further measures of guarantees for the public. Among the more important obligations is the duty of the principal executive officer and the principal financial officer to include in the annual reports to be sent to the SEC the aforementioned Form 20-F - certification stating that they have audited the documents and therefore guarantee the absence of false declarations or omissions of relevant facts, as well as the correct nature of the reported financial conditions. For implementation of the Act, a Disclosure Committee was formed consisting of the Managers of Central Management Departments, who have the job of assisting the Bank's corporate bodies in fulfilling the duties and responsibilities regarding the control of the accuracy and timeliness of the disclosure activities.

⁸. See page 25.

Internal dealing

In 2002, the Bank's Board of Directors approved the "Code of Conduct" for Relevant People which, according to the intentions of Borsa Italiana in the Regulatory provisions for markets, intends to give transparency to the purchase and sale transactions of listed securities of Group companies carried out by Directors and other 'relevant people' who could, by virtue of assigned roles, have access to privileged information. Within ten days of the end of each quarter, the Bank informs the market about the transactions performed by relevant people, which are equal to or more than 50,000 euro and, without delay, amounts that are greater than 250,000 euro. Provision has also been made for the Board of Directors to establish, for specific periods of time, prohibitions or restrictions regarding security transactions.

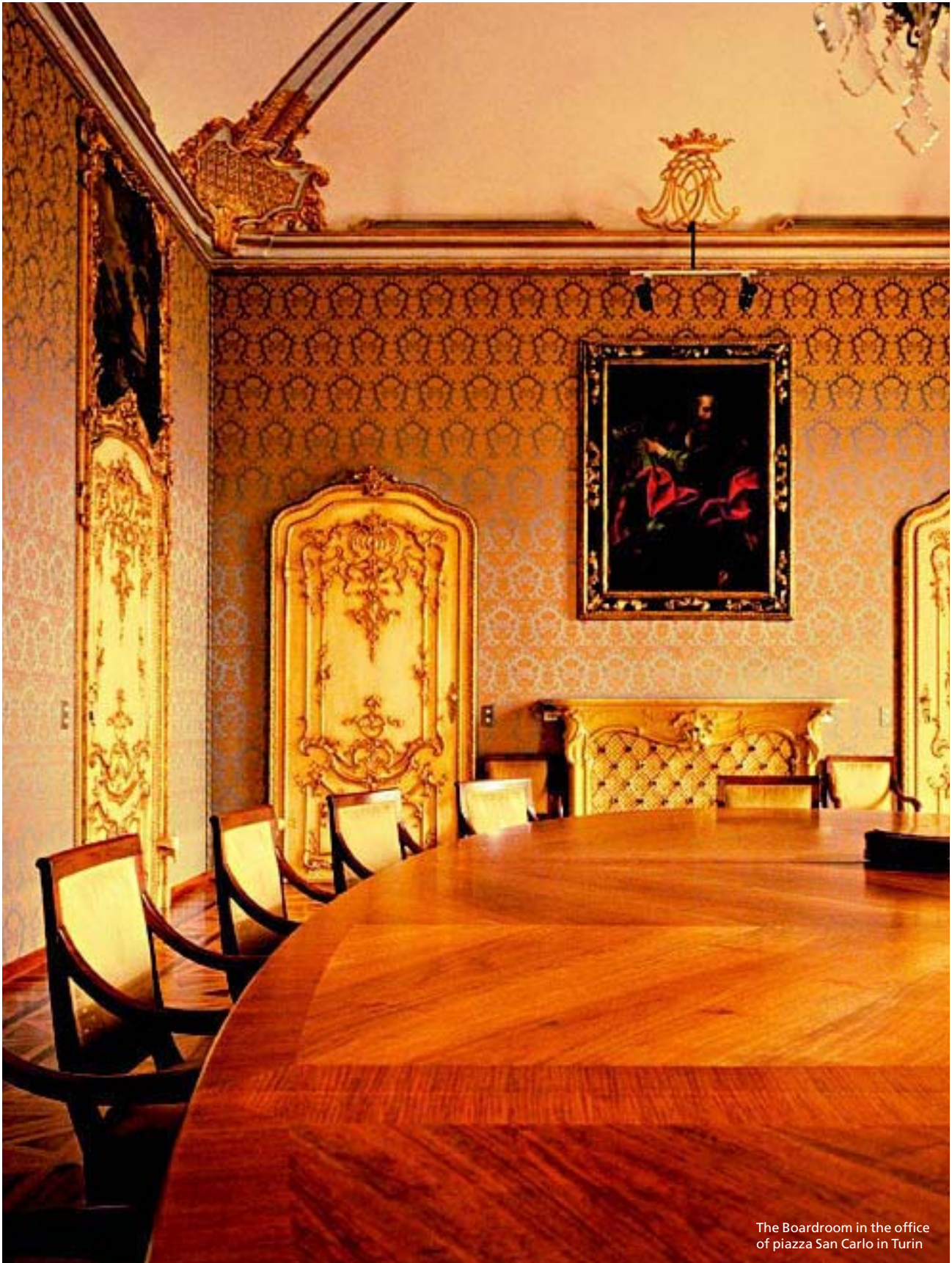
Correlated Parties

The Board of Directors has identified correlated parties of the Bank, for which it has defined a Group procedure for deliberating on loans and other transactions. For maximum transparency, the Bank has extended correlated parties to include all of the subjects who comply with the agreements between Sanpaolo IMI shareholders as well as the directors of the parent Bank's Central Management. The parent Bank's departments and the subsidiaries must report to the Internal Audit Committee and the Board of Directors every three months, therefore ensuring careful and continuous monitoring of relations with these counterparties.

The system of controls

The system of controls is part of company life, for which Sanpaolo IMI is subject to precise rules and regulations and verification by Bank of Italy. This takes place at three levels: Audit Department, Internal Audit Committee, and the Board of Statutory Auditors.

The **Audit Department** is an internal structure that reports directly to the Managing Directors and is sufficiently independent from the operating structures so that it has access to company data and files. The activity carried out in Sanpaolo IMI is even more detailed and complex than the provisions made by the Code of Conduct itself. In short, it evaluates the functionality of the Group's overall system of internal controls and verifies its operational regularity, providing the Board of Directors with possibilities for improving policies on risk management. The Audit Department notifies the Internal Audit Committee and the Board of the



The Boardroom in the office of piazza San Carlo in Turin

results of its activities at least every three months. The **Internal Audit Committee** therefore relies on it for periodic verification of the adequacy of the internal control system. Since it is a Committee made up of Board members, relations with the internal operating unit are crucial for validly establishing guidelines and verifications of the actual functioning of the internal control system. This Committee therefore represents the body capable of autonomously and independently evaluating the Managing Directors and other subjects such as the auditing company. It is also responsible for staying in close contact with the Board of Statutory Auditors for the purpose of a mutual and timely report on topics important to the control system. Unlike the Internal Audit Committee, the **Board of Statutory Auditors** is elected and answers concerning its activities directly and only to Board members at Shareholders' Meetings.

4. RIGHTS AND DUTIES OF SHAREHOLDERS

Sanpaolo IMI shares refer to certain and explicit rights. The Bank has a shareholders register that is periodically updated. The principle of "one share, one vote" applies to all subject matter discussed at Shareholders' Meetings, the distribution of dividends, and the residual value of the security in the case of company liquidation. As described in the "Shareholders" section, there is a class of preferred shares solely held by the three institutions that originated the merger between Sanpaolo IMI and Cardine, which only have voting rights in extraordinary Shareholders' Meetings. The shareholders have the right of pre-emption regarding new issues, with the exceptions sanctioned by the Civil Code, and there are no specific measures (for example, golden share) or voting limits for hindering the entry of new shareholders or purchase by third parties.

Election and annulment of the Board of Directors

The Board of Directors – elected according to the previously described procedures – has a term of office that lasts three financial years, which permits adequate development of the company's industrial plans. Shareholders who represent at least 10% of the capital may, nevertheless, convene a meeting and propose modification of the Board's composition.

Shareholders' Meeting

Shareholders' Meetings were held twice during 2003. The following was approved at the ordinary Shareholders' Meeting on April 29: The 2002 Annual Report, the purchase and transfer limits regarding own shares, and remuneration of the Directors. An average of 50.5% of shareholders participated in these votes. On the same date, but during an extraordinary meeting, an increase in the legal reserve was approved with 61.7% participation of the total capital.

On November 25, the composition of the Board of Directors was decided on at the ordinary Shareholders' Meeting following the resignation of two members that held 49% of the ordinary capital. In an extraordinary meeting, a decision was made regarding the merger through incorporation project of Cardine Finanziaria and compliance of the company's Articles of Association with company law reform: Sixty percent of the total capital participated in these votes. Starting in the financial year of 2004, in application of the new provisions of Art. 2370 of the Civil Code⁹, no advance depositing of shares is required. The shareholders may indicate delegates for Shareholders' Meetings and therefore exercise their own voting right even if they are not physically present (proxy voting). Furthermore, the documentation regarding the agenda's topics is published on the company's Internet site suitably in advance, as well as the detailed voting results as soon as they become available.

Dividend policy

Among the values that are the basis for relations with its shareholders, the Group emphasizes that it intends to guarantee adequate remuneration of the capital invested by shareholders over the medium/long term through the distribution of dividends and increases in the security's value on the stock exchange. Dividend proposals are communicated in advance by the Board of Directors and subsequently discussed and decided on at the Shareholders' Meeting that approves the Annual Report. The identification of a fixed payout is therefore not considered necessary, even in consideration of a historic trend which reveals that the Group has always adopted a generous profit distribution plan, nevertheless maintaining rigorous financial stability.

⁹ Introduced by legislative decree no. 6/03 concerning company law reform.

Relevant Stakeholders

All those who establish with Sanpaolo IMI a relationship which may create needs and expectations are defined “stakeholders”. In this Social Report, they are grouped in macro-categories based on their different needs and expectations.

Adopting a categorization that is not intended to be rigid but it is aimed at simplifying a complex and articulated situation where the boundaries between the different interests are not always sharp and some subjects can belong to more than one category, we can identify, among our stakeholders: the shareholders, the customers, the people, the suppliers, the social communities and the institutions and the environment.

Along the uneasy path of sustainable development, it is our intention to pay maximum attention to the needs and problems of each of these groups, trying to establish and to keep alive a dialogue and an open, loyal and useful relationship with them.



The customer, whether retail or company, represents the main element in the life and development of the Group. Today we can count on about 7 million customers, including retail and companies of every dimension.



The Group cultivates relationships with its suppliers based upon principles of reciprocal transparency and correctness, starting with the selection processes, which prioritise expertise and competitiveness with the aim of creating an economic advantage, as well as technical and operational advantage, for the Group.



Environment

We believe in a sustainable development, which respects the environment as the vital context in which we operate. Therefore, besides complying with important commitments at international level on this issue, we also try to direct our activities to the reduction of environmental impacts and we support initiatives aimed at environmental protection.



People

Over 48,000 people work in the Group. The Group's success depends on them. Therefore we consider the exploitation of their professionalism the center of the personnel management and development policies and systems.



Shareholders

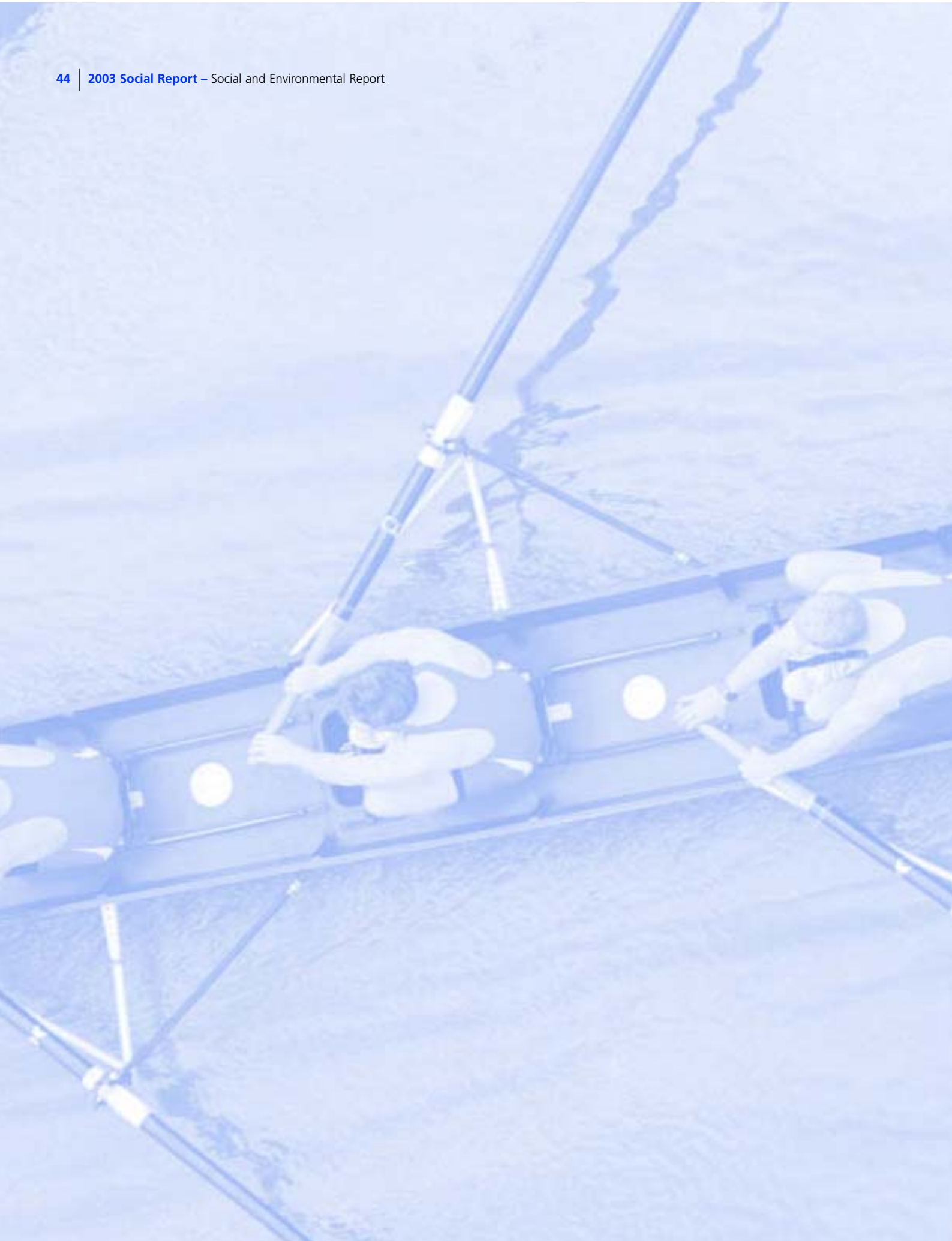
The first 13 shareholders of Sanpaolo IMI hold at 31/12/2003, about 47% of the Bank's ordinary share, while the remaining 53% is disseminated in the market among more than 185,000 Italian and foreign shareholders.



Community

We offer the services of a big banking and financial Group to households, companies and Public Authorities at all levels, in every Italian region and in cities and towns of every dimension, favoring the development of the territory and of the local communities and at the same time, dedicating constant attention to specific local situations.





Social and Environmental Report



Contrasto



Customers

VALUES

Creation of value

Value in detail

Our work aims to produce real benefits for our customers, and is directed at producing results that are -and are perceived-- as consistent with their expectations and corresponding to the economic return expected.

Customer orientation

We want our customers to feel they are guided by a working organization that focuses on their concrete needs and that is available for dialogue and with good listening abilities.

Integrity

We believe that, in the long term, loyalty and transparency in dealing with customers will translate into further sources of benefit for the entire organization.

Commitment to excellence

Through the Network of branches and all virtual channels, we want to offer our customers easily accessible, quality products and services, integrated with the convenience and wealth of information available from technological instruments.

Growth in observance of specific qualities

We operate in order to ensure that the highest attention is paid to individuals and, in particular, to the needs of specific categories of customers.

Responsibility in the use of sources

We aim towards the responsible use of financial resources in order to bring together, through our daily work, the need for savings protection and deposit remuneration for families with the financing needs of the entrepreneurial world.

The approximately 7 million customers constitute the first and most important asset of the Group: customer orientation and centrality are the founding values of the Group. Our efforts are oriented towards products and services of excellent quality, as well as profitable dialogue and collaboration, whose final objective is the establishment and maintenance of lasting and trust-based relationships.

VOLUMES OF ACTIVITY (Bank Networks' data)

North West	Value	Market Share
Loans	36 billion euro	7.6%
Financial Assets	111 billion euro	
North East		
Loans	28 billion euro	11.8%
Financial Assets	57 billion euro	
Center		
Loans	20 billion euro	7.0%
Financial Assets	30 billion euro	
South		
Loans	10 billion euro	16.1%
Financial Assets	36 billion euro	
Islands		
Loans	2.6 billion euro	6.5%
Financial Assets	5 billion euro	

Loans broken down by branch's province. Source of loans' data: Banca d'Italia.



Key specialization and proximity principles

The branching of the Group through Bank Networks responds to the need of maintaining a strong link with the territory, emphasizing local rooting and knowledge of customers. The principle of proximity, which translates into an extended local presence, is linked to that of specialization, which involves the movement from a full service branch model to a specialized branch model combining a diffuse presence on the territory with the possibility of offering specialized consultancy in order to more effectively and adequately respond to customer needs. The choice of this model has led to the current configuration which, together with retail branches, includes private operational points -- directed at customers with greater financial resources-- and branches dedicated to companies.

The strong coordination across the territory through Bank Networks or Areas guarantees a suitable presiding over the territory, even while considering the specificity of the diverse territories.

SANPAOLO

**SANPAOLO
BANCO DI NAPOLI**

**CASSA DI RISPARMIO
DI PADOVA E ROVIGO**

CARISBO

**CASSA DI RISPARMIO
DI VENEZIA**

**BANCA POPOLARE
DELL'ADRIATICO**

FRIULCASSA
CASSA DI RISPARMIO REGIONALE

Investment and Commercial Policy

On the basis of the projects started in 2002, 2003 witnessed the implementation and presentation of the two "value papers" containing guidelines --one for the delivery of investment services to retail customers, and the other for company credit servicing.

These policies, which will be described in more detail in the sections dedicated to retail and company customers, underline the importance of operating in the interest and for the satisfaction of customers, and with the commitment to offer competency, professionalism and the respect for the ethical principles recognized by the Group.

Multi-channeling

SanPaolo IMI is on the cutting edge for constant development of its multi-channeling services, both to retail as well as corporate customers who use the Internet, fixed phone and mobile phone channels. The Group has for some time been strongly involved in the offer of easily accessible products and services, integrating the traditional assistance of a "traditional bank" with the convenience and information wealth of technological instruments. In addition, special attention has been reserved to a particular set of customers that are more "evolved" from the IT perspective, such as youth and companies, who prefer the facility of use and flexibility that are typical of a multi-channel environment. Through Direct Bank, retail customers can operate on their accounts and investments through the Internet, fixed phone or mobile phone without having to go to a branch and at any time of the day. As far as company customers are concerned, these can take advantage of a wide variety of online commercial services which allow a more efficient management of the company's financial processes and also constitute a convenient tool for the access of information of diverse nature. The Internet channel, in particular, is therefore used not only as an operational tool but also as a knowledge acquiring instrument.

The Clear Deal Project

"Clear Deal" (PattiChiari) is a project promoted by ABI (Italian Bankers Association) directed towards the improvement of the relationship between the bank and its customers and with particular reference to the values of comprehensibility, awareness, compatibility and clarity in communication, and which involves teller operators and users every day. The objective of the Clear Deal Consortium --an autonomous entity initially constituted of 13 banks, including Sanpaolo IMI-- is to supply the customer with simple and concrete instruments that facilitate the

understanding of banking products and allow easy comparison of the offers of several banks in order to choose the product that is best suited to one's needs. In this way the customers, now made more aware, can take on a more active role in their relationship with the bank. Sanpaolo IMI has participated in the development and realization of "Clear Deal" and, together with Sanpaolo Banco di Napoli, has adhered to all the initiatives undertaken so far, committing considerable organizational, training, IT and financial resources to the project. Carisbo, Friulcassa, Banca Popolare dell'Adriatico and Cariparo, have so far adhered to the "F.A.R.O." initiatives and to the "Clear Information on Structured and Subordinated Bonds", while Carive, in addition to the two initiatives cited above, has adhered to the "List of Bonds with Low Risk and Return". Clear Deal can be broken down into eight initiatives that refer to the savings, credit and service sectors and which will be further analyzed in their sections of stakeholder impact and for which the following calendar was set:

15 October 2003

1. FARO (Online ATM detection): a service which allows the user to use the Internet or phone to determine the location of the nearest functional ATM.

15 November 2003

2. A list of bonds of low risk and return: an instrument designed to make customers aware that a greater return comes with a greater risk.
3. Clear information on structured and subordinated bank bonds: an information tool created for the purpose of facilitating understanding of complex securities and to make the investor aware of the risks associated with this type of investment.

15 December 2003

4. Evaluation criteria of the credit capacities of SMEs: a manifesto with a clear and simple indication of the criteria with which banks generally evaluate loans to small and medium-sized companies.

15 January 2004

5. Bank account comparisons: an Identity Card with the clear and easily understandable indications of the characteristics, services and prices of bank accounts.

15 February 2004

6. Basic banking service: a product which makes all basic banking services available and easily accessible for simplicity and costs to all parties that today do not have a bank account, ranging from youth to retirees.

15 March 2004

7. Average response times on credit for small companies: communication aimed at allowing one to know, in advance, the time that a bank will typically need to provide a (positive or negative) response to a financing request.
8. Definite availability times for sums deposited by check: communication on the timing for judicial availability of sums deposited by check on one's bank account.

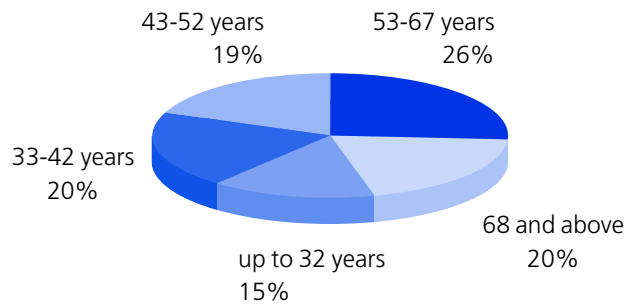


In order to make project initiatives more visible to customers, the Clear Deal Consortium has decided to characterize them with a "quality brand" --the "Clear Deal" brand-- which guarantees the adherence of the individual bank to the predefined organizational, procedural and communication rules that are codified in relative "protocols". For greater customer protection, an independent certification entity is periodically required to verify each individual adhering bank's respect for these protocols. Sanpaolo IMI has already started a pre-certification process of the first three initiatives: from this survey, "an adequate level of application of the Clear Deal protocols, the object of evaluation," was determined. The pre-certification was conducted in conjunction with the CisoCert company (for the part relative to Management and Central Services) and the Det Norske Veritas company (for the part relative to bank branches).

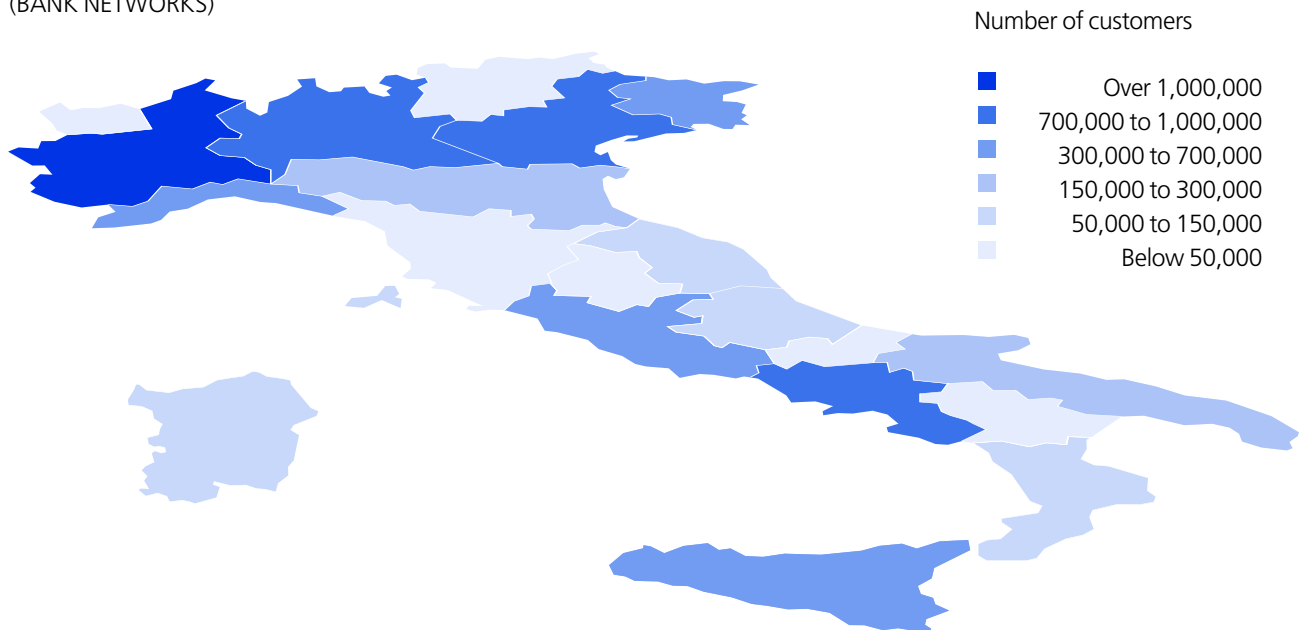
Retail customers

The Group's Bank Networks have a total of 5,600,000 retail customers covering all age groups and the whole peninsula.

BREAKDOWN OF RETAIL CUSTOMERS BY AGE
(BANK NETWORKS)



TERRITORIAL DISTRIBUTION OF RETAIL CUSTOMERS
(BANK NETWORKS)





Piero Ottaviano

Customer Satisfaction

As previously described, one of the primary strategic references for Sanpaolo IMI Group is customer orientation. This value is expressed in specific actions and systematic developments of constant improvement. The Customer Satisfaction program is an integral part of the overall strategies for improvement of our relationship with customers, and represents an instrument for keeping the satisfaction level of the customers under control and for defining which interventions have priority in increasing that satisfaction.

The work plan involves two levels of investigation:

- A micro level, finalized towards supplying detailed indications on specific topics. In the course of 2003, five market analyses were conducted in relation to satisfaction levels of Sanpaolo IMI customers (and in some cases even the interest of non-customers) on single commercial initiatives. This research was conducted through 3,456 quantitative telephone interviews, 40 qualitative telephone interviews and 64 individual interviews. In addition, approximately 11,000 telephone interviews with
- Sanpaolo IMI and Sanpaolo Banco di Napoli customers were conducted in order to evaluate the quality of delivered services using the Customer Satisfaction measure. From this investigation, it was determined that, on the basis of an evaluation scale of 1 to 10, more than 50% of interviewed customers expressed an overall satisfaction level of over 8 for the services offered by the bank. This percentage surpasses 70% when referenced to overall satisfaction with respect to the personnel of the bank branches, and in particular referred to the courtesy and availability of the personnel itself.
- A macro level, finalized towards supplying information on the satisfaction or dissatisfaction elements of Italians with respect to all banks and conducted by the ABI Customer Satisfaction Observatory of the retail segment. In the course of 2003, a survey on Competitive Positioning (not yet concluded), and to which the whole Sanpaolo IMI Group is taking part, was launched. This survey will involve 300 phone interviews for each bank of the Group.

Specialization: differentiated service models

The evolution of customer needs, in particular related to new security and protection needs expressed by the consumer, induces an ever increasing development of the capacity to build and maintain a solid relationship with the customer: the commitment of the Sanpaolo IMI Group, in this sense, has consolidated into the development of a distribution scheme based on service models differentiated by customer segment.

In this light, the diffusion of an organizational model based on specialized modules capable of combining a targeted and personalized commercial approach with an elevated level of distributive efficiency was completed in the course of 2003 in the Private and Retail Branches. The evolution of this organizational model responds, in fact, to the customer "proximity" criterion and aims to build, through integrated action with operators based on "team play" logic, a lasting relationship with customers that is based on professionalism and the knowledge of the customer's needs. For this purpose, professional specialized positions, with relative training investments of considerable entity and aimed at developing professionalism, will be created for each market segment.

The Family Segment

The Family segment is composed of customers characterized by medium to low asset levels and generally without sophisticated expectations, but with good potential for operational development.

The "first line" access to the branch, which gives the customer the first sensation on quality level in terms of reception, professionalism and service, has been subject to significant interventions that were completed in the course of 2003; these interventions involved:

- Operational/information instruments, aimed at improving customer knowledge and as a result

personalizing the relationship, as well as making the communication between the Registered Office and the Network more efficient and dynamic;

- The structural innovation and accessibility to "electronic channels", with the implementation of the new ATMWeb and the first implementation of ATM services dedicated to the blind, while beginning to place strong attention on the education of customers for the widespread use of non-teller channels for the execution of the more common banking transactions;
- Training of human resources on both relationship and specialistic topics, with 400 delivered days totalling 8,700 labor days.

Private banking

Development activity of the new service model continued in 2003. All completed interventions (and those yet to be completed) are characterized by a high propensity for improvement of the service level offered to customers of higher standing, and pursued through:

- The capillary presence of specialized structures presiding over a segment (69 private points, 170 private consultants as of December 2003);
- Widening of the dedicated product and service range;
- The constant development of the professionalism of resources dedicated to the management of retail customers (MasterPrivate and training courses on non-financial consulting services).

Small business

The Small Business segment, composed of small-scale entrepreneurs and professionals, presents specific elements both on the part of retail customers as well as company customers: please consult the "Corporate Customers" section for further details.



Piero Ottaviano

Meeting customer needs

Current Accounts

During 2003, relationship activity with respect to the Under 18 target group was consolidated through conversion activity towards the new strategic line and the “Happy Birthday” initiative. At the moment of the opening of Benefit Under 18, he/she may choose from a series of gifts (such as atlases and magazine subscriptions): the insertion of WWF (World Wildlife Fund) and Unicef amongst the opportunities of choice has attracted the interest of 3,000 young men and women with a total of 20,000 opened bank books and an adherence rate of about 15%. The range of current account products was also enriched with Benefit Start --Basic Banking Service, a simple and low-cost account aimed at easing access to banking services for those who still do not take advantage of them (see more on this in the “Community” section).

The whole range of currently available products from the Sanpaolo and Sanpaolo Banco di Napoli Network is currently being spread to the other Networks and in accordance with the integration plan of the Group.

Executive Program

The Executive Program continued throughout 2003; this program allows the accumulation of points through the use of services, as well as banking and investment products connected to the Multibenefit account. These points allow members to obtain prizes or to offer donations to non-profit entities. During 2003, the requested donations from our customers, using the conversion of their Executive points, were the following:

	Number	Amount (euro)
100 euro AIRC*	111	11,100
500 euro AIRC*	27	13,500
100 euro FAI**	13	1,300
500 euro FAI**	5	2,500
100 euro Save the Children	8	800
500 euro Save the Children	1	500
Total	165	29,700

* AIRC Italian Association for the Research against Cancer

** FAI Italian Foundation for the Environment

Insurance products for protection needs

Always in light of customer orientation, Sanpaolo IMI offers insurance products that are strongly focused on the protection of the individual, the family and their assets. With reference to protection of the individual and pensions, the offer proposes an insurance policy that protects the customer and his family from events related to health and the possible financial repercussions derived from it. In relation to pensions, the Open Pension Fund allows the establishment of an integrated pension to which it is possible to accede by both individual as well as collective adhesion; the Individual Pension Form (FIP, "Forma Individuale di Previdenza") allows the single individual to build up a flexible and personalized complementary pension; the rates of return --immediate or deferred-- sustain income delivery in periods of inactivity. In addition, three accessory guarantees can be activated at any time:

- *Long Term Care*, which insures against the risk of lacking self-sufficiency in everyday life;
- *Permanent Disability*, which covers the risk of total and permanent disability as a result of disease or physical lesion;
- *Dread Disease*, which covers the risk of insolvency of certain diseases or particular situations.

Investments for pension plans draw inspiration from the principles of integrity, rectitude and caution, allowing the underwriter a greater level of serenity for his or her elderly years. In reference to the protection of physical assets, the fire policy protects the most valuable good: the home. We are therefore particularly sensitive to that which represents the primary asset base of the individual; at the moment of delivery of the mortgage, the insurance policies connected with it protect the customer and his/her family from unfavorable events relating to the individual or the home, while extinguishing residual debt. In the future, it is our intention to pursue a path of excellence and total attention to the protection needs that are expressed by the customers, as the latter remains our highest prioritized center of attention.

Mortgages

All the banks of the Sanpaolo IMI Group have adhered to the European Code of Conduct for home mortgages. Sanpaolo IMI and Sanpaolo Banco di Napoli are completing activities for the attainment of the certification UNI EN ISO 9001:2000 of the mortgage concession process and, according to forecasts, the first approach with the certification companies should take place within April 2004.

Carisbo, Carive and Cariparo have also placed particular attention to the residential necessities of young families for which the

1. For example a mortgage lasting up to 25 years reserved for borrowers that are up to 40 years of age, and with a favorable starting rate set at 2.95%. In 2003, Carive issued 1,000 mortgages of this type, for a total of 91 million euro while Cariparo issued 1,721 for a total of 150 million euro.



Laura Ronchi

commercialization of special mortgage forms with particularly advantageous economic conditions have been started¹.

Financing to Students

Particular attention is dedicated to university students. Carisbo, for example, proposes soft financing for participants in the post-university master Almaweb (Management & IT). The maximum value of the financing is equal to the tuition of 10,500 euro. Students pay a soft rate of 2% and to which a contribution by the Carisbo Foundation is added. In 2003, 22 of these financings were issued for 135,000 euro, while 57 are already under amortization.

A non-finalized zero-interest rate financing is connected to a packeted account of Carisbo targeted at youth (already named Click@Work) and with a maximum value of 1,500 euro. At the moment, the financing exists with about 1,500 young men and women.

Cariparo, in addition, has confirmed for 2003 the special line of credit known as "prontoPRESTITO MASTER" ("Quick Master Loan"), reserved for students that intend participating in the post-university training courses organized by CUOA– Centro Universitario di Organizzazione Aziendale ("University Center for Company Management")– Altavilla Vicentina (VI).

This initiative will include the concession of loans of value up to 18,000 euro and of a maximum term of 48 months (including a period of pre-amortization of 12 months), and with soft rates (0%

in the pre-amortization period and the first instalments decreased successively by 1%). For this purpose, a ceiling of 400,000 euro has been allocated.

Payment Systems

Sanpaolo IMI is capable of offering its customers the possibility of reaching any other bank located within the territories of the European Union in the span of two working days: the objective is to make the conduction of commercial transactions in Italy or in any of the other member states of the Union completely indifferent to customers, both in terms of price as in execution times.

In order to supply the Sanpaolo IMI customers with the same efficiency --even for operations with banks located in countries that will enter to become part of the European Union from 1 May 2004 -- the stipulation process for commercial agreements, regarding services guaranteed with the most important credit institutions in the so-called acceding countries, has been initiated.

In the course of 2003, Sanpaolo IMI has also promoted, developed and adhered to a new system known as EBA STEP2, which represents the first concrete realization of a Pan-European clearing house.

Particular attention has been dedicated to the specialization of prepaid cards, also with the aim of allowing access to electronic money tools to social strata that are typically not users of electronic payment methods or which do not have bank or postal accounts. Amongst these new functionalities, the automatic crediting of a salary on the part of Companies or Entities has been made available.

Sanpaolo IMI is also particularly sensitive to the needs of people who are resident in Italy but are not European citizens. For this reason, in the course of 2003, the planning foundations were laid for an initiative aimed at directly executing fund transfer operations, from every operational point, towards the respective countries of origin of people who have immigrated to Italy. In order to attain this goal, Sanpaolo IMI is completing a series of commercial agreements with the most important banks located in these countries in order to sensibly reduce the commissions and execution times of the operations in question. In this light, a new product called "Money to Family" will be made available in 2004, and whose purpose is to satisfy the needs described above.

It is similarly important to highlight the fact that the relevant authorities have confirmed the certification in accordance with UNI EN ISO 9001:2000 for planning and delivering European Union and international payments even in 2003.

Multi-channelling

Sanpaolo IMI has decided to develop direct channels (Internet, phone and mobile banking) in close integration with the branch Networks --on the one hand valuing the content of the relationship and the assistance of the "classic

bank", while at the same time offering the customer the comfort and wealth of information of the most sophisticated technological instruments. In addition to going to a branch, the subscriber of the Sanpaolo multi-channel service can in fact operate --from home-- on their bank accounts and investments in a simple fashion and at any time of the day. Internet banking allows a great number of operations to be executed from one's PC; phone banking allows operations through a simple phone call and mobile banking directly from the mobile phone.

The Internet Banking service for retail customers has been certified according to the BSS 7799 standard of the company Det Norske Veritas.

As far as offered services are concerned, in 2003 the service for payment of post office paying-in slip for contracted companies has been activated; in 2004 this will be extended to the payment of all types of post office paying-in slip. Even in the course of 2003 there has been a considerable increase in the use of direct channels with respect to the previous year.

USE OF DIRECT CHANNELS ON THE PART OF CUSTOMERS OF THE SANPAOLO NETWORK

	2003	% Change versus 2002
Year-end contracts	400,000	+23%
Number of banking operations ²	1,000,000	+50%
Number of trading operations of securities and funds	636,000	+12%

These services were further extended in June 2003 to the customers of Sanpaolo Banco di Napoli Network, with a result, at the end of 2003, of 60,500 multi-channel contracts, 80,500 operations including wire transfers, credit transfer systems, cellphone recharges, residential utility charges, tax and post office paying-in slip payments and 42,600 trading operations of securities and funds.

The Contact Unit during 2003 has intensified telephone campaigns in support of commercial development strategies which are also suitable for monitoring Customer Satisfaction and the use of direct channels. In addition, it provided operational support to the integration process of the ex Banco di Napoli within the Group and strengthened assistance services (customer care) to non-multi-channel customers and to the Branch Network. For 2004, further development of these activities is forecasted -- even for the banks of the North East to which the multi-channel services will be extended.

² Wire transfers, credit transfer systems, mobile phone recharges, residential utility charges, and tax and post office paying-in slip payments.

Investment assistance services

The context of reference for the distribution of investment assistance services has become even more complex in the course of 2003. Certainly, there has been an increase in the sensitivity of savers with respect to different risk factors which could affect the medium/long-term stability of the economic well-being of the average family. This has to do with factors related to the financial sphere, such as the evolution of economic variables and the development of the creditworthiness of issuers, but also to events of another nature, such as unpredictable events that can affect the individual or non-financial assets. The increased sensitivity to these themes has also offered favorable grounds for the continuation of activities started in the course of 2002 within the Client Financial Planning Project.

The particular emphasis that Sanpaolo IMI places on the distribution of investment assistance services is evident from the approval by the Board of Directors, on 14 May 2002, of the general structure and criteria of the "Guidelines on Sales/Allocation Activities to the Public of Savings and Risk Management Products". These guidelines, as far as the activity of the allocation/sales of securities to customers is concerned, propose rules of conduct that aim to protect the private investor through:

- the strong commitment to communication with the public and maximum transparency of information on the risk levels of proposed investment products,
- coherence between investment selection criteria proposed to customers --and the subsequent monitoring of existing portfolios-- and the direction adopted by the Group for the assumption of credit risks and for shareholding investments.

In April 2003, the Investment Policy document -- incorporating both the behavioral rules for all those who assist customers on investments, as well as the commitment of the Central Office to complete support systems, commercial practices and products coherent with the Policy principles-- was officially presented to the Sanpaolo Network and Sanpaolo Banco di Napoli. In accordance with that enunciated in the Policy, several operational tools were completed in the course of 2003:

- The new manual, "Investing Today- Client Financial Planning";
- The new WorkStation;
- Benchmarking of portfolios and the commercial analysis tools for customers.

These tools are available on the Sanpaolo Network and are being spread to the other Networks in accordance with the integration plans of the Group.

The diffusion of the Investment Policy principles and the knowledge of the new tools has been made possible by the implementation of a training plan that involved the distribution --between May and December 2003-- of about 8,000 classroom days on the Sanpaolo and Sanpaolo Banco di Napoli Network.

The distribution of the training plan was conducted with the contribution of a task force of over 150 trainers of the two Networks, and which will continue their activity in 2004 with the distribution of an additional 4,000 classroom days for a total of over 12,000 classroom days.

The manual, "Investing Today- Client Financial Planning"

This manual, aimed at all the consultants and managers of the Network, is a tool for orienting oneself in the world of investments and systematically collects the primary information support on the product range and the new commercial orientation for Customer Financial Planning needs.

Il contesto di riferimento	<ol style="list-style-type: none"> 1. Introduzione ed indice dei prodotti di investimento 2. "Investment policy" 3. Client Financial Planning 4. Esigenza di Liquidità 5. Esigenza di Previdenza e Copertura Assicurativa 6. Esigenza di Protezione del Capitale 7. Esigenza di Accumulazione 8. Esigenza di Speculazione (derivati) 9. Il comportamento degli investitori 10. Normativa di riferimento 11. Approfondimenti 12. Tariffario e Benchmark Prodotti 	Gli statements finanziari dell'Investment Policy
L'orientamento per esigenze		Spunti sulla psicologia dell'investitore
I prodotti		Temi finanziari, assicurativi e previdenziali
Spunti di riflessione		

The manual, distributed for the first time in the course of 2003, will include annual updates, but all product specifications are posted monthly on WorkStation. The contents are not limited to the commercial aspect but also cover the principal financial and legal topics that are necessary for the delivery of investment assistance services. Particular emphasis is placed on the issue of risk, with the objective of providing support in order to facilitate correct communication with Customers on the risks linked to each type of investment and therefore to promote awareness in investment choices.



Piero Ottaviano

The new WorkStation

The new WorkStation concretely incorporates the investment assistance model illustrated in the Investment Policy. It is an Intranet tool available to all of those whom, in the branch, manage private customer portfolios. The tool comprises a series of functionalities that accompany the preparation phase for the customer meeting as well as the meeting itself.

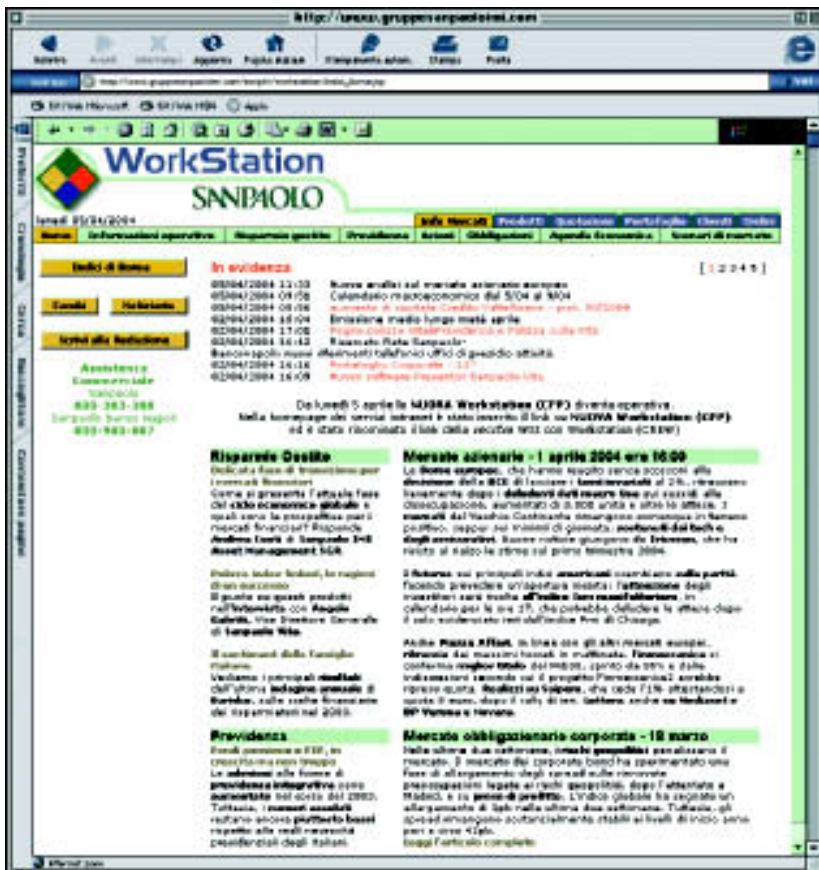
WorkStation draws inspiration from the careful analysis of the customer’s financial needs and the constant verification of portfolio coherency with respect to customer’s objectives and to the latter’s risk tolerance. In addition, the tool systematically combines all the economic, financial and product information necessary for the day-to-day activities of consultants and managers, allowing a reduction in collection times and an enrichment of the qualitative content of customer meetings.

In accordance with the Operational Notes of the Investment Policy, the WorkStation allows the user, amongst other things, to:

- Determine the return on the investment portfolio of the customer, providing updates on the course of ongoing investments with information on the value and return of the portfolio in a specified period of time;
- Analyze the customer’s portfolio, highlighting the different risk factors to which the customer is exposed (e.g. market risk, issuer risk, demographic risks, etc.) and measuring the intensity of the latter, including the “Value at Risk” of the portfolio of the Customer;
- Identify the needs of the customer by testing the latter’s risk tolerance;
- Propose the best suited commercial strategies to satisfy each need;
- Monitor the investments of the customer in order to constantly verify coherence with the evolution of the former’s personal characteristics and investment objectives.

The tools that are available through our Network also include:

- Portfolio benchmarking, aimed at providing a clear sense of the commercial efficacy of the activities of the consultants/managers through the analysis of relevant indicators both from a temporal point of view and in comparison to other consultants/managers;
- Some “query” tools which allow a punctual verification of the composition of customer portfolios as well as the realization of commercial initiatives that are increasingly in tune with the financial profile of the customer.



SANPAOLO WM

WEALTH MANAGEMENT

Sanpaolo IMI Wealth Management (SPWM), which contains eight product companies, is a Sanpaolo IMI Group holding that is active in consulting services and asset management. Created in the second half of 2001 (and operational since January 2002), SPWM was the first company within the banking group to have combined asset management and insurance activities within one entity, eventually becoming one of the primary Italian operators in the asset management sector. The mission of SPWM is to be the center of excellence for asset management and insurance products in support of the Group's Bank Networks and for the development of a wide range of complete, coherent and effective offers within asset management. Outside the Group, SPWM is determined to be the leader in the institutional market through a range of offerings that is innovative and strongly services-oriented.

SPWM manages assets of almost 115 billion euro as of 31/12/03, with a market share of 12.1% in common funds and 9.3% in capital asset management. Funds raised in 2003 exceeded 4.7 billion euro in asset management products and touched 6 billion euro for insurance products. Operational results and the primary initiatives being undertaken were presented in a meeting with SPWM and the financial community on 6 October 2003.

Commitment to transparency

In the light of making customer relationships more transparent, SPWM has been involved, in the course of 2003, to the preparation and distribution of numerous informational documents, including the following:

- a commentary on Individual Management, which is composed of a market analysis and a synthesis of chosen management strategies and operational choices;
- "Fund News" and "International Fund News", monthly publications which contain the product specifications of Italian and Luxembourg funds, detailing their principal characteristics, assets, portfolio composition, returns and benchmark comparisons.

A post-sales call center is also dedicated to final customers and capable of offering specific product details or information on the status of requests submitted to the companies of the Group.

In relation to Business customers, SPWM presents itself as

the primary intermediary of the networks by supplying consulting and support for its distributed products. For this reason, a specific help desk service has been created to offer pre- and post-sale assistance on the composition of fund portfolios, performance analysis, market consultancy and management of administrative procedures.

ETHICAL SYSTEM

SPWM, through Sanpaolo IMI Asset Management SGR, was one of the first Italian operators to introduce products based on "socially responsible" investments into its product range. SPWM currently manages 4 common funds which are part of the "Ethical System" of the Sanpaolo IMI Group: from '97, this included 3 common funds under Italian legislation (International Ethical Shares, Ethical Bonds, Foreign Ethical Bonds) and to which was added, in December 2003, the Ethical Venezia Serenissima fund. On 31 December 2003, the managed assets were equal to 867 million euro, or 1.8% of the common funds managed by Sanpaolo IMI SGR and 1.4% of the total funds of SPWM.

Investment Process for Ethical Funds

The investment process is based on three key elements:

External selection process of investments

- selection of investments on the basis of both positive (inclusive principle) and negative (exclusive principle) criteria.
 - Positive criteria aim to identify the presence of ethical characteristics in the analyzed companies or entities. They verify:
 - if the issuer is a nation, the safeguarding of human rights, the commitment to settle conflicts and to create the conditions for stable and pacific dialogue between peoples and nations, and the intervention in support of underdeveloped countries or those afflicted by wars or natural catastrophes;
 - if the issuer is a company, the sensitivity demonstrated towards environmental conservation, commitment to activities and projects that can contribute to an improvement of quality of life, attention to quality and security of products and to the health and security of workers.
 - Negative selection criteria identify the three areas considered in contrast with ethical principles, by investigating:

aforementioned heritage. Particular interest is paid to the necessities of the “Teatro Fenice di Venezia Foundation” and to that of the “High Studies on Art Foundation” (Assogestioni category: Mixed Bond Funds).

Donation modalities

The possibility for undersigners to donate part of the proceeds to the Ethical Bonds fund is being contemplated, and in any case Sanpaolo WM has committed to donate, on a yearly basis, at least 0.01% of the overall capital assets of the Ethical Bonds, Foreign Ethical Bonds and International Ethical Shares funds, as well as a part of the management commission of the Venezia Serenissima Ethical Fund. The Associations which received these donations in 2003 were a total of 17⁶, in addition to the financing of 8 specific initiatives⁷, and which all together totalled 126 thousand euro.



Ethical Offer to Institutional Customers

SPWM offers its institutional customers, through Sanpaolo IMI Institutional Asset Management, the following services:

- capital asset management;
- advisory and SRI (Socially Responsible Investment) portfolio optimization;
- control system.

Sanpaolo IMI Institutional Asset Management currently manages Socially Responsible Investments on behalf of five investors, including the Cariplo/GEO Foundation, the pension fund Previambiente and religious entities for a total of 74 million euro.

The control system for management makes use of the same Ethical Committee described within the Ethical System.

SRI Initiatives in 2003

During 2003, SPWM participated in thematic seminars (e.g. “Finance and Ethical Values: Perspectives” at Carisbo) and international working groups such as the United Nations program (UNEP) sensitizing public opinion on the theme of Socially Responsible Investments.

UNEP (United Nations Environment Program) is an initiative launched by the United Nations in 1972 with the objective of encouraging sustainable development. From the beginning of its activity, UNEP has worked in close contact with companies in the development of management strategies that respect the environment and society. This led to the birth of a partnership in 1992 called UNEP FI between UNEP and certain financial institutions --partnerships which in the span of 10 years have collected the adhesion of more than 275 highly representative companies on a global scale.

The mission of UNEP FI is to promote the adoption of sustainable and environmentally friendly practices within financial institutions and at all levels of operation, even in the selection of investment opportunities.

Within UNEP FI, four working groups were created:

- *Asset Management*
- *Climate Change*
- *Environment Management, Reporting & Indicators*
- *Financial System, Global Compact*

In detail, the Asset Management working group is composed of 12 primary companies for a total of 1.6 billion US dollars of managed assets and including the only Italian company, SPWM.

Amongst the numerous initiatives started by the Asset Management working group, there are a few that are particularly worth noting. For example, assuming that an effective corporate governance and the application of principles of social responsibility are prerequisites for business sustainability, the working group has launched a project with the objective of:

- identifying corporate governance practices and relationships between shareholders and companies in various markets;
- quantifying the existing correlation between a management style based on sustainability and economic results;
- highlighting investment opportunities and the risks associated with climate change and the conservation of biodiversity.

The results of this analysis are particularly significant for the implications they may have on investment processes that are applied not only to ethical funds, but also to traditional ones.

Market Research in 2003

In order to understand retail customers orientations with respect to SRI and to offer products in accordance with customer needs, SPWM has commissioned, in 2003, specific market research to the company Eurisko-Prometeia.

3. The first ten shareholdings held by Sanpaolo Ethical Shares as of 9 February 2004, are: Microsoft Corp Usd, Intel Corporation Usd, Vodafone Group Plc Gbp, Hsbc Hld./Ion Plc Gbp, Bp Plc Gbp, Cisco System Usd, Glaxosmithkline Gbp, Nokia Ab Oyj Eur, Shell Transport Trad. Gbp, American Intl.group Usd.

4. The principal issuers on which the Ethical Bond funds invest are reported here in synthesis – Governmental: Belgium, Germany, Greece, Holland, Spain – Internationals: KfW, BEI, CAF, IADB – Corporate: Rabobank, Ing, Telecom Italia, Unicredit, Aviva.

5. As of 31/12/03 the managed assets were equal to 867 million euro.

6. Gruppo Abele, Don Gnocchi, Lega Contro i Tumori, Sermig, Opera di San Francesco, Legambiente, Amu, Banco Alimentare, Aism, WWF, Ai.Bi., Fanep, Opera di Santa Teresa, Adventum, A.N.T., Cometa, Fondazione Vita

7. Educational project in Burundi, Project for priests in Benin, Professional School “La S. Biagio Statue” in Senegal, Casa Famiglia for children in need in Romania, “Obra social PP. Dominicos Letrán” in Cuba, support for activities tackling HIV/AIDS in St. Joseph’s Hospital in Uganda, contribution for aid in Georgia.

Problems of asset administration

In the second half of the 90's -as a result of a series of factors based upon the brusque reduction in interest rates that originated from the convergence process towards the single European currency and the rise of global stock exchanges-- a considerable shift was seen in the savings patterns of families from government securities to investments in shares and from these to corporate or emerging market bonds.

Among the reasons that induced a portion of savers to orient themselves towards these choices, the need, on their part, to maintain a high nominal return from public debt securities during a period of high inflation certainly played a determining role. As a result, as these securities reached their expiration dates, investor demand spontaneously moved in the direction of other financial products, such as corporate or emerging market bonds which offer tempting returns. Given the fact that asset management products were not yet particularly well-developed, these corporate and emerging market bonds were widely successful in the retail sector; this was amplified by information spread by financial newspapers.

The peculiarity of the Italian financial market, characterized by a more restricted number of issuers with respect to other European countries that were also affected by the same growth in demand for corporate bonds, has determined a greater concentration level in terms of both issuers and industrial sectors, with the added effect of reducing the possibility for diversification for investors that intend to limit their choices to national issuers.

Another peculiarity of our system is the fact that, because of the different fiscal and legislative regulations, many Italian issuers have preferred to resort to corporate channels and stock exchange listings in foreign markets. This phenomenon --combined with the use of complex corporate structures, often with offshore spin-offs which are allowed by the European law, on the part of Italian industrial groups-- has reduced transparency of both the issuers and the single emissions.

It is therefore in this context that our Group has had to deal with the extremely strong demand for financial products from retail customers who are not always willing, for the reasons stated above, to direct their choices towards asset management despite the fact that the Sanpaolo IMI Group --in its relationship with customers-- has always preferred this typology of products which, with respect to shares or bonds of single issuers, allow a better and more professional diversification of risk.

Single Cases

The Cirio and Parmalat cases, despite the fact that they had similar effects on savers, are very different.

From the industrial model and financial solidity perspective, the two companies were perceived differently: the Cirio Group, because of a very aggressive acquisitions policy, and its financing through the massive use of bank debt, was considered a company characterized by a delicate financial situation but at the same time detaining a strong commercial component through the possibility of exploiting well-known international brands that were dominant in their sector, such as the agricultural/food sector that was not affected by recessions.

The Parmalat Group, which was also in a phase of constant growth through national and foreign company acquisitions, projected, through its own information documents directed at the market, the image of an apparently solid financial position: the substantial net debt was balanced by relevant financial assets that were certified in the consolidated financial statements.

The different financial position of the two groups was further validated by a different evaluation of their respective creditworthiness. While Parmalat was attributed a BBB rating (according to S. & P) which indicates low insolvency risk, the Cirio Group was not rated. The subsequent discovery that asset line items declared in the Parmalat financial statements were in fact totally non-existent makes this a fraudulent case of completely unpredictable proportions.

1. CIRIO

Given the effects of the Cirio insolvency, declared in August 2003, on its customers- savers, Sanpaolo IMI, starting in October 2003, was the first of Italian credit companies to begin verifying whether the investors, when buying a bond - had adequate knowledge of the level of risk that was inherent in that security; this was done without hiding behind the current legal prescriptions.

It was therefore decided to re-examine the acquisition operations of this security on a case-by-case basis, giving particular relevance to substantial factors that could trigger the emergence of cases in which acquisition operations could have been not concretely adequate to the profile of the customer, while keeping in mind the propensity for risk of the latter in the course of his/her banking relationship, as well as the age and education level of the subject and the composition of his/her portfolio at the time of the bond negotiation.

The company organ entrusted to perform these

evaluations is the Technical Audit Committee which offers wide guarantees of autonomy since it is completely extraneous to operational processes and is primarily composed of independent directors, in accordance with that required by the autodiscipline code for listed companies. The evaluation and refund activity, where required and for single customers (the potentially affected investors are about 5,800 at Group level), has already been started and is currently in operation.

2. PARMALAT

Shortly after the emergence of the Parmalat insolvency, declared towards the end of 2003, Sanpaolo IMI and other banks of the Group sought to reduce, as far as possible, the distress caused to their own customers (overall the affected portfolios were about 24,700 for the entire Group) by this exceptional and unpredictable event. For this purpose, Sanpaolo IMI has favorably accepted the creation of a committee of customers detaining Parmalat bonds (see the relevant text box), initially created to freely provide the assistance and representation needed by customers to obtain the admission of their credit in bankruptcy resulting from the legal procedures applied to the companies of the Parmalat Group. In addition, the Committee, in accordance with the terms of its Charter, may also carry out --always freely and without charge to any adherents-- damage claims with respect to individuals who, due to the offices held and functions undertaken at the insolvent companies, may be held responsible for the economic bias subjected to the investors themselves.

In order to support the actions of the committee, Sanpaolo IMI has decided to provide the latter with logistical assistance and adequate financial support, while guaranteeing its total managerial autonomy. Naturally, adherence to the activities of the Committee does not preclude the single customer from providing feedback to the Bank on any failures in adequacy of the effected investment. In this case, the same mechanism of guarantee adopted for the Cirio bonds will be activated, so that the usable evaluation criteria, because of the positive credit rating that Parmalat bonds detained, will focalize attention not so much on the propensity to risk of the customer but more on the quality of his/her portfolio, in terms of an adequate level of risk diversification. If cases emerge where the investments of our customers turn out to be excessively concentrated on Parmalat as an issuer, these will be individually examined in the light of an equitable definition of the specific position.

COMMITTEE TO DEFEND SANPAOLO IMI GROUP PARMALAT BONDHOLDERS

Based on the initiative of a few customers of the Sanpaolo IMI Group who were damaged by the insolvency of the Parmalat Group companies, on 2 February 2004, the "Committee to defend SANPAOLO IMI Group Parmalat bondholders" (in short, Sanpaolo IMI Parmalat Bondholders Committee) was constituted in Turin.

To cover the office of Chairman --which by Charter must be chosen from individuals of recognized economic-financial or legal competence and experience, and who do not hold titles in the credit or financial sector-- Prof. Paolo Vercellone, the eminent magistrate from Turin, was called.

The goal of the Committee is to defend and uphold the rights of the Sanpaolo IMI Group customers that were in possession of Parmalat bonds (as long as they were deposited within the banks and companies of the Group), assisting and eventually legally representing the Adherents with respect to the Parmalat Group companies.

Sanpaolo IMI has defined an agreement with the Committee, committing to supply both the logistical and organizational support needed for the management of the Committee, including the activation of a toll-free number, 800-980-002, and the Internet site cpbclientisanpaoloimi.org, as well as financial support in the form of grants for further needs and including costs for the assistance of external professionals in the legal, fiscal and accounting fields.

Adhesion to the Committee is free, as is withdrawal, and does not involve any cost nor affects any autonomous actions that the Adherent may wish to exercise against those he/she considers responsible for any sustained damages. In order to adhere to the Committee, customers may contact any of the bank branches or Group promoters, through which it is possible to obtain full documentation. On 5 April 2004, over 22,500 customers had adhered to the Committee.

3. GIACOMELLI

The insolvency of the Giacomelli Group had a less relevant impact on the Group's customers from the volume perspective, given that only 480 positions were affected.

In accordance with strategy of the whole banking system, Sanpaolo IMI will provide free representation to customers in possession of these bonds in order to obtain admission in bankruptcy for the credits with the insolvent companies.

In addition, for these securities, customer positions which could have had potential shortcomings in the adequacy of the single effected investment will be re-examined --using the same mechanism described above.

Complaints

In the course of 2003, the total amount of refunds from the Group Banks was equal to 1,012,705 euro, while appeals from unsatisfied customers to the Bank Ombudsman were 263.

	2002	2003	% Change
Accounts & deposits	1,389	1,747	+25.77
Investments	1,589	1,596	+0.44
Financing	1,157	1,031	-10.89
Payment systems	1,529	1,221	-20.14

ARGENTINA

The association for the protection of investors in securities from Argentina (TFA- Task Force Argentina) acts through a mandate of 450,000 Italian investors who retain a nominal value of approx. 13 billion euro, equal to over 90% of the total investment of Italian savers which is estimated at 14 billion euro. TFA works as a non-profit making association with costs completely charged to the adhering banks and including all the banks of the Sanpaolo IMI Group.

This allows the association to be accredited with respect to issuers from Argentina by acting as a reference point of major relevance within the meetings for debt restructuring.

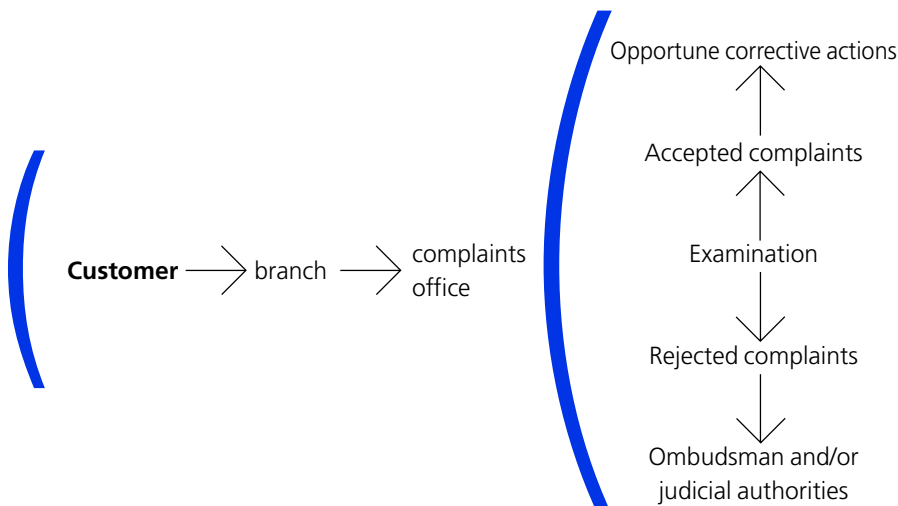
TFA has discussed and negotiated with numerous issuers from Argentina and their relative advisers, attempting to bring weight to the defining discussions of the issuer's restructuring plans.

TFA continues its sensitization activities with the main national and international authorities (Italian government, European Commission, IMF) in order to exert pressure on Argentina and induce it to revise the restructuring conditions proposed up until today.

While remaining aware of the gravity of Argentina's crisis, the objective remains to protect the invested capital, even if with a fair lengthening of expiration dates and a significant reduction in coupon interest.

Updates relative to the association, from 19 May 2003, are available on the ad hoc Internet site, www.tfargentina.it.

	2002	2003	% Change
Direct Banking	357	45	-87.39
Anatocism	47	67	+42.55
Other	490	330	-32.65
Total	6,558	6,037	-7.94



Retail customers: objectives for 2003

OBJECTIVES

Development of commercial policies based on customer needs. Implementation of the Client Financial Planning project through a vast training plan intended for consultants and network agents, implementing the IT tools concerned.

ACTIVITIES & RESULTS

- ✓ Finalization of three operational tools: the manual "Investing Today --Customer Financial Planning", the "Workstation", portfolio "benchmarking" and commercial analysis tools for customers (all available through the Sanpaolo Network and currently being spread to the other Networks).
- ✓ Training plan for the diffusion of the Investment Policy principles and knowledge on the new operational tools which included the issuing, between May and December 2003, of about 8,000 classroom days across the Sanpaolo and Sanpaolo Banco di Napoli network.

Creation of branch organizational models specialized in customer segments: creation of differentiated areas within the same branch, based on specific modules combining distributive efficiency with a personalized commercial approach (personal consultants).

- ✓ Significant training investments for the development of specific professionalism;
- ✓ A new service model directed at retail customers and completed at the end of 2003;
- ✓ A new Private banking model developed in the course of 2003 through:
 - The capillary presence of specialized structures managing the segment;
 - The widening of the range of dedicated products and services.

Growing use of direct channels for repetitive operations which do not require any interaction with the Bank staff. On the one hand, this allows customers to use basic banking services independently and without time constraints and, on the other hand, this gives the bank staff the opportunity to chiefly focus on the analysis of customer need and relational aspects.

- ✓ a 23% growth rate in multi-channel contracts (Internet, phone and mobile banking) with respect to 2002;
- ✓ a doubling of operational activity (1,000,000 operations including wire transfers, bank transfers, mobile phone recharges, etc... in 2003);
- ✓ a 12% increase in securities trading;
- ✓ Internet, phone and mobile banking extended in June 2003 to the customers of the Sanpaolo Banco di Napoli Network with a result --at the end of 2003-- of 60,500 multi-channel contracts and 80,500 operations;
- ✓ Activation of the service of post office paying-in slip payments for contracted companies;
- ✓ Attention given to the education of customers to diffuse the use of channels alternative to the bank teller for the execution of routine banking transactions.

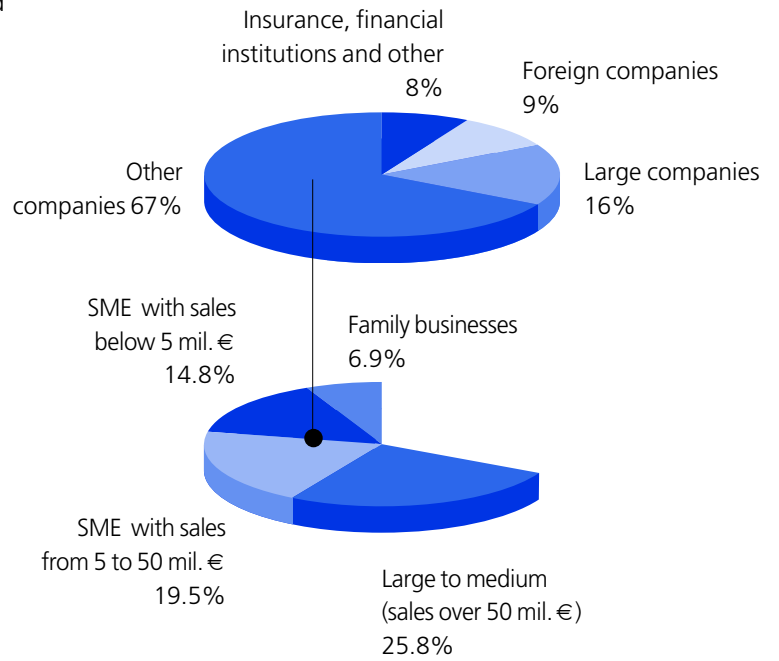
Corporate customers

Customer Profile

The companies with loan commitments to the banks of the Group are about 530,000. The total issued loans to non-financial companies, Italian or foreign, to insurances and other financial institutions totaled almost 82.5 billion euro. Detail of the portfolio is provided in the graphic table.

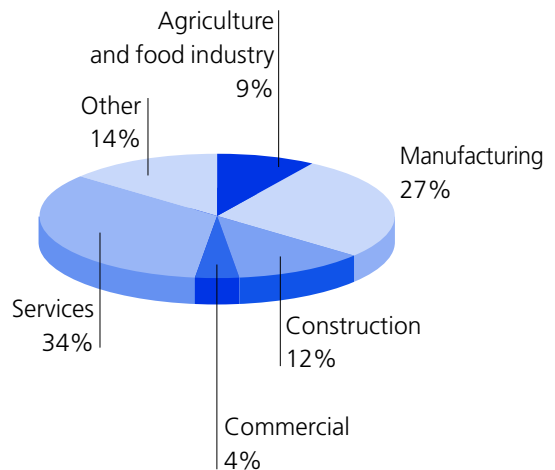
LOANS TO COMPANIES, INSURANCE COMPANIES AND FINANCIAL INSTITUTIONS, BROKEN DOWN BY CATEGORY AND INCOME BRACKET

(excluding non-performing loans)



BREAKDOWN OF LOANS PORTFOLIO TO COMPANIES BY SECTOR

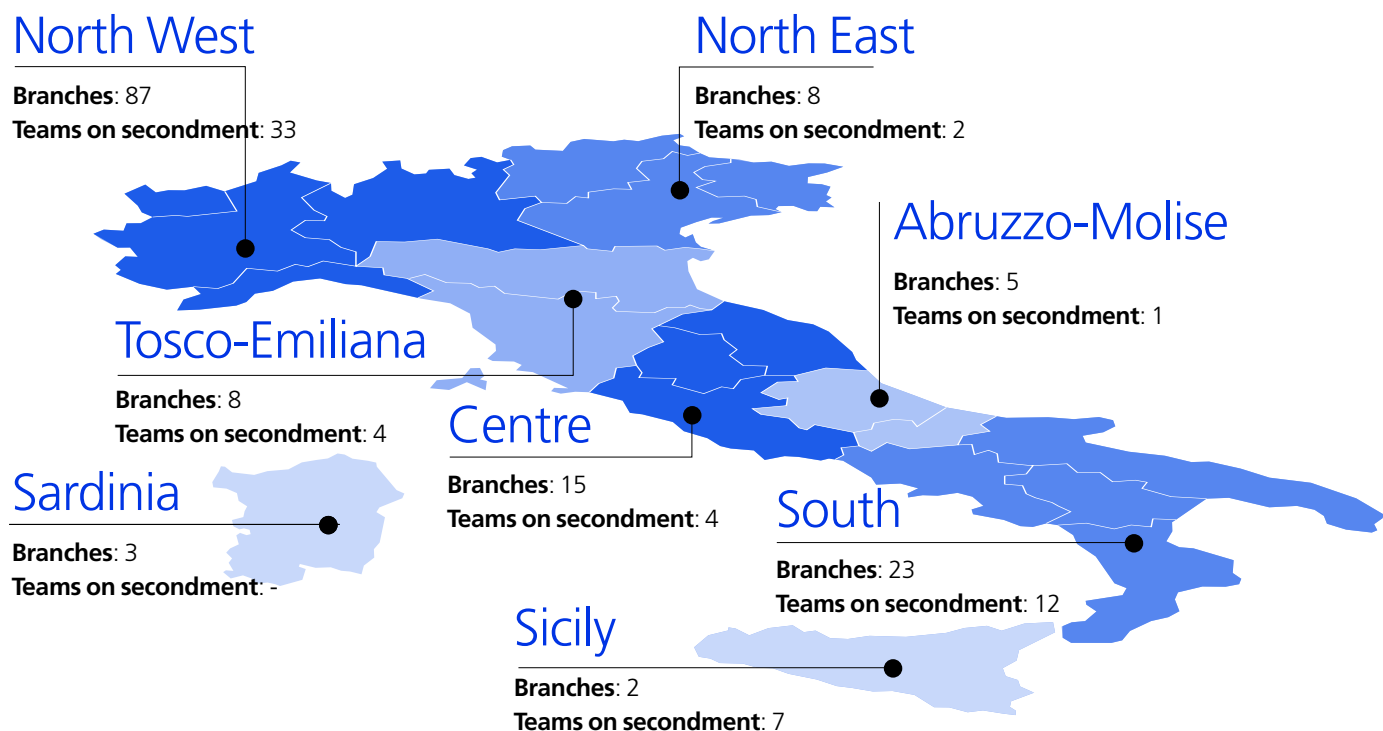
(excluding non-performing loans)



Proximity and specialization

In the course of the last three years, Sanpaolo IMI has brought important changes in the organizational model, aimed at building a personalized relationship with customers, and increasingly based on professionalism, knowledge of the client's needs and enriched with greater advisory contributions. For this purpose, in the second half of 2003, the organizational model based on specialization, already tested in Sanpaolo IMI, was extended to Sanpaolo Banco di Napoli: this process led to the creation of a network dedicated to companies that is today composed of 151 branches and 63 teams on secondment, with a total of 3,000 dedicated resources, of which 700 managers—in other words those individuals whose task is to directly handle the relationship with the client and therefore take care of all the financial needs of the company. This process was supported by careful external communication: in the months preceding the launch of activities, informational letters explaining the changes that were affecting the company's branch, as well as any repercussions these interventions may have on their daily relationship with the Bank, were sent to

all companies customers of operational points that were affected by the organizational variations. External communication activity was accompanied by important internal coordination work, both through meetings with operators in order to share pursued goals and chosen strategies and to predict any potential operational impacts that could develop, as well as through the creation of a task force whose aim was to support the branches in the period immediately following the integration. Internal communication was also linked to the extension of information systems supporting daily management of the client and to training on the new procedures in order to align and homogenize competencies. Particular attention was given to the training of resources on the processes of credit management. To this end, the credit policy of the Sanpaolo network was extended to the Sanpaolo Banco di Napoli resources; this policy is contained in a document called, "Guiding Principles



for Credit Management in the Central Management of the Sanpaolo Network”, in which the “base” norms for credit management are listed with the objective of providing a “risk vocabulary” that is consistent across the two banks.

In the course of the last quarter of 2003, a project for the extension of the branch specialization model was started through the creation of company branches in the network banks of the North East: the first operational phase is forecast for March 2004. Also in this case, using similar initiatives to those described for Sanpaolo Banco di Napoli, maximum attention will be given in order to guarantee, even when the change in the operational systems of the branches will take place, a qualitatively excellent service to the client and continuity in the relationship.

Piero Ottaviano



THE SMALL BUSINESS SEGMENT

The small business segment represents an extremely significant productive reality in the Italian macro-economic scenario. 96% of over 4 million Italian companies have dimensions that are classifiable as small business (about 3.9 million companies). Agricultural companies (over 700,000) and self-employed workers and professionals with VAT registration must also be added to these.

The added value generated by small business productive activities largely surpasses 50% of the national total. In addition, this segment is in constant growth due to the increasing use of self-employment which between 1996 and 2000 grew at a 2% annual rate.

In order to maximize the professionalism and specialization of the resources dedicated to the segment, a national network exclusively dedicated to small companies and professionals was created, consisting of:

- Specialized managers present in all the main operational branches: this is a training project which will involve about 700 resources with the aim of strengthening the technical/professional and commercial qualifications of the professionals dedicated to the segment;
- Area structures with the function of service quality control, analysis of demand evolution, operational support and interface reference with the rest of the Network;
- a central function dedicated to the definition of commercial strategies, the monitoring of the evolution of results, professional development of the Network's resources, the constant drive to perfect the range of offered products and services, and coordination activities of the Network.

This process of greater value creation also includes the Quality Agriculture Project (a complete offer of specific products for the agricultural segment, based upon the various productive lines), collaboration with professional associations, category associations and, last but not least, the loan consortia (Confidi), for the development of initiatives in favor of the those adhering to them.

*In Sanpaolo IMI, the segment includes companies and family businesses with:

- Maximum revenue of 1,050,000 euro.
- Number of employees equal to or below 20
- Loans below 130,000 euro.

These criteria are combined with subjective elements, such as the entrepreneurial style, the structural characteristics of the company, the degree of IT use, the types of information and consultancy, the usage modalities of financial services.

Activities favoring entrepreneurial and local economic development

As illustrated in the company mission, the Sanpaolo IMI Group is committed to promoting sustainable development of the entrepreneurial system as well as local economies, with particular focus on small- to medium-sized companies which constitute the majority and the backbone of Italian entrepreneurial activity. The Group

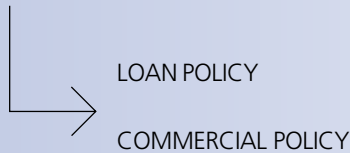
pursues these objectives both by granting loans, which occurs according to the criteria defined in the Loan Policy and the Commercial Policy, and by promoting and actively participating in entrepreneurial projects and companies with risk capital—primarily through the activities conducted by Sanpaolo IMI Private Equity.

ACTIVITY

ACTIONS

EXAMPLES

ISSUING OF CREDIT



- Partnership agreements with the loan consortia (“Confidi”), aggregation organs between entrepreneurs that favor access to credit for companies.

- Agreements between Group Banks and the loan consortia (“Confidi”) of Northern and Central Italy;
- Agreements of Sanpaolo Banco di Napoli with the Confidi di Napoli and those of Caserta;
- Carive has agreements with 31 Confidi and has concluded 3,500 operations in 2003.
- Banca Popolare Adriatico has cooperated with 66 Confidi and has realized, in 2003, 2,000 financings.
- Carisbo has issued, in 2003, over 1,400 mortgages on the basis of 54 partnership agreements with the Confidi;
- Cariparo has concluded, in 2003, almost 4,300 operations on the basis of conventions stipulated with 55 Confidi

Mission

“...perform financial and credit activities through services of excellence directed at...the commitment for sustainable development of the entrepreneurial system, in order to contribute to the overall economic growth of the Country...”

- Support for district activities and excellence and innovative centers.

- Agreement with the wine district of southern Piedmont;
- Agreement with the Consortium for the protection of wine of the Franciacorta district;
- Agreement with the Industrial Union and Confidi of Como for the support of the silk district, with particular attention paid to development needs

- Projects supporting initiatives aimed at sectors, territorial areas or specific projects

RISK CAPITAL INVESTMENT



Promotes and manages funds that invest risk capital in small to medium-sized companies to support their development.

- Product line of funds with territorial focus:
- Fund promoting the risk capital invested in southern Italy with a total capital of 100 million euro;
 - The North West Company Fund, with the objective of collecting 100 million euro;
 - The Centre Company Fund;
 - The pan-European E.A. Partners fund with CDC Ixis and Bayern LB with a capital target between 300 to 500 million euro.



Banca IMI, the Group's Investment Bank, is one of the primary Italian financial operators, with a strong presence in equity and bond placement, specialised financial operations and securities' trading.

The Bank performs financial service consulting for companies; risk and debt capital collection activities; trading on its own and for third parties on a wide range of financial products both on the regulated financial markets and out of the market; structuring and completion of investment products for retail clients; and risk management products for companies and local bodies. In addition, it offers accessory services, including research activities, and clearing and settlements on the main national and international markets in conjunction with services of securities custody and trustee bank.

In addition to Italy, with registered offices in Milan and offices in Rome, Banca IMI is operational in London, Luxembourg—with IMI Bank Lux—and New York—with Banca IMI Securities Corporation.

Banca IMI activities are organized in two business areas: "Global Markets" and "Corporate Finance and Capital Markets". The Operations Area completes the structure: it supports the Bank's operational activities.

Reorganization of the Research Area

In September 2003, Banca IMI decided to redesign the production and distribution of its financial analysis activities by internally distinguishing commercial communication activities or more generally "sales literature"—aimed, in other words, at directly and explicitly supporting the performance of investment services—from that which continues to be defined as research activity, characterized by the presence of financial analysts independent of operational departments.

To the latter typology belong the following research areas: I) global asset allocation analysis; ii) macroeconomic studies; iii) equity segment analyses; IV) retail segment studies.

In order to underline the net separation of the Research structure with respect to operational areas, the organizational solution involving direct reporting to the Managing Director, in place of the previous reporting to the managers of the Global Markets Area, was adopted.

The following belong to other forms of communication of "commercial nature" (sales literature): I) credit strategy products supporting activities/debt in the primary market;

ii) fixed income strategy products (quantitative-statistical analysis products on the volatility and correlation of the variables that influence the course of the financed instruments).

With regards to these activities, the organizational choice that was made was to reallocate some human resources in the business areas as "strategists" in direct support of the sales activities of the Bank.

In synthesis, the reorganization guidelines of the research area were:

1. A distinction between "research report" (assigned to the "Research" Unit) and "sales literature" (assigned to the operational departments of the Global Markets Area);



2. The separation between "internal" analysts (meaning serving operational departments) and "external or independent" analysts (meaning financial analysts in the common sense of the term);
3. A differentiation between the contents, the editorial layout and the distribution modalities of "sales literature" with respect to "research reports";
4. The possibility of differentiated compensation for the "internal" analyst (as an employee of the operational department) with respect to the "independent" analyst (subject to the constraints of the US norms, the Consob provisions, the code of conduct and the best practice of the subject matter).

Community Initiatives

Banca IMI regularly supports various institutions involved in volunteer and solidarity work. In the last few years, in particular, the Bank has supported the association Comunità di Sant'Egidio, Save the Children and Médecins sans Frontières, both through direct contributions as well as the commitment to spread their projects and values. In this light, the Bank regularly sponsors the weekly "Vita" (Life) periodical, dedicated to volunteer work and the non-profit sector.

Commercial Policy

The path taken for revising the mechanisms for loan granting, started in 1999 with the issuing of the Loan Policy and continued with the creation of specialized company branches, ended in 2003 with the introduction of a Commercial Policy on the part of Sanpaolo IMI and Sanpaolo Banco di Napoli.

The Commercial Policy represents a real and actual statement of values—a reference to principles that guide the specialists of the company branch networks that are spread across the territory, and which each day must understand client needs and propose “tailor-made” solutions. This should be done however, while taking into account the principles for risk evaluation and pricing. All of this in a context requiring rapid, professional and competent responses to increasingly complex needs. Today’s market, in fact, is characterized by a relationship with a counterparty that is more and more evolved and informed, and which uses bank services and products in an instrumental fashion for his/her core business. To act upon the values illustrated in the Commercial Policy therefore allows homogeneity in the behaviors of the single operators, favoring group spirit and collaboration and converging towards a common respect of the ethical values recognized as fundamental to the Bank.

In order to present this statement of values and services and to draw conclusions on a period characterized by intense changes, at the end of October 2003, over 1,500 representatives of the Sanpaolo and Sanpaolo Banco di Napoli Networks and the managers of the company sector met in a Convention in Turin. This was an important initiative for socializing and represented an occasion to share the values that are common to the Group.



OUR RELATIONS WITH THE ARMAMENTS SECTOR

In accordance with the constitutional principle by which Italy rejects war as a means of offense to the freedom of other peoples and as a means of resolution of international controversies, the Sanpaolo IMI Group has decided to limit its support exclusively to goals directed towards the defense of the Country and the protection of its citizens, tasks that the Group considers to be indispensable for a democratic State. It has therefore decided—applying rigorous evaluation criteria for every single proposed operation—to limit financing of military supplies exclusively to operations from and towards “Countries that are members of the European Union and/or NATO, i.e. to operations accounted for by specific intergovernmental agreements, authorized in accordance with Law 185/90, and which are not in contrast with the Constitution, the international duties of Italy and the State’s main safety interests, the struggle against terrorism and the maintenance of good relationships with other Countries.” In September 2002, the Group Loans Committee, supported by the Ethical Committee, drafted an internal code of discipline which regulates this subject in order to align the orientation of all companies of the Group with the illustrated guidelines.

Credit and local economic development

Globalization has activated competitive forms that are different from those in the past: competition does not take place exclusively between companies, but also between aggregates, groups of companies and increasingly between territorial area-systems. The capacity to compete on a global level also depends on the quality of local development; local systems that are economically and socially developed allow companies producing goods, as well as financial institutions and the public administration, to increase their competitive capacity. From this point of view Sanpaolo IMI faces two interlocutors in particular: the Confidi and the industrial districts.

The Consortia for Collective Credit Guarantees (Confidi)

The Confidi are associations for entrepreneurs which, by offering supplementary guarantees, favor the access to loans by member companies and allow for more competitive conditions. Collaboration between Banks and the Confidi can take on the role of a true engine for the capacities of small- to medium-sized companies in obtaining loans, even through the structuring of specific financial instruments.

With this viewpoint, the following primary initiatives are illustrated:

- A specific project of the Sanpaolo IMI Group is in the process of being defined with the major Confidi Confindustriali in Northern and Central Italy with the aim of favoring access to loans by small- to medium-sized companies operating in the regions of Piedmont, Valle d'Aosta, Lombardia, Liguria, Veneto, Trentino, Friuli, Emilia Romagna and Tuscany. The initiative accounts for the launch of an interregional bond through the securitization of the generated loan portfolio. Financing, issued from the Bank Networks of the Group present on the referenced territories and by the Cassa di Risparmio di Firenze, with which the Group has a close partnership, is supported by guarantees of the major Confidi Confindustriali in Northern and Central Italy for a percentage between 50% to 80%. This financing, with a term of up to five years and with the possibility of extremely flexible use up to the extent of the total, are distinguished by the manifold of allowed aims such as, for example, research, technological innovation, training, and internationalization processes. This program that aims at responding to all the financial needs connected to company growth and, at strengthening the weight of

debt in the medium to long term, allows for a positive influence on the financial structure of the companies.

- Sanpaolo Banco di Napoli has stipulated agreements at the end of 2003 with the Confidi of Naples and Caserta that will involve a wide range of financing in the short to medium term (with maximum values set, in the agreements with the Confidi of Caserta, at 400,000 euro for the short term and 260,000 euro for the medium term).
- Carive, in 2003, has concluded 3,500 operations in favor of artisans and small entrepreneurs associated with the Confidi: the stipulated conventions include 31 Guarantee Consortia, of which 14 only in the province of Venice.
- The Banca Popolare dell'Adriatico, which acts prevalently along the Adriatic coast—an area strongly characterized by the presence of small industrial, artisan and commercial operators—cooperates with 66 Confidi and Guarantee Cooperatives which just in the medium to long term department has allowed the issuing of 2,000 financing contracts in 2003.
- Carisbo has issued, in 2003, 1,413 mortgages for almost 81 million euro, on the basis of 54 agreements for collaboration with Confidi in the commerce, services, agriculture, industry, crafts and cooperative sectors.
- Cariparo, in 2003, has concluded 4,286 operations for a total of about 230 million euro on the basis of conventions stipulated with 55 Guarantee Bodies, which represent the category associations present across the whole regional territory.

Within the realm of collaboration with the Confidi, the process for the launch of a Sanpaolo IMI financing product, named Yes Capitalizzazione, is also underway; the latter plans to indirectly favor the strengthening of assets by supplying liquidity to





small- to medium-sized corporations which are using or plan to implement a capitalization plan. The intervention will be reserved to operations in accordance with the Confidi and which guarantee at least 50% of the exposure.

The industrial districts

The industrial districts can also guarantee a model of excellence since they are connected to the capacity of

operators to “network”. The economic performance of the districts is based, in fact, on the presence of projects common to different groups of companies, a leadership capable of strategically leading common actions, a base of common shared values and, last but not least, the development of a specific district identity. Several concrete advantages are derived, such as the intensification of knowledge exchange, the stimulus to start highly innovative projects and the competitive growth of the companies in the area.



The Image Bank

The commitment of the Sanpaolo IMI Group to the development of the local economy, in addition to the above-mentioned collaboration with the Confidi and the support for industrial districts, is visible in a series of initiatives and projects that are aimed at specific sectors or at well identified territorial areas. The main initiatives of relevance are listed below:

- the underwriting—in December 2003—of a declaration of intent for the transfer of EIB provision financing to the companies of the automotive sector that collaborate with Fiat Auto. The objective is to favor small- to medium-sized companies, headquartered in the most active provinces in this sector, in the realization of restructuring and productive diversification projects. In the case that the projects presented to the companies are directed towards the maintenance of employment levels or to create new job positions, the EIB Board of Directors predicts that the intervention percentage may grow to up to 75% of the investment, with respect to the normally applicable threshold of 50%.
- A series of financing initiatives directed at the agricultural/food sector, such as “Agrimutuo”. The latter is part of a larger project named “Quality Agriculture”, and is meant to support the gastronomical “Made in Italy” statement not only at a national but also at a global level. An objective which is also at the basis for the partnership with the Slow Food Association and which, in November, witnessed Sanpaolo Banco di Napoli as a sponsor of the International Slow Food Prize for the protection of biodiversity in Naples;
- the underwriting, in October 2003 in Venice, of an agreement with which EIB assigns Sanpaolo IMI, through Sanpaolo IMI Internazionale, a first tranche of funds (about 100 million euro) directed to financing projects and companies of small- to medium-size in Central-Eastern Europe. The financing of EIB provision may also affect local small- to medium-sized companies in the process of internationalization and delocalization, as well as projects with goals for the protection and improvement of the environment, the more rational use of energy, and the completion of small- to medium-sized infrastructures.
- The organization of a very large loan — syndaceted by a pool of ten banks—in favor of Acquedotto Pugliese, directed to the start-up of investment and development programs foreseen in the three-year plan of the company and having as objective the strengthening and modernization of the plants managed in Apulia, Basilicata and Campania;
- Financing of the “short sea shipping” and “door-to-door” services promoted by the Grimaldi Napoli Group. This Group is attempting to build a network connecting the harbors of the peripheral areas of Europe and the Mediterranean in order to provide an incentive for automobiles to board ships and contribute to the European Community’s program for the transfer of traffic from roads to sea transports, with the benefit of reducing pollution and traffic congestion (the “Sea Freeways” project).
- The underwriting of the “Agreement Protocol for the facilitation of Access to Ordinary Credit and Capital Markets in the Sicily Region” on the part of Sanpaolo IMI and the State Commissioner of the Sicily Region. The primary objective of this protocol is the improvement of loan access conditions and the realization of economic conditions favoring the activation of new entrepreneurial initiatives, aimed at consolidating and developing the productive system already present in the region, and thinning out the bureaucratic process in order to ensure quick timing (not higher than 30 days after the presentation of the application) in handling financing requests presented by entrepreneurs, while limiting to the greatest degree possible the requirement of additional documents and/or requests;
- Support for the “Start Cup Federico II” initiative, promoted in conjunction with the Università degli Studi di Napoli “Federico II” which rewards entrepreneurial ideas and projects in the Neapolitan territory and which are based on university research activities;
- The underwriting of an agreement between Padovafiere and Cariparo for the activation of an integrated group of services and the availability of a team of specialists in favor of companies of the North East, with the objective of providing support for internationalization strategies.

In line with the highlighted projects, and directed towards specific sectors and territories, are interventions—operating mostly using credit ceilings—created by the banks of the Group to counter critical events or exceptional circumstances that affect the respectively referenced territories. In this area, the interventions of Cariparo in response to violent hailing at the end of August 2003, as well as the long period of draught, are highlighted. That included the activation of specific lines of credit to sustain the financial necessities of damaged operators; in addition, in October 2003, a specific credit ceiling was allocated by Carive to favor agricultural companies damaged by the draught (a total of about 120 operations for a total of 4.5 million euro).

SANPAOLO IMI PRIVATE EQUITY

Sanpaolo IMI has an important role for the economic development of its operational areas also through acquisition activities of risk capital: by selecting worth-noting entrepreneurial initiatives, it holds the role of fundamental partner for the development of companies, which in turn create employment and economic welfare in the referenced areas. This is particularly obvious in the case of recently constituted companies and in those with high potential. Sanpaolo IMI Private Equity also presents itself as a reference point in the Italian market of private equity and its mission consists in promoting and managing closed-end investment funds that invest in risk capital of small- to medium-sized companies, supporting their development, aggregation and re-organization. Activities are conducted in close collaboration with the Bank Networks in order to guarantee the needs of different territories and the investment teams themselves are widely spread over the whole national territory (Bologna, Turin, Milan, Treviso, Rome, Naples).

The strength of a Group such as Sanpaolo IMI becomes evident not only with reference to territorial needs, but also in the possibility of attracting important and qualified investors—including foreign—in support of local entrepreneurial projects.

Promotion of a Risk Capital Fund for Southern Italy

The Fund, which became operational in April 2003, includes capital of considerable size (100 million euro), underwritten not only by Sanpaolo IMI Private Equity but also by other important foreign investors, such as the European Investment Fund (EIF), currently the most important European operator in the sector, and CDC PME, part of the Caisse des Dépôt et Consignations Group, active in the management of closed-end private equity funds for small- to medium-sized French companies. These are also flanked by prestigious banking Foundations and a some Southern entrepreneurs and industrial associations.

The objective of the Fund, managed by NHS Mezzogiorno in Naples, is to contribute to the development of entrepreneurship and local employment, in order to stimulate the creation of an effective risk capital market in Southern Italy. Towards the end of 2003, the Risk Capital Fund for Southern Italy, concluded its first two investment operations, first entering into the share capital of Hardis, a Neapolitan pharmaceutical company active in the hemoderivates sector, and then into the share capital of Proel Spa, a company based in Teramo and leader in the sector of entertainment equipment and accessories.

Other Closed-end Territorial Funds

Trust in the importance and the prospects of this activity sector have induced Sanpaolo IMI Private Equity to constitute other funds specialized in investments in small- to medium-sized companies for other territorial areas:

1. The Northwestern Company Fund, specialized in the investment in small- to medium-sized companies located in Piedmont, Lombardia, Liguria and Valle d'Aosta. In the course of 2003, the Fund Regulations and the structure of the investment team (headquartered in Turin) were established and the necessary authorizations were requested. It is forecast that in the first quarter 2004, the collection activities will be concluded, with an objective set at 100 million euro;
2. The Center Company Fund, with the same characteristics of the previous fund but active in the investment of small- to medium-sized companies located in Emilia Romagna, Tuscany, Umbria, Marche and Lazio. Also for this initiative, after all preliminary activities were conducted in the course of 2003, the start-up of investments is forecast for 2004, once the collection phase is complete. The registered office of the investment team is in Bologna, in accordance with the choice of the Group to guarantee control over the investments in close contact with the operational territory of the Fund.

Both of these initiatives are meant to contribute to the development of companies involved in projects of process/product innovation and growth through internal/external lines in addition to allowing the re-positioning of corporate shareholdings or a generation change, in the presence of a growth project.

On the international front, the agreement reached with CDC IXIS Private Equity and Bayern LB Private Equity GmbH has been realized with the E.A.Partners initiative, a pan-European fund that will invest in small- to medium-sized companies, primarily French, Italian and German. Towards the end of 2003, the Fund started the collection phase, with an objective between 300 and 500 million euro, and which will also involve international investors in addition to the commitment of three sponsors.



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Bank-company exchanges

In order to underline the strong rooting of the Banks with local realities, it is necessary to remember certain initiatives finalized towards promoting “cultural” exchanges between the banking and the entrepreneurial world, thanks to meetings with entrepreneurs on topics of particular interest and current relevance. One initiative of particular importance is the constitution of Consultative Committees on the local economy, bodies aimed at favoring exchanges among the main players in the local economies, and to which the primary exponents of the productive world participate: the first was established in Bari in November 2003 (see “Community” section).

Other meeting and exchange projects completed in 2003 were: internships on the part of companies managers of the Group's Banks at customer companies, directed at gaining an “internal” understanding of the intrinsic characteristics of the industrial world and at an in-depth study of the problems associated with financial management of companies, training programs and conventions.

With regards to training, programs for mixed entrepreneur-manager training were completed with a view to strengthening the partnership relationship. In 2003, two programs were started regarding the economic contexts of Turin and Naples. The course started in Turin, in collaboration with the Industrial Union and the Department of Economy and Commerce of the Università degli Studi di Torino, was aimed at studying in more depth the main topics regarding the evaluation of credit risk, also in light of the novelties introduced by “Basel II”, through the examination of real cases and first-hand experiences of the participants. The course started in Naples was organized together with the Compagnia delle Opere and the Università degli Studi di Urbino and was centered on subjects of common interest for the Bank and the entrepreneur: analysis of company profitability and competitive edge, evaluation of financial dynamics, and analysis of the financial equilibrium through cash flows analysis, the financial structure of the company and the recourse to sources of external financing. The teaching program was developed through exercises and direct interventions and on site experience of the Sanpaolo Banco di Napoli managers, thereby generating a climate of



BASEL II PROJECT

The Basel Capital Accord, established by the Supervisory Authorities of the G10 making part of the Basel Committee on Banking Supervision of the Bank of International Settlements has determined since 1988 the international regulations for the calculation of the minimum capital requirements that banks must attain in order to guarantee stability and efficiency within the international financial system.

Currently, the supervisory capital of banks is calculated as a fixed percentage of financial loans (8%) while considering to a limited extent the risk profile of single credit activities.

After a long series of consultations begun in 1999, the Basel Committee published, in April 2003, the most recent proposal for the modification of the 1988 Accord and announced, in June 2004, the final draft of the New Accord. This will be followed by the new European directives on capital adequacy which will incorporate the New Accord into the European community legislation. Through these European directives, the rules issued by the Basel Committee will be submitted to the European Parliament for careful review in order to obtain democratic legitimacy. The New Capital Accord ("Basel II") aims at creating a closer link between capital and risk profiles of banking activities. The supervisory authorities have identified in the rating, i.e. an analytical evaluation of the creditworthiness of the counterparties, the measure through which the credit risk is quantified, thereby managing to calibrate capital prerequisites with the risk profiles of the individual counterparties. In the course of 2003, Sanpaolo IMI started the "Basel II Project" with the aim of pursuing all necessary implementations in order for the Group to adopt the most evolved and sophisticated approach when the New Accord will become effective (envisaged for the end of 2006). This option allows, through a proven and effective capacity in measuring and managing risk, to obtain results in terms of minor capital asset requirements associated to the credit portfolio. The adoption of this approach represents a strategic opportunity for the attainment of a competitive advantage in terms of less absorbed capital, and at the same time improving the efficiency and effectiveness profiles of our service to customers.

A Steering Committee, composed of Sanpaolo IMI Top Management, has taken full responsibility for the "Basel II Project" and has elaborated the workload across 18 technical areas, involving so far over 200 qualified resources in the various project activities. Investments of 30 million euro were approved and will be made available in the course of 2004 to sustain the first activities necessary for satisfying the regulatory requirements and to deal with all the strategic opportunities that could come out. The working groups are involved in the measurement of the gap between the current system and the one required by law, and in the drafting of an overall Project Plan whose aim is the identification of all the activities that will be required to cover the identified gap. This Project Plan will be presented and shared with the Supervisory Authorities in the course of 2004.



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great collaboration and a profitable debate amongst entrepreneurs.

Always with a view to collaboration and exchange, the Banks of the Sanpaolo IMI Group have given life to a series of initiatives, including:

- Numerous meetings organized within the national territory, confirming the particular attention reserved to themes related to the new regulatory system provided for by “Basel II” and to the consequent impact on the company-bank relationship;
- the organization and sponsoring of conferences and seminars related to the main foreign markets in order to ease the internationalization process of Italian entrepreneurship. In 2003, Sanpaolo IMI closed the cycle of initiatives and conferences dedicated to Latin America.



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- In this regard, the Group was sponsor, as well as provider of technical/specialized contents and organizer of the event connected to the first annual convention of the Inter-American Development Bank (IDB) in Italy. The convention was held in Italy in March 2003 and brought together some of the primary exponents of the international business community in Milan in order to discuss strategies and projects aimed at the social and economic development of Latin American countries;
- the convention on “New Finance” organized by the Industrial Union of Pordenone and Friulcassa, centered on the evolution of the companies of the North East;
 - conventions and seminars organized in conjunction by Carive and C.U.P. (“Comitato Unitario Permanente delle Professioni”, Unitary Standing Committee of Professions), with the publication of reports on the daily paper “Il Gazzettino” which reached about 14,000 professionals in the province of Venice;
 - a convention organized in March 2003 together with Finpiemonte for the purpose of an in-depth study of the possibility of recourse to financing leveraged by Regional Funds, and the possibility of bringing companies close to the structural aids of the European Community. Consulting and technical assistance were offered by the Production Function of the Sanpaolo IMI Company Division;
 - the convention organized in June 2003 with Finpiemonte to tackle the problems associated with “Microcredit, interventions for entrepreneurial development in degraded areas of the Turin Area”;
 - the meeting—organized in November 2003 in collaboration with the Committee for the promotion of Women’s Entrepreneurship and CCIAA for the convention “From an Idea to a Partnership: Informational meeting for Entrepreneurial Activities”—on the following theme: “Support Financing: Credit Institutions”;
 - the meeting held at the “incubator” (the combination of physical facilities and services capable of activating, sustaining and promoting new entrepreneurial activities on the market) of the Politecnico di Torino to discuss the topic “Overview of the conditions/products of the Bank and opportunities for facilitating laws for companies emerging from the incubator”;
 - the convention “2004: Slovenia enters the EU—Opportunity for companies of the Friuli Venezia Giulia Region”, organized by Friulcassa together with Sanpaolo IMI International, held at the Assindustria of Udine and to which the Economics Minister of the Slovene Republic and the Governor of Friuli Venezia Giulia participated, among others.
 - meetings between banks and entrepreneurs during regional fairs, such as the convention on the agricultural and food sector of Apulia organized by Sanpaolo Banco di Napoli during the Levante di Bari Fair.

The Bank of research and technology

Competitiveness of companies and of the Country as a whole is more and more linked to the quality and size of investments made in research and development, as well as innovation. Sanpaolo IMI sets itself as a Group that is in the forefront, both in terms of products/financing offered and of access and relationship modalities available for customers.

Support for research and technology

As far as Research and Development is concerned, Sanpaolo IMI has formed a team with consolidated expertise, both in business analysis as well as in project management, derived from the traditional skills developed in IMI. This area takes on an importance of absolute relevance in the current productive system, characterized by the loss of competitive edge and globalization of markets: the world of small- to medium-sized companies needs to keep pace more and more with innovation in order to face competition from the Asian countries and those of Eastern Europe, which benefit from drastically lower labor costs compared to those in Italy, in addition to the weakness of their currencies when compared to the strength of the euro. Within this typology of investments, a very important element is the availability of public incentives which reduce the quota and charge of the financial commitment on private citizens. In Italy, the primary tools for stimulating company R&D is based on funds of the Education, University and Research Ministry (“Ministero dell’Istruzione, Università e Ricerca”, MIUR), and the Ministry of Productive Activities (“Ministero della Attività Produttive”, MAP). The MIUR in particular—through the Facilitated Research Funds (“Fondo Agevolazioni alla Ricerca, FAR)—grants incentives to research projects (projects whose results are transferable to upchain production that may not be included in the financed program); the MAP—through the Fund for Technological Innovation (“Fondo per l’Innovazione Tecnologica”, FIT)—provides incentives for development projects (projects whose results are, on the contrary, close to productive finalization). The Sanpaolo IMI Group actively works within both areas. With regards to technological districts, there are currently three initiatives in an advanced stage of progress: the “Wireless Turin” district for Information and Communication Technology, the one in Campania for the engineering of polymer materials and

composites, and one in the Veneto region for nanotechnologies. The Group, through Sanpaolo IMI and Sanpaolo Banco di Napoli, is among the promoting partners of “Wireless Turin” and the Campania district, while in the “Veneto Nanotech” district there is also the collaboration of the Fondazione Cassa di Risparmio di Padova e Rovigo.

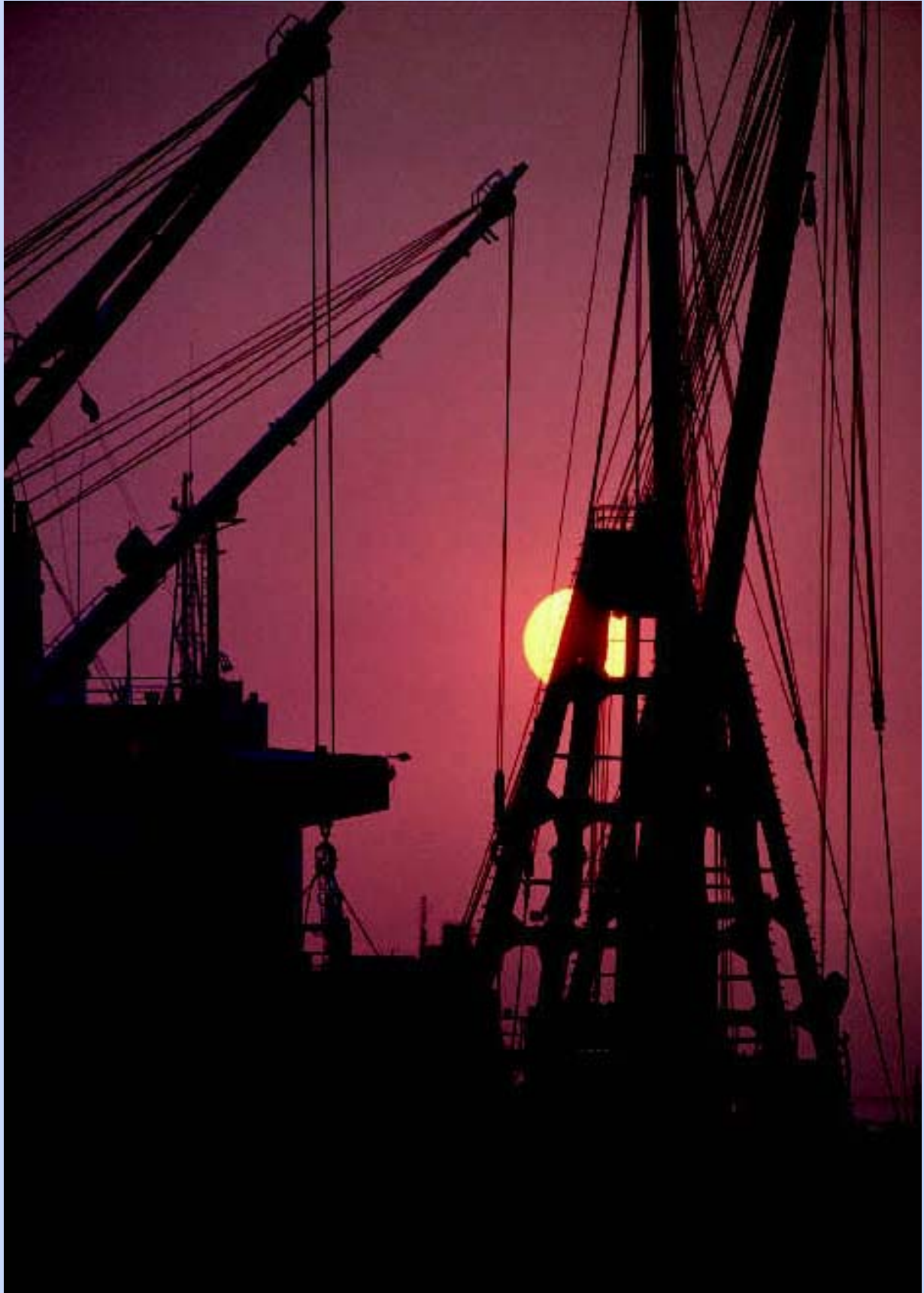
With regard to public facilitation of R&D, Sanpaolo IMI is accredited with both the MIUR and the MAP (in this last case, as an agent bank of the Temporary Aggregation of Companies that also includes Banca OPI, Cassa dei Risparmi di Forlì, Cassa di Risparmio di Firenze e Sanpaolo Banco di Napoli). Management activity of these facilitations is conducted by the Research & Development Incentives Function, which, in addition to conducting services for the Ministries, assists companies:

- in the identification of facilitations that are available and best corresponding to the required investments;
- in the interpretation of the facilitation legislation and in fulfilling key requirements;
- in the establishment of an industrial accounting system for the management of project costs.

Among the financing products, Yes IT should be noted; it is designed to satisfy the requirements of the small- to medium-sized companies that invest in the Information & Communications Technology sector.

Multi- channelling

A series of telematic services are available to the clients of the Group’s Banks that supply a notable contribution to the development of companies: on the one hand they constitute a convenient tool for accessing information of diverse nature, and on the other hand they allow more efficient management of company financial processes. In the course of the year, the Portal “SanpaoloImprese.com” has promoted, with regard to a public of companies and professionals, constant upgrading of information on topics of current relevance and generally on company management, distributed in particular under the form of specific newsletters (10,000 registered readers in 2003; +60% compared to 2002), downloadable dossiers, news and databanks. The elaboration of contents requires specific sections that go into more depth, from financial administration to marketing, and from foreign topics to research and development. The offer of useful and educational contents for business is also expressed through “channels” centered on specific areas: in 2003, one dedicated to “Quality Agriculture” (www.agricoltura.sanpaoloimprese.com) and one named “European Horizons”



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(www.europa.sanpaoloimprese.com), which responds to informational needs of companies on themes of European Community Facilitated Finance, offering a first level of interactive study together with a free service of “The Expert Answers”.

The international vocation of the online offer of the Bank has also been expressed in the predisposition of operational services capable of facilitating the company in moving on international markets. In 2003, within the Sanpaolo Links, Internet banking for companies, evolved cash inflow and international payment services were issued in advance of analogous solutions at the system level.

The operational level of company clients using Web solutions, today over 48,000 (about +45%, net of clients acquired with the merger with the Banco di Napoli and the integration of the Cardine Group), has also benefited from the availability of the “real time” and “cash pooling” functionalities for all the accounts opened within the Bank Networks of the Group. In the course of the year, important releases of the Internet banking station for companies have made available a series of innovative services, which are capable of supporting the management and of widening company activities, for small- to medium-sized companies. The choice of integrating applications such as the “Online Treasury Management” and the “Business & Balance Station” is an example of the Group strategy for favoring company clients in accessing professional IT solutions at a much lower cost compared to direct acquisition by taking advantage of the flexibility of the Web and the modern disbursement of ASP—(application service provisioning).

The selection of proposed online services and products have privileged solutions capable of favoring the auto-analysis capacity of company clients, both from the point of view of project choices as well as from the point of view of control of short-term financial balance (for example, management of anticipated and predicted liquidity, control of performance indicators and profitability/company asset development). Commercial information (such as investigations, complaints, financial statements and corporate structures) fundamental for the improvement of trust in relations with clients and suppliers were also made available to companies directly on the Web. Finally, concrete opportunities for companies to grow through a more aware use of web-based technologies were discussed in a series of meetings in the territory, proposed by the Bank in conjunction with qualified consultants (for example the one day workshop on the “Company on the Net”).

Presence abroad and support for import-export

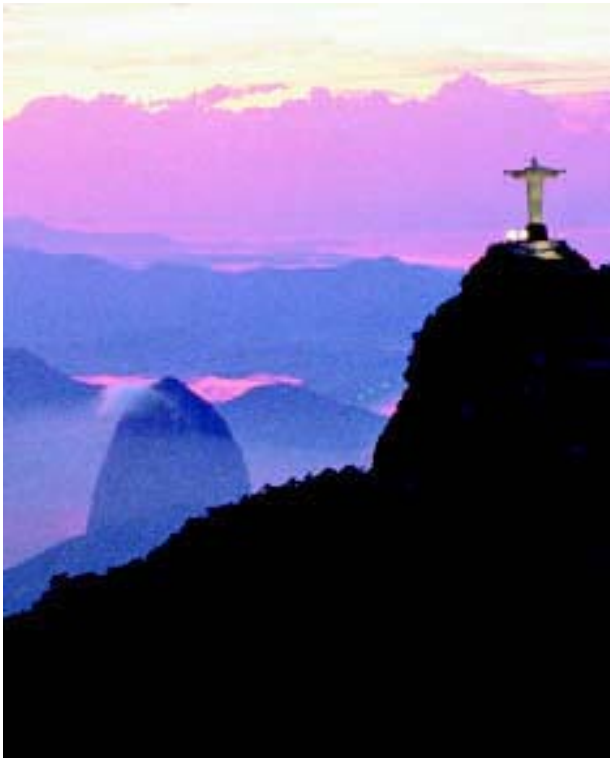
The weight of exports in the national economy and the new challenges that are placed to companies by the globalization process make the internationalization processes and the support to exporters factors of particular importance.

The Sanpaolo IMI Group is present in 30 countries across the world, with the objective of supporting foreign activities of national clients. In order to strengthen its positioning on the referenced markets, the organization of the Foreign Network is centered on three regional offices (Americas, Europe and Asia) with the function of directing and controlling different operational points. On the basis of an ever greater number of Italian companies present in China and the considerable development of the commercial flows between the two countries, the Sanpaolo IMI Group, in November 2003, strengthened its presence in China with the opening of a branch in Shanghai (which is added to that of Hong Kong and to the representative office in Peking) and the underwriting of an agreement with the two primary Chinese banks. The foreign Network pays particular attention in supporting SMEs whose objective is to increase their international presence, as well as the promotion abroad of the economic model that mostly characterizes Italy—that of sectorial poles and industrial sectors. This commitment is expressed through a series of initiatives that are aimed at certain territorial areas or specific productive sectors. Those of major relevance are described below:

- the underwriting—in Mexico City in March 2003—of an agreement between SACE⁸, Nacional Financiera⁹ and Sanpaolo IMI for a credit line of US\$ 20 million in support of small- to medium-sized Mexican companies that import machinery from Italy. This is a completely new initiative where the risk of the Mexican counterparty is equally subdivided between the contracting parties and which will allow the Italian companies that export machinery to overcome the obstacles today represented by the difficulty in accessing credit on the part of Mexican companies;
- the development, during the last years, of a strategic alliance with the Santander Central Hispano Group in the Latin American region, through which Italian small- to medium-sized companies—that intend to create a stable presence in the Countries of this region—may make use of a privileged channel of access to local financial services;

⁸ Italian export credit insurance company.

⁹ Banca Nacional Financiera is an entity dedicated to the financial support of the industrial development of Mexico and conducts activities directed at the SME system: promotion and support of industrial development projects and professional training activities for small to medium-sized entrepreneurs.



Contrasto

- participation in the “project of sectorial poles and industrial districts in Brazil” which PROMOS¹⁰, SEBRAE¹¹ and IDB, in collaboration with companies of Lombardia, are bringing forward in four local productive sectors: underwear apparel, handmade clothing, footwear, wood/furniture. In this regard, Sanpaolo IMI has obtained from SACE a specific insurance coverage and offers interested Italian companies the necessary assistance for the export of machinery and equipment. Within the area related to support for import-export activities of Italian companies, Sanpaolo IMI has promoted several initiatives and collaborates with international bodies such as SACE and Simest (“Società Italiana per le Imprese all’Estero”, Italian Association for Companies Abroad). With SACE, in November 2003, the “Framework Insurance Convention” was renewed, an insurance tool directed at facilitating exporters of goods and services of Italian manufacturing, covering the credit risks associated with their activities (with a guarantee equal to 95%): the renewal has created the opportunity to increase the number of Countries and banks covered by the insurance policy. Sanpaolo IMI is also the only Italian bank to be part of the consortium—headed by JP Morgan—for the supply of financial support for the reconstruction of Iraq, making the “Trade Bank of Iraq” (TBI) operational. This body, established in July 2003 with UN resolution no. 1483 to

supply financial support for the recovery of import and export activities of the country, will be the only institution to manage these activities on the part of the Iraqi public authorities. In general, each Bank adhering to the consortium (a total of 13) will represent the privileged interlocutor (the so-called agent bank) of TBI for conducting the activities linked to the management of the commercial tools that this bank will issue in favor of the exporters of the respective countries. The commitments taken on by Sanpaolo IMI with the confirmation of letters of credit will be assisted by a SACE insurance guarantee for 95% of the total commercial credit, on the basis of a Memorandum of Understanding signed on 5 December 2003 by Sanpaolo IMI and SACE, and which provides for the activation of a first tranche of 250 million euro—within a total credit ceiling of 1,000 million euro—guaranteeing short-term operations (letter of credit confirmations) carried out in Iraq by Italian exporters and channeled onto the accounts of Sanpaolo IMI. Sanpaolo IMI will thereby be capable of offering Italian companies a full assistance on the commercial exchanges relative to the supply of materials and machinery for the reconstruction of Iraq, by lending adequate coverage to the payment of invoices—obviously if done in accordance with agreements.

In the last few years, Sanpaolo IMI has distinguished itself—thanks to the presence of a specifically appointed unit—within the sector for Development Aid for its high level of competence and specialization that has allowed it to obtain the appreciation of other counterparts involved cooperation. This sector primarily promotes investments of companies—with particularly favorable conditions—in Developing Countries, with the intent of favoring economic growth and quality of life improvement. The projects currently underway and the assistance provided include

- administrative assistance for programs of multilateral and bilateral Cooperation—cooperation in the form of donations (Nicaragua, Zambia, Egypt, Ethiopia, Senegal, Zimbabwe, Somalia suspended), cooperation through credit aid (Tunisia), and multilateral cooperation (Albania);
- assistance and consulting—very appreciated since it represents a valid complement to the offer of exporters’ services—to operational points and to other partners (Ministry for Foreign Affairs, Procurement Company, Surveillance Company), and to exporters with regards to Italian Cooperation procedures;
- the diffusion of know-how at the operational points and other units regarding the functioning of international Cooperation.

¹⁰. Promos is the agency of the Camera di Commercio di Milano (Commerce Department of Milan) for international activities.

¹¹. SEBRAE is the Brazilian government institution that sustains SME development.

Corporate customers: 2003 objectives

OBJECTIVES

Ever greater attention to the SME sector and the financing of specific local realities, while continuing to ensure support to the whole national economy.

ACTIVITIES AND RESULTS

- ✓ Further development of agreements with the loans consortia ("Confidi") and Industrial Districts, aimed at facilitating access to credit on the part of small- to medium-sized companies.

Further in-depth study of the understanding of local productive realities in order to respond in a more elaborate and precise manner to their varied financing and support needs.

- ✓ The start-up of initiatives directed to specific sectors (e.g. the agricultural/food sector) or to well identified territorial areas (e.g., initiatives for development of entrepreneurship in the Sicily Region).
- ✓ The establishments of consultative committees on the local economy and numerous meetings with entrepreneurs.

Development of training and specialization activities of professionals dedicated to company branches. This activity shall mainly concern the resources operating in the area of competence of the former Banco di Napoli, in order to achieve an improvement in logistics and an adjustment in the product portfolio with the aim of aligning as a whole the pre-existing structures with the qualitative standards of analogous Sanpaolo structures.

- ✓ Realization of exchange meetings among colleagues to share pursued objectives and chosen action strategies; the creation of a task force of trainers to support the branches; the establishment of informational tools supporting the daily management of the client; the extension, to the resources of Sanpaolo Banco di Napoli, of the credit policy of the Sanpaolo network.

A further expansion of the range of telematic services for companies, in particular favoring access to clients of the ex Banco di Napoli.

- ✓ The launch of the portals "Quality Agriculture" and "European Horizons"; the release, within the Sanpaolo Links, Internet Banking for Companies, of evolved cash inflow and international payment systems.



People

VALUES

Creation of value

Value in detail

We pay attention to people and value their skills and experience because they are the key factors for generating sustainable competitive benefits and, therefore, creating value.

Customer orientation

We pay the highest attention to each Staff member—who represent “internal customers”—providing them with support and information so that they can perform their best.

Integrity

We want to constantly express behaviors, actions and decisions oriented toward impartiality, honesty, ethics and social responsibility.

Commitment to excellence

We cultivate drive and innovation by following operational procedures aligned to best practices and consistent with the needs of the business; we develop a sense of responsibility through forecasted objectives while paying attention to future implications.

Growth in observance of specific qualities

It is our intention to develop a harmonious and integrated social system within the company which, while valuing individual identity and professional skills, is a trigger for development.

Responsibility in the use of resources

We seek efficiency and the responsible use of staff and pay attention to each source of cost to ensure future growth.



The Group, on 31 December 2003, included 43,465 human resources, including 276 with a foreign Sanpaolo IMI contract, and distributed as follows:

- 36,187 people within the Bank Networks of the Group;
 - 1,151 including IMI Bank Groups, Wealth Management, OPI Bank;
 - 6,127 human resources part of other corporate structures.
- 97.6% of employees of the Group have open-end contracts.

The total personnel of the Group (Table 1) is composed of: 66.4% by personnel in professional areas, 31.7% by managers, and 1.9% by executives.

In the Group, female presence accounts for 19,140 resources and constitutes 44.7% of the whole personnel. Within this area, 3,771 women belong to the manager category (3,711 managers and 60 executives) and constitute 8.7% of the overall work force of the Group, with a higher percentage incidence in specialized sectors. Male managerial personnel are equal to 24.9% of the whole personnel.

With regards to personnel variables, such as the composition by contractual category, the average age of employees, the average education and seniority level, the data of the Group highlight differences between the various organizations, since each corporate reality is characterized by the technical/productive nature of its own business processes as well as different labor market dynamics.

- In the Bank Networks, where the business model is that of a commercial bank, the incidence of managerial personnel (managers and executives) is lower with respect to other specialized areas of the Group (Table 1), and mostly for the category of executives; the educational level of the employees is also lower (Table 2).
- in the Wealth Management and Investment Banking department, the average age of the employees (Table 3) is strongly lower, in line with the peculiarity of the sector. Also the low seniority of the company's employees (Table 4) is a reflection of the strong mobility that has characterized all of these sectors in the very recent past.

Table 1

GROUP PERSONNEL

	no.	men	%	no.	women	%	no.	Total	%
Executives	761		1.8	60		0.1	821		1.9
Managers	10,078		23.1	3,711		8.6	13,789		31.7
Professional Areas	13,216		30.4	15,639		36.0	28,855		66.4
TOTAL	24,055		55.3	19,410		44.7	43,465		100

of which **BANK NETWORKS**

	no.	men	%	no.	women	%	no.	Total	%
Executives	561		1.5	33		0.1	594		1.6
Managers	8,663		24.0	3,093		8.5	11,756		32.5
Professional Areas	10,988		30.4	12,849		35.5	23,837		65.9
TOTAL	20,212		55.9	15,975		44.1	36,187		100

of which **WEALTH MANAGEMENT Group**

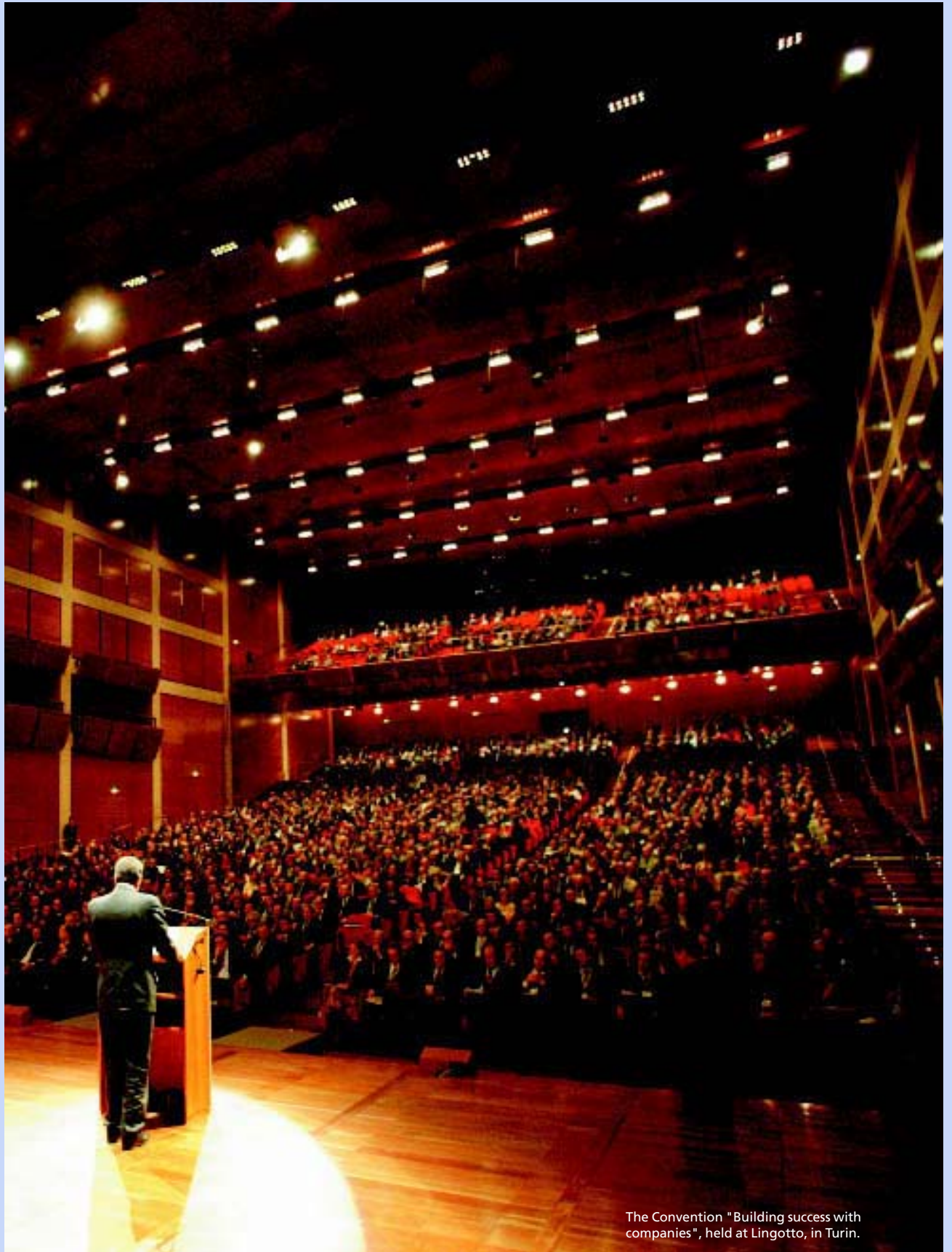
	no.	men	%	no.	women	%	no.	Total	%
Executives	24		6.2	3		0.8	27		7.0
Managers	96		24.8	62		16.0	158		40.8
Professional Areas	82		21.2	120		31.0	202		52.2
TOTAL	202		52.2	185		47.8	387		100

of which **IMI BANK Group**

	no.	men	%	no.	women	%	no.	Total	%
Executives	48		7.9	5		0.8	53		8.7
Managers	212		34.9	103		16.9	315		51.8
Professional Areas	134		22.0	106		17.5	240		39.7
TOTAL	394		64.8	214		35.2	608		100

of which **OPI BANK Group**

	no.	men	%	no.	women	%	no.	Total	%
Executives	14		9.0	0		0.0	14		9.0
Managers	50		32.0	24		15.4	74		47.4
Professional Areas	28		18.0	40		25.6	68		43.6
TOTAL	92		59.0	64		41.0	156		100



The Convention "Building success with companies", held at Lingotto, in Turin.



Table 2 - **EDUCATION LEVELS**

	Graduates no.	%	High school graduates no.	%	Other no.	%	Total no.	%
Group totals*	10,855	25.1	28,563	66.2	3,771	8.7	43,189	100
<i>Of which:</i>								
Bank networks*	8,140	22.7	24,656	68.6	3,115	8.7	35,911	100
Wealth Management Group	256	66.2	117	30.2	14	3.6	387	100
IMI Bank Group	386	63.5	173	28.4	49	8.1	608	100
OPI Bank Group	96	61.5	24	15.4	36	23.1	156	100

* Sanpaolo IMI data referring to Italian contracts Sanpaolo IMI Foreign Contracts 276

Table 3 - **AVERAGE AGE**

	Total GROUP	Bank Networks	Wealth Manag.Group	IMI Bank Group	OPI Bank Group
Executives	49.4	50.8	40.4	40.7	53.0
Managers	45.4	45.9	35.8	37.4	47.3
Professional Areas	39.2	39.6	31.6	34.1	36.5

* Sanpaolo IMI data referring to Italian contracts

Table 4 - **AVERAGE COMPANY SENIORITY**

	Total GROUP	Parent Bank	Wealth Manag.Group	IMI Bank Group	OPI Bank Group
Executives	20,4	23,7	2,7	6,7	22,4
Managers	20,5	21,8	4,5	5,4	19,0
Professional Areas	14,6	15,4	3,8	4,5	9,7

* Sanpaolo IMI data referring to Italian contracts

Industrial relations in the group restructuring process

Sanpaolo IMI fully applies the rights guaranteed to workers by Italian and EU law, with particular attention given to the attainment of actual conditions for equal professional opportunities for all parties who perform their services within their respective areas of competence.

Relations with Trade Unions

The rate of trade union adherence on the part of the Personnel of the Group is about 78%, in line with the national averages of the sector.

The complex operations of company restructuring which involved the Group in the course of 2003 with the spin-off of the Sanpaolo Banco di Napoli were managed, from the perspective of industrial relations, without conflicts, and with the attainment of specific agreements with the Trade Unions that have substantially extended to the former Banco di Napoli personnel involved (approx. 6,000 people) the level of guarantees granted to Sanpaolo IMI workers. In the course of the year, the company welfare tools were also strengthened: in this regard, it should be noted that, in relation to integrated health care, the main services offered were improved, ensuring wider coverage in favor of disabled personnel.

Effects of the industrial plan on work relations

The restructuring processes were developed simultaneously with the preparation of all the tools available through law and collective negotiation, and finalized towards the protection of employment, professional levels and work quality.

In this context, in the second half of the year, the "Income, employment and re-training fund for staff in the banking industry" was activated for the personnel of Sanpaolo IMI and Sanpaolo Banco di Napoli and later for those operating in the former Cardine Bank Networks.

This fund, completely leveraged by the companies involved, represents a tool useful not only for making the restructuring processes efficient, but also for the work force structural rejuvenation, thanks to the new hirings resulting from personnel substitution.

Personnel is entitled to the provisions provided for by the fund and resolves, on a voluntary basis and within the realm of specific legislative and economic guarantees established between the parties, the work

relationship in advance with respect to the right of pension.

In relation to this, it should be highlighted how applications for access to the Fund received overall by Sanpaolo IMI and Sanpaolo Banco di Napoli were over 2,200, equal to about 77% of those entitled according to the set prerequisites.

The rationalization interventions at Group level, essential for the creation of a Bank of European caliber, were gradually completed with the construction of common infrastructure (information system, Corporate Center, etc.) and, in parallel, with the strengthening of the commercial networks. All of this took place by placing particular attention to the factors protecting employment and attained levels of professionalism, with the contextual activation - where necessary - of reconversion and requalification processes for involved personnel.

These general commitments are applied within the realm of specific operations that involve a reorganization or the termination of activities, as in the case of the EPTA Group, whose excess personnel (about 200 people) was re-allocated through collective agreements reached at the time within the Group and without any occupational tensions.

Protected categories

Within the Group, 1,639 people belong to the disabled and protected categories. On that issue, procedures have been taken to ensure that legal requirements for employment of this category have been fully respected. In particular, the tools for territorial compensation and the stipulation of conventions were used, as in the case of Sanpaolo IMI in the Provinces of Turin and Milan; the same process was started with the Sanpaolo Banco di Napoli in the Province of that region's capital city.

Actions for increased efficiency and growth

We have set the objective of completing actions for increasing efficiency in order to promote future growth, consistent with the indications of the industrial plan, and we have pursued it by placing particular attention to personnel sizing, labor costs and generational change. In this company policy scenario, the activation of the “Income, employment and re-training fund for staff in the banking industry” has allowed a reduction in personnel, particularly in the structure subject to efficiency actions, and to start a rejuvenation of the personnel with new recruitment.

For the aggregate Sanpaolo IMI e Sanpaolo Banco di Napoli, on a total of 2,900 departing individuals, over 2,200 people have adhered to the “Fund for staff in the banking industry” (841 of which leaving in 2003), adding to a total of 530 personnel going into pension with incentives and to 111 departures motivated by a previous initiative at the former Banco di Napoli.

These initiatives were also started in the banks of the former Cardine setting, and overall involved more than a thousand people.

FOCUS ON SANPAOLO IMI AND SANPAOLO BANCO DI NAPOLI

Comparing the homogeneous settings between 2002 and 2003, the objective of improving efficiency that we have set was attained through a reduction in personnel of 1,264 human resources.

This reduction in human resources is the net result of 1,847 resignations and 583 new hires.

Resignations were obtained primarily through staff-leaving incentive plans (fund for staff in the banking industry and retirement incentives).

As far as new hires are concerned, we have continued the policy followed for several years in safeguarding the value of investing in new human resources, paying attention not only to the cost variable, but also to the verification of the professional level of resources in creating value.

For this reason the percentage of human resources hired with flexible contracts has remained high throughout the course of 2003, while at the same time increasing the movement towards open-end contracts for those who had fixed-term and apprenticeship contracts in the previous year.

- the average age of the population has fallen, particularly for executives (from 51 years to 50.2)
- the average education level has grown, with a 1% increase of university graduates (from 20.8% to 21.8%)

Actions upon personnel, in conjunction with:

- rationalization interventions on activities;
- further organizational specialization of the branches

Table 5 - **PERSONNEL**: A COMPARISON BETWEEN HOMOGENOUS SETTINGS¹²

	2002	2003
Executives	457 (1.6%)	451 (1.7%)
Managers	9,678 (34.5%)	9,496 (35.5%)
Professional Areas	17,901 (63.9%)	16,825 (62.8%)
Total personnel	28,036 (100%)	26,772 (100%)

Table 6 - **DEPARTURES**: COMPARISON BETWEEN HOMOGENOUS SETTINGS¹²

	2002	2003
Resignations	160 (10.3%)	101 (5.5%)
Staff leaving incentives	1,104 (71.4%)	1,467 (79.4%)
Other	188 (12.2%)	236 (12.8%)
Foreign contracts	94 (6.1%)	43 (2.3%)
No. Total resignations	1,546 (100%)	1,847 (100%)

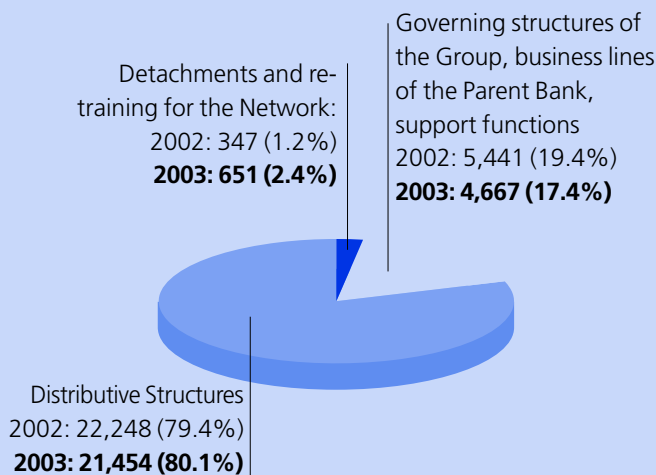


Andrea Polato

for overseeing customer segments with the subsequent review of professional profiles;
 - have generated significant benefits in the distribution of resources amongst the various entities of the Parent Bank with a two point percentage decrease in the personnel of the central structures in favor of distributive structures (+0.7%).
 2.4% of the personnel is partly on secondment in Group companies and are partly inserted in professional re-training programs.

Table 7 - **HIRES**: COMPARISON BETWEEN HOMOGENOUS SETTINGS¹²

	2002	2003
Open end contracts	113 (19.7%)	249 (42.7%)
Fixed term contracts	265 (46.3%)	185 (31.7%)
Apprenticeships	164 (28.6%)	108 (18.5%)
Other	4 (0.7%)	0 (0%)
Foreign contracts	27 (4.7%)	41 (7.0%)
No. of total hires	573 (100%)	583 (100%)



¹² 2002: Sanpaolo IMI with a merger by incorporation of Banco di Napoli; 2003: Sanpaolo IMI net of the merger by incorporation of Cardine Finanziaria, plus Sanpaolo Banco di Napoli

Towards updating human resources management

In the course of 2003, the objective of introducing innovations in the systems and tools of human resource management was undertaken in order to better contribute to the objectives of the Group.

The undertaken actions included: the extension of the Bank Networks to the main systems existing within Sanpaolo IMI and the development of new governance systems.

Extension of the management systems to the Group

The “integrated system of planning/management/development of resources” currently in use within Sanpaolo IMI was extended to all the commercial Banks of the Group, concluding the adoption of a “personnel budget system”, a “competence system”, a system of “valuation and incentives”, as well as the “tools for the identification of high growth potential resources”, thereby realizing a methodological and managerial integration for the Group.

This integration was supported by a departmental IT infrastructure realized in light of a “multifirm” perspective and capable of managing all the Group needs. In 2003, the following were realized:

- A single IT system for human resources for Sanpaolo IMI and Sanpaolo Banco di Napoli, where the administrative areas were intergrated with the managerial ones. The integration with the banks of the former Cardine setting was also started.

- IT management of the valuation and incentive system of Sanpaolo IMI Wealth Management.

Development of new Governance Systems

Included the following:

- implementation of a “system directing human resources and labor cost management of the Group”, in order to:
 - increase oversight capacity over the Group’s personnel cost;
 - develop a system of indicators for information flow to the top management;
- the development of a model relative to a “system for the evaluation of the incidence of Human Capital on Company Value creation”, in order to:
 - create a directional control panel (Tableau de bord) with key indicators relative to phenomena inherent to human resources;
 - evaluate the impact of human resources management on business growth and outline appropriate strategies to grow the capacity for company value creation.

In accordance with the developed model, the IT development activities were also started. The first launch of this system is forecasted for Spring 2004.



Piero Ottaviano

Investment in training

We have continued our efforts aimed at implementing a Group model composed of a network of competent, motivated individuals, capable of pursuing precise objectives, with strong operational autonomy, and believing in the importance of knowledge, capacities and accumulated experiences for the generation of sustainable competitive advantage.

As a result, in 2003, the training days and the average number of per capita training hours were increased, a trend in constant development in the last five year period.

The strong recorded increment is also attributable to the training efforts that were conducted in conjunction with the integration of IT systems in Sanpaolo Banco di Napoli.

Training activities in the Group were created and realized in accordance with the needs for individual development, with sectorial needs, with company development plans and were developed along three macro axes, continuing and perfecting the planning and didactic set-up of the previous year.

- development of specialized know-how,
- support for organizational and commercial development;
- support for policies and actions for the development of key resources and management.

In accordance with the evolution of the distributive model and the network professionals, the training offer was reviewed; this is available online through the company's Intranet.

The overall standard training offer of Sanpaolo IMI was extended to Sanpaolo Banco di Napoli, in accordance with the standardization of the distributive model.

Our training activities were developed through several training channels:

- internal training. For this type of training, 720 people with high professional qualifications within the Group were involved as internal teachers;
- distance training through an e-learning platform;
- interfirm specialized training courses, organized and held outside the company (Table 10)

The rationalizations brought to conclusion in Sanpaolo IMI and in Sanpaolo Banco di Napoli have created the need for training in order to allow easy insertion—into new operational realities—of the resources involved in a “professional reconversion”.

In order to continue the actions of the past years, the training program for these resources (436 participating people) was elaborated through an institutional path (classroom lessons along with work in branch offices) and a more technical/professional one in the branch.

As a result of the professional re-training program, in 2003, 219 human resources were assigned to branches and 27 to central structures.

In the last months of 2003, a training plan supporting the transfer of the IT system into the former Cardine Banks, and which also involved Carisbo and Carive, was also established. Our investment in human resources also comprises the use of full-time training and internship programs at central offices and foreign branches.

Followed by tutors, youth are put in contact with the reality of work. Through practical experience, they refine the technical skills acquired during the university period and also gain a prestigious, concrete and marketable job experience. In this regard, in the 2002-2003 period, the foreign network of Sanpaolo IMI has offered more than thirty internships to worthy graduating students and graduates and this training opportunity has developed—in many cases (over 50%)—into a concrete professional opportunity within the Group.

Table 8 - **INVESTMENT IN TRAINING:**
COMPARISON BETWEEN HOMOGENOUS SETTINGS

	2002	2003
Total Training Days	140,356	153,117
Average training per-capita (hours)	36.8	43.3

2002 (Sanpaolo IMI merged with Banco di Napoli)
2003 (Sanpaolo IMI and Sanpaolo Banco Napoli)

Table 9 - **INVESTMENT IN TRAINING:**
OTHER GROUP SOCIETIES

	Days of training	Per-capita average
Former Cardine Bank Networks	39,439	31.4
Wealth Management	2,264	43.9
IMI Bank Group	1,082	13.3

Table 10 - **WORKING HOURS COURSES**
BREAKDOWN BY TYPE*

	Internal	Online	Lang.	External
Sanpaolo IMI				
+ Sanpaolo Banco Napoli*	73.0%	23.0%	2.0%	2.0%
Former Cardine Bank Networks*	91.4%	5.5%	0.0%	3.1%

* Based on 153,117 days

Management by community

We have intensified the development path for the people, which places, together with the “families” and the professional profiles, the relevant population segments of the Group (which we define with the term “community”) in both a short-term and medium-term perspective.

The four managed communities are: newly employed, promising young employees (human resources of 32 years or less), promising employees (resources of 32 years of age or more) and executives.

This segmentation allows better focus on investments in human resources and is an integrating factor for the Group in governing:

- professional growth;
- mobility towards strategic positions within the Group, thereby becoming a governance system for the qualitative programming of personnel and the managerial needs of the Group in the medium time
- compensation policy guidelines.

On 31 December 2003, the number of the “communities” in relation to the Bank Networks of the Group grew by 701 units with respect to the previous year.

Table 11 - **PEOPLE WITHIN THE “COMMUNITY”***

	2002	2003	%
		n° of personnel	
Newly employed	957	1,149	3.2
Promising y.empl.	316	516	1.4
Promising empl.	284	455	1.2
Executives	411	594	1.6
Total density	2,013	2,714	

* Figures of Bank Networks (Total personnel of Bank Networks 36,187)

This increase is the result of the application of the management systems in all the Bank Networks and the extension of the management methodology to these communities, as defined by Sanpaolo IMI.

New classroom programs for “promising young employees” and “promising employees” were introduced in addition to the set of initiatives already present for these two segments; a list of these is shown in Table 13, which highlights the innovations introduced in the two year period 2002-2003.

In 2003, the training offer for the executive component of the Group was also perfected, and includes:

- a base program for new executives, elaborated in modules;
- an elaborate proposal of modules for the acquisition of managerial tools and the development of skills which develop specific managerial competencies through action learning modalities;
- events with viewpoint exchanges on particular themes, through internal workshops and inter-firm seminars.

In addition to the increase in number of human resources of dedicated communities and programs, the number of editions of each initiative and the number of people that have participated in these have also grown.

The number of people in the communities easily allows needs to be met with regards to “positions of responsibility” for personnel that already left and those leaving in 2004 as a result of adherence to the Fund for staff in the banking industry.

Management by community is therefore characterized as a tool for managerial exchange and for the valuation of emerging human resources, as well as a system for handling managerial needs, even in the medium time period, for the coverage of strategic roles and the management of executive candidacies.

Table 12 - **EDITIONS AND PARTICIPATION IN PROGRAMS DEDICATED TO COMMUNITY HUMAN RESOURCES**

	2002			2003		
	number of editions	number of participants	days/Classroom	number of editions	number of participants	days/Classroom
programs for newly employed	54	800	800	82	1,020	1,020
programs for promising young empl.	17	220	400	46	490	970
programs for promising empl.	5	67	256	28	184	782
programs for executives	7	85	680	13	156	1,248
Total	83	1,172	2,136	160	1,850	4,020

Table 13 - **SYNTHESIS OF THE EVOLUTION OF HIGH-GROWTH POTENTIAL HUMAN RESOURCES VALUATION PROGRAMS**

Newly Employed

<p>Program Objective</p> <p>manage and monitor the process of introducing and developing newly employed staff</p>	PROGRAM		
		2002	2003
	• Check-up meeting	✓	✓
	• Motivational meeting	✓	✓
	• Orientation meeting	✓	✓

Young promising employees

<p>Program Objective</p> <p>identify, manage and develop young promising employees for the purpose of covering roles of greater responsibility and complexity</p>	PROGRAM		
		2002	2003
	• IOS (Orientation and development meeting) provides an opportunity for autoevaluation and analysis of relevant capacities, allowing the acquisition of further information on individual skills	✓	✓
	• <i>Leadership</i> favors awareness of one's influence and the effects it produces on others, increasing base skills for managing complex situations	✓	✓
	• <i>Problem solving</i> increases team management competencies through a concrete experience; allows testing of problem solving tools and methods		✓
	• COS (Costruire orizzonti e sfide, Building the Future and Challenges) develops awareness of one's skills, aids in orienting one's personal commitment path, creates focus for a priority development path, supports management choices		✓

Promising Employees

<p>Program Objective</p> <p>identify, manage and value people with elevated potential in order to create a reference pool for the coverage of managerial roles within the Group</p>	PROGRAM		
		2002	2003
	• <i>Project Work</i> structured planning activity that allows the development and and observation of certain managerial competencies	✓	✓
	• <i>Sit-Com</i> provides an opportunity for autodiagnosis and orientation creating a sense of self-responsibility for one's professional and personal development		✓

Career evolution

Our merit-based policy is expressed through career dynamics based on three factors: “skills, performance results, growth potential”.

In 2003, in the Sanpaolo IMI and Sanpaolo Banco di Napoli setting, 2,032 human resources have benefited from career advancement.

Table 14 - 2003 PROMOTIONS

	men	women	Total
Promotions to executive	49	5	54
Promotions within first-line manager cat.	519	171	690
Non-managerial pers, promoted to manager	435	204	639
Promotions within professional areas	325	324	649
Total	1,328	704	2,032

Piero Ottaviano



Flexibility and compensation efficacy

Our objective of continuing our flexible compensation policy can be set within two strategic lines of action:

- Substantial stability in gross compensations net of extraordinary and contractual phenomena and an increase in the incidence of the variable component to favor a greater contribution of people pursuing company and Group objectives and to make the overall cost component more flexible;
- Rewarding professionalism and its market value and the commitment of people to performance excellence.

The average compensation data of Sanpaolo IMI and Sanpaolo Banco Napoli highlight an average incidence of the variable component on Gross Annual Compensation (“Retribuzione Annuia Lorda”, RAL) equal to 11.2% and on the Global Annual Compensation (“Retribuzione Globale Annuia”, RGA) of 10.1%, confirming the compensation policy adopted several years ago which emphasizes the incidence of the variable component on personnel cost. This incidence is reduced in relation to the contractual category.

The average compensation data by contractual category are substantially in line with the averages of the system. However, the incidence of the variable component is greater than system average.

In order to involve personnel more fully in the objectives of the industrial plan, stock incentive plans were also launched in 2003, subscribed by more than 14,090 human resources.

A series of benefits also assume a non-negligible economic value; these are distributed in order to favor the development of a feeling of belonging, and whose typology has remained unchanged with respect to that outlined in the Shareholder's Report of 2002 and with improvements regarding integrated health care.

Table 15 - **FIXED GROSS COMPENSATION FOR 2003**

	Category averages (€)
Executives	108,947
Managers	47,298
Professional Areas	30,292

Sanpaolo IMI and Sanpaolo Banco di Napoli setting

Table 16 - **VARIABLE COMPONENT**

	of RAL	of RGA
Executives	31.8	24.1
Managers	12.3	10.9
Professional Areas	5.8	5.5
Tot. (weighted average)	11.2	10.1

Sanpaolo IMI and Sanpaolo Banco di Napoli setting

Communicating with employees

Within the Sanpaolo IMI Group, communication with employees fulfills a fundamental role in allowing full and active participation in company life and provides concrete support for the course of one's professional position. In the course of 2003, several activities and initiatives were created in relation to a plan of internal communication—an objective declared in the Shareholder's Report of 2002.

The "Internal Communication" Project

Started in the second half of 2002 and supported by high profile external consulting services, the internal communication project was developed in the course of 2003 by completing the analysis of communication needs and—with respect to attained results—formulating proposals for the rationalization of existing tools and for the activation of new initiatives finalized at increasing the efficiency and effectiveness of communication processes, as well as of methods used to verify the effectiveness of conducted actions. The results were submitted to the Top Executives of the Group and a first, wide training initiative was outlined which in the course of 2004 will involve a population of about 4,000 people, including branch directors and managers of operational units.

Communication Tools

The Sanpaolo IMI Group uses multiple elaborated communication tools directed at satisfying specific needs in relation to content, targeted public and specific operational contexts.

As far as the initiatives linked to specific organizational and business areas are concerned, in the course of 2003 the following were continued: the use of informational brochures issued by company structures, and spread in order to supply news and updates on activities and initiatives; teleconferences and meetings; and Internet sites managed by specific company structures with informational functions and operationally supporting activities.

The Intranet Portal as a new tool for internal communication

Since June 2003 an Intranet Portal for internal communication known as Green Village has been operational. The Portal is accessible to all the personnel of Sanpaolo IMI and Sanpaolo Banco di Napoli; by the



second half of 2004 this access will be progressively extended to the personnel of all the other Bank Networks of the Group and simultaneous with the integration of the IT systems.

The contents of the Green Village portal can be broken down into two macro areas: information and services. The first includes, with differing publishing modalities, articles, interviews, news and updates in relation to events and topics of company life. The second is composed of thematic sections and links to sites that offer information, data, documentation and personal services to personnel, such as coverage for integrated health care, supplementary pension of the Pensions Fund of the Sanpaolo IMI Group, consultation of company provisions, forms which submitted on line, etc.. The Portal includes a mail box through which visitors can make suggestions and comments, in addition to searching for answers to specific questions or solutions to contingent problems linked to daily company life. In the implementation period of the Fund for staff in the banking industry for Sanpaolo IMI and Sanpaolo Banco di Napoli, the necessary informational and assistance activity for interested individuals was also guaranteed by a dedicated section within the Portal, within which it was possible to find answers to questions and, more generally, to find all the information needed to decide whether to adhere to the Fund.

In the beginning of 2004, the definition of new service implementations was started.

“Sanpaolo magazine” House Organ

In the course of 2003, a profound redefining of the “Sanpaolo magazine” house organ was conceived and implemented; the latter has become the magazine of all the Sanpaolo IMI and the Bank Networks personnel, and is sent to one’s workplace (or at home in the case of extended leave, e.g. maternity leave).

The magazine, overall distributed in about 43 thousand copies per issue, is also sent to the Group subsidiaries. “Sanpaolo magazine” sets itself as a complementary tool with respect to online media, and particularly in relation to the Green Village portal, offering—with services, articles, interviews and news—an in-depth discussion both on corporate themes and on those relative to the realms and contextual markets for Sanpaolo IMI activities. Informational “coverage” is guaranteed by the supervision of an Editorial Committee and by editorial office reporters in the Networks.

Special initiatives

Sanpaolo IMI has adhered to all the initiatives of the Clear Deal project launched by the Italian Bankers Association, and is one of the founding partners of the Consortium which handles the completion of the project itself.

In fact, the diffusion of information and useful knowledge to personnel was ensured, in order to enable the full understanding of the goals and logical steps of the project, as well as the implementation of the specific initiatives emerging from it. For this purpose, both the internal communication tools described above, as well as the online and printed materials prepared by the Clear Deal Consortium for adhering bank personnel, were used.

In the “Basel II” and “2006 Olympics” projects, there is maximum dissemination and involvement of the Group’s personnel in the many activities required in order to ensure their completion.



Safety

Prevention and Protection Service ("Servizio di Prevenzione e Protezione", SPP)

The Prevention and Protection Service (SPP) is composed of resources allocated both at the Safety Office, part of the Security Function of the Purchases and Logistics Department, as well as at the Technical Structure (Central and Territorial) within this same Department. The SPP is present on the territory in which the Bank Networks operate, uses internal company experts and collaborates with the Security Representatives for Workers¹³—also distributed within the various territorial realms—and with the Vigilance Organs.

The Safety Office is composed of 15 employees distributed across the territory in the North West Regional Office, the North East Regional Office (Padova) and the Center/South Regional Office (Naples). This structure has the objective of overseeing and finding solutions to problems related to workstation ergonomics, exposure to microclimates and environmental factors (noise, light, temperature, humidity, suitability of work premises) and emergency management (fire prevention and first aid). The office is closely connected to and operates together with the Operational Security Unit as far as the risk of theft is concerned (protection of people, security services, relationships with Security Representatives for Workers).

The extension of the Prevention and Protection Service to all the Bank Networks of the Group is currently underway and implies, amongst other things, the union of the Risk Evaluation Documents, the emergency and first aid procedures and the contents of the information and training programs.

Banking activity has historically been an area of very low risk, as shown by the figures of the Bank Networks.

Accidents on the job suffered by employees in 2003 were a total of 388, and characterized by a generally low level of seriousness. The presence of pathologies attributable to professional diseases is negligible.

Some specific projects

In order to ensure maximum well-being for our collaborators, certain health risks and workers' security have been subject to further analysis with respect to that required by law.

- Antismoking Campaign

On the basis of an awareness of the risks linked to active and passive tobacco smoke, an antismoking campaign has been realized in the course of 2003, resulting in the extension of a smoking ban in all closed buildings and environments (the ban was made effective in February 2004).

- Radon Gas Monitoring Program

The radon gas emits radioactive particles and its concentration in the air, beyond certain limits, can create a risk factor for human health. In 2003, a monitoring program for determining the presence of radon gas in all underground work environments was started and will be completed by the end of 2004.

- Improvement of workstation ergonomics

In order to improve workstation ergonomics in the operational points that were not completed recently and which have armored counters, the substitution of traditional with flat screen monitors was implemented, and the workplace counters are modified by widening the leaning surface; where possible, and in conjunction with operational restructuring, the workplace counters have been completely replaced.

Table 17 - **ACCIDENTS**

	No. accidents	accident frequency*	seriousness of accidents**
Sanpaolo IMI	261	1.13	0.01
Sanpaolo Banco di Napoli	28	0.24	0.01
Cassa di Risparmio di Padova e Rovigo	13	0.06	0.04
Friulcassa	13	0.06	0.08
Cassa di Risparmio di Venezia	18	0.08	0.05
Cassa di Risparmio in Bologna	26	0.11	0.06
Banca Popolare dell'Adriatico	29	0.13	0.05
Total Bank Networks	388	-	-

* Relationship between the number of company accidents and the annual number of work days.

** Relationship between the number of company accidents and the number of days of absence.

13. The Security Representatives for Workers are present in the following companies:

- Sanpaolo IMI : no. 25
- Sanpaolo Banco di Napoli : to be appointed
- Friulcassa : to be appointed
- Carisbo : no. 7
- Carive : no. 6
- Cariparo : to be appointed

Security

In order to provide adequate protection from physical risks deriving from willful acts to which employees and clients may be exposed while conducting banking activities, Sanpaolo IMI has created a specific structure within the Purchases and Logistics Department, the Operational Security Unit, entrusted with identifying and implementing the most suitable security measures (systems and provisions).

With regards to provisions, a leaflet called “Behavioral Modalities for the Protection of People and Goods” has been drafted and is constantly updated, and can be consulted online. As far as procedural aspects are concerned, considerable effort is directed towards controlling the robbery phenomenon—the most common risk to which branches are exposed. In particular, an internal procedure of integrated analysis has been developed which takes into consideration the diverse factors that affect this phenomenon and allow to measure the interventions to strengthen security measures for branch protection. In addition, a series of training courses completed in the last couple of years on security topics will be integrated, in 2004, with a specific course on “robbery risks”. In the course of 2003, the provisions and security management procedures were extended to the operational points of the Sanpaolo Banco di Napoli (in

progress, but the extension of the “robbery risks” evaluation system still needs to be completed).

The constant commitment to supplying adequate protection to all branches allows us to be a Banking Group that is more secure with respect to the average of the sector. The extension of these provisions and security procedures to all the Bank Networks of the North East, which will take place in the course of 2004, should allow a further improvement of these results.

Table 18 - **ROBBERIES AND THEFTS**

	No. robberies	No. robberies/100 branches	No. thefts	No. thefts/100 branches
Sanpaolo IMI	100	6.8	3	0.4
Sanpaolo Banco di Napoli	52	7.5	6	0.4
Cassa di Risp. di Padova e Rovigo	29	10.3	4	1.4
Friulcassa	6	4.1	1	0.7
Cassa di Risparmio di Venezia	9	6.3	1	0.7
Cassa di Risparmio in Bologna	21	10.1	3	1.4
Banca Popolare dell'Adriatico	13	9.3	0	0.0
Total Bank Networks	230	7.8	18	0.6
System	2,427	8.0	272	0.9

Laura Ronchi



People: 2003 objectives

OBJECTIVES

Continuation of people development and valorization policy, with special consideration given to successful resources within the Group.

Development of new systems and tools for the management of human resources:

- 1) managerial control over Group personnel and its costs;
- 2) an evaluation system of Human Capital in creating company value;
- 3) support tools for decisions made with IT solutions.

Implementation of actions to increase efficiency and foster future growth consistently with the indications of the industrial plan.

Continuation of the flexible compensation policy

ACTIVITIES AND RESULTS

- ✓ Training days and the average per capita hours of training were increased (+6.5% in the Sanpaolo IMI and Sanpaolo Banco di Napoli perimeters).
- ✓ 436 human resources in the Sanpaolo IMI and Sanpaolo Banco di Napoli perimeters were inserted into professional re-training programs; 219 were assigned to the distribution network and 27 to central structures.
- ✓ The number of human resources belonging to the following communities were increased: promising employees (+701, for a total of 2,714 people), the number of editions (+77) of dedicated development programs and the number of involved people (+848)
- ✓ Management by community turned out to be a tool for management of the executive needs of the Group and for managerial exchange, as well as a valuation method of emerging human resources.

- ✓ The management systems defined by Sanpaolo IMI and constituting an "integrated system of planning, management and development of resources" were extended to all commercial banks of the Group.
- ✓ The "departmental type" informational system completed with a multifirm perspective, capable of managing all the components of the Group was completed. In this context, the integration of the Bank Networks has already been activated.
- ✓ The "directional system of management of Group personnel and its costs" was completed.
- ✓ The "evaluation system of the effect of human capital on value creation" was developed with the start-up of the first IT development activities.

- ✓ Over 2,200 adhesions to the Fund for staff in the banking industry of the Sanpaolo IMI and Sanpaolo Banco di Napoli perimeter (equal to 77% of those entitled); about 700 in the former Cardine Banks.
- ✓ In the Sanpaolo IMI and Sanpaolo Banco di Napoli setting:
 - a decrease of 1,264 human resources as a net result of 1,847 resignations and 583 new hires;
 - a rejuvenation of personnel and increase in overall education level;
 - a personnel reduction in central structures (-2 %) in favor of the distribution network (+0.7 %)

- ✓ Average compensation data by contractual category in line with system averages
- ✓ Incidence of the variable component superior to the system average

OBJECTIVES

Application of a merit-based award-granting system based on three factors determining the value of a person: “skills”, “performance”, “potential for development”.

Confirmation of the transparent industrial relations policy open to social profiles.

Creation of an internal communication plan.

Extension, to the Banco di Napoli, of all the security and “risk evaluation” procedures of Sanpaolo, in particular with regards to the indirect risks derived from work environments.

ACTIVITIES AND RESULTS

- ✓ 2,032 human resources in the Sanpaolo IMI and Sanpaolo Banco di Napoli have benefited from a career advance:
 - 54 promotions to executive level
 - 690 promotions within the managerial category;
 - 639 people promoted to the managerial category;
 - 649 promotions within the professional areas category.

- ✓ Rate of unionization of the Group personnel is in line with national averages of the sector.
- ✓ Absence of conflicts in the complex operations of corporate restructuring or which have involved the Group in 2003 with the founding of Sanpaolo Banco di Napoli and extension, to the latter’s personnel (about 6,000 people), of the level of guarantees of Sanpaolo IMI personnel.
- ✓ The “Fund for staff in the banking industry” was activated for the personnel of Sanpaolo IMI and Sanpaolo Banco di Napoli and, later, for those operating in the former Cardine Banks.
- ✓ The company welfare tools were strengthened.
- ✓ The recruitment of employees of protected categories was safeguarded (1,639 human resources of the overall Group personnel)

- ✓ The analysis of communication needs was completed and a broad training initiative defined for 2004.
- ✓ An Intranet Portal as a new tool dedicated for internal communication became operational.
- ✓ The house organ directed at personnel was restructured.
- ✓ Support for the “Clear Deal” project.

- ✓ Extension of the “Behavioral Modalities for the Protection of People and Goods” guide to the branches of the Sanpaolo Banco di Napoli;
- ✓ Extension of the “robbery risk” evaluation system to all the branches of the Sanpaolo Banco di Napoli (not yet completed).



Shareholders

VALUES

Creation of value

Value in detail

We intend to guarantee, in the medium and long term, an adequate return on the capital invested by shareholders whether by dividend distribution or the appreciation of shares in the Stock Exchange.

Customer orientation

We believe that attending the interest of our clients with the maximum spirit of service is a pre-eminent condition for the Group's growth and the appreciation of our shareholders' stock.

Integrity

We intend to have the Group governance permanently marked by honesty, fairness and transparency.

Commitment to excellence

We set ambitious profitability and performance goals, aligned with the best European levels, developing a sense of responsibility of each member in the pursuit of this objective.

Growth in observance of specific qualities

We desire to treat every single shareholder with the same respect and consideration as that given to large investors.

Responsibility in the use of resources

We are well aware of the fact that Bank capital is made up of the resources of our shareholders and that we have a duty to use it with respect, because it is from our care and attention that their future is ensured.

Sanpaolo IMI's share capital is represented by 1,837,166,000 shares, comprising 1,448,831,982 ordinary shares and 388,334,018 privileged shares. Privileged shares, held by Compagnia di San Paolo, Fondazione Cassa di Risparmio di Padova e Rovigo and Fondazione Cassa di Risparmio in Bologna, are entitled to vote only during Special Shareholders' Meetings. As compensation for that limitation, the "privilege" is related to:

- privileged rights in the event of capital repayment;
- an interest in the balance sheet net profits equivalent to 5% of share nominal value;
- a right to accumulate non perceived dividends with those pertaining to two successive fiscal years.

Such Foundations have also agreed to hold an interest in the ordinary share of an ad hoc company (Fondaco SGR), created in January 2002, where a minority interest is held by a technical partner, Ersel Finanziaria. The capital contribution to such undertaking has not yet been realized in wait of the completion of the regulatory framework in relation to that business.

The first thirteen shareholders own, as of 31 December 2003, based on available information, 46.8% of the ordinary shares and 57.9% of the total share capital.

Specific consulting agreements have entailed certain arrangements amongst the principal shareholders aggregating 16.5% of the ordinary shares. Such agreements expire on April 13, 2004.

MAIN SHAREHOLDERS (percent)

	% of share capital	
	Total	Ordinary
Compagnia di San Paolo	14.5	7.5
Fondazione CR Padova e Rovigo	10.8	4.4
Santander Central Hispano*	7.7	9.8
Fondazione CR Bologna	7.7	3.1
Giovanni Agnelli & C.	3.8	4.9
Deutsche Bank AG**	2.1	2.7
Mediobanca	1.9	2.4
Fondazione Cariplo	1.7	2.2
Caisse des Depots et Consignation	1.7	2.2
Società Reale Mutua Assicurazioni	1.5	1.9
Ente Cassa di Risparmio di Firenze	1.5	1.9
Credit Lyonnais SA	1.5	1.9
Fondazione C.R. Venezia	1.5	1.9



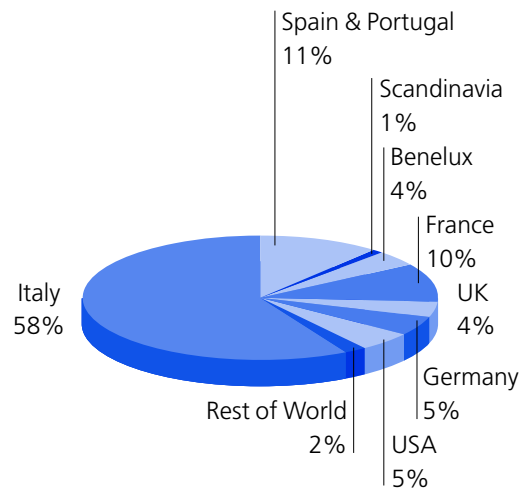
*After 31 December 2003, notice has been received from Santander Central Hispano of an increase to 8.6% of the interest held in Sanpaolo IMI total share capital.

**Early in March 2004 Deutsche Bank has advised of a reduction to 2% of the interest held in the total share capital.

From the geographic point of view, about 58% of the ordinary shares is held by Italian shareholders, while the remaining 42%, held by foreign investors, reflects a strong European pre-eminence (35%). It is worth noting also, that in the framework of the public shareholding initiative, promoted in June 2003, 14,090 Sanpaolo IMI employees have requested allocation of the Bank's ordinary shares.

Sanpaolo IMI's shares are traded in New York in the form of American Depositary Shares (ADSs), promoted by JP Morgan as trustee, at a rate of 2 common shares per 1 ADS. As at the end of 2003, 11.7 million ADS are held by registered holders.

GEOGRAPHICAL DISTRIBUTION OF ORDINARY SHARES





Assembly room of the Executive Committee in the office of piazza San Carlo in Turin

2003-2005 Strategic plan

The Group has adopted a three-year strategic plan in 2002, intended for the creation of value for shareholders. Upon confirmation of its focus on strengthening its position in the domestic market, the plan outlines the Group's priorities, led by the consolidation of the position achieved in the retail and business banking services.

Within the prevailing uncertainty of the economic context, the plan has set quite ambitious objectives, as measured by the target profitability and performance indexes, but in light of the results attained, they can be considered within reach through the implementation of the actions planned, which, as explained in the paragraphs devoted to the Group's strategic objectives, are designed to follow five specific guidelines.



1. Focus on "Core Retail Banking Assets"

- Adherence to the current strategy
- Innovative distribution model
- Growth in revenues within a challenging environment

2. Cost control

- Human resources
- IT platform optimization
- Logistics/procurement process

3. Appreciation of other activities

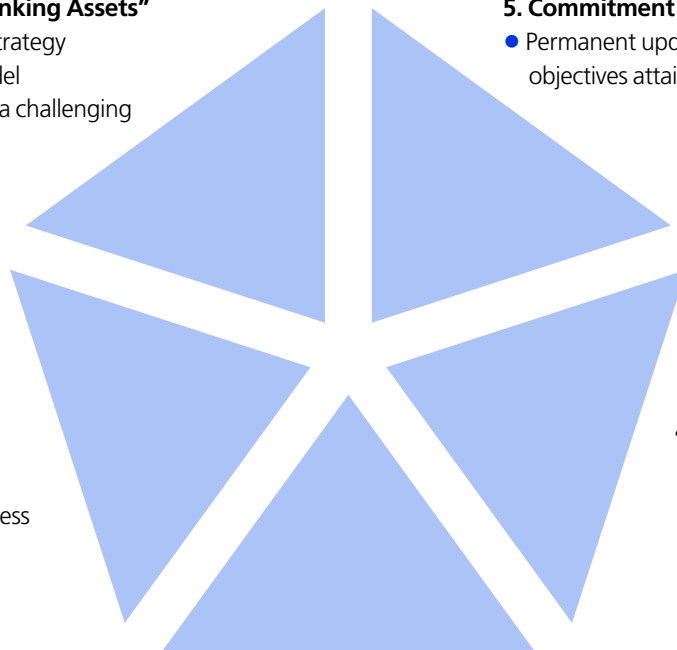
- Profit growth of the business portfolio
- Improvement of the Group's share in businesses with high growth potential

5. Commitment to market communications

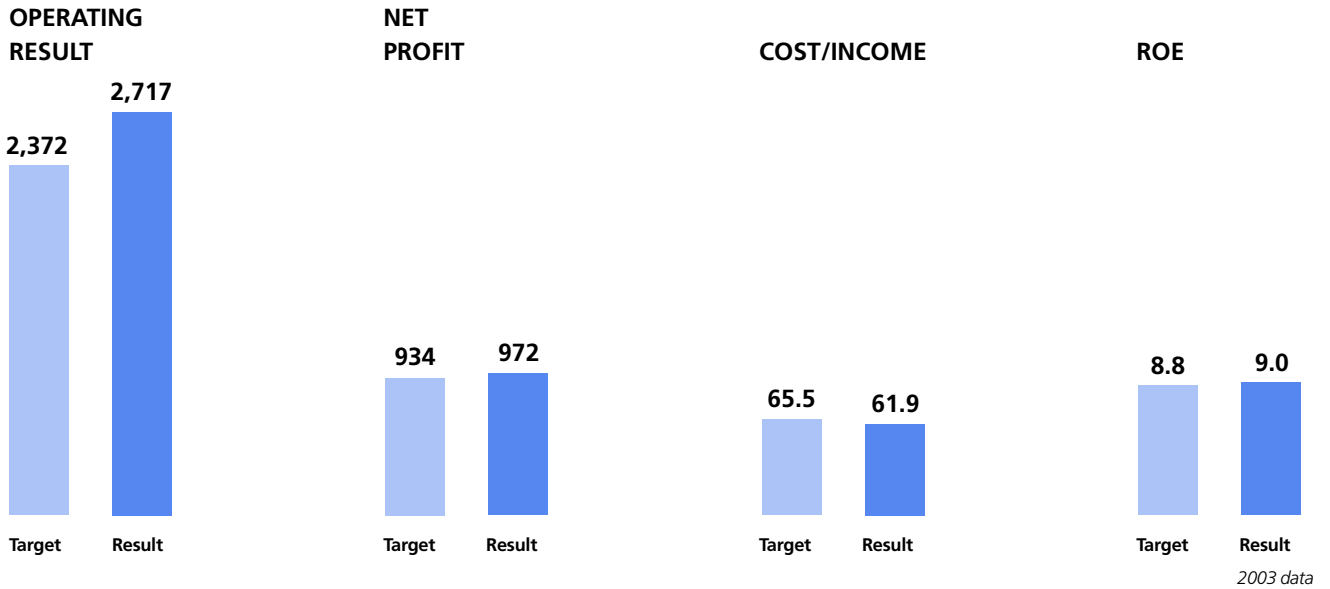
- Permanent updating of strategic lines and objectives attained

4. Portfolio Management

- Active and efficient management of equity



As regards the targets for 2003, as announced at the beginning of the fiscal year, positive results have been attained:



Credit rating and dividend policy

Thanks to the results obtained over time, the Group has always adopted a generous dividend distribution policy, which is also true for fiscal year 2003, when the pay-out ratio was equivalent to 74% of the consolidated profits. The main credit rating agencies in the world, on the other hand, have, with their ratings, underscored Sanpaolo IMI's economic and financial strength.

Here below follow other indicators of particular interest to the shareholders and more closely related to the strategic plan:

- Dividend yield (dividend/annual average price): together with share performance, it delivers the average annual return of an equity investment. In 2003, it was 4.8%, up compared to the past two years and exactly equivalent to 3.97% in 2001 and 3.18% in 2002;
- Three year CAGR (compound annual growth rate) of earnings per share, which measures the annual average growth target for the medium to long-term: for the three years 2003-2005 it is set at +25.7%.
- NPL ratio: it shows the relation between net non performing loans/net loans. For 2003, it is equal to 0.9%, with a further improvement compared to the past fiscal year and reaching absolute excellence with respect to Europe levels.

SANPAOLO IMI DEBT RATINGS

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

The performance of Sanpaolo IMI share prices along the whole 2003 has been positive, with a net 66.8% increase. On the other hand, in order to evaluate the creation of value for the shareholders in the medium and long term, great significance is given to the comparison between Sanpaolo IMI shares performance and the Mib bancario, which effectively shows what intrinsically distinguishes the specific equity from those of other companies in the same sector, listed on the same stock markets, even if exposed to the same exogenous phenomena. Such indicator has resulted equal to +28% and is witness to the fact that the market has effectively taken note of:

- the rapid progress of the operations related to the integration of the former Banco di Napoli and Cardine networks;
- the significant influence of the traditional business at revenue level;
- the consistent cost control policy;
- the maintenance of a good asset quality and sound equity ratios;
- streamlining of the portfolio related to non-typical banking business.

During 2004, Sanpaolo IMI shares have been impacted by the still challenging environment, recording, as of April 5, a 5.8% decline; in the same period, the Mib banking index has also fallen by about 3.1%.



Investor relations

Transparency and direct communications with shareholders, institutional investors and the financial community is secured and managed by the Investor Relations Department, which ascertains that timely information on the activities, strategies and results of the Group is released in full compliance with regulations on price sensitive information. Communications for the general public are designed with stringent truthfulness, clarity and completeness criteria. Financial statements are issued on a quarterly, semi-annual



and annual bases and are prepared according to the accounting standards in effect in Italy. In addition, an annual balance sheet prepared according to the US Generally Accepted Accounting Principles, 20-F standard, can always be obtained either in hard copy or at the Sanpaolo IMI internet site. Communications directed to the financial community -- analysts, institutional investors, credit rating agencies -- are disseminated through two channels: all what is described above plus an intense internal communication activity. The top management is always informed of Sanpaolo IMI shares performance and the views of the market with respect to our shares and the banking industry in general, the expectations of the market with respect to the Group's results and finally, reports on the communications issued. To this end, regularly using the input of 30 other brokers, consensus on the economic data and the target price is maintained updated. Aside from meetings in person, our internet site is a significant tool to maintain communications with the financial community and retail investors. News are posted from time to time in the different specific sections taking into account the Group's profile and governance, economic and financial information (balance sheets, semi-annual and quarterly reports and summary tables), as well as the headings of news releases issued by the Company in addition to the calendar of important corporate events for the year. Information on the meetings periodically held with financial analysts is disclosed through the site, where usually there is available a copy of the documentation distributed. The contents and friendliness of the corporate site are regularly tested and subject to ongoing improvement, and in its consideration we intend to measure the progress made and the definition of new objectives. This policy has been rewarded by a survey of the Investor-relations.it, where the Sanpaolo IMI Group has been designated the most transparent site among the Mib 30 companies.

The daily market monitoring activity developed by the Investor Relations Department is based on the permanent interaction with other players in financial markets through different types of communications. Also in this environment, which can be defined as ordinary, during 2003, certain specific events have been performed, intended to improve visibility in key moments of the year, or bring focus on certain particularly relevant subjects:

- publication, in February, of the 2002 fiscal year results and the 2003-2005 strategic plan;
- performance of 3 conference calls held for the presentation of quarterly results to the market;
- organization of a Small and Medium-sized Industry Seminar intended to discuss the characteristics of this market segment and the approach adopted by the banking industry;
- participation in 6 international and domestic bank conferences.

Shareholders: objectives 2003

OBJECTIVES

Increase in company's profitability vis-à-vis ambitious objectives with special focus on cost control and contained risk management over a sound financial base. Some of the actions planned:

- 1) Three-year plan, with the established network integration process and adoption of a new distribution model;
- 2) Initiatives designed to improve the profitability of the main business lines and proactive share portfolio management.



ACTIVITIES AND RESULTS

- ✓ During 2003, actions were taken for each one of the five guidelines of the 2003-2005 strategic plan (See 2003 Strategic Guidelines for a discussion of specific actions).

Priority to the adoption of a corporate governance model according to the best international standards that meets even the recently revised stringent US regulations.



- ✓ Specific actions have been implemented in order to increase transparency in company governance and match US regulations and the Sarbanes-Oxley Act.

Eventual improvement of investors communications, including actions such as:

- 1) Increasing the activities in international markets and with SRI investors;
- 2) Keeping a timely updating of the IR site and deployment of the new site of the Group.



- ✓ Implemented 10 roadshows in international markets (compared with 4 held in 2002)
- ✓ Preparation of questionnaires, conference calls and, for the first time, organization of a road show for SRI investors.
- ✓ Development of a new institutional site for the Group, containing specific sections related to corporate governance and Corporate Accountability and updated communications on the consensus of financial analysts on anticipated statements of income.



VALUES

Creation of value

Value in detail

We want to responsibly play a leading role in order to actively contribute to supporting and developing the country's economy.

Customer orientation

We see the territory as a network of relations to serve with a spirit of service.

Integrity

We want to take the concept of business citizenship and translate it into concrete behavior, guaranteeing maximum transparency of our action.

Commitment to excellence

One of our most ambitious aims is to become market leader in financial services for the territory.

Growth in observance of specific qualities

We intend to combine the dimension of an international group with territorial roots, exploiting local cultures and facilitating access to credit and basic financial services, even to marginal subjects and economies to encourage greater participation in economic and civil life.

Responsibility in the use of resources

We devote maximum attention to the direct and indirect social consequences of the actions we perform or finance.

The Sanpaolo IMI Group is present throughout Italy by way of Banks with deep roots within their respective territories, and whose identity is valued by the Group they are part of.

With the aim of presenting the new Sanpaolo IMI Group reality, and especially the diverse Banking Networks which make it up, in the winter of 2003 a national publicity campaign was broadcast through commercials on television and cinema, in daily newspapers and periodicals, over the Internet and through posters and communications exhibited in the branches.

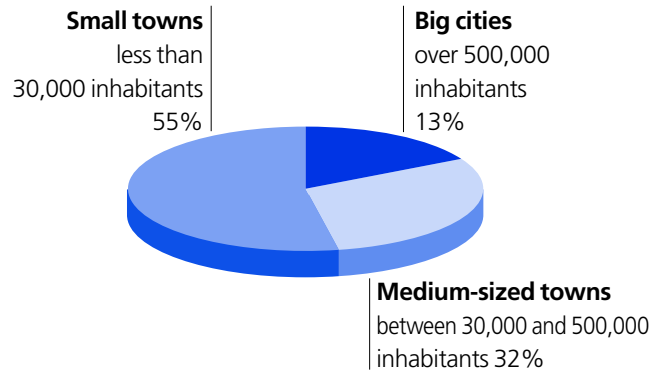
This campaign, conceived by the Burnett Bgs advertising agency, was centered on a green (the color of the Group's logo) "guiding" path which passes through the cities in which the Italian Banking branches are located, and terminates its "journey" encircling the Sanpaolo logo and the logos of all the other Banks connected to the network.

In this manner Sanpaolo IMI highlighted the guidelines of its distribution model: the strength and experience of the Group originating from the diverse local realities of the country, through the valuation of the deep roots of each Bank within the historical areas in which it is established. Therefore, the message expresses the attention paid by the Group to the specific needs and requirements of the different social and economic components, as well as the personalized services offered to customers; a concept summarized in the claim made by the publicity campaign: "Your dimension".

Udine



BREAKDOWN OF BRANCHES ON THE BASIS OF THE NUMBER OF INHABITANTS IN EACH LOCATION



Exchange with local communities and territorial research

As regards the respect and attention to the territory, the study and relationship of exchange and collaboration with local realities appear to be particularly important: by this we mean the establishment of the first Consultative Committee on local economy in Bari and the Association of Studies and Research for Southern Italy, initiatives which prove the centrality of Southern Italy for the Sanpaolo IMI Group.

Consultative committees on the local economy

The Consultative Committees on the local economy are instruments aimed at developing the knowledge of the economy of the reference territory and the trends in the evolution of the demand for and offer of financial services for businesses and customers. The first Consultative Committee was held in Bari in November 2003 and was sponsored by Sanpaolo Banco di Napoli to support the activities of the Bank in Apulia. Similar initiatives are also planned for the reference areas of Sanpaolo Banco di Napoli, Campania, Basilicata and Calabria.

In order to achieve the above aims, the Bari Consultative Committee takes advantage of the professionalism and experience of local prominent personalities in entrepreneurial, cultural and professional fields and works in collaboration with the Bank's Territorial Direction. The first meeting, which was attended by authoritative exponents of the same, shed light on a number of the territory's needs as well as the trend in the local economy and allowed close examination of some particularly important sectors.

The Association of Studies and Research for Southern Italy

The Association of “Studies and Research for Southern Italy” was formed on 1 July 2003 and its founders are Sanpaolo IMI, Sanpaolo Banco di Napoli, Banca OPI, Compagnia di San Paolo di Torino, Istituto Banco di Napoli – Fondazione and SPIMI Investimenti.

The Association, which boasts of a consolidated know how in the field of study and research on the southern economy, constitutes a privileged observatory for valuations and analyses of the critical factors and successes of the development of policies in the territory. Its aim is to create added value to the social and economic fabric of Southern Italy and to its European and Mediterranean dimension, giving leverage to the improvement of knowledge of the territory and its capacity to offer.

The research activity of the Association is, in addition to the research activities performed on request by the associates, developed along three main tracks:

- infrastructures, territorial public bodies and local public service agencies;
- the dynamics and structure of the productive activities within Southern Italy and the policies for development in the territory;
- solidarity and the world of non profit organizations.

In the second half of 2003, some research activities based on the aforementioned themes were concluded, in particular:

- the southern water supply system: a comparison of regions;
- the tourist sector in Southern Italy;
- imports-exports and flow of currencies: the competitive position of the regions in the South;
- the infrastructure scenario in Southern Italy and the relationship between local finance / infrastructure in Apulia;
- the “Southern Italy Focus – a quarterly report on regional economies”;
- a fortnightly newsletter on policies for regional development, with particular reference to community financing (POR) and regional laws relating to the “Objective 1” area with the addition of Abruzzo.

The Association also publishes two journals (the Economic Review and the European Union Dossier) which are mainly distributed throughout the whole of Southern Italy, to companies and public bodies, the academic world and to trade associations. The Association is open to exchanges and communication with the territory: to the effect that it has set up a website (www.srmezzogiorno.it) and commenced relations with important research centers (Fondazione Curella, Isae, Svimez, etc.), with Councilors from the Campania Region (production activities, research and technological innovation) and with universities.



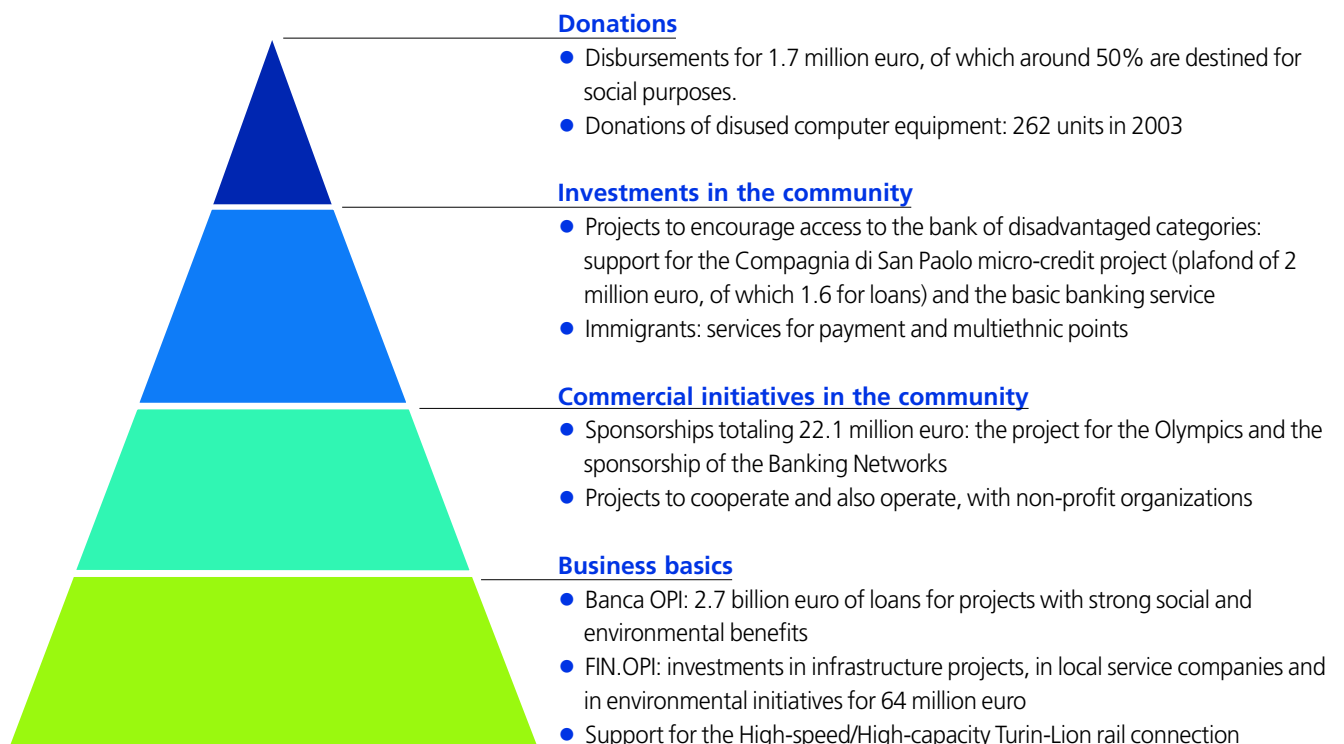
Naples, piazza del Plebiscito

The contribution to the stakeholder community

The Sanpaolo IMI Group's contribution to the Community in which it operates is somewhat varied and ranges from financing and consultancy services especially aimed at supporting and promoting local economies, to supporting environmental issues and to donations made by Group companies. The following is a reclassification of the activities and contributions made according to the guidelines issued by the London Benchmarking Group (LBG): this model, which represents an important reference point in social-environmental reporting at European level, identifies 4 categories of contributions to the community. The different categories, represented by a pyramid, demonstrate a progressive evolution from activities strictly related to the core business of the company, conducted according to the criteria of social responsibility, to those for which the return for the business is minimum.

The cataloging of the activities according to the model is not simple, since some actions have multiple purposes and aspects and may correspond to different categories. The precise subdivision of the

donations also necessitate a targeted system of information and accounting which the Group currently does not have. Thus we can only provide an indication of the items which are known to date. Lastly, since it refers to a finance Group, the core business is manifested in financing and direct capital investment activities: the specific nature should also be considered when compared to other subjects.



Donations

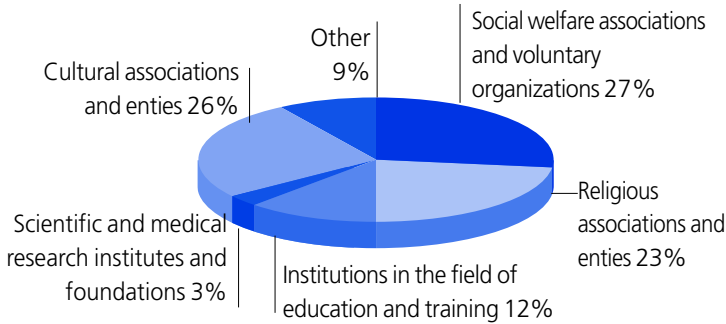
In 2003 donations for 1,668 thousand euro were disbursed, in the form of traditional methods carried out by each bank in the Group within their respective reference territories. Almost half of the 2003 donations were made to and for charitable bodies and initiatives. Periods of training and scholarships and, generally donations to bodies operating in the field of education and research, which in the LBG category may also be classified as investments for the community, exceed 250,000 euro.

Most of the donations were made by Banks within their territorial roots and refer to modest amounts. By way of example, we would like to mention the donation by Banca Popolare dell’Adriatico of the equivalent value of Christmas gifts to employees (22,000 euro) to associations for socially benevolent purposes. As far as donations are concerned, the intense activity in social, cultural and artistic fields, carried out by Institutions present in the Sanpaolo IMI shareholding should be remembered: Institutions from which the Group’s Banks originate and which carry out important supporting activities within their historical territory.

Sanpaolo IMI also donates unused personal computers and printers to charitable Bodies and Associations. Such equipment is no longer adequate for the advanced standards of technology used by the Bank, but are still useful for activities such as individual computer training. As a matter of fact, worth mentioning is the opportunity this represents to schools which, through such donations, can provide better computer teaching facilities by enhancing the equipment available. The following table shows the quantities of the donations according to the macro-type of beneficiary:

	Quantità
Schools and educational institutions	118
Parishes and religious associations	24
Associations and cooperatives	120
Total	262

SUBDIVISION OF DONATIONS



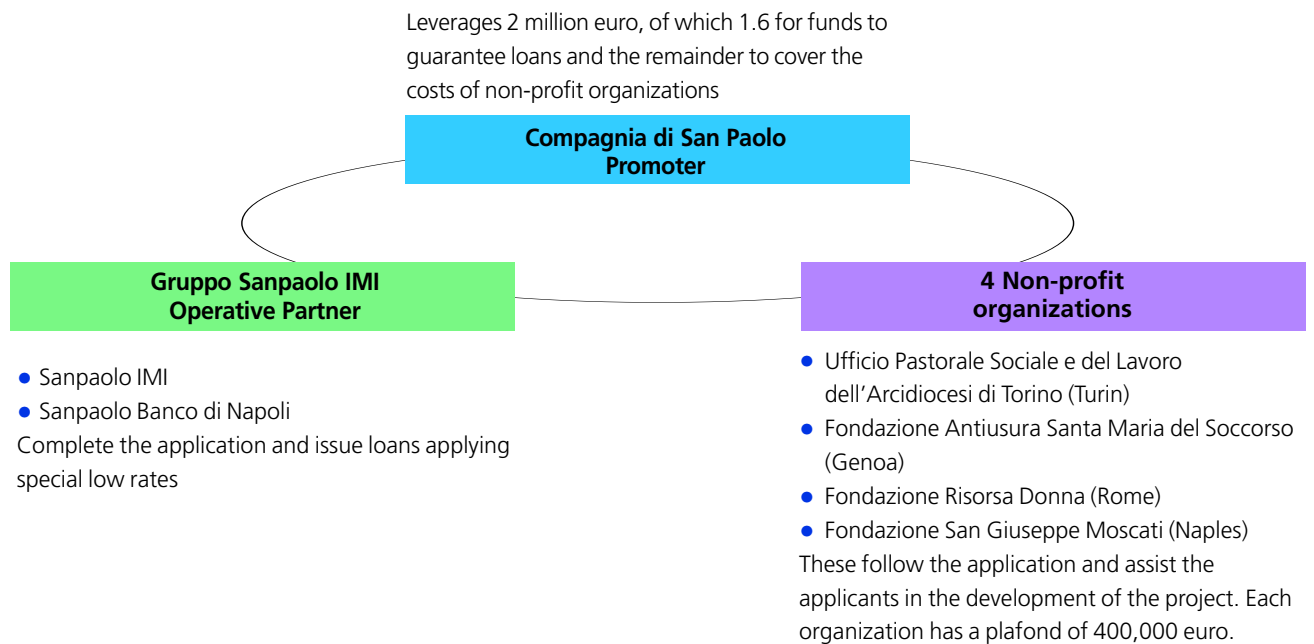
Investments in the community

Support for the Compagnia di San Paolo microcredit project

In October 2003 a social micro-credit project was created by Compagnia di San Paolo to which the Sanpaolo IMI Group acts as operating partner. This initiative provides an opportunity for personal and socio-economic growth to Italians and foreigners who wish to develop a business or attend a training course with the aim of finding employment but who, for various reasons, find it difficult to receive loans: young people in their first job, men and women who would like to start work, immigrants. Overcoming a merely charitable criteria, this project proposes to transform a potential work prospect into a real job and to prevent the serious and widespread phenomenon of usury.



This initiative has been developed according to an innovative triangular scheme involving Compagnia di San Paolo, the Sanpaolo Network and Sanpaolo Banco di Napoli, and 4 non-profit territorial Bodies.



MAIN TERMS AND CONDITIONS OF FINANCING

Receiver	Subjects – residing in the provinces of Genoa, Naples, Rome or within the territory of the Diocese of Turin – with difficult access to loans and who, either singularly or in association with others in the form of a partnership or cooperative society, intend to start up or develop projects aimed at creating an employment and/or developing a business activity.
Amount	Minimum: 2,000 euro (1,000 euro for projects aimed at creating employment) Maximum: up to 20,000 euro for an individual person, up to 35,000 for a partnership or cooperative society.
Duration	Minimum: 18 months Maximum: 60 months
Type	Fixed rate loan, with monthly repayments, subject to opening a current account
Interest rate	EuroIRS for the same length of time, increased by a spread of 0.50%
Investigation charges	Forfeit of 25,00 euro and reimbursement of out-of-pocket expenses
Methods of repayment of loan	Monthly installments
Substitute tax	Currently equal to 0.25% of the amount loaned over a period of more than 18 months.
Early repayment	Allowed at no extra charge
Interest on delayed payment	Exempt

BREAKDOWN OF REQUESTS

	Territory of Arcidiocesi di Torino	Province of Genova	Province of Rome	Province of Naples
Sex	women 33% men 67%	women 45% men 55%	women 100%	women 43% men 57%
Citizenship	Italian 78% foreign 22%	Italian 55% foreign 45%	foreign 100%	Italian 95% foreign 5%
Employment	self-employed 35% employees 20% unemployed 45%	self-employed 16% employees 42% unemployed 42%	self-employed 25% employees 35% unemployed 40%	self-employed 62% employees 10% unemployed 28%

In the first months of operation non profit Bodies received more than 169 requests¹⁴, of which 30 were accepted. In March 2004, loans totaling 315,200 euro were authorized for 26 of those accepted.

The projects financed were extremely mixed: the majority of them were for commercial businesses (sale of furniture, African artifacts, scooters, clothing, etc.), or for businesses in the service sector (opening of a nursery school, start up of a dry laundry, telephone center and Internet services, etc.). In some cases the loan was for the purchase of automobiles or for driving licenses to start up an activity (the purchase of a vehicle for a painter-decorator, driving school for an activity to accompany the aged and disabled, etc.). The other initiatives referred to the opening of an art gallery and the management of a bar.

The Fondazione Risorsa Donna, which financed female immigrants, also provided a training course

for women, focusing on issues such as applying for loans and managing small businesses: the lectures were held by ABI (Italian Bankers Association) and the Associazione Laureati LUISS of Rome. The same Institution also requires that its beneficiaries participate toward the total cost of the project, by paying between 5 and 10%, with the aim of promoting responsibility.

The Fondazione San Giuseppe Moscati also chose to favor those applicants prepared to participate with their own funds to cover the total cost.

Lastly, the Sanpaolo IMI Group, by way of its widespread domestic presence and its strong interest in this initiative, together with other Institutions holding shares or those with whom it already cooperates, actively promoted the micro-credit project so that it could be repeated in other areas of Italy, by making available the operations of other Group Banking Networks.

BREAKDOWN OF PROJECTS FINANCED

Fields	Number of projects financed		Amounts per field (€)	
Commercial activities	9	35%	113,500	36%
Production of services	7	27%	118,700	38%
Purchase of automobiles	4	15%	49,000	16%
Driving licenses	4	15%	4,000	1%
Catering	1	4%	10,000	3%
Art and culture	1	4%	20,000	6%
Total	26	100%	315,200	100%

¹⁴ Of these, 105 were forwarded to Ufficio Pastorale e del Lavoro of the Arcidiocesi of Turin, 20 to Fondazione Antiusura Santa maria del Soccorso (Genoa), 22 to Fondazione Risorsa Donna (Rome) and 22 to Fondazione Giuseppe Moscati (Naples).



Piero Ottaviano



Piero Ottaviano

Basic banking service

In the context of the Clear Deal Project (“PattiChiari”), in February 2004 the “Basic banking service” was set up in February 2004, aimed at facilitating the first access to the bank and to its main services for those with limited financial needs. It envisages offering a simplified service, commonly known as “Basic Banking Service”, based on a current account or prepaid card, available solely for those who do not hold a current account with the same bank. The service is aimed at the 20% of the adult population in Italy which does not yet hold a current account.

Sanpaolo and Sanpaolo Banco di Napoli offer the service through its “Benefit Start – Basic Banking Service” which guarantees – in accordance with the Clear Deal Consortium – limited operations: it is not possible to receive a check book, hold a managed savings account, receive loans, perform operations without liquid assets. It is a simple and economical account which offers a package of useful instruments to deposit money and manage incomings and payments.

The pricing has been determined according to the aims of the Clear Deal initiative, mainly being to provide a banking service to the less affluent, but taking into account the costs involved in keeping such accounts.

Immigrants: systems of payment and the first Multiethnic Point

Sanpaolo IMI is particularly sensitive to the problems of those living in Italy without European citizenship. In this sense a project is currently being developed with the aim of offering the possibility to perform transactions such as sending or transferring funds to extra UE countries (on this subject you are also referred to the section dedicated to retail customers).

Further confirming the attention which Sanpaolo IMI has reserved to a cosmopolitan society, a project to create a Multiethnic Point has been set up to support the needs for consultancy and transactions of potential extra-UE customers.

The first Multiethnic Point, distinguished by a personalized environmental and communicational layout, will be located in Branch no. 5, at Piazza della Repubblica in Turin, an area commonly known as “Porta Palazzo” and which is the commercial-residential hub to a significant number of extra UE citizens.

The creation of this Point will simultaneously see the birth of ad hoc products and services focused on the needs of the specific customer targets, particularly, a basic current account for a moderate charge and an economical and secure service for transferring money abroad.

Commercial initiatives within the community

Among the commercial initiatives for the community are included sponsorships and collaboration with non profit organizations whose main aims are to provide social benefits, assistance and research. These initiatives are somewhat diverse and sometimes the boundary with the category of investments in favor of the community is transient: in some cases it refers to initiatives aimed at confronting social issues with returns for the Group only in the medium-long term and of uncertain amounts. Since no pre-set computer program exists at the moment to separate the different types and given the difficulty of inserting fixed standards for the division, all initiatives of this nature are inserted into this category.

Sponsorship

Sponsorships made by the Group Banking Network and by Banca OPI totals around 22.1 million euro. Among these is the sponsorship of the XX Winter Olympic Games to be held in Turin in 2006.

The Sanpaolo IMI Group is the Principal Sponsor of the Turin 2006 XX Winter Olympics, which will be held from 10 to 26 February 2006, as well as the IX edition of the Para-Olympics for disabled athletes to be held from 10 to 19 March of the same year.



Sanpaolo IMI, which covers this role together with Fiat, already supported the candidacy of the city to host the Games, which return to Italy for the third time (after the Winter Olympics in Cortina in 1956, and the Olympic Games in Rome in 1960) and which arrive in Turin for the first time: this event is of great significance and is an important opportunity for the territory which will host the Games and for the entire country. The Group is participating as sponsor consistently with the choice to support the projects and the initiatives able to generate new growth and in full compliance with the universal values which link the Olympics.

Linking our trademark with the Olympic symbol, will allow us to show all the Group's interlocutors that the values we share such as commitment, dedication, professionalism, dynamism, competitiveness and solidarity are perfectly coherent with the culture of the Sanpaolo IMI business.

From this viewpoint, the sponsorship is considered to be a terrain unifying different but consistent lines of action, centered on involvement externally and internally.

Externally in three directions: relations with the customer, more generally with the community, and contribution toward opportunities for development in the territory linked to the Olympic event. Internally, for the sense of belonging and pride which being linked to such a prestigious trademark and to the Olympic values can arouse in those belonging to the Group.

Sanpaolo IMI is also contributing, as partner, to the realization of the "Torino 2007" University Winter Games, which will involve the participation of athletes from universities around the world. Again, Sanpaolo IMI's participation underlines the compliance with the universal values of sport and the strong attention which the company dedicates to young people.

Among the most important initiatives which the Group's banks have sponsored are the following:

- Support to some important Italian theaters, among which the Teatro dell'Opera of Rome (Banca OPI), Teatro San Carlo of Naples (Sanpaolo Banco di Napoli), Teatro Comunale Giuseppe Verdi of Gorizia (Friulcassa), Teatro Comunale of Bologna (Carisbo¹⁵). Also worth reminding is the support provided by Carive to the Venice Council in favor of the reconstruction of the Gran Teatro La Fenice, in the context of collaboration with the structure which, among others, is beneficiary of part of the donations provided by the Venezia Serenissima Ethical Fund¹⁶;
- in the context of the bodies to safeguard the environment, the support given to the activities of

¹⁵ Carisbo is also founding partner of the Fondazione Teatro Comunale and as such participates in its management.

¹⁶ See the section dedicated to Ethical Funds, page 59.

¹⁷ Fondo per l'ambiente italiano.

FAI¹⁷ (Sanpaolo IMI), the thirtieth anniversary of Federambiente (Banca OPI) and the Sicurexpo Fair in Udine (Friulcassa);

- other sporting sponsorships, among which Banca Popolare dell'Adriatico's sponsorship of the Scavolini basketball team, Carisbo's sponsorship of the Fortitudo and Virtus basketball teams and Cariparo's sponsorship of the AS Cittadella Padova, Calcio Padova and Calcio Rovigo football teams;
- Among the artistic and cultural fields is Carisbo's sponsorship of the 2003 Arts Fair. Held each year in Bologna, it is one of the most important appointments in Italy for collectors, artists and critics, and receives considerable international coverage; and BP Adriatico's sponsorship of the Rossini Opera Festival at Pesaro;
- lastly, economic sponsorship for socially benevolent events: above all, Carisbo's support of solidarity events organized by the association "Gli amici di Luca" (Luca's friends), to make known the important system of research and care which has sprung up to help those families living the dramatic experience of having a loved one in a coma.

Last of all, the collaboration between Carisbo and Sanpaolo IMI Wealth Management in organizing the conference "Finance and ethical values: perspectives", held in Bologna on 30 September 2003.

Collaboration with non profit organizations for social initiatives

There are a number of cooperating initiatives between the various banks within the Group and organizations with the aim of providing social, artistic, scientific and sporting benefits. Some of these are focused within the territory of reference and are expressions of the origins of the diverse realities of the Group within the local areas in which they operate. Without entering into great length and detail of the numerous partnerships, a brief summary is provided below.

- The 'Facciamo Futuro' project. The lengthening prospects of life and the progressive ageing of the population have increased the number of people at risk of being no longer self-sufficient: this is an increasing phenomenon in Italy. On the basis of such facts, the Management of the San Giovanni – Addolorata Hospital, one of the most avant-garde hospitals in Italy, has concentrated its attention on the improvement to health of the ageing population, by starting up the "Facciamo Futuro" (Let's Make a Future) project. The object of this initiative is to provide a completely innovative service through the

realization of a Clinic for the Pathologies of the Elderly, capable of guaranteeing integrated prevention and monitoring of pathologies and boosting home assistance. Sanpaolo IMI provided support to this project in the spring of 2003, fuelled by the strong interest in these issues, already witnessed by the activities of Sanpaolo IMI Wealth Management in the context of the development of insurance and welfare products and by studies into the problems of long-term care. The work of raising funds, which involved 2,000 branches, consisted of customers donating a fixed sum of 3 euro and enabled us to collect 8,730 euro at the end of December, most of which was geographically concentrated in the region of Central Italy.

- The initiative to protect and assist refugees continued into 2003 through collaboration with the UNHCR, which protects and assists refugees, evacuees, asylum seekers, stateless persons, and other categories of people forced to leave their home and land because of war, persecution and the violation of human rights. The support was aimed at safeguarding the safety of



refugees, assisting them in procedures for asylum and in the difficult task of reconstructing a life, and providing medical care and an adequate education to their children. Sanpaolo IMI collaborated by providing operational support and by being a vehicle for an information campaign. From an operational point of view, the branches of the Sanpaolo Network and Sanpaolo Banco di Napoli were involved in fundraising in the form of a lump sum payment, as already experimented in previous years, and through monthly donations charged either to a current account or to a credit card. Donations may also be made using automatic bank tellers across the ATM circuit and directly through the Operating area at www.sanpaoloimi.com. From an information viewpoint, the initiative has been widely communicated internally and to customers (through the website and by specific reference in bank statements).

- The UNICEF initiative. In 2003 Sanpaolo IMI again renewed the invitation to its customers during Christmas to support the UNICEF projects in favor of children, through the purchase of greeting cards and small gift items, available at all Sanpaolo and Sanpaolo Banco di Napoli operating points. It was again possible to support one of UNICEF's development projects by opening a Benefit Under 18 account (see the section on "Retail customers").
- The Masi Foundation: Sanpaolo IMI is founding partner of the ICE Foundation named after Manlio Masi, which proposes to study, promote and develop the processes and strategies of internationalization of the national economic system. The aim of the Foundation is to assign donations and scholarships to young graduates residing in the European Union, finance research and study into markets and international exchanges, provide training activities, to promote the cooperation and spread of science and culture and to provide other methods of support to businesses in respect of the processes of internationalization.
- Territorial initiatives: the intense activity in this area by Carive which, because of its widespread distribution and historical proximity to the territory, is often involved in associations and committees aimed at providing social benefits for fundraising. The bank performs such activities by providing assistance and making available its financial consultants and branches, as well as by offering special rates on accounts and on deposits and transfers. Among such organizations it is worth remembering the Banca degli Occhi del Veneto and the Associazione ABO, which is active in research into tumor markers. Carive also participates, as organizer and co-organizer, in a series of events particularly important to the Venetian community, among which the Carive-Associazione Regatanti Gran Premio, an award given to a rowing club participating in the popular Volalonga display and the Carivela challenge trophy.

Business basics

The banking industry can contribute considerably toward the development of the Italian productive system, by facilitating the satisfaction for the demand of credit and by favoring those operations which may result in an increase in the supply of public assets, improvements to infrastructures and the modernization of public institutions. In this context the Group operates through Banca OPI, the Group company specialized in providing finance and advice to the public sector (with a market share of around 26%), and focused especially on infrastructures, and through its subsidiary FIN.OPI, which acts as investor with direct capital.



Through its advisory services, the realization of project finance transactions and traditional financing for public authorities, Banca OPI actively contributes towards improving the economic and competitive conditions in the territorial areas to which financing is aimed.

Banca OPI is particularly attentive to the economic and social development of Southern Italy. In this respect, it has strengthened its presence in the territory by opening a Branch in Naples and has channeled considerable financial resources to Southern Italy, thanks to the completion of global loans with EIB and the Council of Europe Development Bank, aimed at financing infrastructures in Objective 1 Areas, with particular attention to the sectors of education and health. Banca OPI has also contributed toward improving the infrastructure supplied to the southern regions with numerous and important interventions such as, for example, the upgrading of the Salerno-Reggio Calabria motorway and of some sections of the stretches of road connecting major Sicilian cities. The financing activity performed in 2003 (for a total of 7 billion euro), for operations of a strong social and environmental nature was equal to approximately 39% (2.7 billion euro), a significant increase on the previous year (32% equal to 2.2 billion euro). The most significant projects were in the environmental services sector in the strictest sense (integrated waste and water cycle), in environment protection (preservation of the Venice Lagoon) in urban transport, urban improvement and social housing: altogether 1,320 million euro were channeled towards

the financing of these activities in 2003. A significant amount of financing by Banca OPI was destined for supporting decontamination consortia (268 million euro), and for renovating infrastructures damaged as a result of natural disasters (110 million euro).

Within the scope of many projects currently underway, some particularly significant examples are:

- **University construction.** Banca OPI is structuring a project finance operation related to an initiative in Turin called the Biotechnology School. This is one of the first examples of project financing in the sector of university construction in Italy.
- **Protecting Venice.** Banca OPI has participated considerably towards financing of the works being carried out to protect Venice and its lagoon. The principal loans refer to works relating to the physical protection of the lagoon, realized by the Consorzio Venezia Nuova (New Venice Consortium), operations under the authority of the Venetian Region to reduce pollution and investments to safeguard the historical heritage of

the major Towns in the Lagoon.

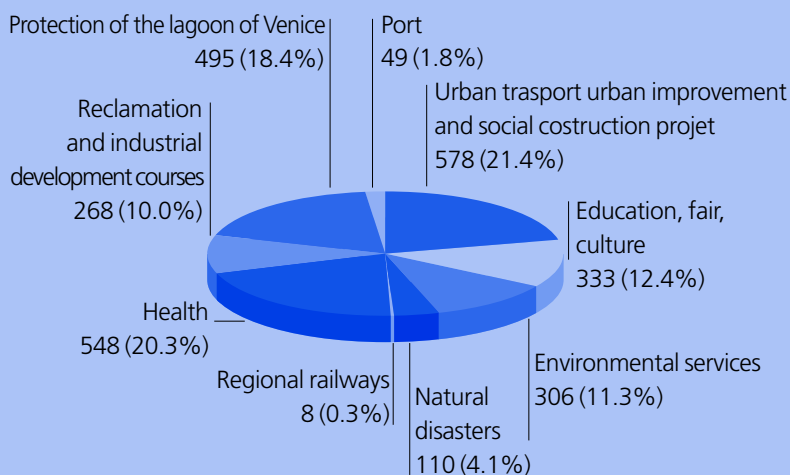
- **Sea-Highways.** In 2003 Banca OPI continued its activity in financing ports, a sector to which it dedicates considerable attention, above all in respect of the progressive implementation of projects related to the Sea-Highways. These will absorb the significant increase in traffic forecast for the future years, avoiding further congestion of highways.

Other projects were related to the environment (see the section on Environment).

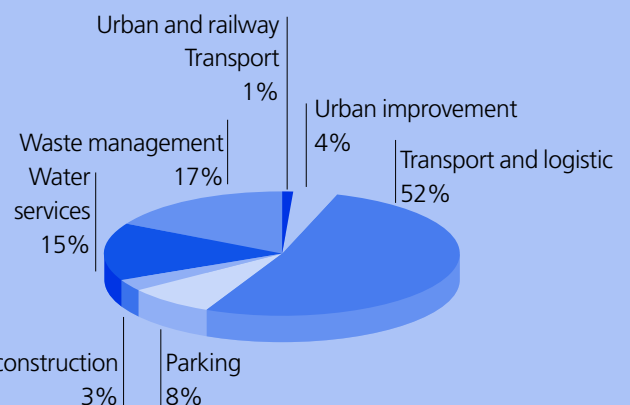
As far as school construction is concerned, following the earthquake which hit the region of Molise, and in relation to an operation promoted by an important Neapolitan company, Banca OPI proposed to the Campania Region to identify a procedure to verify the status of school buildings in order to quantify the requirements necessary to bring them in line with the recently modified earthquake-proof regulations. From a series of checks on the vulnerability of these buildings, made shortly after the last earthquake, it has been confirmed that around 10% of the

school buildings can be considered highly vulnerable to earthquakes (in the central-southern region of Italy alone, there are around 1,500-2,000 buildings). At the moment this operation has not had any follow-up but it is believed that the principle which envisages public-private partnerships (PPP) may gradually be accepted, thus making it possible to start up instruments such as Project Finance also for this type of operation.

BANCA OPI
SOCIAL AND ENVIRONMENTAL FINANCING
(million euro and % amount)



BANCA OPI
DESTINATION OF INVESTMENTS OBJECT OF ADVISORY
(Total investments 4,860 million of euros)





Corbis

Support for the High-speed/High-capacity Turin-Lyon rail connection

The High-speed/High-capacity Turin-Lyon rail connection is part of the Lisbon-Kiev “V Corridor” and comprises the element connecting Portugal, Spain, France and East Europe, across the Po river valley (Pianura Padana) which is the second economic region in Europe, after Bavaria, in terms of GDP and the movement of goods.

To support this project, the Group promoted the formation of an informal work group, chaired by Prof. Alberto Majocchi, Chairman of ISAE – representing the Ministry of Economy, which contributed to defining the possible economic-financial scenarios and the relevant legal schemes, and supported the Italian government during discussions with the French government. At the same time as the project, the operation saw the

consensual procedures move forward with the approval of the preliminary project on both the Italian and French sides.

This support, given freely through Banca OPI (the Group company specialized in financing public bodies focused specifically on infrastructures), is set in the framework of the actions by the Group aimed at assisting in the realization of strategic projects for the future of the “New Europe”. Projects which are also destined to redefine the exchange of passengers and goods between countries, through the development of models of innovative financing which are based on putting into effect the schemes for Public Private Partnership (PPP).

This project has a high socio-economic and environmental value: from the first point of view, in addition to building a crucial connecting element for the Pianura Padana, it will allow traffic to flow on the high capacity Turin-Milan-Venice-Naples railway line, which is already being constructed and which is also financed by the EIB. This connection will provide a “bridge” for the development of Southern Italy and an outlet towards the Mediterranean.

In order to provide a physical dimension to the environmental problem, it is enough to consider that the Turin-Lyon line will allow a reduction of around 300 tons per day in the emission of poisonous gases, thanks to the shift from road to rail of around 3,000 lorries per day (even through rail road transport)¹⁸.

Within the scope of the business initiatives with a strong social value, it is worth mentioning that at the end of the 1980’s the Group participated in the positive experience of Banco del Desarrollo (BDD). With 15.72%, Sanpaolo IMI is currently one of the majority shareholders of this medium sized Chilean bank. BDD is one of the main “laboratories” supporting local development in the Latin-America region. It is particularly active in financing micro and small Chilean businesses and social construction and contributes significantly towards University and professional financing and training.

¹⁸ With special reference to CO₂ emissions, which have a significant impact on the global warming effect (greenhouse gases effect), it should be noted that a heavy vehicle introduces about 0.8-1.2 Kg of this gas for every km of travel (about 30.50 Kg/h on average)



The FIN.OPI (controlled by Banca OPI) operation also enters into the context of public sector initiatives, as it acts as equity investor, i.e., investor with venture capital. There are three main sectors in which FIN.OPI participates:

- 1) projects to develop infrastructures managed by public-private partnerships;
- 2) local public service companies;
- 3) initiatives relating to the environment.

These investments are realized with both direct purchase of shares and with the setting up of specialized closed-end funds subscribed by third parties. The investment portfolio at 2003 year end totals 64 million euro, of which 49% refers to local public service companies and 45% to projects relating to the development of infrastructures (including the investment in Sinloc). In 2003 new investments totaled around 41 million euro.

- 1) Projects to develop infrastructures managed by public-private partnerships. The necessity to improve infrastructures and the need to keep public spending down have, over the past years, led to a growth of interest in Europe in the development of forms of public-private partnerships (PPP). Benefiting from the experience matured from project financing by Banca OPI, FIN.OPI operates alongside industrial operators as venture capital investor in companies which will have the responsibility of realizing infrastructures. In this logic, FIN.OPI holds, for example, a 2% shareholding in Nuova Romea S.p.A., a company engaged to develop the project for a new stretch of highway between Ravenna and Mestre. FIN.OPI has also, through its closed-end funds, identified a more efficient method to allow private investors and institutions access to public-private partnerships. In this sense some initiatives have been started up and others are being organized:

- participation in Galaxy Fund, a fund set up in 2003 by the French Caisse des Dépôts et Consignations (CDC), specialized in infrastructure projects in the transport sector of the European Union. Subscription – initially for 100 million euro by CDC and 25 million euro by FIN.OPI. – has been increased to 167 million euro through the inclusion in February 2004 of KfW.

- The promotion of an Italian fund called Fondo PPP Italia, for venture capital to participate in Public Private Partnerships. The aim of this fund, which will have among its main investors both Italian and international banking Foundations and institutional investors, is to acquire shares in companies with building and management permissions. The sectors of investment include public and social construction (schools, hospitals, public buildings), transport, the environment and water resources. Other targets for investment will be municipal companies operating in the local public service sector.

FIN.OPI also has a shareholding in SINLOC – Sistema Iniziative Locali S.p.A., an equity financing and advisory service which offers support to public sectors in evaluating the economic-financial and legal feasibility of projects in respect of efficiency and revenues. The sectors (and principal projects in 2003) are as follows:

- local public transport and infrastructure for the territory;
- urban transformation aimed at recovering rundown or disused areas (the recovery of the Cavallerizza Reale area in Turin for example);
- residential and specialized social buildings (health and university residences).

SINLOC also has an active role with local bodies, promoting projects of interest to the community through the instrument of project financing, which brings together business resources and private finance. The operational vocation of this company reflects

the particular composition of its shareholders, which are made up of banking Foundations and other such institutions. SINLOC appears therefore capable of communicating with local administrations, sharing the social benefits with a view of reconciling public interest with business logic. As a matter of fact the company is active in those sectors where the public body and private operator are placed in strict contiguity, in the context of future or current processes of liberalization of local services or of territorial improvement.

2) Local public service companies.

The local public services sector has been affected by the process of reform for some time now, characterized by an increasing level of liberalization of access to the market and by a progressive industrialization of the management of services.

FIN.OPI has made significant investments in important ex-listed companies, such as AEM of Turin and HERA of Bologna, working alongside them as an established shareholder, supporting and promoting plans for development and improvement in efficiency.

Furthermore, at the end of 2003 an acquisition of around 15% shares was made in AMA International S.p.A., a company controlled by the Rome Council. The company participates in tender bids in European and foreign countries for the management of integrated systems for collecting, transporting and disposing of domestic and industrial waste, with the aim of bringing technology and management expertise to countries where the level of these services is not so advanced.

Lastly, FIN.OPI has a significant shareholding, equal to 7% of the capital, in the French company Transdev, one of the main European groups for local public transport and which is controlled by CDC, the latter of which has important projects for development in Italy.

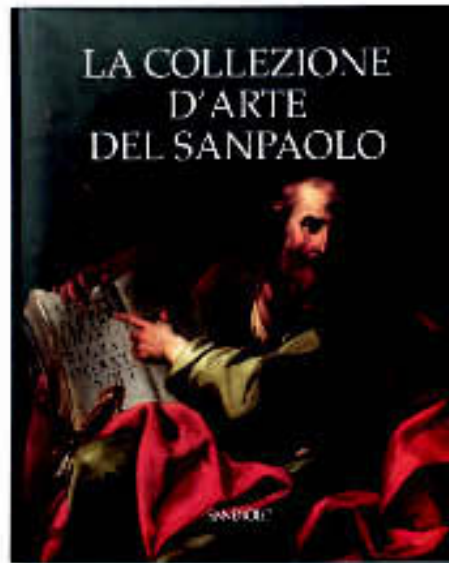
The artistic heritage

The Group's Banks can boast a particularly prestigious artistic heritage: the management by the Group of its collections is aimed not only at their safekeeping and exploitation, but also at making them available for public viewing on appropriate occasions, in order to widen knowledge and enjoyment by specialists, enthusiasts and ordinary citizens: one of these occasions is "Invito a Palazzo" (Invite to the Palace), an initiative promoted by ABI (Italian Bankers Association) which, in 2003, took place on 20 September. This year Sanpaolo IMI took part yet again. This initiative offers the public the occasion to visit, free of charge, some historical palaces of particular artistic and cultural importance and which are otherwise difficult to admire since they are buildings in which the Bank normally performs its daily business. Within the Sanpaolo IMI Group, 15 palaces in 14 different cities were opened to the public and visited by around 8,350 people. For the occasion guided tours, for example, were organized in the Campo Manin di Carive building, and exhibitions were staged, such as that dedicated to the "Relations between the East and the West" held at the Carisbo head office.

In addition to the Invite to the Palace, some Banks of the Group organize and set up on their premises exhibits of works of art owned by themselves and by third parties.

For some time now, Carisbo has favorably valued the request by its artist customers to exhibit their works within the bank branches: at the Carisbo Piazza Maggiore branch building, spaces destined to host permanent art exhibitions were included in the renovation plans, with cyclic exhibitions of works of art owned by Carisbo, the Fondazione Cassa di Risparmio in Bologna and by third parties. The list of cultural initiatives which have been held within this branch and which were greatly appreciated by the public is extremely rich: among the latest, held for the 2003 Christmas festivities, was the exhibition entitled "L'identità del genio" (The identity of a genius), with works of art by Morandi, De Chirico, Campigli, Sisley, Boldini, Signorini, Fattori and Romagnoli.

Carive also organizes exhibitions in the public halls of its larger branches. These exhibitions enter into the rich panorama of Venetian culture in an original format, by presenting exhibitions which are distinguished by their originality, topics and vicinity to local themes of interest, with the aim of creating interest in a public the majority of whom enter the buildings for purposes other than cultural. The material displayed ranges from works owned by the Bank (for example, the exhibition "La Fenice, un'altra ricostruzione" (La Fenice, another restoration), with documents by Giovanni



Battista Meduna which form part of the Carive Historical Archive), to collections owned privately and by associations, to photographic or pictorial works made by groups and schools, to documentation of activities (such as "Merlettaie e Merletti di Burano nel terzo millennio" (Lace makers and Lace from Burano in the third millennium), in collaboration with the "Andriana Marcello" Foundation and the Venice Chamber of Commerce, with a demonstration of lace makers at work), research and diverse publications. For exhibitions and displays, even of national interest, Cariparo makes available its prestigious rooms at Palazzo del Monte in Padua to associations and local bodies (particularly the Padua Council, in the context of a long-term relationship of cooperation).

Remaining within the context of the enjoyment of the Group's artistic heritage also by the public, is the series of monographs dedicated to it. As has been the tradition since 1952, Sanpaolo IMI realizes, as a Christmas gift, a monograph dedicated to various artistic themes. At the end of 2003 the first monograph of a series dedicated to the artistic heritage of the Sanpaolo IMI Group was published: this volume illustrates around 120 works owned by the Parent Bank, with an historical-artistic foreword and followed by a summary of the authors. The choice of the works of art, the editing and coordination of the content of the volume was assigned to Anna Coliva, the artistic director of the Borghese Gallery.

The subject of future volumes will be the heritage of Sanpaolo Banco di Napoli and the Banks of the North East.

Having given details of the artistic heritage of Sanpaolo IMI and Sanpaolo Banco di Napoli in the 2002 Social Report, this year we shall summarize the heritage of the Banks of the North East.

Cassa di Risparmio in Bologna

The artistic heritage of Carisbo includes:

- a pictorial collection which ranges from the fifteenth century to the twentieth century, and containing some masterpieces:
 - *The cry of Saint Peter*, by Giovan Francesco Barbieri, known as Guercino;
 - *Stories of Saint Andrew*, two precious plates by Michele Di Matteo;
 - *Shooting still life* (two works) and *Battle scene: Clorinda and Tancredi*, three paintings by Giuseppe Maria Crespi;
 - *Portrait of a gentleman or watchmaker* and *The holy family*, two paintings by Agostino Carracci;
 - *Angelica and Medoro*, by Lorenzo Pasinelli;
 - *Anna Maria Ranuzzi portrait as charity*, by Elisabetta Sirani;
- a series of drawings and engravings, among which the series of Figurative Proverbs by Giuseppe Maria Mitelli and twenty water-colors of the story Bertoldo, Bertoldino and Cacasenno by Giuseppe Maria Crespi;
- a numismatic collection representing an extraordinary documentation of the historical-economic practice of the city through seven centuries of monetary production. Particularly significant are the 1,550 coins issued by the Bolognese Mint from 1191 – the year in which it was granted the privilege of minting and striking the “denarium bononiense” – to 1861 when,

with the Unity of Italy and consequent reorganization of the monetary system, the Bologna Mint was closed, after having minted around 1,200 types of coins;

- a technical-economic and banking library with over 12,000 volumes published from the nineteenth century to modern day, and with a collection of more than 100 newspapers.

“The holy family”, Lodovico Carracci



"Canal Grande with Basilica della Salute", Canaletto



Friulcassa

The heritage of Friulcassa is mainly concentrated in the building located at Palazzo del Monte di Pietà in Udine. A building dating from the 16th century containing the Chapel of S. Maria, with frescoes from 1694 by Giulio Quaglio, a native of Como. Particularly important from an artistic point of view are the picture galleries and furnishings of the Palazzo, with some Pietà sculptures from the XVI – XVII centuries, 17th and 18th century paintings of sacred and profane subjects attributed to Nicolò Frangipane, Nicola Grassi, and Giovanni Antonio Pellegrini, modern portraits and a considerable number of paintings from the twentieth century, among which a particularly large oil by Marcello D’Olivo which adorns one wall of the hall open to the public. Lastly, worth mentioning are the 17th century illuminated manuscripts of the Monte di Pietà, a unique example in Italy of books painted on fabric.

Cassa di Risparmio di Venezia

It cannot be said that the Carive art collection is rich because of the number of pieces, which are practically all kept in the head office building at Campo Manin: however each single work of art is most certainly of an artistic and historical value, some of which are priceless examples of the great cultural periods of Venice in the 16th, 17th and 18th centuries. Among the best works in the collection are:

- *Paradise* by Jacopo and Domenico Tintoretto, one of the sketches realized between 1590 and 1592 during the work on the large canvas in the Sala del Maggior Consiglio of the Palazzo Ducale in Venice, the *Council of the Gods* by Jacopo Tintoretto (circa 1540) and *Portrait of a Venetian Gentleman* by Domenico Tintoretto around 1600;
- *The Universal Judgement*, painted by Giambattista Tiepolo (1696 – 1770) a sketch for a large ceiling fresco which – it would seem – was never realized;
- *Two Scenes from the Canal Grande: looking across to Saint Jeremiah with Palazzo Labia and Ponte delle Guglie and with the Basilica della Salute and to the left, the Bacino di San Marco*, both works by Canaletto (Antonio Canal) dated around 1745 – 1750.

Of particular importance is the Venetian Library, with its establishment in 1962, Carive is committed to collecting publications dedicated to Venetian history and culture. Continually enriched by new acquisitions, the Library holds over two thousand works which range from manuscripts and incunabulum from the fifteenth century to rare

volumes from the nineteenth and twentieth centuries. Among the rarest and most precious works should be remembered, for example, *Poliphilo* (Aldo Manuzio, 1499), *Divina Commedia* (Matteo Chodecha, 1493) and, among the engravings, some rare examples by Domenico Tiepolo on *The Escape to Egypt*. The Venetian Library also displays some rare original copies from 1500 of the great *View from Venice* by Jacopo de’ Barbari.

Lastly, a role not to be neglected in the conservation of particular aspects of the economic, social and cultural traditions is that assigned to Carive’s Historical Archives which – having been recently rearranged and accurately cataloged – offers researchers an authentic mine of information and news.

“Universal Judgement”, Giovanni Battista Tiepolo



Banca Popolare dell'Adriatico

The Banca Popolare dell'Adriatico's art collection has works dating from the 16th to the 21st centuries by important Italian artists, the majority of which are natives of the Marche and the Abruzzo or artists who have worked in these regions.

The collection includes:

- an oil painting from 1400 by Giovanni Antonio Bellinzoni of Pesaro, entitled *San Donnino*;
- two works from 1500 entitled *The Holy Family and the marriage of Saint Catherine* by *Girolamo Marchesi da Cotignola* and *The Holy Family with Saint John and Angels* by Federico Zuccari;
- a number of paintings dating from the 1600s and 1700s; of those painted by Simone Cantarini, *Portrait of Eleonora Albani* is particularly appreciated, having been requested for display in Italy and abroad because of its characteristics;
- an interesting esoteric work by Giovan Francesco Guerrieri da Fossombrone (Pesaro), entitled *Judith and Olophern*;
- two large canvases, *Psyche's awakening* and *Psyche's toilette*, originating from the Farnese collection of the native of Pesaro, Giovanni Venanzi;
- a collection of works by Alessio De Marchis, which provided an opportunity for an in-depth study and revaluation of this artist of Neapolitan origin, who lived and worked in Urbino at the time of Pope Albani;
- among the works from the nineteenth century, are five paintings by Teofilo Patini, among which *A portrait of Christ* and *The good Samaritan*, and a series of 21 water colors by Salvatore Di Giuseppe, depicting scenes from Teramo's life in the 19th century.
- among the works from the 21st century are two large paintings by Schifano, one by the artist Nino Caffè: *Piazza del Duomo di Urbino* and a bronze sculpture entitled *Sphere*, by Arnaldo Pomodoro.

Cassa di Risparmio di Padova e Rovigo

The Cariparo art collection includes works from the 16th to the 21st centuries and was realized with the aim of documenting, preserving, stimulating and supporting local art and the Venetian culture in its most diverse expressions. This collection of works was built up after the second world war, even if the Cassa already held paintings before that period.

- The most important and one of the oldest paintings is the canvas *The Madonna between Saint Catherine and John the Baptist*, signed by Giovanni Buonconsiglio, known as Marescalco. This painting is a precious document surviving the work of this native of Vicenza.
- There are three canvases by Strozzi dating from the first half of the 18th century depicting *The dinner of Emmaus*.
- Two paintings depicting episodes from the life of Alessandro date from the 18th century: the first is a work by Paolo Pagani, a scholar of Pietro Liberi, the second is a work by Gian Antonio Pellegrini.
- The underlying theme of the modern day works is the local history. The most significant works are those attributed to Mario Cavaglieri, Biasi, the Enne Group and to Tono Zancanaro.

"Dinner of Emmaus", Bernardino Strozzi



Operations to safeguard the community: money laundering

Sanpaolo IMI takes into the highest consideration the observance of money laundering regulations as a necessary condition to correctly carry out its business. It fully recognizes the instructions as issued by the Bank of Italy and by the Committee of Basel in October in its document of October 2001, entitled "Customer due diligence for banks". Particular importance is given to gaining an in-depth knowledge of our customers and, with this in mind, constant attention is paid to resources and financial means in order to create adequate instruments to gather all information concerning the complex relationships with customers and the operations performed. From an organizational point of view, this issue has an effect in terms of a strictly legal nature – such as, for example, the interpretation of standards and fulfillments related to reporting suspicious operations according to Art. 3 Law 197/91 – and those linked to operational and procedural aspects, for example, the management of a Single IT Archive, the control of which is assigned to qualified corporate structures.

Great attention has obviously also been paid to training, which is fundamental to ensure that operators are fully aware of the importance of knowing the various issues connected to "Money laundering" issues.

Therefore, during the year the Bank has taken steps to review the relevant instruction manual, in the light of the changes made to procedures in the meantime and clarification of their interpretations. This manual – which forms a sole body of text concerning the more legal aspects and the operating methods to adopt in order to ensure efficient control of the specific problems involved – was issued in October 2003 and sent out, with confirmation of receipt, to employees according to their specific roles. Whilst on the subject of training – in observance of the basic courses provided by ABI Formazione and aimed at branch employees and all newly employed staff – a project focused on developing an internal training course to widen knowledge on this subject was concluded.

Aimed at all employees of operating points, the course has the dual purpose of creating awareness of the value of respecting regulations of control against money laundering for the company to correctly perform its business and of increasing knowledge of the company's procedures governing these aspects.

PATRIOT ACT

In December 2002 Sanpaolo IMI issued a written declaration of its observance of the American law entitled "Uniting and Strengthening America by providing appropriate tools to intercept and obstruct terrorism", the so called "Patriot Act". The Patriot Act also includes, among other things, a series of regulations aimed at controlling money laundering through foreign banks.

THE ASSOCIATION OF BLOOD DONORS

Established in the 1960's, the Company Blood Donors Group today counts 17 sub-groups located in the same number of cities, with important results: around 2,200 donations per year by almost 1,100 donors. Membership of the Association is open to all employees from the Sanpaolo IMI Group and from subsidiary companies and their families.

The Company Association collaborates at national level with different associations, such as ADVS, AVIS, the Red Cross, FIDAS, FRATRES and GIDS. Donations are made monthly at the various branches and are organized on each working day in order to satisfy the demand for blood efficiently and continuously. After donating blood the employees can benefit from a day of paid leave.

Media Relations

Today communication is an essential element of the life of every company. The objective of Sanpaolo IMI is to communicate following the criteria of transparency, accuracy, clarity and promptness. That is the task of the Media Relations. The media have a serious and trustworthy interlocutor who guarantees information on the various activities, strategic choices and economic results achieved by the Group. To ensure the quality of information provided to both the media and the financial community, this activity is carried out in full observance of instructions issued by market Supervisory Bodies in respect of price sensitive information.

The Sanpaolo IMI Group has also offered the Supervisory Bodies important support in order to achieve greater transparency and accuracy of market information: in June 1999, acting as "pilot company", Sanpaolo IMI cooperated with the Borsa Italiana (the Italian Stock Exchange), in the preparation and testing of the Network Information System (NIS). This system is the telematic circuit for distributing information to the public, the use of which has become compulsory for all listed companies since April 2002. The NIS is the channel used to transmit price sensitive information to Consob and to the Borsa Italiana (press releases, presentations to analysts, etc.): if they possess the requisites of the Regulatory Authorities, the system transmits them simultaneously to all the press agencies connected to the system (most of which are Italian and foreign). Where they do not meet such requirements, the company is invited to provide a clearer definition or more detail. It goes without saying that this system does not complete the duties of the Media Relations Department, which provides press releases about the Bank to all those press agencies not connected to the NIS, to all the national and general daily newspapers, to the main foreign financial daily newspapers (making available to the latter English language text), to the main Italian periodical magazines, above all those of an economic and financial nature, to the most popular regional daily newspapers and to the most well known on line news bulletins, thus favoring the greatest possible dissemination of information.

In general, the instruments used by the Media Relations Department for external communications range from press releases, press conferences and interviews granted by members of top management of the Bank, to official declarations. This institutional activity is flanked by intense work to support the journalists, to provide adequate and exhaustive documentation which is useful, on one side, to facilitate the work of the journalists and, on the other, to avoid wherever possible, that information reported on the Group is incorrect.

Another efficient instrument for external communication is the website: the Group's new website was launched in 2003 (<http://www.grupposanpaoloimi.com>), wherein a section is dedicated to Media Relations ("Ufficio Stampa"), where it is possible to search for all press releases issued from 2000, subdivided by year and by subject matter. It is also possible to subscribe to a mailing list to receive press releases and to download directly photographs of the top management of the Group, as well as of the branches; such images can eventually be used to enrich journalistic articles.

Press releases	136
of which 9 related to the periodic results of the Group	9
of which 1 related to the presentation of the Group's 03-05 Three Year Plan	1
Press conferences	19
of which 1 related to the presentation of the 03-05 Three Year Plan	1
Interviews	65
Official announcements	74

In 2003 the two offices which previously handled relations with the media were unified into the Media Relations Department: the press office of the institution and the product. This choice allowed us to give more integrated and prompt replies to the media, at a moment in which two aspects, institutional and commercial, are becoming increasingly interrelated.

Briefly, the information distributed by the Media Relations Department refer to:

- the events that involve the equity, organizational and administration structures of the Sanpaolo IMI Group;
- the strategies pursued by the Group during phases of development and rationalization;
- company policies concerning the main commercial aspects;
- annual or periodical results at statutory and consolidated level, of both the Parent Bank and Group companies; we would remind you that in this respect Sanpaolo IMI was the first Group to adopt quarterly reporting of its economic results;
- communications aimed at denying, confirming or preventing rumors which may circulate within financial circles and interfere with the performance of the company's activities and with the performance of its shares;
- other financial information that it sees fit to distribute through the media, in constant observance of the procedures dictated for companies listed in Italy and abroad.

There is just as much intense activity in communicating internally as there is in communicating externally. The top management of the Group is in fact kept constantly informed of all important news, through a review of daily newspapers and monitoring of all media to prevent, where possible, the spread of untrue rumors or to make corrections as quickly as possible. The knowledge of the market and of any rumors spread on the market is an indispensable instrument to the life of a large company.

PhotoDisc



The community: objectives for 2003

OBJECTIVES

Give priority to territory financing activities as well as to those activities supporting the productive structure, also through research and study initiatives. Actions include:

- intensification of Banca OPI activities;
- incentives to the economic cooperation between the public and private sector;
- the launch of the Association of Studies and Research for Southern Italy;
- the launch of closed-end funds for the territory

ACTIVITIES AND RESULTS

- ✓ 32% increase in investments in sectors of strong social and environmental benefits; strengthening of the presence on the territory with the opening of the Banca OPI Naples branch.
- ✓ Intense advisory activity and realization of project financing and Public-Private Partnership transactions, particularly with projects in sectors such as environmental services, environment protection (preservation of the Venice Lagoon), urban transport, urban improvement, social construction and schools.
- ✓ The Association was established in July 2003
- ✓ Operations of the Fund for the promotion of risk capital in Southern Italy commenced in April 2003.

Management of the territorial reorganization of the Group so as to guarantee proximity to the territory, with particular focus on the consolidation of the dialogue with local communities with a view to their growing involvement. Planned initiatives:

- organization of Conferences on the local economy;
- activation of decentralization and specialization as set out in the 2003-2005 strategic plan

- ✓ The first Consultative Committee was started at Bari in November 2003.
- ✓ Considerable commitment was made to the activity of decentralization and specialization during the year.

Study and launch of initiatives focusing on specific categories:

- micro-credit project;
- social banking;
- initiative for the elderly.

- ✓ Start up of the micro-credit project in October 2003
- ✓ Start up of the basic banking service in February 2004 (in the context of compliance to the ABI Clear Deal project)
- ✓ Start up of the "Facciamo Futuro" project in Spring 2003



Environment

VALUES

Creation of value

Value in detail

We deem it indispensable to consider environment protection to be an opportunity for the Group and its customers, above all those belonging to the corporate sector

Customer orientation

We must look to the future in the knowledge that even the method of distributing our products and services to customers can depend on the quality of the environment

Integrity

We are aware of the direct and indirect consequences of operations which we promote or finance: in order to realize this we must also take into account environmental issues for future generations

Commitment towards excellence

We want to align our objectives to international best practice

Growth in observance of specific qualities

It is our intention to carry out our role as economic player at national level in a responsible and sensitive manner, taking care to respect the environmental heritage of each territory in which we operate

Responsibility in the use of resources

We want to avoid all forms of waste and – in relation to the technologies available and in terms of costs/benefits - to actively promote initiatives aimed at saving energy and natural resources

Direct environmental impact

The direct environmental aspects, that is those elements on which the organization has a high level of influence and management control, are limited for a bank - because of the type of business it carries out - when compared to those of industrial businesses. Nevertheless, the size of a large banking Group, with numerous operating units spread across Italy, means it cannot neglect its global influence.

Significant direct impacts include consumption of electricity and paper, while the production of waste from the use of consumer goods, the emission of gases through the consumption of energy and the consumption of water have minor effects.

The furnishings of workplaces can also have an impact on the environment, especially in terms of buildings and plants, the realization of internal communication networks and the supply of office machinery and equipment.

Organization of supervision and environmental policies

The direct influence is supervised by an organizational structure within the Purchase and Logistics Department. In particular, as far as energy consumption is concerned, management of this aspect is, in accordance with Law 10/91¹⁹, entrusted to an Energy manager. Policies and procedures on the matter of energy management, which have also been extended to Sanpaolo Banco di Napoli and which will be spread gradually to the other banking networks, are concentrated on energy saving and specifically set out:

- realization standards and acquisition specifics for the Bank in line with current regulations on such issues;
- the use of highly efficient electrical equipment (with particular attention to office machinery, data-processing centers, lighting and refrigeration equipment);
- the maintenance of all plants (heating, refrigerators and air conditioning) to ensure that efficiency of energy is kept to the maximum;
- the continuous monitoring of consumption;
- the growth in the supply of renewable sources of energy;
- to gradually increase efficiency across the country by applying, at the moment of renovation and realization of new operating points, solutions according to the highest standards.



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THE UNEP DECLARATION

In 2002 Sanpaolo IMI adhered to the UNEP Declaration for financial institutions in respect of the environment and sustainable development, openly declaring its commitment "to take into account the environmental needs in respect of all our activities, in asset management and in other business decisions across all markets". This commitment also refers to the gradual adoption of the best methods of environmental management, promoting the surveillance of environmental objectives and developing products and services in line with the principles of environmental protection.

¹⁹. Standards for implementing the National Energy Plan for the rational use of energy, energy saving and the development of renewable energy sources'

Energy consumption

The perimeters of reporting

Compared to the previous edition of the Social Report, in 2003 the methodology of collecting and analyzing environmental data has been extended to include Sanpaolo Banco di Napoli. Furthermore, despite the various procedures in use by the other Banking Networks, every effort has been made, where possible, to report in this edition environmental data relating to the Group. The perimeter of reporting is indicated below according to each environmental aspect subject to supervision and monitoring.

Consumption of energy, emission of gases:

Sanpaolo IMI, Sanpaolo Banco di Napoli, former Cardine Banks (including the former Cardine Finanziaria), Banca IMI, Sanpaolo IMI Wealth Management, GEST Line, Sanpaolo IMI Internazionale, Sanpaolo IMI Private Equity, Finemiro, Sanpaolo Leasint, Banca OPI, SEP Servizi e Progetti.

Consumption of paper:

Sanpaolo IMI, Sanpaolo Banco di Napoli, former Cardine Banks (including the former Cardine Finanziaria), Banca IMI, Sanpaolo IMI Wealth Management, GEST Line, Sanpaolo IMI Internazionale, Sanpaolo IMI Private Equity, Finemiro, Sanpaolo Leasint, Banca OPI, SEP Servizi e Progetti.

Consumption of water:

Sanpaolo IMI (including the former Cardine Finanziaria) and Sanpaolo Banco di Napoli.

Waste products:

Sanpaolo IMI, Sanpaolo Banco di Napoli, former Cardine Banks (including the former Cardine Finanziaria), GEST Line, Sanpaolo IMI Internazionale, Sanpaolo Leasint, SEP Servizi e Progetti.

As is known, during 2003 the Sanpaolo IMI branches in southern Italy were merged into Sanpaolo Banco di Napoli and, vice versa, the central-northern Italy branches of the former Banco di Napoli were merged into Sanpaolo IMI: for the purposes of comparison this Social Report shows the global data for the two companies which, in the 2002 Social Report were analyzed together.

Energy consumption refers principally to two types:

- fuel (mainly gas and oil), used mainly for heating;
- electricity, used for office machinery and data-processing centers, air conditioning and refrigeration systems and, where the winter climate allows, heat pump heating systems, an alternative to the traditional fuel systems.

Consumption of energy changes considerably according to the type of operating unit of the Bank. To supply as complete a picture as possible of consumption, we carried out our examination according to the type of operating unit:

- buildings with data processing centers, characterized by premises partially utilized for data processing equipment, with offices and structures for information and communication technology;
- large office buildings, mainly destined for as head offices, characterized by highly populated office space and with a considerable amount of office machinery and computer networks;
- operating points and other offices/premises: branches, other offices and premises for other use (archives and warehouses).

The data-processing centers are those which absorb the most electricity, followed by large office buildings and, lastly, by branches and other offices and premises. For this reason the data-processing centers pay particular attention to energy saving; as a matter of fact, as far as concerns energy, these centers have been made largely autonomous in respect of heating, thanks to the use of heat pump heating systems which recycle the heat produced by the data-processing machinery. The most recently built Sanpaolo IMI data-processing centers are also equipped with refrigeration groups which, while giving the same performances, reduce the absorption of electricity when there is a drop in the external air temperature.

BUILDINGS AND EMPLOYEES

	Surface covered (m ²) 2002	Surface covered (m ²) 2003	No. employees** 2002	No. employees** 2003
Sanpaolo IMI* and Sanpaolo Banco di Napoli	1,316,603	1,302,937	27,500	26,048

* excluding the former Cardine Finanziaria

** sum of number of employees, net of personell permanently absent, personell on secondment from other companies and temporary employees.



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ENERGY CONSUMPTION

	Sanpaolo IMI* and Sanpaolo Banco di Napoli					Group***	
	2002 expressed in Toe		2003 expressed in Toe		Change (1)	2003 expressed in Toe	
Thermal energy** (kWh millions/year)	105.84	9,163	104.85	9,049	-1%	166.32	14,362
- gas (mc millions/year)	9.07	7,439	8.68	7,114	-4%	14.10	11,564
- oil and other liquid fuels (liter millions/year)	1.88	1,724	2.11	1,935	+12%	3.05	2,798
Electricity** (kWh millions/year)	191.13	47,783	173.76	43,440	-9%	259.98	64,995

* Excluding the former Cardine Finanziaria.

** Including consumption by operating points with heating connected to centralized building systems, estimated on the basis of the costs involved.

*** For some Group companies the value is estimated on the basis of the costs incurred.

(1) In the 2002 Social Report the data relating to oil and gas was split according to estimates, while in the current report, the data are of a more analytical nature.

Even if the annual climatic changes can generate changes year by year in the consumption of energy, considering that the latter refers mainly to electricity connected to work stations, the above reductions can substantially be attributed to the reduction in the workforce and to the increased efficiency of office machinery.

LCD monitors

The experimental program to replace traditional cathode ray tube (CRT) monitors with liquid crystal display (LCD) monitors started in 2003 and saw the replacement of around 800 traditional monitors during the course of the year. Against an increase cost when compared to traditional monitors, LCD monitors allow considerable savings in energy, equal to roughly 46% for each monitor on Network operating points. Furthermore, as a result of the lower heat generated by the monitor, it is probable that there will also be a reduction in consumption for cooling working environments during the summer. Therefore the reduction in the consumption of electricity for each work station is significant. This activity will also allow to reduce the quantity of dangerous waste produced.

ENERGY PERFORMANCE RATIOS

	Sanpaolo IMI* and Sanpaolo Banco di Napoli										Group**		
	2002 expressed in Toe		2003				Change		2003 expressed in Toe				
		Data-processing centers expressed in Toe	Large office buildings expressed in Toe	Other offices and operating points expressed in Toe		Total expressed in Toe							
Thermal energy by surface (kWh/mq)***	80	6.9	87.8	7.1	56.2	4.9	84.0	7.3	80.5	6.9	+1%	90.6	7.8
- gas by surface (mc/mq)	n.a.	n.a.	8.9	6.8	3.5	2.9	7.1	5.8	6.7	5.5	-	7.7	6.3
- oil by surface (liter/mq)	n.a.	n.a.	0.2	0.2	2.2	2.0	1.6	1.5	1.6	1.5	-	1.7	1.5
Electricity													
- by work station (kWh/n.)****	6,717	1,679.2	15,815.0	3,953.8	5,952.0	1,234.5	5,722.8	1,433.9	6,670.7	1,667.7	-1%	6,636.2	1,659.1
- by surface (kWh/mq)	145	36.2	465.7	116.4	144.5	30.0	116.1	28.9	133.4	33.3	-8%	141.7	35.4

* Excluding the former Cardine Finanziaria.

** For some Group companies the value is estimated on the basis of the costs incurred.

*** For the column expressed in Toe: (Toe/mq) * 1000

**** For the column expressed in Toe: (Toe/n.) * 1000

n.a. Not available



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SUPPLY BY RENEWABLE SOURCES

(% on total consumption of electricity)

	2002	2003
Sanpaolo IMI	17%	62%
Sanpaolo Banco di Napoli	0%	19%
Group	n.a.	13%

Hydroelectric energy

Commencing from 2002 Sanpaolo IMI is part of a leading consortium which co-produces energy generated by hydroelectric plants and has gradually increased its level of consumption of electricity supplied by renewable sources. All of the data-processing centers, large buildings and a gradually increasing number of operating units are supplied with hydroelectric energy. In 2003 the increase in the level of supply by this source was considerably higher than expectations. Compatibly with the availability of suppliers and the use of other forms of renewable energy, over the next years further use of hydroelectric and/or other types of renewable energy is expected.

Consumption of paper

The Group's Banks use a significant amount of paper (normal and, for example, UNI A4 type B) for office machinery, information produced for customers and for internal communications.

The operations to reduce consumption is concentrated on increasing the use of electronic communication, both for internal correspondence, thanks to the development of the Intranet, and for correspondence with customers. Regarding paper used for internal purposes but entrusted to external typographers, and therefore not included in the above calculations, it should be remembered

how the wide availability over the Internet of press releases, quarterly reports and other documents constitute a strong incentive to reduce paper for customary information to the market.



Corbis

CONSUMPTION OF PAPER

Type of paper	Sanpaolo IMI and Sanpaolo Banco di Napoli					Group	
	2002 t/year	%	2003 t/year	%	Change	2003 t/year	%
Rolls for large printers	1,073	30.5	892	27.2	-16.9%	893	21.7
Paper for photocopiers, letters	2,131	60.5	2,030	62	-4.7%	2,791	67.7
Other	315	9.0	353	10.8	+12%	441	10.7
Total	3,519	100	3,275	100	-6.9%	4,124	100
- of which A3 and A4 sheets	3,135	89.1	2,494	76.15	-20.5%	3,234	78.4

Excluding forms.

PERFORMANCE RATIOS

	Sanpaolo IMI and Sanpaolo Banco di Napoli			Group
	2002	2003	Variazione	2003
Consumption of paper per employee (kg/year)	128	126	-1.6%	108
Consumption of paper per customer (kg/year)	0.7	0.7		0.6
Consumption of A3 and A4 sheets per employee				
- kg/year	114	96	-15.9%	85
- no. /day*	81	76	-5.6%	68

Excluding forms.

* Data refers to 250 working days/year.

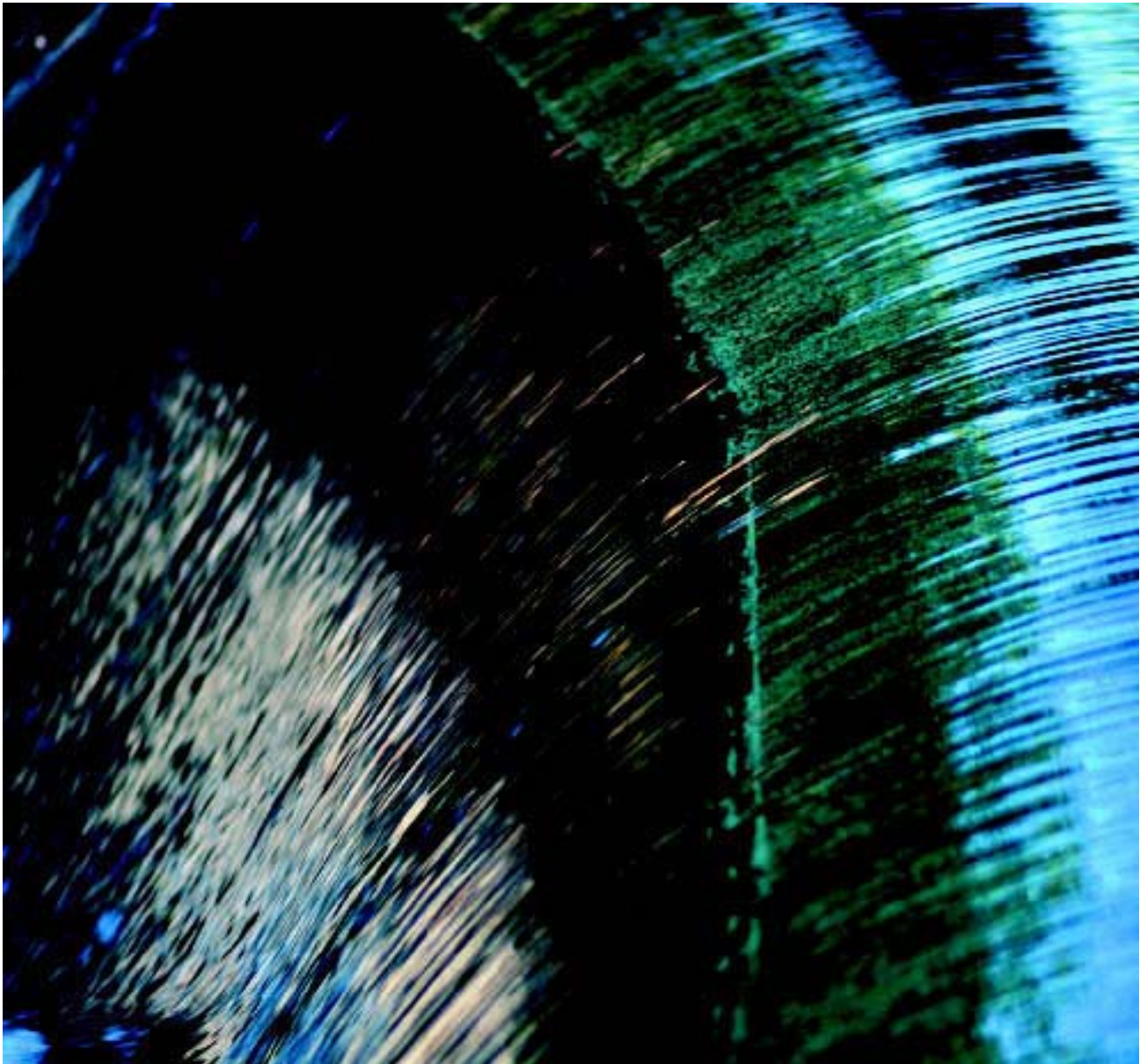
Recycled paper

Over the year experiments were performed within the Central Head Office of Sanpaolo IMI on the use of recycled paper, in order to evaluate any problems in the performance of machinery as a result of using such paper. It has been decided not to continue with this project because of some critical aspects.

No. machines	6
Type of paper	guaranteed entirely non-toxic (originating from a Norwegian paper mill)
Technical problems	None noted
Critical aspects	Problems with legibility (especially with photocopies).



Laura Ronchi



National Geographic

Consumption of water

Water consumption refers almost entirely to sanitary use. Only in a small number of plants in large operating units is water also used to replenish that which evaporates during the treatment of technological refrigeration systems.

The water is supplied through an aqueduct, except in some rare cases where it is drawn from underground for use as a source of energy in heat pump heating systems and in air conditioning/cooling systems.

Average consumption in 2003 (mc/year per employee), calculated on a sample basis, can be summarized as follows:

	Data-processing centers	Large office buildings	Operating points and others	Total
Sanpaolo IMI (including the former Cardine Finanziaria)	36	48	25	31
Sanpaolo Banco di Napoli	-	-	16	16

New sanitation installed at operating points confirms the use of tanks which shut off the flow, thus guaranteeing an inherent reduction in consumption.

Waste

The collection of waste products and their transportation to authorized disposal points for subsequent treatment, recycling and/or disposal is entrusted to specialized companies. The entire process is managed for Sanpaolo IMI and Sanpaolo Banco di Napoli through an integrated system at national level. The quantity of dangerous waste is not significant and mainly consists of CRT monitors (refer to the project to replace these with LCD monitors) and a small quantity of solvents and nickel-cadmium batteries. In the Head Offices at Turin, differentiated waste

collection of paper and cardboard is entrusted to cooperative societies and to voluntary organizations (eg. Cartesio project) as a consequence of an agreement between the Azienda Multiservizi Igiene Ambientale Torino (the Turin Multiservice Sanitary and Environmental Company), and the Environmental and Employment Offices of the Turin Council. Sanpaolo Banco di Napoli also started up a specific project aimed at freeing the branches from all unutilized materials. This project is expected to be concluded in 2004.

WASTE PRODUCTION

	Sanpaolo IMI and Sanpaolo Banco di Napoli					Group	
	2002		2003		Change	2003	
	Kg/year	recycled	Kg/year	recycled		Kg/year	recycled
Total waste	3,474,791		4,566,437		+31.4%	5,382,098	
- paper for recycling	2,695,124	99%	2,776,988	99%		3,425,483	99%
- paper and cardboard	226,180	0%	754,736	0%		760,986	0%
- packaging	293,566	60%	699,663	60%		756,723	60%
- cartridges, tapes and film	27,672	Toner 50% Film 0%	60,081	Toner 50% Film 20%		66,595	Toner 50% Film 20%
- dangerous waste	11,072	0%	29,617	0%		42,657	0%
- office machinery	145,832	16%	188,712	30%		211,281	30%
- other (including electrical materials)	75,345	0%	56,640	0%		118,373	0%

Source: documentation required by the Italian Law.

PERFORMANCE RATIOS

	Sanpaolo IMI and Sanpaolo Banco di Napoli		Group
	2002	2003	2003
Waste per employee (kg/year)	126	175	145

Atmospheric emissions

The objectives of Kyoto, namely to reduce the emissions of “greenhouse gases”, considered co-responsible for climate change, cannot be achieved without the efforts of all public and private organizations across all the economic sectors.

In the knowledge of this assumption, Sanpaolo IMI is also committed to measuring and monitoring this aspect. The emissions attributable to energy consumption can be split into two main categories: direct and indirect emissions.

Direct emissions

- Generated by plant in buildings used by the banks
- Fuel for heating systems (For central heating systems in buildings, the equivalent ratio of consumption and emissions has been considered)

Indirect emissions

- Generated outside of buildings used by the banks
- Utilization of electricity produced by thermoelectric plants

Atmospheric emissions are reduced thanks to the following actions:

- by mainly using natural gas, which generates lower atmospheric emissions when compared to other fuels;
- by using, at data-processing centers, plant to recycle the heat produced by the data processing equipment and, where weather conditions allow, by using heat pumps;
- by using hydroelectric energy, which does not generate greenhouse gases.

ESTIMATED EMISSIONS

	Sanpaolo IMI* and Sanpaolo Banco di Napoli			Group**
	2002	2003	Change (1)	2003
Thermal energy (CO ₂ kg millions/year)				
- oil	18.14	17.42	-4%	28.26
- oil and other liquid fuels	6.76	7.59	+12%	10.97
Electricity (CO ₂ kg millions/year)	100.46	53.32	-47%	96.94

* Excluding the former Cardine Finanziaria.

** For some Group companies the value is estimated on the basis of the costs incurred.

(1) The data is the result of a detailed analysis (refer to note 1 of the table on “consumption of energy”)

PERFORMANCE RATIOS

	Sanpaolo IMI* and Sanpaolo Banco di Napoli					Change	Group**
	2002	2003			2003		
	Total	Data-processing centers	Large office buildings	Other offices and operating points		Total	
Thermal energy by surface (kg/year of CO ₂ per m ²) ***	19	19	15	20	19	+1%	21
Electricity by surface (kg/year of CO ₂ per m ²) ***	76	0	3	50	41	-46%	53

* Excluding the former Cardine Finanziaria.

** For some Group companies the value is estimated on the basis of the costs incurred.

*** This refers to CO₂, since it is the principal “greenhouse gas” emitted by the types of plants used by the Group companies.



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Against an insignificant change in the total amount of energy consumed when compared to 2002, there has been a considerable reduction in emissions in respect of electricity, thanks to the supply of hydroelectric energy mentioned earlier.

The impact of other emissions linked to the movement of employees and of suppliers cannot be ignored. However, it was not included in the calculation since it is difficult to quantify it. Nevertheless, policies have been enacted aimed at encouraging the use of public transport and the Bank itself, such as the Accounts Department at Moncalieri (Turin) and at Naples, has started a system of collective transport for employees.

As far as the Group's refrigeration systems are concerned, these do not use the refrigerants R11 and R12, except in isolated cases where buildings have older plants installed which use R11: it is planned to replace such plants during the next phase of renovation. The most recently installed refrigeration groups utilize R407C refrigerant (instead of R22 which was used from 1970 onward and which already had a lower level of pollution when compared to the other fluids above mentioned).

SUPPORTING THE EUROPEAN GREEN LIGHT PROGRAM

Among the different methods of intervention, improvement to lighting systems can contribute significantly toward energy saving, with a consequent reduction in the emission of greenhouse gases, as well as increasing the quality of light to the benefit of employees. The European Green Light Program is based on voluntary agreements that large scale users of lighting such as service industries, public administrations and industrial companies enter into with the European Commission, committing themselves to upgrade the technologies and methods of lighting in their buildings. The primary aim is to contribute toward achieving the objective of the European Union to reduce the emission of greenhouse gases.

We adhered to the Green Light Program in 2003, with one of the most recent and significant realizations by the Bank (the building located in Via Arsenale in Turin). Analyses have also revealed that a large number of Sanpaolo Network branches are equipped with high quality lighting systems – in line with those established by Green Light – thanks to the fact that over a number of years the Bank has carried out a process of improving efficiency in the lighting systems of its buildings.

The intention is to continue to support the project by extending the plant to be included in the Green Light Program, beginning with Sanpaolo IMI.

Indirect impact

ACTIVITY

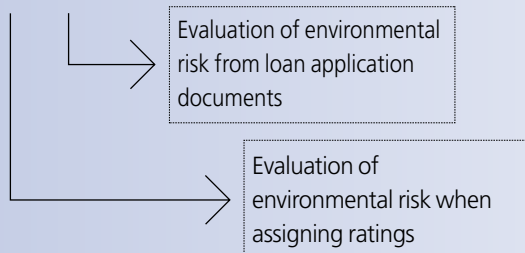
ACTIONS

EXAMPLES

EIB – Banks Forum for the development of environmental policies and practices among banks, to be translated into operative plans

- Research on sustainable mobility

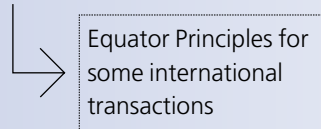
LENDING



offer of specific financing products in favor of private businesses or public bodies

- EIB- Sanpaolo IMI Internazionale financing of environmental protection projects carried out by small- and medium-sized companies in Eastern-Central Europe (see Customer chapter)
- Yes Environment & Safety
- Loans granted by Cariparo for the renewal of commercial vehicles

PROJECT FINANCE AND PUBLIC PRIVATE PARTNERSHIPS



Structuring and financing of projects highly valuable to the environment

- realization of an integrated system for the disposal of solid urban waste in the Province of Naples
- Europass Project

From the UNEP Declaration

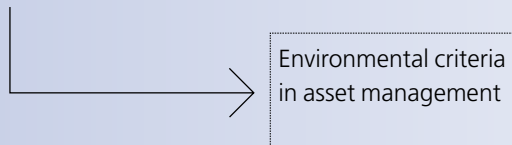
Sanpaolo IMI aims to take into account environmental concerns in all of its activities

INVESTMENT WITH VENTURE CAPITAL

Creation of investment funds specialized in the environmental sector

- European Carbon Fund
- Fund supporting renewable energy

ASSET MANAGEMENT



- Etrical Funds

Indirect impact

The environmental concern involves banks above all in relation to the indirect aspects, meaning those in which the company has only partial control and but considerable influence and involvement. While performing their activities and through services and products offered, the banks can influence the behavior of its interlocutors in respect of the environment – particularly its corporate customers. This can occur through activities aimed at creating the conditions to make environmentally correct choices by way of offering incentives or defining rules.

Cooperation with the EIB

The common attention to environmental issues and a relationship of cooperation which has been in force for some time has led us to promote, in conjunction with the EIB (European Investment Bank), the formation of a European forum between banks for environmental policies. The Forum was established with the following objectives:

- 1) to circulate environmental policies and practices to be translated into operative plans;
- 2) to define the schemes to be used to avoid damaging effects on investments;
- 3) to develop methodologies and to share operating costs.

The second meeting of the Forum held in London in March 2003, included Sanpaolo IMI's contribution on sustainable mobility. The issue of mobility was closely examined in respect of the three dimensions of sustainability – economic, social and environmental. Particular attention was paid to alternative fuels, with close examination of methane gas for road transport, above all in relation to recent developments in the use of this gas within urban public transport. The objectives of the study being carried out, for which the presentation at the Forum meeting represented the first stage of its progress, shall be:

- to determine the financial requirements in connection with the purchase of new methane gas vehicles for urban public transport and the realization of an infrastructure for methods of transport using this fuel (which, according to an initial estimate, is calculated to be in the region of 2.5 billion euro for the next four to five years);
- to promote, with EIB in a predominant position, the definition of financial instruments aimed at encouraging the realization of the aforementioned investments.

Eni's file, Gas & Power Division



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Actions and initiatives in favor of the environment

The contribution of the Sanpaolo IMI Group toward supporting and promoting environmental issues is performed through different actions which can be grouped as follows:

- definition of environmental policies during the process of issuing loans (refer to the box on the evaluation of environmental risk);
- advisory activities, organization and financing of projects which are highly valuable to the environment, by way of project financing or by applying a public private partnership structure;
- offering specific financing products in favor of private businesses or public bodies;
- creating investment funds specialized in the environmental sector;
- realizing and/or promoting studies and researched on environmental issues, also in collaboration with public and multi-lateral institutions.

Some examples of initiatives are given below:

Yes Environment & Safety

Due to the growing attention to problems linked to environmental protection and safety in the workplace, companies need to align, as quickly as possible, their productive processes and products and services, to meet the standards of quality required at the national, European and international level. For this purpose Sanpaolo IMI offers specific medium-long term loans to support small- and medium-sized companies which have recently carried out – or intend to do so shortly – investments aimed at protecting the environment and safety at work. Yes Environment and Safety supports, at competitive conditions and with particularly streamlined procedures, up to 100% of investments made in respect of managing water resources and introducing technologies and systems of a low impact on the environment, as well as recycling waste and reducing consumption of energy. Furthermore, with Yes Environment and Safety, it is possible for companies to finance the costs they incur to obtain environmental certification (ISO 14001, EMAS registration) and certification for quality and safety in the workplace (ISO 9000 and 9001, SOA).

This new product will also support companies to acquire labels of quality for their products (Ecolabel, national labels). Sanpaolo IMI also assists companies to gain access to opportunities envisaged by Law 598/94, which establishes benefits in favor of small- and medium-size businesses that carry out investments in respect of environmental protection and safety in the workplace, as well as in innovative technology.

Cassa di Risparmio di Padova e Rovigo loans for the renewal of commercial vehicles

Cariparo offers medium- long-term loans to companies, across all sectors, that intend to purchase new vehicles for business purposes, to replace those no longer compatible with European anti-pollution regulations. This support is also provided for the purchase of used vehicles from a second-hand dealer, as long as they are environmentally friendly. Lastly, loans can also be requested as pre-financing of public measures in favor of the industrial, craftsmen, commercial/services sectors, which envisage special benefits.

Project to realize an integrated system of solid urban waste disposal in the Province of Naples

During 2003, Banca OPI concluded the structuring and financing of a project for the realization of an integrated system for the disposal of solid urban waste in the Province of Naples, through a syndication with the main Italian and international banks. In organizing the project the strictest Italian and European environmental standards have been met and, as requested in the first phase of syndication, a specific study has been made to confirm that it conforms to the environmental standards identified in the Equator Principles. During the year Banca OPI was also engaged to organize the completion of the integrated system in the other four Provinces of Campania. As a whole, these two projects represent the first and most extensive large scale application of integrated management of the waste cycle, as envisaged by national and European regulations, which require differentiated waste collection and recycling, with the renewal of materials and energy and the final process of disposal in dumps.



Europass Project

Worth remembering in the transport and infrastructure sector, is the completion of the project finance relating to the Europass Project; a pay toll system for heavy vehicles on the Austrian road network (started up in January 2004 on 2,000 km of roads), in which Banca OPI and Bank Austria are Mandated Lead Arrangers. The syndication of this project finance envisages the participation of around ten international banks.

The project is included among the activities in reply to EU policies which, in the White Book of September 2001, identified among the priorities the implementation of pay tolls for heavy vehicles as a method aimed at reducing pollution from transport through a shift in balance of the modes of transport between road and train (above all in relation to the crossing of the Alps).

European Carbon Fund

In 2003 Banca OPI and its subsidiary FIN.OPI continued along the themes of the issues introduced by the Kyoto Protocol, in which the Sanpaolo IMI Group has been involved for some time now.

In this field, FIN.OPI is collaborating with CDC Ixis to create a specialized closed-end investment fund called European Carbon Fund, for the purchase and sale of the so called "issue rights" of greenhouse gas in the newly established European market.

The Fund to support renewable energy

At the beginning of 2003 CDC Ixis and Banca OPI launched a public/private fund of 45 million euro, called FIDEME and created by CDC Ixis and ADEME, which will, by subscribing to debenture loans similar to subordinated loans, invest in companies operating in the environmental sectors and in energy from renewable sources in France.

Subscription to the fund closed successfully, collecting a wide display of consent by the financial institutions invited, and provided a considerable occasion for acquisition by specialists.

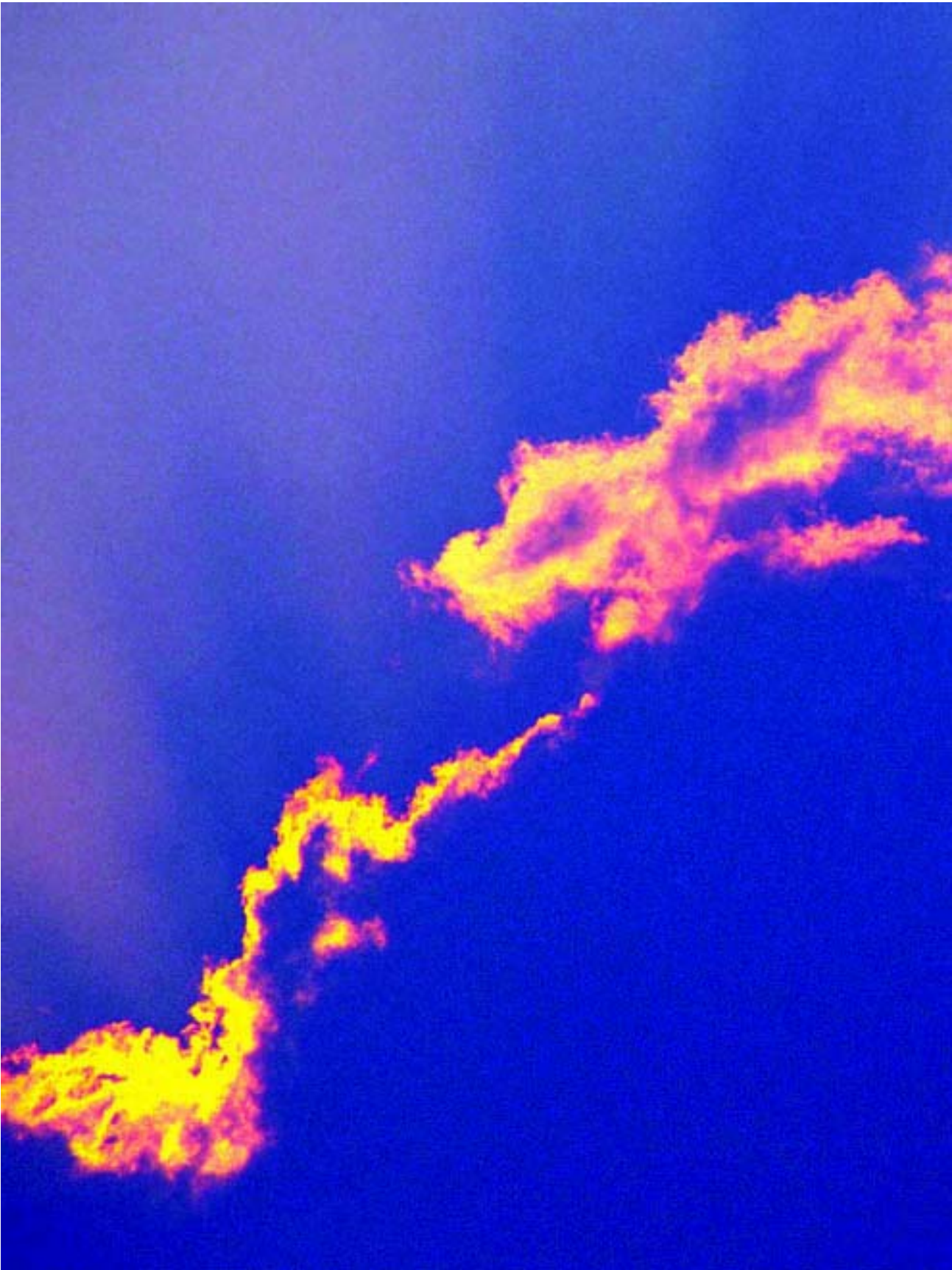
Thanks to the experience in the sector acquired through the FIDEME fund, it is the intention of Banca OPI to study the creation of a similar fund in Italy, to be called "FIDEME Italiano", through contacts with the Ministry for the Environment and the Ministry of Productive Activities.

EVALUATION OF THE ENVIRONMENTAL RISK IN THE LENDING ACTIVITY

Only over recent years has the Group begun to consider the relevance of the problems relating to environmental risk. It is worth remembering that banking activities are based on relationships of trust. Intangible assets such as knowledge, ideas, professionalism and reputation are becoming increasingly important. Nowadays the underlying risk factors of banking activities can significantly emerge from elements which cannot always be attributed to traditional areas and that cannot be directly identified in the performance of tangible assets – real and financial – but can take shape through a loss in the value of assets due to intangible components such as trust, expectations and image. The risks linked to corporate environmental responsibility can, from this point of view, take on some importance. These can have an impact on banking activities through two main channels. On one side, they can have a direct impact on the repayment ability of the counterparties assigned (for instance, scarce attention to the ecological content of the product and the eco-compatibility of the production processes of the company can represent a direct source of risk of failure and economic loss which the bank might find itself having to sustain). On the other side, scant attention by banks to environmental values during the process of lending and evaluating counterparties – even small ones – may represent a negative element for the bank's reputation, thereby reducing the value of the bank's assets in a much more direct and intense way than the bankruptcy of a counterparty – no matter how large – may imply. Inadequate attention to environmental evaluation in lending may damage the relationship of trust with customers, investors and the market, jeopardizing future business relations and collaboration between the bank and its customers. At the time of the 2002 Social Report, with the intention of achieving an initial measurement of the environmental risks for the loan portfolio of the Group, for the first time an indicator was monitored of the percentage of loans issued to companies operating in production sectors with a high environmental danger and impact. This indicator was calculated on the basis of figures on production activities supplied by the European Bank for Reconstruction and Development (EBRD), in its manual for the management of environmental risk. In December 2003 activities classified as having a highly potential risk to the environment represented 9.6% of

the credit portfolio of Sanpaolo IMI and Sanpaolo Banco di Napoli, while in 2002 the ratio was around 10.2%. During 2003 these figures were also extended to the lending activities of the former Cardine Group Banks. Activities classified as having a highly potential risk to the environment represented 7.7% of the joint credit portfolio of Sanpaolo IMI, Sanpaolo Banco di Napoli and the Banks of the former Cardine Group. The environmental policies of companies are subject to evaluation in the Group's financing decisions. Attention to environmental problems by companies represents one of the areas of investigation taken into consideration by the credit review, especially for medium- long-term loans, and in the activities for structuring project financing transactions for infrastructure operations. Particular attentive to the environmental impacts of any infrastructure operation suitable to financing is Banca OPI²⁰, the Group company specialized in loans for public works and infrastructure. A positive evaluation, carried out by independent consultants and confirmed by the official evaluation of the regional or national bodies in charge, is one of the fundamental prerequisites for its financing. The models adopted by Sanpaolo IMI to evaluate creditworthiness take into account the profiles of environmental risk in the context of the review process for the evaluation of the counterparty and, possibly, also in the procedure for assigning the rating and allocating the risk premium. In particular, the assignment of the rating may be subject to downgrade if the counterparty is considered to operate in specific production activities with a high impact on the environment (eg. energy, chemicals, plastic materials) and does not provide sufficient guarantees that it respects the best practices in environmental management and control.

20. For a more exhaustive outline of Banca OPI, see p. 126.



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The environment: objectives 2003

OBJECTIVES

Continuous development of financing investments protecting the environment, through Banca OPI. The planned actions also include the initiative in favor of a growing use of methane gas.

Further improvement to our environmental performance through greater use of hydroelectric energy.

Further improvement to our environmental performance through the starting up of a feasibility study for a pilot project concerning recycled paper.

Further improvement to our environmental performance through implementation of the initiative involving the replacement of traditional PC monitors with LCD monitors.

Extend the above-mentioned procedures to Sanpaolo Banco di Napoli, with special attention to those initiatives focusing on energy management and natural resource saving already adopted by Sanpaolo IMI, also through the integration of IT systems.

ACTIVITIES AND RESULTS

- ✓ A 32% increase on investments in sectors of strong social and environmental benefits. The most significant operations were in the environmental services sector in the strictest sense (integrated waste and water cycle, above all in areas characterized by environmental emergency), in environment protection (preservation of the Venice Lagoon) and in urban transport.
- ✓ Definition of instruments to finance investments in connection with the purchase of new methane gas vehicles for urban public transport and the realization of infrastructures for methane gas vehicles.

- ✓ Annual consumption of hydroelectric energy by the Group has increased from 23.2 million KWh to 120.4 million KWh.

- ✓ The results of the experimental phase carried out in 2003 are uncertain.

- ✓ 800 traditional monitors have been replaced by LCD monitors in 2003; this initiative will continue into 2004.

- ✓ The procedures have been extended and the IT systems integrated.



Suppliers

VALUES

Creation of value

Value in detail

We want to establish an efficient system of relationships with our commercial partners and external collaborators that allows translation into a common prospective of growth and economic benefit.

Customer orientation

We choose our partners on the basis of the quality level that they are able to guarantee, privileging those that can ensure the greatest effectiveness and reliability to us and our customers.

Integrity

We base our relationships with suppliers on principles of reciprocal transparency and fairness, ensuring that the work of our external collaborators follows the same criteria of integrity and honesty to which we aspire.

Commitment to excellence

We choose our suppliers on the basis of performance levels and supplied guarantees, seeking more innovative and reciprocally profitable solutions through their collaboration.

Growth in observance of specific qualities

We maintain supplier relationships across the country while valuing the socio-cultural context of each region as much as possible and respecting the negotiating needs of each stakeholder.

Responsibility in the use of resources

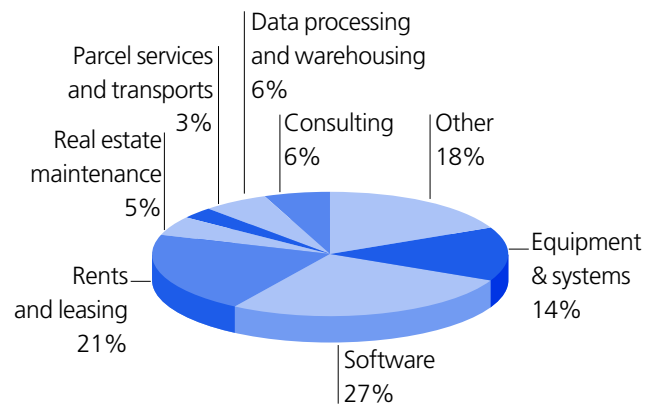
We contribute to the overall results of the Group through the implementation of initiatives directed towards cost and waste reduction.

The profile of Suppliers

In the course of 2003, the Group had commercial relationships with over 17,000 suppliers with a total revenue of almost one and a half billion euro.

The distribution of the larger suppliers by sector has remained essentially unvaried with respect to 2002:

BREAKDOWN OF BIG SUPPLIERS BY SECTOR



Relationships with commercial partners are handled by the Purchase Function which then defines purchasing policies that are reflected throughout all the phases of the relationship: from monitoring the supply market to selection, from take-over of suppliers to the evaluation of their performance, and from information exchange to the management of communication exchange. The purchase of goods and services relative to the departments where significant economies of scale are achievable — therefore even when supplying the IT sector—are centrally managed for the whole Group by means of access to the best conditions practiced in the various reference markets.



PhotoDisc

Shared Principles

Our policy of obtaining supplies of goods and services reflects the principles of reciprocal fairness and transparency contained in the Ethical Code. The selection and management of supplier relationships is, as a result, based upon efficiency and objectivity. These principles are actively applied with our commercial partners since they constitute a fundamental ring in the value creation chain of the Bank. For this reason, the contractual standards undersigned by suppliers for the closing of supply contracts are being updated for 2004 and the sharing—on their part—of the Ethical Code principles is being contemplated.

Moving Towards a Registry of Group Suppliers

Commercial agreements are typically stipulated for the entire Group, both for the purpose of obtaining more advantageous procurement conditions as well as for creating uniform technical, environmental and quality standards. In 2003, the Purchase Function undertook a careful evaluation of the technical and qualitative standards of over 200 suppliers of the former Banco di Napoli—an activity which will continue throughout 2004, and will include the supplier contracts of the Banks of the North-East and which will result in the creation of a Registry of Group Suppliers.

Selection of Suppliers

The selection of suppliers occurs through two distinct phases:

- the identification of a restricted group of firms that are allowed access to the purchasing procedure. In this phase, the firms are evaluated primarily from a technical and qualitative perspective, using parameters of reliability, competence and efficiency, as well as the effective capacity of the firm in satisfying product or service requirements. These identified firms are then invited to place an offer through a tender;
- a final selection of the best offer which, in the more complex acquisitions, is conducted through a careful evaluation separating the technical and economic part of the offer.

In the course of 2003, Sanpaolo IMI considered including environmental and social considerations in the evaluation process for the selection of suppliers. A detailed examination of the environmental and social impact of the commercial partners was not

carried out, however: it was considered more appropriate to refer to the competencies of companies that supply professional services of environmental and social certification to firms. As a result, the objective has been to favor, in the process of evaluation, those firms already in possession, or in the course of attaining, environmental and/or social certifications.

The introduction of these parameters in the new scoring system will initially be applied to:

- suppliers considered of strategic value;
- operators in sectors with significant environmental impact.

Supplier Contracts and Environmental Protection

The Purchase Function was involved in the identification of “critical areas” of environmental impact for the Bank, as well as the development and implementation of projects aimed at improving these aspects. This activity developed along three main tracks:

- the use of renewable resources;
- special waste products;
- recycled paper.

(For more information on these initiatives, see the section on Environment)

Legal Controversies

Legal controversies in 2003 were limited to two judicial cases for a total value of about 65,000 euro, and a pre-contentious situation regarding the sector of vigilance and transport of valuables which involved suppliers affected by the euro change-over.

Suppliers: objectives 2003

OBJECTIVES

Strengthening the coordination of the functions which - both currently and in the future - will preside over environmental and social issues within the bank.

ACTIVITIES AND RESULTS

✓ The Purchase Function has collaborated with other functions of the Purchase and Logistics Department on certain environmental initiatives (use of renewable resources, the collection and special waste collection and disposal, use of recycled paper).

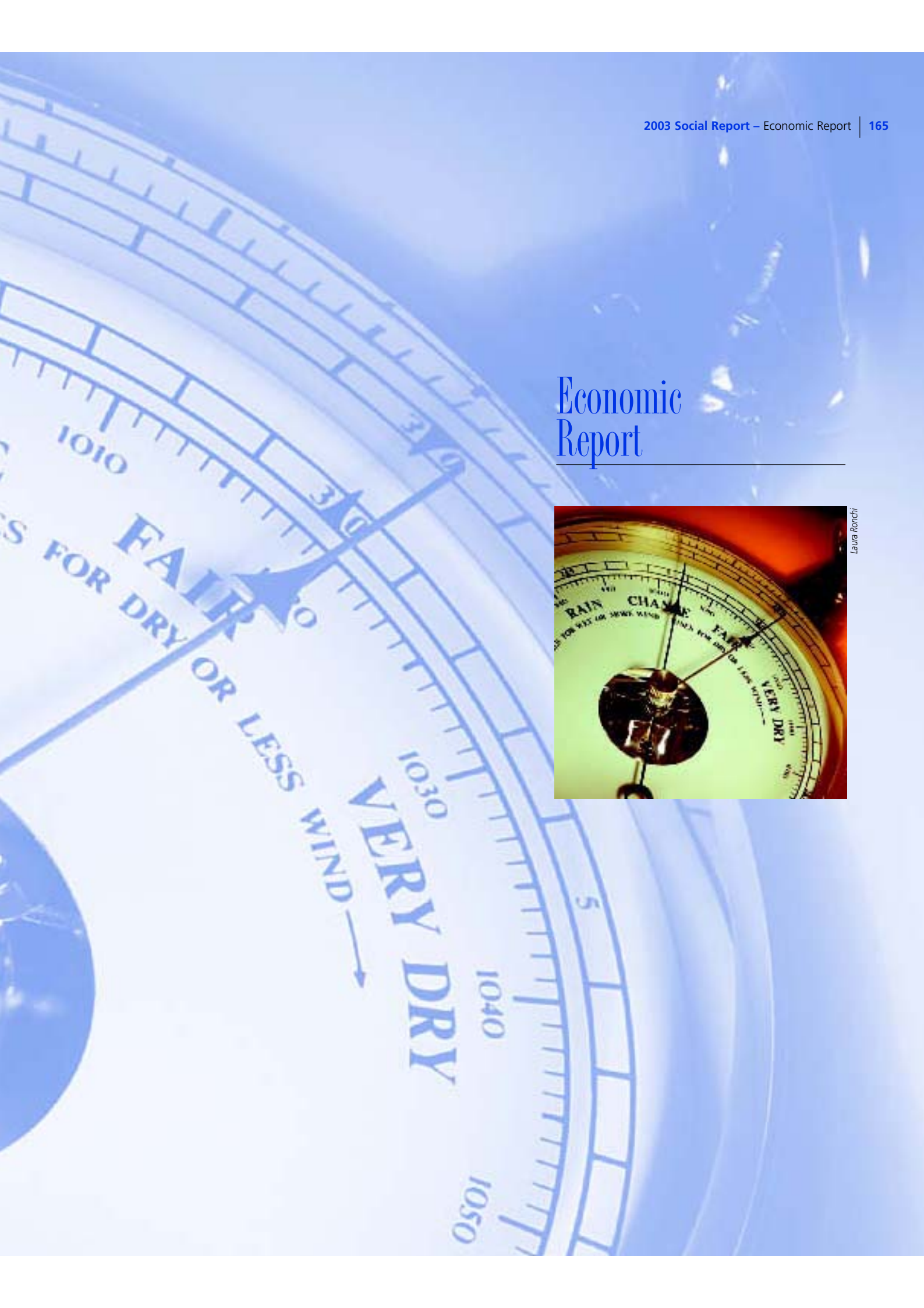
Careful analysis of activities with suppliers in light of the adoption of instruments that will allow:

- 1) systematic identification of the relevant environmental impact of the various product and service typologies;
- 2) the introduction of environmental concerns in the purchasing procedure of major impact goods and services.

✓ A complete analysis for the systematic identification of environmental impacts has not yet been conducted, but the project remains in the works.



Economic Report



Laura Ronchi

Added value calculation and allocation

The company's added value represents the earnings obtained by the business in the fiscal year, and is defined as the difference between production and consumption of goods and services.

The determination of such value has a special significance, in as much as it represents the accounting reconciliation between the fiscal year financial statements and the Social Report. As a matter of fact, it is calculated based on a different classification of the captions in the consolidated statement of income, intended to show both the process of creation of corporate added value and its allocation, expressing in monetary terms the relation between the company and the socio-economic environment with which it interacts, particularly in reference to some of the stakeholders considered:

- Shareholders
- Human resources
- State, Entities and Institutions and the Community
- Corporate sector

Under the methodological profile, among the different configurations that the added value can take (depending on the income component aggregation level), the Global Added Value (Valore Aggiunto Globale – V.A.G.) has been adopted as a reference base, which is the one used in the ABI (Italian Bankers Association) model for the realization of Social Reports by banks, as it takes into account the specific features of the banking sector.

The data has been taken from the consolidated financial statement as of 31 December 2003.

In the following pages, the two main reclassified statements making up the Consolidated Financial Statements, i.e. the Balance Sheet and the Statement of Income, integrated with the key Group ratios.

The statements referred to the determination and distribution of the gross global added value, based on their allocation, which show the share intended for each stakeholder are prepared by an analytical reworking of income statement data, using a different methodology.

As regards the contents of each statement, the following is noted:

- the reclassified consolidated income statement and the reclassified consolidated balance sheet for the 2003 fiscal year are compared with the corresponding proforma data of the preceding fiscal year which are prepared based on the conventional assumption of the same footprint for the Group in 2002 and 2003 (complete consolidation of the Eptaconsors group and Inter-Europa Bank, the interest held in Cassa dei Risparmi di Forlì, as well as the passage from whole to partial consolidation of Banque Sanpaolo, IW Bank and Finconsumo Banca, as of 1 January 2002);
- Key ratios referred to personnel efficiency, operating organization, capital structure, profitability and share price performance have been taken from data of quarterly financial statements (those for fiscal year 2002, on a pro forma basis);
- the statements referred to the analytical determination and allocation of the global added value referred to the comparative fiscal year, 2002 --given the different purpose of said statements from those related to the comparison of the Group's economic and financial performance-- were based on the official data of the balance sheet, rather than on a pro forma basis; the use of pro forma data, in fact, could have caused an inaccurate representation of the attained added value allocation among the different stakeholder categories.

Reclassified consolidated balance sheet

	31-12-2003	31-12-2002
	(€/mil)	pro-forma (€/mil)
ASSETS		
Cash and deposits with central banks and post offices	1,474	1,499
Loans	146,877	145,921
- <i>due from banks</i>	22,278	21,744
- <i>loans to customers</i>	124,599	124,177
Dealing securities	22,357	19,015
Fixed assets	9,822	9,103
- <i>investment securities</i>	2,935	2,391
- <i>equity investments</i>	4,572	4,172
- <i>intangible fixed assets</i>	343	398
- <i>tangible fixed assets</i>	1,972	2,142
Differences arising on consolidation and on application of the equity method	959	1,080
Other assets	21,091	23,027
Total assets	202,580	199,645
LIABILITIES		
Payables	160,255	157,369
- <i>due to banks</i>	28,534	24,133
- <i>due to customers and securities issued</i>	131,721	133,236
Provisions	4,019	3,889
- <i>for taxation</i>	732	742
- <i>for termination indemnities</i>	946	967
- <i>for risks and charges</i>	2,037	1,832
- <i>for pensions and similar</i>	304	348
Other liabilities	20,626	20,738
Subordinated liabilities	6,414	6,605
Minority interests	271	342
Shareholders' equity	10,995	10,702
Total liabilities	202,580	199,645

Reclassified consolidated statement of income

	2003	2002
	(€/mil)	pro-forma (€/mil)
NET INTEREST INCOME	3,716	3,653
Net commissions and other net dealing revenues	3,036	2,795
Profits and losses from financial transactions and dividends on shares	447	304
Profits from companies carried at equity and dividends from shareholdings	283	314
NET INTEREST AND OTHER BANKING INCOME	7,482	7,066
Administrative costs	-4,610	-4,578
- <i>personnel</i>	-2,841	-2,814
- <i>other administrative costs</i>	-1,512	-1,508
- <i>indirect duties and taxes</i>	-257	-256
Other operating income, net	329	354
Adjustments to tangible and intangible fixed assets	-484	-508
OPERATING INCOME	2,717	2,334
Adjustments to goodwill and merger and consolidation differences	-158	-218
Provisions and net adjustments to loans and financial fixed assets	-859	-1,412
- <i>provisions for risks and charges</i>	-195	-261
- <i>net adjustments to loans and provisions for guarantees and commitments</i>	-724	-590
- <i>net adjustments to financial fixed assets</i>	60	-561
INCOME BEFORE EXTRAORDINARY ITEMS	1,700	704
Net extraordinary income/expense	-32	320
INCOME BEFORE TAXES	1,668	1,024
Income taxes for the period	-657	-443
Change in reserves for general banking risks	9	363
Income attributable to minority interests	-48	-43
NET INCOME	972	901

During 2003, the Sanpaolo IMI Group, as it stood after the changes in footprint occurred in the period, showed a positive evolution in profitability margins and reduced vulnerability to the decline in interest rates and market volatility.

The good performance in operating revenues and cost controls, coupled with the appreciation of and earnings realized over the equity portfolio, have all allowed to more than set off credit adjustments and one-time expenses associated with the voluntary

redundancy incentive plan. The net income for the period, totalling 972 million euro, was up 7.9% compared to 2002. This net income figure exceeded the budget target, thus confirming the growth evolution set out in the 2003-2005 Plan.

The gross global added value attained by the Group climbed 19% as compared to that of the preceding year (from 5,213 million euro to 6,215 million euro). All stakeholder categories received benefits from this increase, as can be seen below.



Key Group ratios

	2003	2002 pro-forma
CAPITAL RATIOS (%)		
Net shareholders' equity / gross loans	8.4	8.3
Net shareholders' equity / Direct customer deposits (excluding repos)	9.0	8.9
CUSTOMER FINANCIAL ASSETS (€ mil.)		
Customer financial assets	368,042	352,411
- Direct deposits	131,721	133,236
- Indirect deposits	236,321	219,175
- Asset management	143,711	132,931
- Asset administration	92,610	86,244
PROFITABILITY RATIOS (%)		
ROE	9.0	8.3
Cost / Income ratio	61.9	65.1
Net commissions / Administrative costs	65.9	61.1
CREDIT RISK RATIOS (%)		
Net non-performing loans / Net loans to customers	0.9	1.0
Net problem loans and loans in restructuring / Net loans to customers	1.1	1.2
SOLVENCY RATIOS (%)¹		
Core tier 1 ratio	6.6	6.6
Tier 1 ratio	7.4	7.3
Total ratio	10.5	10.7
SANPAOLO IMI SHARES		
Number of shares (millions)	1,837	1,837
Quoted price per share (€)		
- average	8.158	9.439
- low	5.796	5.231
- high	11.346	13.702
Earnings / Average number of shares in circulation (€)	0.53	0.48
Dividend per share (€)	0.39	0.30
Dividend per share / Average annual price %	4.78	3.18
Book value per share ² (€)	6.00	5.74
OPERATING STRUCTURE		
Employees	43,465	45,217
Domestic branches	3,168	3,115
Foreign branches and representative offices	122	114
Private bankers	4,675	4,951
PERSONNEL EFFICIENCY RATIOS (€/mil.)		
Gross loans to customers / Number of employees	3.0	2.8
Customer financial assets / Number of employees	8.5	7.8
Personnel costs / Net interest and other banking income	38.0%	39.8%
Net interest and other banking income / Number of employees	0.17	0.16
Income before taxes / Number of employees	0.04	0.02
Direct customer deposits (excluding repos) / Number of employees	2.8	2.7
Asset management / Number of employees and of financial planners	3.0	2.6

1. Solvency ratios as of 31 December 2002 are not pro forma.

2. Shareholders' equity / number of shares in circulation



Analytical statement of added value determination

	2003 (€/mil)	2002 (€/mil)
NET PRODUCTION		
Net interest income	3,716	3,773
Net commissions and other net dealing revenues ¹	3,350	3,128
Profits and losses from financial transactions and dividends on shares	447	286
Profits from companies carried at equity and dividends from shareholdings	283	292
Other operating income, net	329	358
TOTAL NET PRODUCTION	8,125	7,837
CONSUMPTION		
Other administrative costs ¹	-1,510	-1,525
Net adjustments to loans and provisions for guarantees and commitments	-724	-604
Provisions for risks and charges	-195	-261
Net adjustments to financial fixed assets	60	-561
TOTAL CONSUMPTION	-2,369	-2,951
GROSS TYPICAL VALUE ADDED	5,756	4,886
Net extraordinary income/expense ¹	459	327
GROSS GLOBAL VALUE ADDED	6,215	5,213
Adjustments to tangible and intangible fixed assets	-484	-510
Adjustments to goodwill and merger and consolidation differences	-158	-212
NET GLOBAL VALUE ADDED	5,573	4,491
Cost of labor	-3,630	-3,206
- personnel	-2,841	-2,856
- costs of the network of private bankers ²	-314	-319
- extraordinary staff leaving incentive ²	-475	-31
Donations to bodies and institutions and gifts ²	-2	-3
Indirect duties and taxes	-257	-264
INCOME BEFORE TAXES	1,684	1,018
Income taxes for the period	-657	-450
Extraordinary expenses for tax reform ²	-16	-
Change in reserves for general banking risks	9	364
Income attributable to minority interests	-48	-43
NET INCOME	972	889

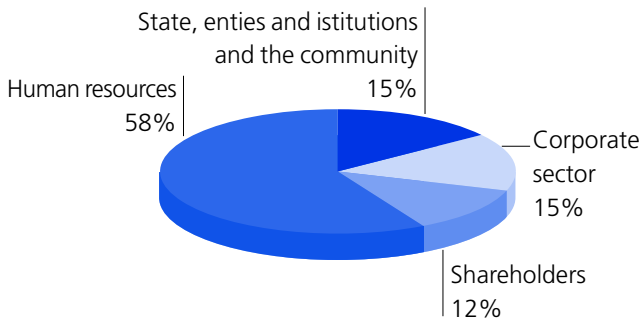
1. The data differs from that reported in the Reclassified Statement of Income owing to the specific recording of the caption used for the amounts referred to in note 2.

2. Data disclosed in a specific caption in the added value determination scheme.

Statement on allocation of gross global added value

	2003 (€/mil)	2002 (€/mil)
GROSS TYPICAL VALUE ADDED	5,756	4,886
Net extraordinary income/expense	459	327
GROSS GLOBAL VALUE ADDED	6,215	5,213
Allocated to:		
SHAREHOLDERS	759	595
Dividends to Sanpaolo IMI S.p.A. shareholders	716	550
Minority dividends	43	45
HUMAN RESOURCES	3,630	3,206
Cost of labor	3,630	3,206
- personnel	2,841	2,856
- costs of the network of private bankers	314	319
- extraordinary staff leaving incentive	475	31
STATE, ENTITIES AND INSTITUTIONS AND THE COMMUNITY	932	717
Indirect duties and taxes	257	264
Income taxes for the period	657	450
Charges for the tax reform	16	-
Donations and gifts	2	3
CORPORATE SECTOR	894	695
Adjustments to tangible and intangible fixed assets	484	510
Adjustments to goodwill and merger and consolidation differences	158	212
Change in reserves for general banking risks	-9	-364
Undistributed reserves and income to shareholders	261	337
GROSS GLOBAL VALUE ADDED	6,215	5,213

Fiscal year 2003 added value allocation



The chart shows a detail of Added Value allocation among the various stakeholders:

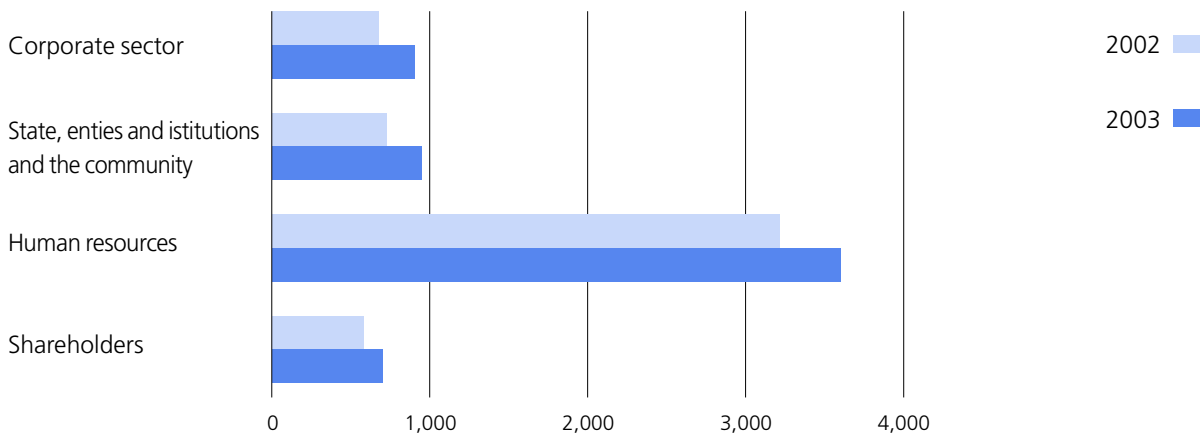
- 58% allocated to Human Resources, in the form of salaries, social security expenses, severance payments, pension and similar provisions, financial agent network remuneration, as well as non recurrent expenses for voluntary redundancy;

- 15% allocated to the State, Local Entities, Institutions and the Community in the form of (direct and indirect) taxes and charity;
- 12% allocated to Shareholders, in the form of dividends;
- 15% to the Corporate sector.

Based on the available information on the shareholding structure and the 0.39 euro per share dividend assessed on 2003 profits, the added value allocated to the Shareholders -- deviating from the ABI principles-- is comprised of the dividends of SANPAOLO IMI (2003 earnings of 291 million euro and 2002 earnings of 229 million euro) corresponding to Compagnia di San Paolo, Fondazione CR Padova e Rovigo, Fondazione CR in Bologna, Fondazione Cariplo, Ente CR Firenze, Fondazione CR Venezia, Fondazione CR Udine e Pordenone, Fondazione Monte dei Paschi di Siena, Fondazione CR Gorizia and Fondazione CR Carpi, the mission of which can be seen in their acts and actions in the social, artistic and scientific fields for the benefit of the community.

COMPARISON OF ADDED VALUE ALLOCATION

(2003 and 2002 fiscal years, €/mil.)



As announced before, the added value obtained by the Group in 2003 increased significantly with respect to the preceding year. The improved results translated into a better distribution of the resources to all stakeholder categories.

Above all, Human Resources. This is, in fact, the stakeholder category that has seen, in absolute values, the greatest increase (+424 million euro). The growth is determined essentially from the provisions made by the Parent Company and North-East Network Banks vis-à-vis personnel

voluntary redundancy, to a large extent allocated to the implementation of the "Income, employment and re-training fund for staff in the banking industry". The "ordinary" allocation to human resources, through salaries and agent network remuneration, has, in turn, seen substantial stability, even though the resources dropped in numbers as compared with 2002 year end. The aggregate amount allocated to Government, Agencies and Institutions and Community (+215 million euro) also recorded a remarkable increase.



It should be underscored that the growth was attained despite the two and half point reduction in the applicable tax coefficient.

The share of the earnings allocated to the Corporate sector has, in turn, grown from 695 to 894 million euro (+199 million euro). This amount represents, substantially, the investment made every fiscal year by the other stakeholder categories in order to maintain efficiency and allow the development of the whole corporation. Particularly in the case of banks, the obligation

should be considered (arising from the specific minimum capital requirements imposed by Supervision bodies) to maintain appropriate capital endowment for the protection of depositors.

Finally, an increase can be seen in the allocation to Shareholders (+164 million euro). The data reflects the increase in the Sanpaolo IMI S.p.A. dividend which has increased from 0.30 to 0.39 euro per share, a value equivalent to a dividend yield of 4.8% in 2003.



Banca Fideuram



1. Banca Fideuram profile

- Mission
- Brief History
- Operating and organizational structure
- Strategic approach
- Corporate Governance
- Main operating, economic, and financial data

2. Social Report

- Customers
- Employees
- Private Bankers
- Shareholders
- Community
- Environment
- Suppliers

3. Main objectives for 2004

1. Banca Fideuram profile

Mission

To invest wisely, based on a detailed analysis of our customers' needs, meeting those needs with a comprehensive range of solutions and identifying the most effective investment choices from them, has from the very outset been Banca Fideuram's mission.

Brief History

1968

International Overseas Services (IOS) exits from mutual funds business. A new company represented by Istituto Mobiliare Italiano (IMI) takes over the business in Italy and assumes the name of FIDEURAM.

Fideuram offers Italian investors the "historic" Luxembourg-based mutual funds, Fonditalia and Interfund, through a network of approximately 300 Private Bankers.

1983

In March is approved a law allowing the institution and marketing of Italian mutual funds.

1984

Fideuram offers its customers its first Italian mutual funds: Imirend and Imicapital.

1992

In January Banca Fideuram is created through the merger of two IMI Group companies: Banca Manusardi and Fideuram.

Since September Banca Fideuram stock has been listed on Milan Stock Exchange.

1996

Banca Fideuram stock is included on the Italian blue-chips index, MIB 30.

1997

The study of the most advanced private-assets allocation systems and the lengthy collaboration with one of the world's most important accredited consulting "finance houses", the American company Frank Russell, give rise to the Personal Financial Planning a customized highly-advanced technology financial-planning service.

Therefore, Banca Fideuram now offers Italian investors a "state-of-the-art" product for investment approach and financial planning according to personal objectives suited to one's own propensity to risk.

WE AT BANCA FIDEURAM ARE:

- Professional who know how to manage all financial, banking and insurance services for private customers. Providing the client, day by day, with worth and safety.
- We always give priority to the client's interest on whose trust our success is based.
- We believe in values like honesty and professional secrecy. And we apply them always.
- We want to reach beyond the clients expectations. Thanks to the expertise, availability, accuracy and attention we put in working.
- We bring our capabilities and individual competences to common realizations.
- The spirit of initiative and competition we all show improves our success.
- We are always searching for new and efficient solutions. With us, tradition means change.



Banca FIDEURAM

1998

Fideuram Bank Luxembourg is founded.

2000

Banca Fideuram expands its business in France through the acquisition of the Wargny Group.

2002

Banca Fideuram acquires Banca Sanpaolo Invest. With approximately 55 billion euro of assets under management and over 4,700 private bankers, becomes the first multichannel banking network in Italy.

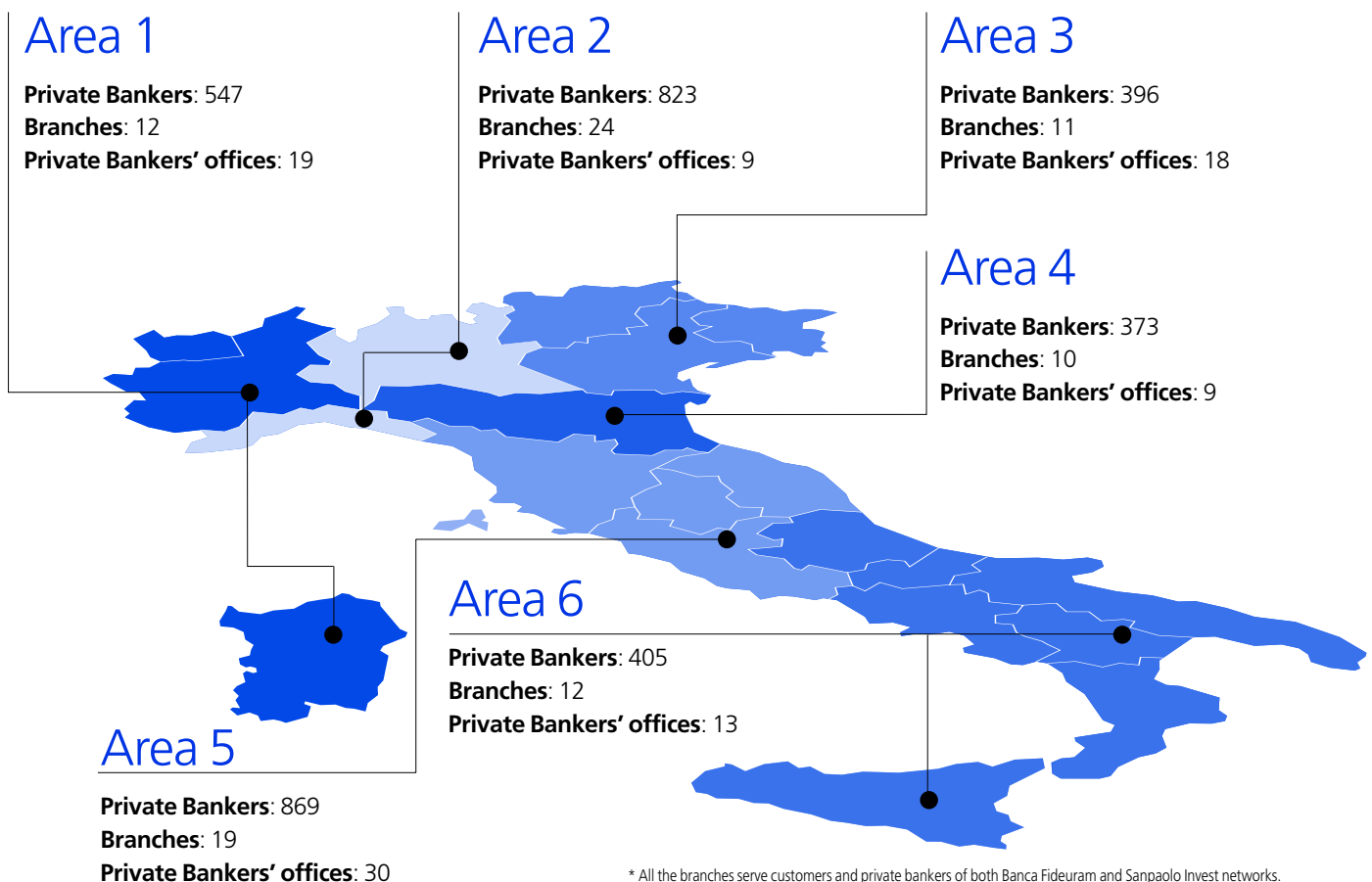


Operating and organizational structure

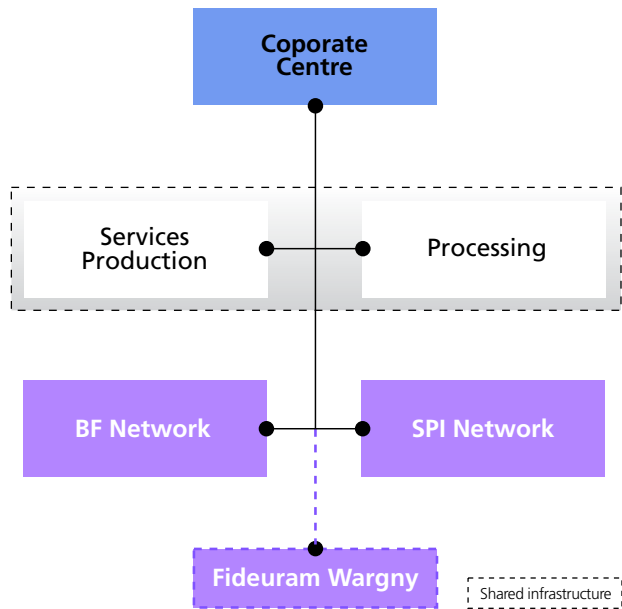
Banca Fideuram, with approximately 58 billion euro of assets under management (as at December 31st, 2004), is a leader in the Italian and European Private Banking industry. Banca Fideuram heads a group of integrated subsidiaries, located both in Italy and abroad, specialized in managing financial, life insurance and pension products, exclusively distributed by its Private Bankers. Alongside these products Banca Fideuram provides its customers with traditional banking facilities and securities/own mutual funds trading services, which are also available online. Banca Fideuram does not, however, carry out lending activities. The service to a total of approximately 750,000 customers is guaranteed by 4,543 Private Bankers. Among those, 3,413 belong to the Banca Fideuram network, while 1,130 to the Sanpaolo Invest network, acquired by Banca Fideuram in 2002 in order to further strengthen and widen its distribution capacity in Italy. Through its subsidiary Fideuram Wargny, Banca Fideuram is present also in France, where it is currently developing the

Private Banking activity, trying to replicate its successful business model, adapting it to the local market. Banca Fideuram business model guarantees flexibility, quick decision-making and a strong adapting capability to increasingly tough and changing market conditions. This model could be simply summarized as “upstream integration, downstream competition”. Upstream there is a corporate center that originates strategies, allocating human and financial resources in order to implement and control them. Downstream there are the Private Bankers' networks, separate and independent from each other, which are called to maximize their own commercial and financial results. In the middle, a shared infrastructure, comprising two main areas: services production and processing. The first one designs and manages the services distributed by the networks; the second manages all operations, from both administrative and IT perspective, through highly automated processes.

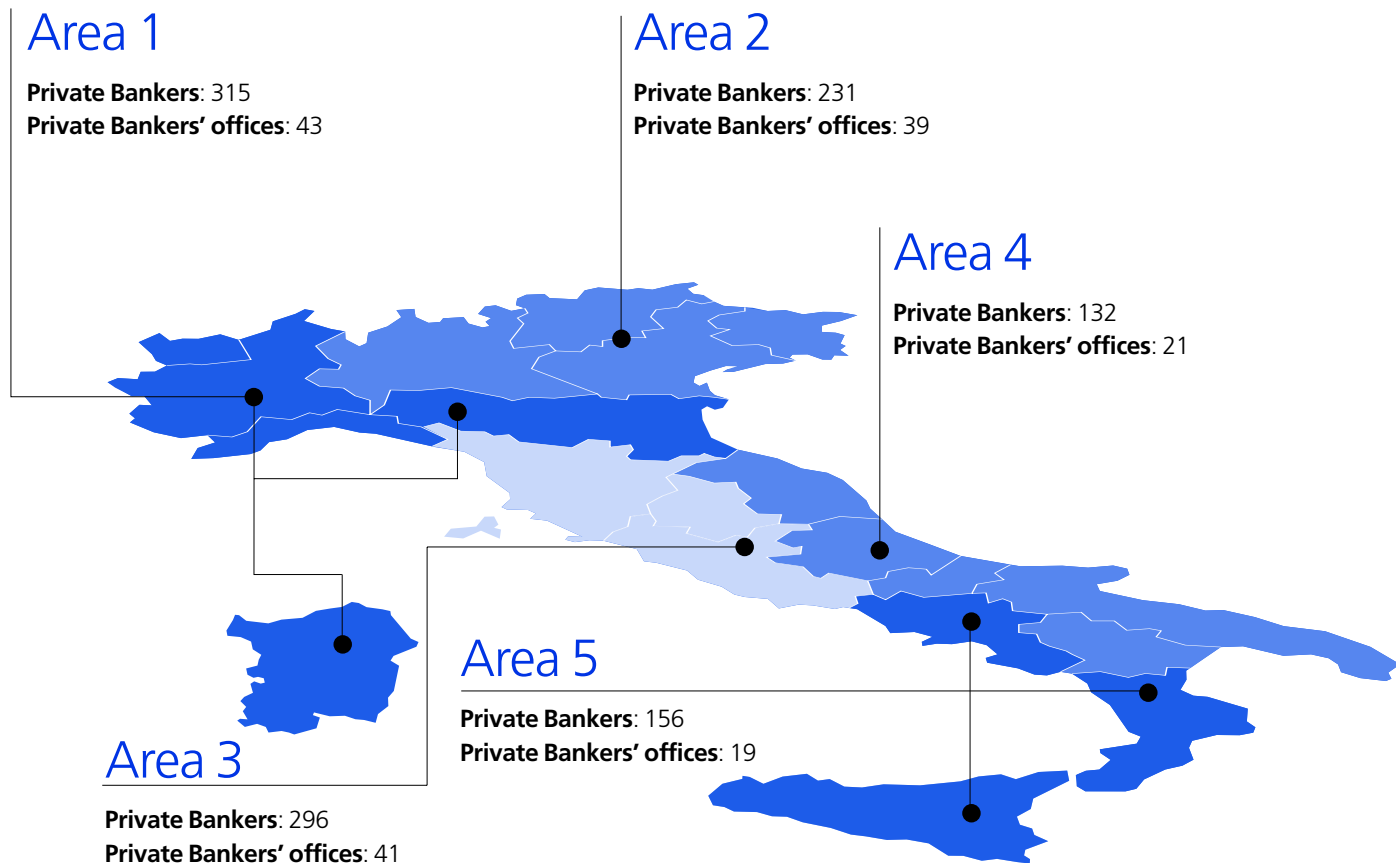
BANCA FIDEURAM NETWORK *



* All the branches serve customers and private bankers of both Banca Fideuram and Sanpaolo Invest networks.



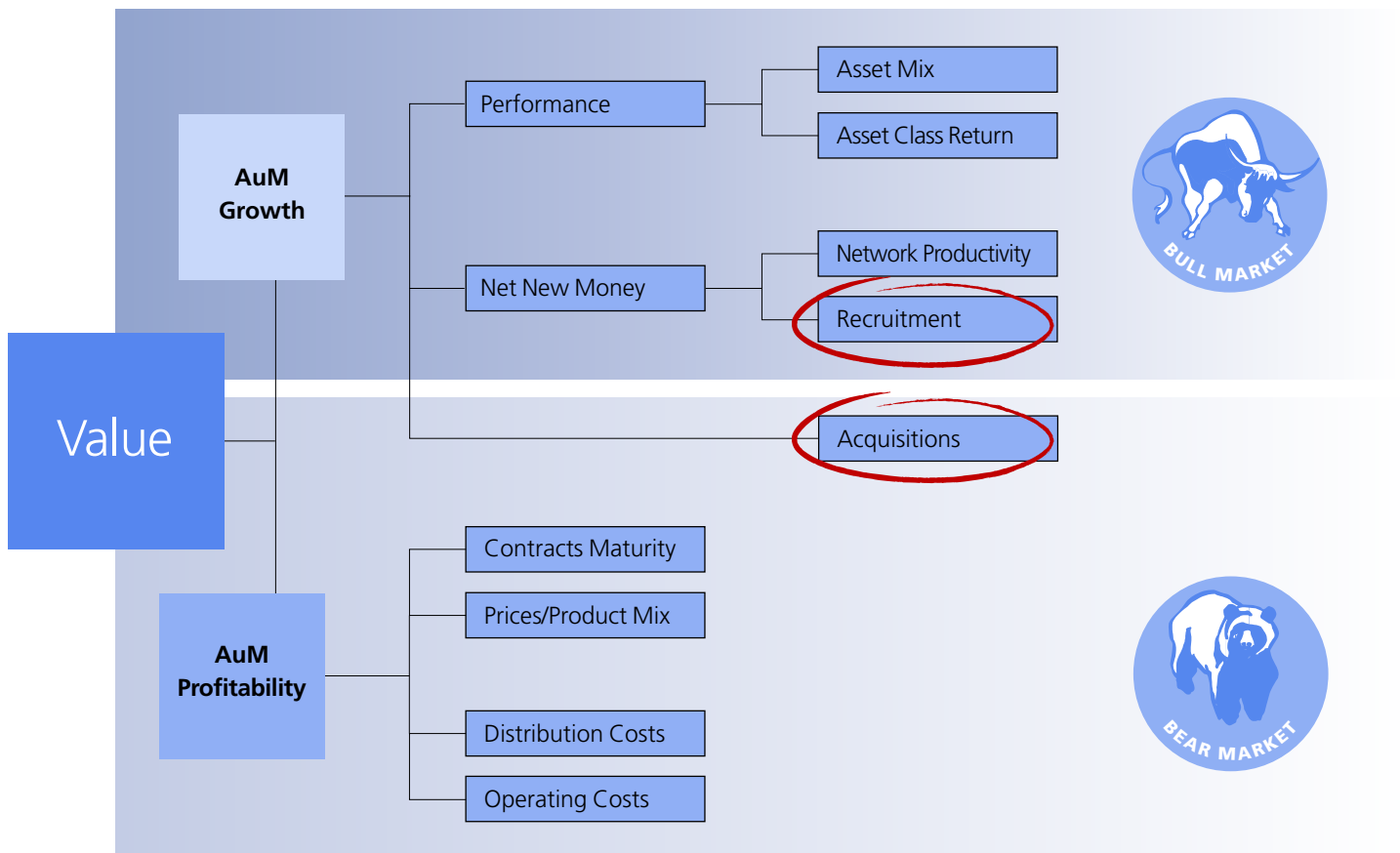
SANPAOLO INVEST NETWORK*



* In 2004 the territorial areas of Sanpaolo Invest have been reorganized and their number has been reduced from 5 to 3.

Strategic Approach

When the 1999-01 three-year plan came to an end and the company had successfully achieved another important jump in size (increasing the assets under management by 51% and the network of private bankers by 20%) maintaining high profitability and a solid balance sheet, Banca Fideuram found itself faced with a challenge: defining and implementing a strategy suitable for creating value and pursuing excellence in customer service even during adverse and uncertain market conditions. This happened in 2002 and even more so in 2003. To better understand the implications of a transition from a bull market strategy to a strategy that is valid even in adverse financial markets, it might help to refer to the following diagram.



In a bull market, everything is easier. In short, the key driver is represented by the recruitment of qualified financial consultants and the concentration of their incentives on the net new money. In this market environment, net new money means managed assets which, in turn, means products with high equity content and, as a consequence, value creation. The issue becomes much more problematic when up against an on-going financial crisis with markets that are dominated for long periods by volatility and uncertainty: a decrease in assets due to negative market performance, recommendations that customers opt for safer forms of saving, and poor assets mobility deriving from savers' reluctance to realise losses are all factors that make generating value for shareholders an even more arduous objective to achieve. In this situation efforts must be concentrated on improving profitability by strengthening relations with customers, improving the mix of products, and increasing operational and distributive efficiency. Growth is still possible in this context but the option of external growth (acquisitions) can become more attractive than organic growth (recruitment of private bankers).

Banca Fideuram's strategic choices in 2002 and 2003 largely reflect what was just described above. Refocusing took place through several stages:

- In 2002, through:
 - a) A significant repositioning of the commercial activities toward the life insurance and pension component, which translated into a 130% increase in the gross premiums written by Fideuram Vita (compared to a market average of 24%). From the customer's point of view the life insurance policy appeared, in fact, to be the most suitable instrument for investing in growing and increasingly urgent pension needs; from the company's viewpoint, it was the ideal product in order to pursue the strategic goal of increasing the persistence of revenues by extending contracts with customers;
 - b) The acquisition of Sanpaolo Invest, which fundamentally distinguished itself as a large-scale recruitment operation while the contingent market situation was making organic growth excessively burdensome;

- In 2003, in a more positive market, through:
 - a) Further strengthening of the strategy of rationalizing assets under management, aimed at increasing the absolute and relative weight of managed assets. This approach conforms with the traditional policy of advising customers not to concentrate large percentages of their assets in single securities;
 - b) The integration of Sanpaolo Invest, through the creation of a common platform of product and services and the commercial relaunching of the company itself.

The 2002-2003 two-year period was accompanied by another important phenomenon, which was the result of the company's decision to sacrifice part of the short-term profitability and to make the goal of maintaining customer relations a matter of priority: a significant reduction in the equity content of funds, discretionary accounts, and unit-linked policies, which dropped from more than 50% to approximately 30% during 2002, remaining slightly above minimums until the end of 2003.

These choices will definitely bring about benefits over the medium term for both shareholders and customers. Finally, it must be emphasized that the strategic approach described up until now, although designed under struggling financial markets and uncertainty, may also be easily adapted to a growth scenario with more stable and/or positive markets by simply refocusing on organic growth.

Corporate Governance

ADHERENCE TO THE PRED A CODE

In May 2000 Banca Fideuram adhered to the Code of Self-discipline of Listed Companies instituted by Borsa Italiana S.p.A.. In accordance with the Regulatory Provisions governing the markets regulated and managed by Borsa Italiana S.p.A., detailed information is provided on the Bank's current model of corporate governance, in particular regarding its compliance with the provisions of the Code.

PROPRIETARY STRUCTURE

There are no agreements between shareholders.

COMPANY MANAGEMENT STRUCTURE

Board of Directors

Functions	The Board of Directors is assigned ordinary and extraordinary management of the Bank, except for the competencies reserved by law for shareholders' meetings.
Composition	9 directors, of which 8 non-executive, 2 of which fulfill the requisites of independence established by the Code of Self-discipline.
No. meetings in 2003	11
Expiry	At the time of approval of the 2005 Annual Report.

Executive Committee

Functions	The Executive Committee is delegated the authority to make decisions regarding specific management policies, the structure and development of the distribution network, the granting of loans, expenditure commitments and the engagement and promotion of management personnel.
Composition	5 directors <ul style="list-style-type: none"> ● of which 4 non-executive ● out of the non-executive directors, 1 is independent.
No. meetings in 2003	10

Internal Audit Committee

Functions	<p>The Internal Audit Committee plays a consultative and proactive role. The Committee has the following duties:</p> <ul style="list-style-type: none"> • evaluating the suitability of the internal auditing system; • evaluating the work plan prepared by the Internal Audit Manager and receiving their periodic reports; • evaluating the suitability of transactions with related parties; • evaluating, together with the Company's directors and auditors, the suitability of the accounting policies used and their compatibility for the purposes of preparing the consolidated financial statements, through the prompt examination of the annual and within-year account; • evaluating the Auditing Company's proposals, submitted with the aim of gaining appointment as Independent Auditors, as well as the work plan prepared for the audit and the results set out in the report and letter of comments; • reporting to the Board of Directors at least every six months, upon the approval of the financial statements and six-monthly report, on the activities carried out and on the suitability of the internal auditing system.
Composition	3 directors, all non-executive, 2 of which are independent. The Chairman of the Board of Statutory Auditors and the Managing Director-General Manager may participate in the meetings.
No. meetings in 2003	4

Remuneration Committee

Functions	This Committee presents proposals to the Board of Directors regarding the remuneration of the Managing Director/General Manager and - with input from and working in conjunction with the latter - for determining the remuneration criteria adopted for the other members of the Bank's General Management and the top senior management of its subsidiaries. The Committee may make use of external consultants to this end, at the Bank's expense.
Composition	3 directors, all non-executive.
No. meetings in 2003	1

Board of Statutory Auditors

Composition	3 Statutory Auditors and 2 Alternate Auditors.
No. meetings in 2003	12
Expiry	At the time of approval of the 2004 Annual Report.

Remuneration

The remuneration of the Directors is determined at the Shareholders' Meeting. It consists of a fixed annual part and an allowance paid each time they attend board and/or internal committee meetings (in addition to reimbursement of expenses).

For Directors who hold special positions or are members of internal committees, an additional fixed remuneration is also provided for, which is established by the Board of Directors.

The Managing Director/General Manager is also a participant in the 2003 stock option plan approved by the Board of Directors for the senior management of the Bank and its subsidiaries as well as the private bankers of the Bank and Sanpaolo Invest.

The remuneration of permanent members of the Board of Statutory Auditors is determined at the Shareholders' Meeting. It consists of a fixed annual part and an allowance paid each time they attend the meetings of company bodies (with reimbursement of expenses).

The remuneration of the company in charge of audits is determined at the Shareholders' Meeting.

The Board of Directors approved the 2003 stock option plan in favor of the directors of the Bank and its subsidiaries, as well as the private bankers of the Bank itself and Sanpaolo Invest.

Role of the Managing Director

The Managing Director-General Manager has the duties and powers of supervising the implementation of decisions made by the Board of Directors and the Executive Committee, of managing the company and all of the Bank's business, making sure it is carried out according to the general policies established by the Board of Directors and the special policies established by the Executive Committee.



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TRANSPARENCY AND CONTROL

Internal dealing

Banca Fideuram has adopted a Code of Conduct on internal dealing consistent with the Regulatory provisions for markets organized and managed by Borsa Italiana. In particular, the Code provide that:

- The Bank will communicate, within the tenth stock-exchange working day following the last day of each calendar quarter, transactions regarding Bank shares (and derivative financial instruments as well as covered warrants and warrants that have the same shares as underlying assets) carried out during each calendar quarter by parties identified, according to the reference regulations, as insiders, if the amount of the transactions, combined with other transactions carried out during the same period, is equal to or more than 50,000 euro;
- Significant insider transactions (those whose combined amount is more than 250,000 euro) will be made public without delay and, in any case, within the first day the stock exchange is opened;
- In determining insider transaction status transactions carried out in exercise of stock options are not taken into account;
- The Board of Directors of the Company shall be empowered to limit or prohibit for specific periods of time the stated above transactions for insiders.

Transaction with related parties

Banca Fideuram has adopted an organizational procedure that aims to guarantee the fairness of significant transactions executed directly or by subsidiaries with their own related parties or those of the Parent Bank, Sanpaolo IMI.

In particular, this procedure provides:

- The criteria for identifying correlated parties (in line with those established by CONSOB – the Italian Securities and Exchange Commission) and significant transactions for the purposes of applying the procedure;
- The authority of the Board of Directors, sanctioned by the Internal Audit Committee, to approve significant transactions with related parties;
- The obligation of subsidiaries to acquire advance consent by the Bank in the case of significant transactions with related parties;
- The obligation of using independent experts to evaluate the economic conditions and/or the legitimacy and/or the technical aspects of all atypical or unusual transactions and, in any case, particularly large transactions.



This procedure also identifies the immediate and/or periodic informational duties that the Departments of the Bank and its subsidiaries must fulfill with the market, the Internal Audit Committee, the Bank's Board of Directors, and corresponding bodies of the Parent Company, Sanpaolo IMI.

If the related party is a person who has duties of management, administration, or control within the Bank, the rules of the organizational procedure accompany those provided for by Art. 136 of the Testo Unico Bancario (Consolidated Banking Law).

Directors who have even a potential or indirect interest in a transaction with related parties must, finally, observe the new rules dictated by Art. 2391 of the Civil Code as amended by legislative decree no. 6/2003 which reforms company law.



Contrasto

Use of confidential information

The management of confidential information, with special regard to price-sensitive information, is entrusted to the Managing Director-General Manager, who supervises and coordinates the work of the:

- General Secretary's Office, responsible for notifying the Authorities;
- Media Relations Department, which notifies the press;
- Investor Relations Department, which notifies institutional investors.

Audits

Board of Statutory Auditors

The Board of Statutory Auditors exercises the powers provided for by the Civil Code and sector rules (Testo Unico Bancario - Consolidated Banking Law, Testo Unico della Finanza – Consolidated Financial Law, secondary regulations issued by the Regulatory Authorities). The Board supervises observance of the law and the articles of association, observance of the principles of proper administration, and in particular, the adequacy of the organizational, administrative, and accounting model used by the Bank, and its actual operation.

Internal Audit Committee

The Internal Audit Committee carries out the functions indicated in the previous section entitled "Company management structure".

Internal Audit Unit

The Bank has an Internal Audit Unit under the Audit Department, whose Manager reports directly to the Bank's Managing Director-General Manager, which has the job of satisfying all of the specific requirements regarding the controlling of risks and the efficiency/effectiveness of the business processes of the Bank and its subsidiaries.

RIGHTS AND DUTIES OF SHAREHOLDERS

Nomination and annulment procedures for the Board of Directors and the Board of Statutory Auditors

The members of the Board of Directors are nominated for a period of three financial years at the company Shareholders' Meeting, and may be re-elected. In accordance with the provisions of the Code of Conduct for Listed Companies, the Bank's controlling shareholder submits the nominations proposed for directors, along with resumes of the candidates, to the registered office at least 10 days before the meeting. For the annulment of directors, the appropriate rules of law apply. The Board of Directors for the 2003-2006 three-year period was nominated at the Banca Fideuram Shareholders' Meeting held on 28 April 2003.

The Board's members are nominated for a period of three financial years at the company Shareholders' Meeting, and may be re-elected. The entire Board of Statutory Auditors is nominated based on lists, presented by the shareholders, submitted to the registered office at least 10 days before the date established for the Shareholder's Meeting.

Only shareholders who, alone or together with other shareholders, represent at least 3% of the shares with voting rights in ordinary meetings may present lists.

For the annulment of directors, the appropriate rules of law apply. The Board of Statutory Auditors for the 2002-2005 three-year period was nominated at the Banca Fideuram Shareholders' Meeting held on 29 April 2002.

One share, one vote principle

Banca Fideuram's By-laws do not establish limits regarding the voting power of shareholders. Each share assigns the right of one vote to be exercised at Shareholders' Meetings.

Convening meetings, member participation in Shareholders' Meeting votes

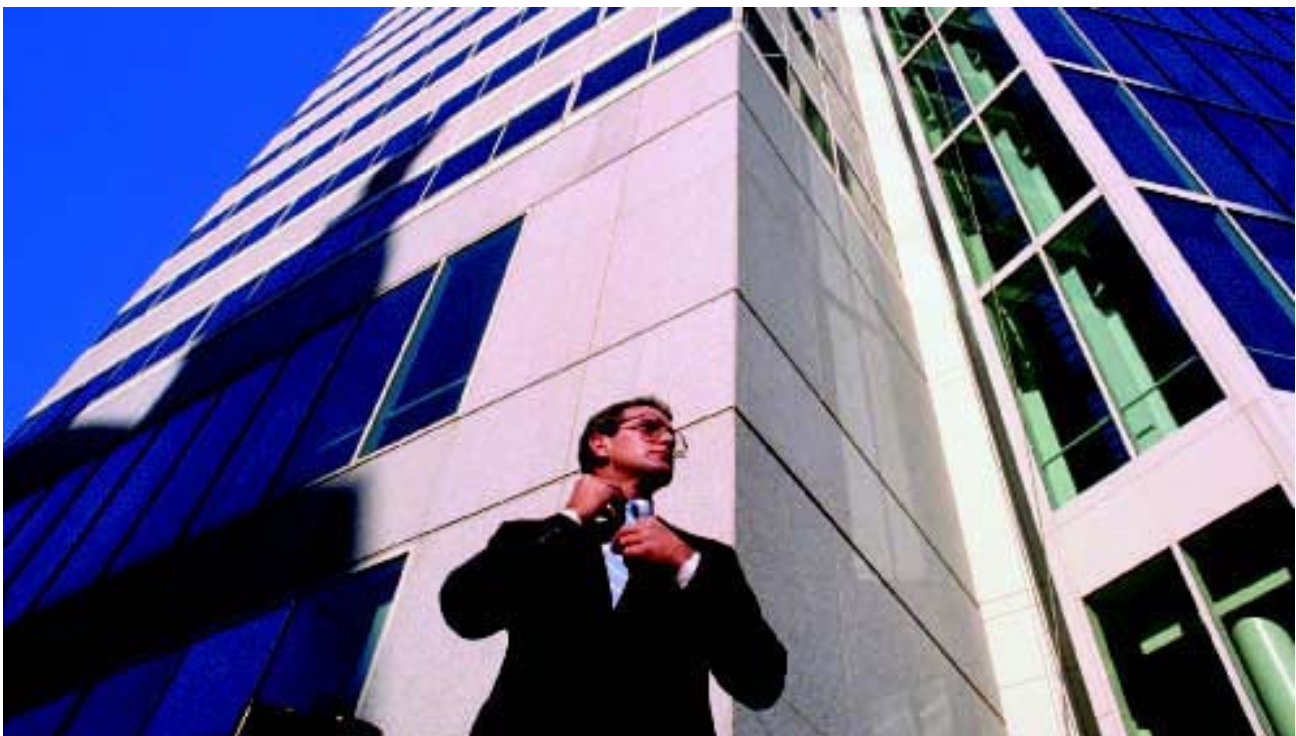
According to Art. 6 of By-laws, ordinary meetings are called by the Board of Directors at least once a year. Meetings may also be called by at least two members of the Board of Auditors, following notification of the Chair of the Board of Directors.

Shareholders that at least five days prior to that of a meeting deposit their shares with the Bank or other authorised parties specified in the notice of meeting shall be entitled to take part in the shareholders' meeting.

Every shareholder who is entitled to take part in a meeting may have themselves represented in accordance with the provisions of Italian law.

Antitakeover measures

No antitakeover measures have been implemented.



Main operating, economic and financial data

	2002*	2003
Economic and Financial data (€ mn)		
Consolidated net income	150.4	175.6
Operating income	253.7	254.1
Total net interest and net revenues	595.7	592.4
Consolidated shareholders' equity	999.6	1,012.4
Profitability indicators (%)		
R.o.E.	14.4	17.9
Cost/Income	55.4	55.2
Operational data		
Asset under Management (€ mn)	54,883	58,129
Net New Money in Managed Assets (€ mn)	-1,154	3,559
Total Net New Money (€ mn)	2,055	1,203
Private Bankers (no.)	4,754	4,543
Customers ('000)	775	755
Branches (no.)	87	88
Private Bankers' offices (no.)	267	261
Employees (no.)	2,007	1,995

* Pro-forma, includes Sanpaolo Invest acquired in October 2002

2. Social Report

Customers

Banca Fideuram has over 750,000 customers, distributed over all age brackets and across the entire country.

Customer Satisfaction

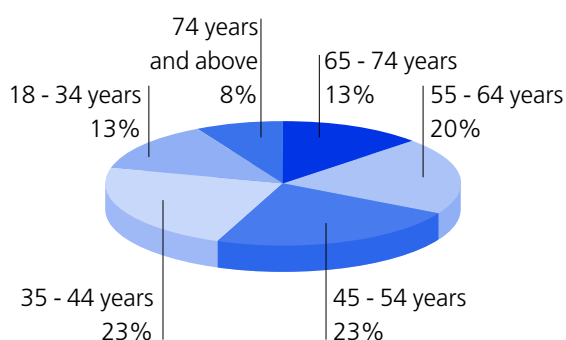
Going beyond customers expectations by aiming at their full satisfaction is one of Banca Fideuram's main values. With this in mind a Customer Satisfaction project was launched in the summer of 2003.

The Bank "listened" to its customers in order to identify the essential activities to improve satisfaction and to increase customers' loyalty.

With the help of a well-known consulting firm, a representative sample of customers was interviewed, which indicated both the level of satisfaction regarding relations with Banca Fideuram (from products to relations with Private Bankers) as well as needs that have still to be covered. In particular, 20 qualitative individual interviews and 1,650 quantitative telephone interviews were carried out. The results of the survey, available at the end of the first quarter of 2004, will be used to increase the degree of awareness regarding the characteristics and needs of customers and to realize specific improvements: Private Bankers "education" and enrichment of the range of products for specific segments of customers.

The Customer Satisfaction analysis is continuous: Banca Fideuram believes, in fact, that customers' needs are evolving and the level of satisfaction changes with them. Only constant analysis of these needs will allow Banca Fideuram to satisfy its customers at best, always maintaining product quality high.

BREAKDOWN OF CUSTOMERS BY AGE



Asset management activities

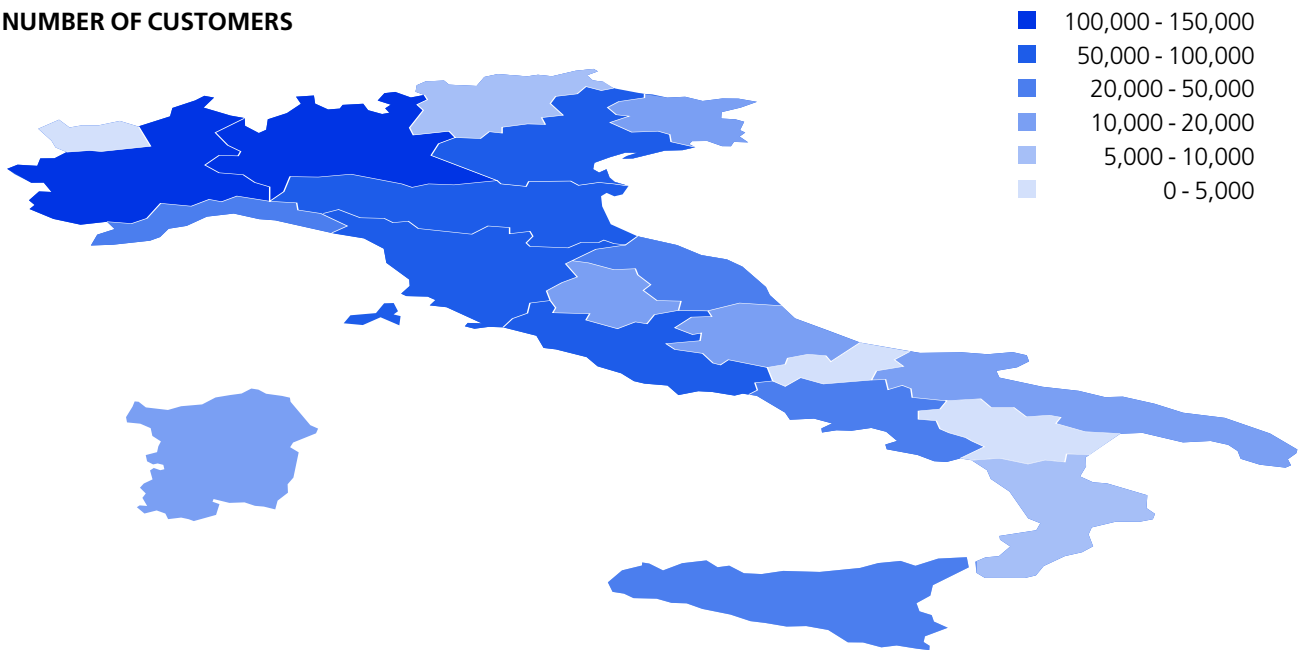
2003 was characterized by two very distinct market phases. During the first six-month period when an uncertain climate prevailed, caused by the war in Iraq, the stock market was especially volatile while the bond market benefited from a drop in rates aimed at supporting a faltering economic recovery. During the second half-year, instead, the consolidation of American economy recovery, definitely faster than expected supported the strong raise in stock markets. The continued assistance provided by Private Bankers allowed Banca Fideuram to maintain its role in guiding choices in asset management services in a market characterized by exceptional volatility. The Bank's customers demonstrated their loyalty by depositing new assets (Banca Fideuram collected 1,203 million euro during 2003) and modifying the general composition of their portfolios in favor of asset management products (inflow surpassed 3.5 billion euro). In particular, insurance products and capital protected products were promoted in order to respond to needs for security and pensions (unit-linked policies).

(€ mn)	2003	
	Net inflows	Assets under management
Managed savings	3,559	44,573
Mutual funds	1,504	17,315
Private banking	643	14,918
Life Insurance	1,389	12,244
<i>of which Unit Linked</i>	1,651	6,716
Pension Funds	23	96
Total non-discretionary savings	-2,356	13,556
<i>of which securities</i>	-2,203	11,348
Total	1,203	58,129



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NUMBER OF CUSTOMERS



The business strategy

The responsibility to help customers choose the products that most suited their needs spurred the adoption of new business approaches that were closer to the real customers' needs.

Start from the customers' needs: the customer is the focal point of Banca Fideuram's strategy. The guideline of the business activity is the firm belief that the first step toward giving value to customers is helping them understand their basic needs.



Piero Ottaviano

Needs	Meaning	Banca Fideuram solutions
Immediate cash	The financial resources necessary for coping with unexpected or short-term needs that must be invested in products that can be easily liquidated and, above all, have a very low risk.	Cash Line <ul style="list-style-type: none"> ● Current account ● Repo ● Government securities ● Monetary investment funds ● Bond investment funds
Future availability	The most important part of financial resources – those used for maintaining a standard of living at the time of retirement. They must therefore be invested in products that can offer an adequate return, against a proportionate risk.	Planning Line <ul style="list-style-type: none"> ● Three different types of discretionary accounts investing in mutual funds with a highly diversified portfolio and various levels of risk ● Two types of Unit-Linked policies (with or without guaranteed capital at maturity)
High return	The remaining part of assets that may be used for more aggressive investment, which must be considered a marginal investment, associated with a considerable risk of loss.	Value Line <ul style="list-style-type: none"> ● Two different types of discretionary accounts investing in mutual funds ● Certificates on funds/stocks baskets ● Equity investment funds

High Net Worth

A dedicated team of high-profile employees was set up, within the Marketing and Private Banking Department, for High Net-Worth customers; that is, customers with considerable financial assets and specific needs of assistance that are not just financial. The private banker continues to be the customer's primary contact and, with the dedicated team's help, aims at understanding and satisfying the needs of individual clients. The customized approach has the goal of offering an integrated management of family assets through consultancy services such as wealth planning and the definition of dedicated and exclusive products. These customers are also offered additional services such as tax optimization and legal advice from leading internal and external specialists. The aim is therefore to build up a long-term trustworthy relationship whose characteristics are professionalism, innovation, confidentiality, and continuous assistance.

Risk/Return

Making customers increasingly aware of their risk profile and therefore of the consistency of their choices was one of the main topics that Banca Fideuram worked on during 2003. The combined efforts of several teams provided private bankers with an indicator of the maximum probable capital loss for each type of asset management product. Within online services, an indicator of maximum probable loss is also provided to customers for both their trading portfolios and for each security.

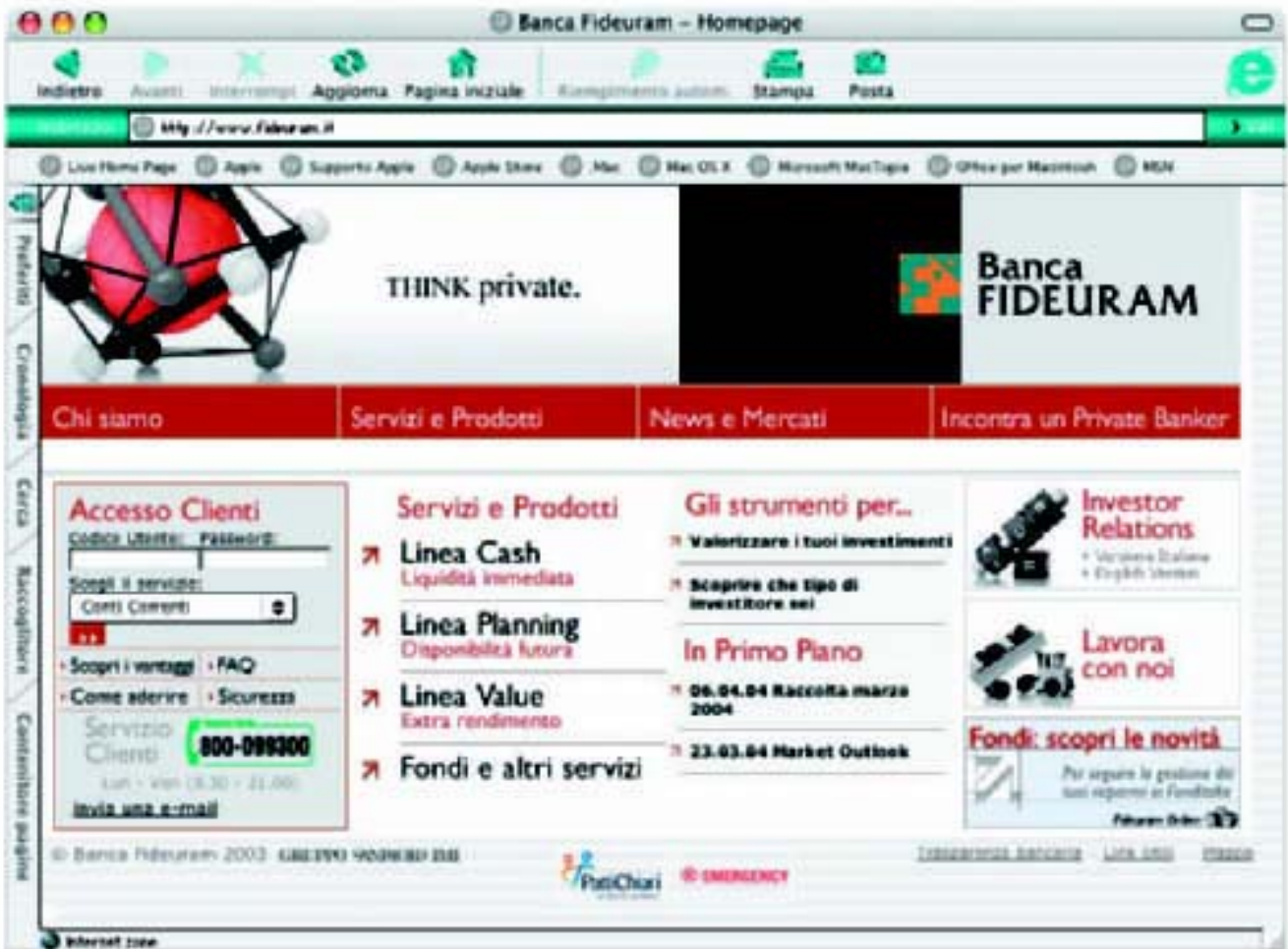
PattiChiari (Clear Deal)

The "PattiChiari" (Clear Deal) project, promoted by ABI (Italian Bankers Association) in order to improve bank/customer relations and approved by thirteen leading banks, is a self-regulation initiative that has the goal of guaranteeing the transparency and comparability of the products and services offered by banks to customers, allowing individual banks the power to adhere in time to one or more initiatives.

Banca Fideuram supports the "PattiChiari" Consortium. In particular, during 2003 it launched the first initiative - online searching of functioning ATM's (FARO) - that lets customers obtain information, via telephone, mobile phone, or the internet, on the nearest active automatic teller machine.

Contrasto





Online services

To make the examination and retrieval of information as easy as possible for customers, the graphics of the company's internet site were completely updated in 2003 (www.fideuram.it). In addition to being attractive and striking, the new graphics were in fact designed to be user-friendly and visually summarize the content with easy-to-understand symbols for quick selection and consultation of the topics through intuitive surfing.

Internet is mainly a channel of communication that brings Banca Fideuram closer to its customers. The possibility of carrying out essential banking transactions comfortably at home, at terms more reasonable than those applied at branches, allows customers to save and optimize their time.

Thanks to Fideuram Online service, in fact, customers can gain information and operate directly via internet upon their bank accounts, trading portfolios, and leading funds (Fonditalia), learn the value of their private banking investments, follow the performance of chief financial markets, and buy and sell securities on leading markets. Furthermore, Fideuram Online membership is free: in fact, there are no activation costs or subsequent membership fees.

Approximately 127,000 customers belong to Fideuram Online (as of 31 December 2003).

Customer Service

Customers, continuously assisted by their private bankers, have the possibility of directly contacting Banca Fideuram through Customer Service, which manages all complaints and requests for information or documents. Customer Service is a part of the Audit Department, which is responsible for internal audits, and is therefore completely free of conflicts of interest related to the mingling of controlling party/controlled party roles.

The customer may contact Customer Service by telephone (using a toll-free number to which a special internal unit will respond) or by e-mail or regular mail.

Banca Fideuram has decided to concentrate the management of complaints in order to:

- Guarantee its customers maximum uniformity in the handling of all types of requests. In this way it also manages complaints that arrive, not only directly at all of the branches, but also at other Banca Fideuram subsidiaries (for example, Fideuram Investimenti and Sanpaolo Invest);
- Use the resulting important information to identify any process anomalies that require organizational intervention.

During 2003, Banca Fideuram received a total of 5,103 written complaints (with an incidence of 0.68% on approximately 755,000 customers). The average time for replying to customers is considerably lower than that required by regulations (21 days rather than the standard 90).

Banca Fideuram's attention to the quality of the provided services and customer perception of them led to the development of an analysis of customer satisfaction regarding Customer Service in 2003. The analysis regarded 3,305 customers and verified a good level of satisfaction regarding the assistance provided via telephone and mail.

Employees

BANCA FIDEURAM EMPLOYEES IN ITALY AND ABROAD

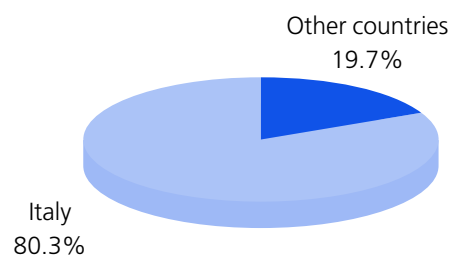
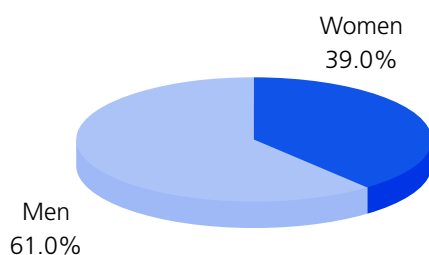
2003	ITALY			ABROAD			TOTAL		
	Men	Women	TOTAL	Men	Women	TOTAL	Men	Women	TOTAL
Directors	58	6	64	13	1	14	71	7	78
Managers	514	201	715	163	73	236	677	274	951
Professional Areas	400	423	823	68	75	143	468	498	966
TOTAL	972	630	1,602	244	149	393	1,216	779	1,995

Banca Fideuram's staff went from 2,007 as of 31 December 2002 to 1,995 as of 31 December 2003, with a decrease of 12 personnel equal to approximately 0.6%. In particular, the number of personnel dropped in Italy by 1.7%, while it increased abroad by 4.2%. In terms of contracts, 48.4% of personnel belong

to professional areas (51.5% in 2002), 47.7% are managers (45.0% in 2002), and 3.9% are directors (3.5% in 2002).

Female employees equal 39% of personnel, whereas the incidence at the management level reaches 27.3%.

Staff operating abroad equals 19.7%.



BANCA FIDEURAM EMPLOYEES IN ITALY

Location of personnel

Personnel distribution shows a particularly significant presence in the provinces of Rome (58.3%) and Milan (28.0%) where all of the main services and product companies are located. The distribution of resources shows 63.7% in Central/Southern Italy and 36.3% in the North.

BREAKDOWN OF PERSONNEL

	Men	Women	TOTAL
Directors	3.6%	0.4%	4.0%
Managers	32.1%	12.5%	44.6%
Professional Areas	25.0%	26.4%	51.4%
TOTAL	60.7%	39.3%	100%

TYPES OF CONTRACTS

	No. resources	of which part time	
Open-end contracts	1,588	121	7.6%
Fixed term contracts	9	1	11.1%
Apprenticeships	5		
TOTAL	1,602	122	7.6%

122 personnel have part-time job contracts, of which 94.3% are female personnel that use this type of contract in order to flexibly manage their work.

AVERAGE SENIORITY AND AGE

	Average seniority	Average age
Directors	10.6	48.3
Managers	13.6	43.9
Professional Areas	10.5	37.4

On the whole, personnel have an average duration of service of 11.9 years and an average age equal to approximately 40.7 years.



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EDUCATION

	Directors	Managers	Professional areas	TOTAL	
Degree	51	245	205	501	31.3%
Secondary school	13	421	485	919	57.3%
Other levels of education		49	133	182	11.4%
TOTAL	64	715	823	1,602	100%

Turnover

During 2003, 33 personnel were introduced to strengthen the managerial structure and to replace personnel who resigned and were temporarily absent. The new employees, 58% of which have open-end contracts, have an average age of 31 years and approximately 80% are college graduates.

INCOMING 2003

DIVISION BY QUALIFICATION

	Men	Women	TOTAL
Directors	12.1%	3.0%	15.1%
Managers	18.2%	6.1%	24.3%
Professional areas	30.3%	30.3%	60.6%
TOTAL	60.6%	39.4%	100%

DIVISION BY TYPE OF CONTRACT

	Men	Women	TOTAL
Open-end contracts	36.4%	21.2%	57.6%
Fixed term contracts	18.2%	12.1%	30.3%
Apprenticeships	6.0%	6.1%	12.1%
TOTAL	60.6%	39.4%	100%

OUTGOING 2003

DIVISION BY QUALIFICATION

	Men	Women	TOTAL
Directors	8.2%		8.2%
Managers	11.5%	4.9%	16.4%
Professional areas	34.4%	41.0%	75.4%
TOTAL	54.1%	45.9%	100%

DIVISION BY TYPE OF CONTRACT

	Men	Women	TOTAL
Open-end contracts	34.4%	11.5%	45.9%
Fixed term contracts	18.1%	34.4%	52.5%
Apprenticeships	1.6%		1.6%
TOTAL	54.1%	45.9%	100%

CAREER EVOLUTION

	Men	Women	TOTAL
Promoted to Director	6	2	8
Promoted within Management	71	18	89
Promoted to Manager	25	13	38
Promoted within Professional areas	81	56	137
TOTAL	183	89	272

Career evolution

Career development is based on merit and keeps in mind achieved results, level of expertise, and individual skills. The process is also carried out consistently with the organizational model and the requirements for carrying out roles of responsibility/coordination and particularly important specialist activities.

During this development process, full agreement with the company's ethical and organizational values – consistent with those that inspire the San Paolo-IMI Group's work – is of fundamental importance. The following, among other things, are especially highlighted:

- professional integrity and confidentiality;
- respect for the company and others;
- dependability and expertise;
- teamwork;
- assumption of responsibility at all levels.

In this regard, the process that manages and monitors personnel performance has an important role and is based on:

- a system of goals for managerial and professional figures that safeguard areas with special strategic importance in the company's organization;
- an evaluation system that focuses on analyzing individual performance: achieved results, organizational conduct, and explicit expertise.

The evaluation process, which develops and motivates personnel, is organized into specific leader/collaborator stages of contact that define expected performance standards and verify intermediate and final performance.



PhotoDisc

Relations with Trade Unions

Trade-union relations have for some time been characterized by open and constructive meetings that permitted creating important agreements, which had the purpose of reorganizing Banca Fideuram's subsidiaries during 2003. In particular:

- the investment services were concentrated into a single company: Fideuram Investimenti SGR, which merged Fideuram Capital Sim's consultancy branch and all of Fideuram Gestioni Patrimoniali SIM;
- Fideuram Capital Sim was merged through incorporation into Banca Fideuram;
- Banca Sanpaolo Invest's banking branch was spun off to Banca Fideuram with consequent reconfiguration of Sanpaolo Invest into a brokerage firm;
- the banking services were reorganized – in close relation to the integration process of Banca Sanpaolo Invest - and brought about the creation of the Banking Services Department and a reconfiguration plan for some of the bank's employees;
- the registered office was transferred from Milan to Rome with a consequent plan to move the Administration Department, Audit Department, and the General Secretary's Office to Rome.

Altogether, the transfers within the group concerned approximately 300 personnel (19% of staff) and took place without conflict.

The rate of unionization is approximately 56%. The number of hours dedicated by workers to trade-union activities in 2003 was equal to 6,913 and represents approximately 0.3% of theoretical working hours.

Company regulations provide for improved benefits compared to national contractual provisions. In particular, there are special company negotiation provisions in terms of time flexibility, shorter lunch breaks, leave for student workers, the transformation of employer/employee relations from full-time into part-time, professional courses related to technical/special expertise development criteria, pension funds and health care.

Protected categories

Personnel belonging to protected categories according to law 68/1999 present on 31 Dec 2003 are 146.

During 2003, approximately 4,117 hours of leave were used by employees for serious illness or to help family members with serious pathologies.

Disabled	85
Orphans, Widowers, Refugees	61
TOTAL	146

Development of human resources

Investment in training activities plays an especially important role in human resources development policies.

In 2003, training was focused on developing specialized expertise and organizational conduct useful to the company business through initiatives designed and created internally as well as organized by external institutions (catalog).

Training area	Number of participants	days/person
Internal Training		
Specialistic	828	988
Managerial/Personal development	722	1,432
External Training		
Workshops / Conventions / Language courses	361	857
TOTAL	1,911	3,277

The activities carried out internally, created ad hoc as needed, were structured into the following two macro areas:

- Specialistic area. Financial and company business, macroeconomics, banking operations, auditing, project management, and data processing initiatives were started in this area.
- Managerial/Personal development area. In particular, topics related to communication, negotiation, and problem-solving were explored.

During 2003 special attention was placed on encouraging the professional integration of personnel affected by corporate operations through special training centered on the transferring of business and Bank organization know-how.

Furthermore, in regards to internal activities, as in previous years the logistical and organizational needs of personnel with part-time contracts belonging to protected categories were strongly considered in order to facilitate participation in courses.

In terms of external initiatives, participation in language courses, special workshops, and intercompany meetings were encouraged, consistent with the specific professional development needs of concerned personnel.

Finally, the following experimental initiatives were started for personnel:

- an e-learning platform dedicated to training through self-learning, which registered 453 users for a total of 129 days/person;
- an online noticeboard on the company Intranet aimed at encouraging the communication of information on company/employee relations.

Health care, pension fund, and services for employees

To satisfy the various needs of employees, a group of benefits and special terms has been available to personnel for several years now:

- A supplementary pension fund, with company contributions of 3% of the base salary
- Insurance policies for professional and private injury
- Supplementary health care
- Facilitated part-time
- Loyalty bonus
- Special conditions for student workers
- Scholarships for the children of employees
- Contributions for disabled family members
- Mortgages for the purchase of first home
- Financing for personal needs
- Subsidized credit
- Christmas presents



Laura Ronchi

Safety

The provisions of legislative decree 626/94 and other recent related regulations have undoubtedly introduced a new approach for confronting problems regarding safety in the workplace.

After an initial phase that was necessary for implementing the various duties that must be fulfilled as provided for by the norms of law, attention has recently been turned to making the workplace more comfortable.

That includes:

- Progressive replacement of furniture;
- The adoption of solutions for optimum management of the microclimate, even during changing of the seasons;
- The pursuit of high standards of quality when opening new banking branches;
- The introduction of a computer procedure for real-time indication of maintenance problems (integrated maintenance management) with quality control of interventions.

This approach derives in particular from the creation of participatory and constructive awareness regarding prevention, developed through:

- Information and training plans for personnel and, in particular, for employees who use video terminals ("online" course), and for employees assigned to prevention and managing emergencies, who represent approximately 20% of personnel;

- Active contribution of "Rappresentanti dei Lavoratori per la Sicurezza" (Worker Representatives for Safety);
- Involvement of Management in related information initiatives and training.

In the past few years, the personnel of branches located throughout the territory received special fire and first-aid training.

Finally, in order to increase the awareness of all personnel regarding safety and appropriate behavior in the case of an emergency, periodic fire drills were carried out.

Security

Banca Fideuram adopted and continues to monitor and improve its security standards to protect employees and customers against fraudulent acts. Within the context of the guarantees aimed at ensuring a high level of security and in line with technological developments, the company has implemented further physical and logical security measures in addition to the traditional measures. To intensify the main security topics, a robbery-prevention training program was also implemented for branch operators. As a result of the group of preventive measures, the Bank experienced only one robbery in 2002 and one in 2003. The protective measures in both of the concerned areas though were further raised.

Organizational Structure of the Network

Territorial division

The Banca Fideuram network is organized into 6 territorial areas (see map on page 180): each of these is supervised by an Area Manager to whom local managers report. Each area groups together one or more regions depending on the size and commercial potential.

The Sanpaolo Invest network, which went through an initial reorganization phase in 2003, is divided into 5 territorial areas (see map on page 181), each entrusted to an Area Manager, assisted in his or her activities by an underlying managerial structure. A

second phase of network reorganization and optimization across the territory begun in 2004, bringing the areas to 3, entrusted to the same number of Area Managers.

Managerial roles within the networks

Both Banca Fideuram and Sanpaolo Invest networks of private bankers are supervised by a managerial structure divided into three levels. The three different managerial levels focus on managing assigned resources (lower level managers or private bankers), with the main task of leading and supporting business across the territory.

	Banca Fideuram Network	Sanpaolo Invest Network
Level 1	<i>Area Manager</i>	<i>Area Manager</i>
Coordinated resources	From 400 to 900 private bankers, through the managerial structures of Divisional Manager and Regional Manager	From 150 to 350 private bankers, through the managerial structures of Regional Manager and Divisional Manager
Role	They collaborate with the company in defining commercial activities and supervise and coordinate activities across their territorial area.	

	Banca Fideuram Network	Sanpaolo Invest Network
Level 2	<i>Divisional Manager</i>	<i>Regional Manager</i>
Coordinated resources	They supervise 3 to 6 Regional Managers.	They coordinate 2 to 4 Divisional Managers.
Role	They guide the supervised Managers in commercial initiatives and in assisting private bankers. In addition to helping achieve sales goals, their functions include training private bankers and developing and organizing the territory.	

	Banca Fideuram Network	Sanpaolo Invest Network
Level 3	<i>Regional Manager</i>	<i>Divisional Manager</i>
Coordinated resources	They supervise an average of 25-30 private bankers.	They coordinate an average of 20 to 40 private bankers.
Role	They directly supervise the commercial activities of private bankers and help them to grow professionally and develop the business even by joint cooperation.	

Among the managerial levels and private bankers there are the Supervisors. The latter, in addition to carrying out their activities as private bankers, act as “tutors” for the newly-recruited private bankers. In the Sanpaolo Invest network, the Group Manager mediates between the Divisional Manager and the private banker, by supporting the Manager dealing with private bankers and also by helping and training new recruits.

Private Bankers

The private bankers are responsible for relations with customers. They are specialists who assist customers in choosing investments and help them to identify and develop specific solutions that satisfy their financial and pension needs. They have an average age of 45 (see graph on page 204) and are professionals capable of transmitting security and reliability to customers, guided mainly by the values of common sense and continuity. When managing their activities, although working within a solid structure and respecting the values and commitments undertaken with Banca Fideuram and customers, private bankers are autonomous. The key values that Banca Fideuram requests from its private bankers are expertise, integrity and honesty, leadership, and commitment. The expertise and professionalism of the private bankers, together with the methods and instruments provided by Banca Fideuram, constitute Banca Fideuram’s value -the basic foundations for the trust granted by customers over the years.

Relations between the bank and private bankers are regulated by open-end agency agreements that enforce private banker activities, remuneration, pension and health care.

The logistical point of reference for private bankers is the office where they work with other colleagues, plan their activities, and meet with other private bankers and the managerial structure. These offices are connected online through the company’s computer network. Many of them are

adjacent to a branch where customers can carry out normal banking transactions.

Business may be carried out at the offices of private bankers or at the customer’s home. Private bankers can connect to the company’s online database, which can be consulted from anywhere and at any time, using their PCs, in order to offer customers a level of service that is in line with Banca Fideuram standards. The possibility of accessing updated and integrated data regarding the customer’s situation is an essential support for their work. Furthermore, private banker’s are also provided with online analysis and financial planning software. To

facilitate the introduction and the career development of the private bankers and to further develop their commercial and technical/financial skills according to market evolution, Banca Fideuram places special attention on training activities. The periodically revised training plan includes standard courses and special courses for in-depth study of the products and services offered by the bank. Each private banker is continuously assisted by the network’s managerial structure: periodic individual meetings and group sessions are planned, and they constitute important opportunities of discussion and comparison of the commercial actions. The recruitment of private bankers takes place through careful selection. Private bankers must possess excellent finance and life insurance expertise and have a special bent for human relations and contact. Recruitment focuses on people who already have specific skills and experience in the financial sector, gained in a banking environment or other networks. To encourage the introduction of the best candidates, economic support packages have been implemented for the initial years of activity. Searching for highly-qualified professionals is a way for Banca Fideuram to offer continuously improved services to customers, increasing the value of the service and simultaneously developing its market presence.



Remuneration Structure of the Network

The remuneration of private bankers and network managers consists of two main components: commissions and bonuses. Other forms of incentives are also added to these.

Commissions

The commissions are divided into subscription commissions (sales) and commissions for maintaining assets (management). While the first reward the acquisition of new financial resources, the second remunerate the private banker's ability to consolidate and improve relations with the customer over time. The latter today represent most of the remuneration of private bankers.

This remuneration system encourages the building of customer relations based on continuity and trust. The remuneration of network managers is connected with the activities of the supervised private bankers and is based on commission percentages applied to the volume of business that the latter generate.

Bonuses and Incentives

Another component of remuneration, more important for managerial levels, consists of bonuses related to the achievement of business objectives. The incentives system is structured so that it increases rewards as results are achieved. The incentives system is aimed at overall growth of value, especially through the development of managed savings. No incentives related to individual products are accounted for: this is a sign of company respect for the private banker's professional autonomy.

In addition to monetary incentives, other forms of rewards have been implemented. They are closely integrated with the commercial budget, and allow the best private bankers of the year to participate in special company events (trips, conventions). These events represent important opportunities for the networks and top management to gather and meet, as well as the opportunity for the professional development of private bankers. In 2003 and 2004, Banca Fideuram also implemented a stock-option plan that provides for the allotting of ordinary Banca Fideuram shares to private bankers. The exercising of stock options is restricted to the achievement of the goals provided for by the annual budget. This is another incentive mechanism for private bankers, which provides for their participation in creating value for the company.

Finally, there are forms of incentives that focus primarily on the private banker's ability to retain customers. Among others, Partnership Fideuram and Premio Fedeltà (for the Banca Fideuram network) and Fidelity Plan (for the Sanpaolo Invest network):

- Partnership Fideuram and Fidelity Plan reward the maintaining of assets over time and consists of a provision (in pension products) made by the Bank in favour of the private banker;
- The Banca Fideuram network's Premio Fedeltà rewards private bankers for the best commercial results achieved repeatedly over the years. It consists of annually provisions made by Banca Fideuram into a fund for the private bankers.



Investigation by the Public Prosecutor's Office of Florence

During 2004 the judicial authority started an investigation that concern, among other things, certain private bankers of the Banca Fideuram Group and employees of the subsidiary Fideuram Bank (Suisse). All of the disputes regard complicity in illegal practices (consisting of unauthorized subjects offering investment services or financial products in Italy), with the exception of one private banker who is also charged with money laundering. The Bank has formed a special team for a quick and rigorous verification of the facts and has ensured the investigative authorities maximum collaboration.



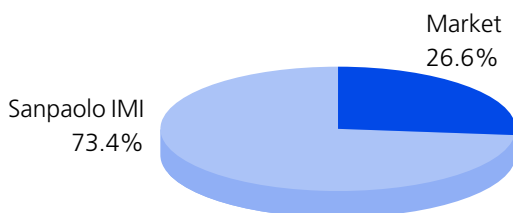
Contrasto

Shareholders

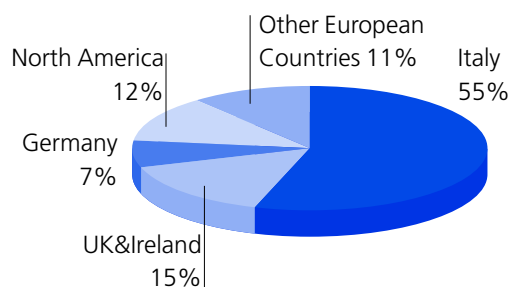
Banca Fideuram's share capital consists of 980,290,564 ordinary shares.

73.4% of the capital is controlled directly (64.1%) or indirectly (9.3%) by Sanpaolo IMI. The remaining part (26.6%) is on the market. As of 31 December 2003, there are no other shareholders with holdings of more than 2% who have notified CONSOB (the Italian securities and exchange commission) and Banca Fideuram according to the rules contained in the Italian Consolidation Act on market intermediation provisions¹.

SHARE CAPITAL COMPOSITION



GEOGRAPHICAL DISTRIBUTION OF INSTITUTIONAL SHAREHOLDERS*



* Banca Fideuram estimates on UBS/Lionshare data, Feb. 2004

Out of the part on the market, approximately two-thirds is estimated to be in the hands of institutional investors, of which approximately 55% are Italian and 45% are foreigners. Among the latter, Europeans prevail (approximately 33%). Banca Fideuram stock is listed on the Milan Stock Exchange and is part of the Italian "Blue Chips" index (MIB 30), which includes the companies that have the highest capitalization and liquidity. In addition to being included in leading international share indices such as FTSE Eurotop 300, DJEuroStoxx 600, MSCI Europe, and S&P 350, Banca Fideuram is also part of certain international "ethical" indices such as FTSE4Good and Axia Ethical.

Banca Fideuram stands out not just because of economic results obtained over time but also because it has always applied a generous profit distribution policy while simultaneously maintaining a solid balance sheet. In particular, the 2001 and 2002 payout ratios were respectively above 90% and 100% of the consolidated net income.

The solidity of company assets is also testified by the rating it received from Standard & Poor's: A-1 short-term, A+ medium/long-term.

The total profitability of capital, measured by RoE, always remained at very high levels (between 23% and 30%) from 1998 through 2001. It dropped slightly in 2002 (14%), although remaining well above the banking sector average, and recovered in 2003 (18%).

In 2003 Banca Fideuram stock performance was positive, with a 5.1% increase. During 2004, the stock has raised by 1.4% from the start of the year to April 5.

Focus on the creation of value

The creation of value for shareholders has always been a primary goal for Banca Fideuram. As already described in the paragraph explaining the strategic business approach (page 182), during the years of a bull market the creation of value for shareholders was a direct consequence of the implementation of plans that concentrated on the recruitment of qualified financial consultants, and the focusing of the incentives on net new money targets. This direct relation between growth targets and value creation vanished during the troubled financial markets of

¹ stated in legislative decree no. 58/1998, Part IV, Tit. III, Item II, Art. 120 (obligation of communicating significant holdings), paragraph 2.

2001 and 2002, which proved extremely difficult for the entire asset gathering industry. In this sense 2003 arrives as a turning point. Through an innovative incentive scheme, Banca Fideuram directly linked the incentives of private bankers (and management) with the so called “Qualified Inflow” (a proxy of the value added by the new commercial initiatives), perfectly aligning the private banker’s “economics” with shareholder interests. At company level, a target in terms of value added by new commercial initiatives (between € 230 and 270 million) was set in 2003. The introduction of this incentives system brought about a true turnaround of business in 2003 compared to 2002: Banca Fideuram ranked first in Italy for mutual fund net inflow (Assogestioni), with a 22% market share.

Achieving a value generation equal to 393 million euro, the annual target was significantly beaten. The 2004 plan’s basic logic is the same that was used for 2003, and fundamental points are:

- maintaining focus on the creation of value
- replicating the incentive scheme that proved to be extremely effective in 2003
- investing in the recruitment of quality financial consultants
- maintaining tight control of operating costs.

Relations with investors and the market

Communication with shareholders, financial analysts, and other subjects interested in understanding the factors for properly evaluating Banca Fideuram is ensured and managed by Investor Relations. This department guarantees timely, accurate, and continuous updating on activities, strategies, and results, in full accordance with regulations on price sensitive information.

In line with the standards of the parent company Sanpaolo IMI, Banca Fideuram communicates results on a quarterly basis. Each quarter, on the same day the Board of Directors approves the results (or at the latest the following day), a presentation for the financial community (in Milan) and a conference call in English are organized in order to promptly illustrate the results to Italian and foreign analysts and investors.

Investor Relations activities in 2003, in addition to day-to-day contact with all of the concerned parties, were carried out through:

- 4 presentations for the financial community organized in Milan;
- 4 conference calls;
- 2 roadshows;
- Participation in 2 banking sector conferences organized by leading international brokerage houses;
- Approximately 120 meetings, videoconferences, audioconferences with analysts and investors, of which approximately 75% with the participation of top management.

Communication with organizations outside the company is accompanied by important internal communication, through which top management is kept continuously informed on market sentiment and expectations and share performance.

To further improve communication and transparency with all concerned parties, Banca Fideuram completely updated its Internet site in 2003 (www.bancafideuram.it). In the Investor Relations section, available in Italian and English, a series of documents and information are promptly made available to the public, including:

- Information on the company’s structure and business;
- Information and documents relating to corporate governance;
- Press releases;
- Calendar of events;
- Annual, half-year, and quarterly reports. In particular, an “interactive” report was developed for user-friendly surfing and examination of the Annual Report;
- Documentation distributed for presentations and participation in conferences;
- Information on the stock and the possibility of downloading the quotation’s history.

The site’s new version was highly appreciated by users and various operators specialized in evaluating company sites.

Community

Relations with the media: closer to the community

In recent years, Banca Fideuram has made a significant effort to improve communication with the community in which it operates (from financial to territorial communities) by strengthening media relations activities.

In this sense 2003 was an important year that experienced growth, of over 85% compared to the previous year, in the number of articles regarding Banca Fideuram issued during the year.

Banca Fideuram and its humanitarian commitment

Its continuous monitoring of and presence in local socio-economic communities persuaded Banca Fideuram to expand to international scenes where political matters and wartime decline threaten the possibility of growth for new generations.

Banca Fideuram views financial assistance and structural interventions as moral imperatives for sustaining the awareness of human rights and dignity. The Bank's social responsibility faced situations of greater imbalance and inequality signaled by international news. Banca Fideuram had therefore already decided in 2002 to set aside a good part of its budget for humanitarian initiatives. As it had already done during the previous year, in 2003 Banca Fideuram concentrated resources and energy into a single project, choosing 'Emergency' as its partner.

After its experience with Emergency in 2002 in Afghanistan, where it created a health facility and

first-aid center in Mirbachakot (in the heart of the Shamali plain), in 2003 Banca Fideuram financed a new hospital in Iraq, in Karbala', the main holy city of Shiite Muslims. Karbala is located approximately 100 km southwest of Baghdad and has a population of 700,000 - 1.5 million if the surrounding areas are counted. In spite of the population's size, Karbala' has only one general hospital (Al Huseyn) with insufficient medical personnel and little equipment and is in constant need of medicines necessary for the numerous emergency surgeries. Furthermore, the city is far from the flow of international help (primarily concentrated in the capital of Baghdad). This is why Banca Fideuram decided to collaborate with Emergency in order to create a new surgical center – Salam Surgical Centre – next to Al Huseyn hospital. For the first year of activities – work was inaugurated last November 4 – the project envisages the construction of a new building and the purchase of equipment, medicines, and consumable materials so that the clinic's activities can begin in the autumn of 2004. Banca Fideuram's 2003 donation will permit the creation of three operating rooms and a pediatric ward equipped with all of the equipment necessary for guaranteeing full operation.

MACROAREAS OF PRESS REVIEW	2002		2003		% change
Strategies and company events	63	21%	121	21%	92%
Operating, economic and financial results and profitability ranking	82	27%	95	17%	16%
Analysis and comments on stock performance	71	23%	77	14%	8%
Approach to services and investments advisory	44	15%	195	35%	343%
Network and private bankers	43	14%	74	13%	72%
Company presence in local/national and international newspapers and magazines	303	100%	562	100%	85%



PHOTO of Mirbachakot's Health Facility and Park.

Environment

In 2001 Banca Fideuram created the position of “Energy Manager” for the purpose of monitoring and consequently carefully managing energy consumption. The Energy Manager collaborates with the Engineering Department, which supplies data on energy consumption.

The Engineering Department analyzes the energy consumption of the various departments and the policies for limiting it. Furthermore, decisions are made to purchase materials, such as those for lighting and air-conditioning, that are more efficient and have lower consumption.

Energy consumption for 2003 was as follows (data refers to Parent Company):

Electricity (KWh)	8,600,000
Methane gas (Mc.)	724,000
Gas oil (L.)	30,000
Water (Mc.)	36,000

With the goal of optimizing electricity costs, during 2003 a supply contract was signed with Consorzio Idroenergia, of which Sanpaolo IMI is also a member, for the main offices.

In addition to electrical consumption, special attention was placed on the problems of waste disposal and the provisioning of paper.

During 2003 a qualified company was used for the disposal of 74 tons of materials, outlined as follows:

Paper (ton.)	70
Toner (ton.)	3
Batteries (ton.)	1

The following expenses were sustained for purchasing paper:

For forms (euro)	610,000
For photocopies (euro)	69,000

Suppliers

The profile of suppliers

During 2003 the Bank held business relations with about 1,600 suppliers for a total turnover of 90.4 million euro. Among these partners, 108 (the so-called “big suppliers”) provided goods or services for an annual amount of over 155,000 euro each, altogether equaling 69 million euro.

Selection policies

The supplier database consists of the names of companies that are believed to possess the technical and reliability requisites necessary for supplying goods or services to the Bank across the entire national territory and are selected based on the following criteria:

- professionalism
- reliability
- honesty
- transparency

Previous supplies that were acceptably carried out are also evaluated during selection.

The database also considers suppliers, if not already present, selected or used by the parent company Sanpaolo IMI.

Supply contracts that total more than 35,000 euro are put out to tender by inviting at least three suppliers, chosen from those in the relative database, to participate.

The supply contract is therefore subsequently awarded based on the best offer presented.

Management of relations

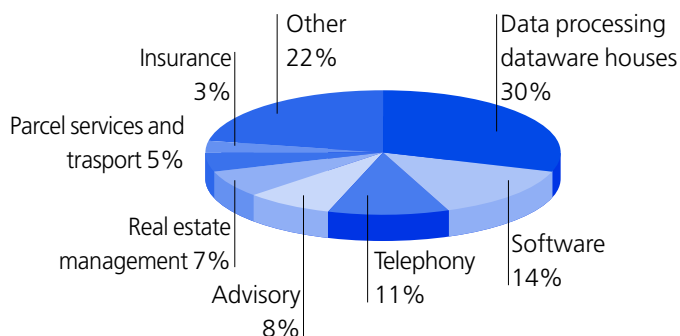
The supplier database is periodically updated, excluding the names of those for which the following occurred:

- contractual non-fulfillments
- unjustified abandoning of the supply after awarding
- non-fulfillments regarding the safeguarding and confidentiality of information

New names deemed worthy of being considered are evaluated for introduction, even if they have not been used yet by the Bank.

DISTRIBUTION OF “BIG SUPPLIERS” BY SECTOR

(single payments above 155,000)



PhotoDisc



Brand X Picture

3. Main objectives for 2004

Again for 2004, the main objective is represented by the Qualified Inflow (Raccolta Qualificata - RQ). The Qualified Inflow is a proxy of the value added by the commercial activity, or rather the embedded value of the contracts written in the year. The Qualified Inflow's objective is the parameter to which management and private bankers incentives are linked. The decision to use this objective as a concise indicator of the company strategy's ultimate goal has important significance:

- because it also heads for the maximization of the company's value, represented by the net economic flows generated by contracts with customers, and not so much the year's profit. In other words, this objective finalizes a development strategy that is sustainable over time;
- because it consistently aligns the interests of shareholders, management, private bankers, and all employees;
- because it directs business activities toward the managed savings (diversification, professional risk management, control, transparency) and therefore connects with the interests of customers.

In 2004, Banca Fideuram intends to enlarge its range of products and raise the level of service in

order to improve the quality of relations between private bankers and customers, particularly in the higher private-banking segments. Furthermore, Banca Fideuram intends to further pursue and develop the initiatives aimed at private banker training and professional growth.

As far as investor relations is concerned, activities on the main international financial markets will be intensified in 2004. More frequent monitoring of the the composition of institutional shareholders will also be implemented.

Banca Fideuram also intends to increase the disclosure of data and information important for evaluating its social responsibility. This objective was already partially realized through the creation of the section in the present Social Report dedicated to the company itself.

In regards to environmental policies, 2004's objective will be to limit the increase of paper consumption, connected with the establishment of new reporting methods accounted for by "Banking transparency", to 5%.



Objectives for 2004



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Retail customers

- Improvement of the quality of service with specific actions aimed at different customer segments through:
 - 1) perfection and extension of information technology tools in support of operations, training initiatives to expand competencies;
 - 2) presence of operating points or dedicated resources throughout the territory;
 - 3) expansion and evolution of the range of products and specialized services.

- Full operation of the new process to assist customers with investments on the Sanpaolo Network, dissemination of the model to all the Group's Bank Networks, also consistently with the IT migration plans. In particular:
 - 1) completion of the training activity with refresher courses;
 - 2) integration of new IT tools into the process to evaluate the adequacy of the investments provided for by the Consob regulation, realizing some improvements;
 - 3) launch of initiatives and channels to enhance the communication of the Bank Networks on issues regarding the provision of assistance to investments.

- Implementation of the range of asset management products with the realization of an ethical insurance product aimed at retail customers.

- Further development of the direct banking activity (internet, phone and mobile banking), with growth of the number of multichannel customers and expansion of the methods of use of direct channels:
 - 1) extension to the North East Banks (with an objective of about 800,000 contracts in total on all the Group Networks at the end of 2004);
 - 2) revision of the structure of the website for customers in view of increasing personalization of the service for the reference targets (households, investors, young people);
 - 3) development of functionalities to enable the customer to see and analyze his financial position;
 - 4) further development of the range of investment, payment and banking services offered and distribution of insurance products.

Piero Ottaviano





Corporate customer

- Extension of the distribution model based on specialization. The process will be internally accompanied by training activities and supported by the extension of the IT system to the Group's Bank Networks, paying particular attention to the continuity of relations with customers and the level of service (through information to customers, supporting task forces, training programs and workshops);
- Promotion of the use of telematic channels among customers.
- Check on the degree of customer satisfaction and identification of the gap to fill to guarantee a service striving towards excellence, by launching a customer satisfaction survey.
- Considerable attention to supporting the growth of small- and medium-sized companies, which compose the most widespread and relevant Italian business area, especially by intensifying the initiatives for cooperation with the main Loans Consortia (Consorti Fidi) and with the industrial districts throughout the country.
- Strengthening of the closeness of Sanpaolo IMI to small- and medium-sized companies that invest in Research and Development through the study of products dedicated to this market segment.
- Pursuit of the work tables undertaken as part of the "Basel II Project", to identify, before the enforcement of the New Capital Accord (envisaged for 2006), the best approach to the adequacy of capital assets and risk profile of the banking activity.

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People

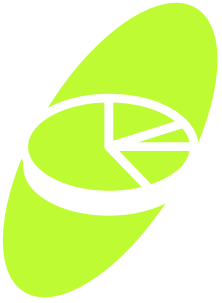
- Continuation of actions to improve efficiency, searching for every space to decrease the influence of costs.
- Development of selected innovative tools to manage and govern human resources, consistent with the business needs, and gradual extension to the Group Companies of the systems and related tools for the development of personnel defined by the Parent Bank, taking account of the specific nature of the company businesses.
- Activation, for Group executives, of the system for “measuring competencies” and the “management review” system.
- Consolidation of the training activities consistent with individual development needs, the sectorial plans and the company development plans.
- Extension to all those who are part of the “communities of resources in evidence”, of initiatives to strengthen their personal capacities.
- Continuation of the retributive flexibility policy, preferring differentiated payment systems for key segments of population and using all the total reward levers.
- As regards safety and security, the extension to the North East Banks of the internal regulations and security management procedures has been scheduled, with particular focus on the self-instruction training course on “robbery risks”.

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The following are also planned:

- 1) updating of the contents of the on line training courses with the introduction of the new evaluations on the risk from passive smoking and robbery risk;
- 2) completion of the radon gas monitoring campaign related to the fall-winter half year;
- 3) computerization of the Maintenance Register, carried out in the branches to guarantee the health and safety of the working environments and the functioning of safety and prevention devices.



Shareholders

- Pursuit of the objectives indicated in the 2003-2005 Strategic Plan. In particular, the following have been confirmed:
 - 1) the growth of RoE to 15% for 2005;
 - 1) the drop of Cost/Income to 55% for 2005.

- Maintenance of a corporate governance model according to the best practice of the market. In particular, in terms of disclosure and transparency, the intention is to make available to shareholders the preparatory reports of the meeting discussions as well as the results of post-Meeting votes.

- As regards communication with investors, the next steps provide for:
 - 1) maintenance of the international profile of the Group's shareholders, through events in line with that achieved in 2003, but increasing their effectiveness through better, prior identification of investors (investor targeting);
 - 1) continued development of the interactive aspects of the website, with particular reference to relations with retail investors.

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Community

- Activation of other Consultative Committees on the local economy.
- Preparation of a policy for the donations made by Sanpaolo IMI and Sanpaolo Banco di Napoli.
- Promotion of other micro-credit initiatives with the participation of the Group's banks.
- Promotion and participation in closed-end funds by Banca OPI (through FIN.OPI), to enable private investors, including institutional investors, to embark on public-private partnership initiatives.

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Environment

- Extension to all operating points of the Bank Networks of the energy management procedures used by Sanpaolo IMI and Sanpaolo Banco di Napoli, with progressive application (during restructuring and/or new installations) of the most efficient energy solution.
- Continuous pursuit of energy savings and search for solutions to drastically reduce the consumption of electricity; the following actions in particular are accounted for:
 - 1) extension, compatibly with that offered by the market, of electricity from renewable sources for the Bank's operating points;
 - 2) replacement of about 2,600 traditional monitors with LCD monitors.
- Updating and/or integration of IT procedures to manage expenses and the main energy consumptions, with consequent improvement of the pertinent monitoring and optimization activities.
- Extension to the North East Banks of the integrated system for waste management used by Sanpaolo IMI and Sanpaolo Banco di Napoli.
- Increase of the activities of Banca OPI in sectors of considerable environmental value, with particular reference to
 - 1) advisory activities for the realization of integrated systems for the management of the solid urban waste cycle and the purification of water in certain regions of Southern Italy characterized by environmental emergency situations;
 - 1) study for the creation in Italy of a Fund to support renewable energies like that launched together with CDC IXIS in France.

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Suppliers

- Introduction of environmental parameters in the process of supplier selection.
- Launch of the update of the contractual standards undersigned by suppliers for the closing of supply contracts, also contemplating the sharing – on their part – of the Ethical Code principles.

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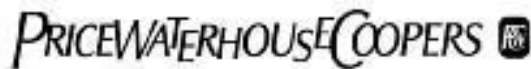




PricewaterhouseCoopers' opinion



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PricewaterhouseCoopers SpA

REPORT ON THE "2003 SOCIAL REPORT"

To the Shareholders of
Sanpaolo IMI SpA

We have performed the agreed-upon procedures in order to express our view on the 2003 Social Report of Sanpaolo IMI Group (the "Social Report") with respect to:

- The reliability of the data reported therein.
- The completeness and clarity of expression of the data and the information disclosed therein.

Our engagement was carried out by performing the agreed-upon procedures summarized below:

1. Evaluation and analysis of internal procedures used to manage and collect the information and the data included in the Social Report.
2. Testing, on a sample basis, of the correspondence of the economic and financial data reported in the Social Report with the data disclosed in the consolidated financial statements to be presented in the Shareholders' Meeting and of the correspondence of other data and information with management reports or other supporting documentation.
3. Evaluation of the completeness and clarity of the Social Report compared to the information generally included in the social reports already published and to the identified stakeholders.

This report, therefore, refers to the results of the application of the aforementioned procedures and we cannot exclude that, had we performed additional procedures, other matters might have come to our attention that should have been disclosed in addition to those already reported in the following paragraph.

The results of the application of the agreed-upon procedures are:

1. The existing internal procedures to manage and collect the information and the data included in the Social Report are consistent with the objective of the Social Report itself.
2. The economic and financial data included in the Social Report correspond to those included in the consolidated financial statements to be presented in the Shareholders' Meeting and that the other data and information disclosed in the Social Report are adequately documented by internal management reports or other supporting documentation.

Sede legale: Milano 20124 Via Siroe 1/Foto 20 Tel. 02107831 Fax 0210001433 Cap. Soc. 1.754.400,00 Euro I.v., I.P. n. 5. (SVA) Reg. Imp. Milano 12974860155 iscritta all'Albo Consob - Altri uffici: Ancona 07125 Via Corridore 2 Tel. 07138881 - Bari 70125 Viale della Repubblica 110 Tel. 080420862 - Bologna 40122 Via delle Lanze 111 Tel. 051256511 - Brescia 25124 Via Cadorna 20 Tel. 030214611 - Firenze 50129 Viale Milano 65 Tel. 0554627103 - Genova 16121 Piazza Dante 7 Tel. 01029041 - Milano 20132 Corso Duomo 2 Tel. 02277951 - Napoli 80121 Piazza del Martiri 30 Tel. 0617644441 - Padova 35137 Largo Europa 18 Tel. 0495762077 - Palermo 90141 Via Martirio Lupo 60 Tel. 09149737 - Parma 43100/Via Saraceni 2075 Tel. 0521262848 - Roma 00194 Largo Podere 29 Tel. 06491021 - Torino 10129 Corso Monreale 37 Tel. 011356771 - Trento 38100 Via Manzoni 16 Tel. 0461237004 - Trieste 34103 Piazza Cigna 8 Tel. 0422542721 - Trieste 34125 Via Cesare Battisti 18 Tel. 043180701 - Livorno 57100 Via Garibaldi 12 Tel. 043225789 - Verona 37122 Corso Porta Nuova 125 Tel. 045102261



Regarding the evaluation of the completeness and clarity of the Social Report, we base our professional opinion on our experience, on the benchmarking of national and international best practices and on PricewaterhouseCoopers guidelines developed on the basis of the information requirements deriving from:

- Sustainability Reporting Guidelines (Global Reporting Initiative).
- ABI Guidelines (Modello di redazione del Bilancio Sociale per il settore del credito).
- GBS Guidelines (Gruppo di studio per il Bilancio Sociale).

In this respect, the Social Report is complete and well-structured compared to the best social reports published to date and the data and the information are clearly stated. As a result of our analysis we report the following considerations:

1. this is the first Social Report that refers to a wider number of consolidated companies, while the 2002 edition included only the holding company and Banco di Napoli. It therefore demonstrates the concreteness of the process for improvement undertaken by the Group;
2. the Social Report, in the fourth chapter, provides with a synthesis of data and information regarding the Banca Fideuram Group, in order to provide its stakeholders with adequate information;
3. as to the targets reported in the fifth chapter of the Social Report, "Objectives for 2004", we confirm that there is the opportunity to complete and develop the use of performance indicators by which performance trends could be measured and communicated;
4. we confirm the opportunity, as a result of the improvement process undertaken, to develop adequate processes to support the reporting activity and enlargement of the reporting area to include other Group companies.

Turin, 14 April 2004

PricewaterhouseCoopers SpA

Sergio Duca
(Partner)

This report has been translated from the original, which was issued in Italian. We have not performed any control on the 2003 Social Report translation.



Attachments



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GLOSSARY

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Glossary

ABI (Associazione Bancaria Italiana): Italian Banking Association.

ADS (American Depositary Share): shares in a non-US company deposited with a trustee which can circulate on the United States capital markets. This makes it possible for United States investors to buy shares through the bank, which will hold them at the branch in which the investment takes place.

Banking Ombudsman: board founded in 1993 and promoted by the Italian Banking Association to settle controversies between banks and customers for values not exceeding 10,000 euro and for which no solution was found at the bank's offices for complaints.

Basel Committee: committee of the International regulations Bank and the G10 Nations, responsible for guaranteeing the international stability of the banking system, the safety of depositors, banks, shareholders and the whole economy, and for setting univocal rules for all banks.

Benchmark: objective reference parameter of financial investment which can also be represented by the most well known indexes (MIB30, Dow Jones, etc.) or by other indexes considered representative of the investment's risk/performance profile.

Broker: person who acts as an intermediary between buyers and sellers of shares, bonds or other properties.

Bull market: expression used to indicate a prolonged period of high prices on share and bond markets.

CAGR: Compound Annual Growth Rate.

CCIAA (Camera di Commercio Industria

Artigianato e Agricoltura): Chamber of Commerce, Industry, Trade and Agriculture.

Clearing (compensation): transaction in which the banks exchange credit instruments drawn from each of them and paid by any of the others, adjusting any balance by payment or charge to particular accounts that each bank holds at the central bank.

Code of conduct: code of conduct of listed companies.

Conference call: business meeting held over the phone.

Confidi (Consorti di Garanzia Collettiva Fidi): Loan Collective Guarantee Consortia.

Consob (Commissione nazionale per le Società e la Borsa): Italian commission for Companies and the Stock Exchange.

Core business: a company's characteristic business.

Corporate citizenship: constant commitment of a company to promote integration between market needs and social responsibilities.

Corporate Governance: the combination of criteria and processes used to govern a company.

Corporate Social Responsibility: form of management characterized by ethical and transparent relations of the company with its stakeholders and by the setting of company objectives compatible with the society's sustainable development, by preserving environmental and cultural resources for future generations, respecting differences and promoting the reduction of social inequality. The Green Book of the European Commission "Promoting a European framework for Corporate Social Responsibility" defines corporate social responsibility as the "voluntary integration of corporate social and environmental concerns in their commercial operations and in their relations with the parties concerned. [...] To be socially responsible – the Green Book states – does not only mean fully meeting applicable juridical obligations but also to go beyond this point by investing in human capital, in the environment and in relations with the other parties concerned".

Direct environmental impact: environmental change, partly or fully deriving directly from the organization's activity, products or services.

Disclosure: the revelation of a fact or a condition in a report or other financial document. The same term is used to indicate banking confidentiality under certain circumstances established by law.

Ecolabel: European label of ecological quality. The community system for assigning the label, set up with Regulation (EEC) 880/92, intends to promote the concept, production, sale and use of products with less environmental impact during their entire lifecycle.

EIB (European Investment Bank): the financial body of the European Union which grants loans and guarantees to finance certain categories of investment projects.

e-learning: Internet on-line training programs.

EMAS (Eco-management and Audit Scheme): regulation that introduces the community eco-management and audit scheme, which aims to encourage the voluntary rationalization of environmental management capacities of the organizations.

Emergency: non-profit organization of social utility (ONLUS) which provides medical-surgical assistance to victims of armed conflicts and pursues the further aims of implementing human rights for those suffering the social consequences of war, hunger, poverty and alienation and to promote a culture of peace and solidarity.

Environmental impact: any environmental change, positive or negative, partly or fully deriving from the organization's activity, products or services.

Equator Principles: combination of nine principles of environmental sustainability applicable to project finance transactions, to which the banks may voluntarily adhere. The Equator Principles have been promoted and developed by the IFC (International Finance Corporation), a World Bank institution, and by a group of banks from various countries.

Eurosif (European Sustainable and Responsible

Investment Forum): European multi-stakeholder network for the promotion of socially responsible investment. It was created in 2001 by initiative of the National Forums of France, Germany, the Netherlands and the United Kingdom, with the backing of the European Commission, DG Employment and Social Affairs.

Forum for Sustainable Finance: non-profit association promoting sustainable development in the Italian financial community (www.finanzasostenibile.it).

Ftse4Good: set of benchmark and commercial indexes for socially responsible investments. A financial index monitors the performance of a series of selected securities according to certain criteria (capitalization, sector, geographical area, etc.). Benchmark indexes are used to compare the financial performance of a fund, for example.

Holding: financial or limited company which owns the majority of the shares of other companies or is part of another company and controls its board of directors.

IDB: Interamerican Development Bank. Members of the IDB are the United States and the main Latin American and Caribbean countries.

Indirect environmental impact: environmental change deriving from the activities of third organizations directly related to the main organization. In the case of a bank, for example, reference is made to the impact of customer companies performing activities financed with resources lent by the bank.

Internal dealing: transactions of purchase and sale performed by the directors and other "relevant people", that is those people who, by virtue of their position, have access to privileged information concerning stocks (excluding non convertible bonds) of the same company.

Internet banking: banking service for retail customers and customer companies through an Internet connection between the user and the bank.

Investment banking: dealing in the sale and purchase of financial instruments and portfolio management, either jointly or separately.

ISAE (Istituto di Studi e Analisi Economica): a public, non government research body in the field of economics.

ISO (International Organization for Standardization): world federation of organizations setting national technical standards. The main reference standards issues include ISO 14001 (related to environmental management systems) and ISO 9000 (related to quality systems).

Kyoto Protocol: protocol applying the United Nations Conference Framework Convention on Climate Change. The Protocol sets targets of reduction in GHG (greenhouse gases) emissions by industrialized countries and by economies in transition, on the basis of "mutual but differentiated responsibilities", to be achieved between 2008-2012 in order to obtain a global reduction of 3.8% of emissions compared with the 1990 values.

L. 68/99: law on "Standards for the employment rights of the disabled". Its final aim is the promotion of the introduction and integration of the disabled into the working world with dedicated support and placement services.

L. 197/91: law against money laundering aiming at limiting the use of cash and bearer shares in transactions to prevent the use of the financial system for money laundering purposes.

L. 10/91: law on standards for implementing the National Energy Plan for the rational use of energy, energy savings and the development of renewable energy sources.

L. 598/94: law introducing facilitations for technological innovation, environmental protection and safety in the workplace. Those concerned are small, medium and large companies and artisans.

Leg. Decree 231/01: legislative decree introducing the administrative and criminal responsibility of companies and bodies, depending on the offences committed by their representatives.

Mandated Lead Arranger: lead bank appointed to set up the necessary consortium of banks or syndicate and to organize financing.

Mib bancario: stock exchange index including the banks listed on the Milan Stock Exchange.

Microcredit: programs granting small loans to micro-entrepreneurs for self-investment projects producing income, thereby enabling them to support themselves and their families.

Mobile banking: payments made partly or totally by using a cellular phone. These payments equate to electronic payments and are subject to the relevant directives by the European banking system.

Multi-channeling: offer of retail banking products and services through both traditional channels (tellers) and telecommunications channels. This definition refers both to the types of distribution channels through which these services are offered (closed networks or open networks like the Internet) and to the methods of access to these channels by the customers (Pos terminals, ATMs, telephones, personal computers and micro-circuit cards).

NATO: North Atlantic Treaty Organization.

NYSE: New York Stock Exchange.

NPL: non performing loans.

Patriot Act: law issued in the USA following the terrorist attacks of September 11 and including, among other things, a series of provisions aimed at controlling the financing world and, in particular, money laundering operations through foreign banks.

Pay out ratio: percentage of income distributed to the shareholders by means of dividends.

Phone banking: offer of banking products and services via call centers integrating telephone and information technologies and sometimes also human resources, for an efficient management of communications between the company and its customers; information is processed by specific technological devices which are often integrated with the company information system and enable contact optimization and widening.

SMEs: small and medium-sized enterprises.

ROPs: Regional Operational Programs, which use one or more EU Structural Funds.

PPP: Public Private Partnership.

Private banker: financial planner.

Private equity: investments in the venture capital of non-listed companies, usually small and medium-sized.

Project finance: financing method in which the lender mainly examines the profitability of one single project both as a source of reimbursement and as a guarantee of the loan. This type of loan is generally destined to big, complex and expensive infrastructure projects, for example in the energy, chemical, mining, transport, environmental and telecommunication sectors.

Rating: assessment of the creditworthiness of a counterparty or possible counterparty to be made by quantifying the probability of insolvency of the same.

Retail banking: retail market mainly including private customers, small companies and households.

Risk management: organizational structure for the determination of methodologies, measurement and management criteria as well as control tools for credit, financial and operating risks in order to guarantee the governance of exposure to these risks.

Roadshow: series of meetings with institutional investors taking place in international financial markets.

ROE (Return on equity): net income/average net equity. One of the main profitability ratios.

Sarbanes-Oxley Act: United States law passed in July 2002 making further provisions on the financial information of companies offering guarantees to the public. In particular, the new law requires greater accuracy and reliability of the financial statements.

SEC: Securities Exchange Commission, the American Regulatory Authority.

Settlement: liquidation.

SOA: private law bodies authorized by the Authority for the Supervision of Public Works, which verify and certify the possession by those carrying out public works of certain specific qualifying elements indicated by article 2 of D.P.R. 34/2000 (Regulation on the institution of the qualifying system for those carrying out public works).

SRI (Socially Responsible Investment): asset management activity carried out according to environmental and social criteria. Usually, three different approaches exist: portfolio selection (securities are included or excluded depending on the environmental or social responsibility profile adopted by the issuing companies); active shareholding (the exercise of rights such as the right to vote at meetings, resulting from the ownership of shares to influence the company's social responsibility policies); community investment (the investment of capitals in marginal economies with objectives of local development).

Stakeholder: holder of interest. It is a subject, private or public, individual or organization, establishing relations with the company, which may be direct or indirect, formal or informal.

Stock option: free granting of stocks in favor of the Company personnel, with the option to exercise it after a period of time.

Sustainable development: development meeting the needs of today's generations without jeopardizing the possibility for future generations to meet their needs (Brundtland Report - WCED World Commission for Economic Development - 1987).

Toe (ton oil equivalent): international unit of measure used when dealing with relevant quantities of energy. Every Toe equals the quantity of energy obtained by burning 1,000 kg of oil (41.8 GJ or 11.6 MWh).

Turnover: When referring to people, the term indicates the natural changeover of personnel which takes place as a result of resignation, pension, death or other reasons imposing the hiring of a new employee in place of the employee leaving the company.

UN Global Compact: voluntary initiative for the promotion and spread of sustainable development practices launched and sponsored by the United Nations.

Unit linked: insurance products which invest in insurance funds, mainly constructed to take account of the different risks.

UNEP (United Nations Environmental Program): UN environment program for the promotion of sustainable development of nations, communities and companies.

Wealth Management: activity for the management and administration of customers' portfolio resources.

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