

OFFERING CIRCULAR

SANPAOLO IMI GROUP

SANPAOLO IMI S.p.A.

(incorporated with limited liability in the Republic of Italy)

as an Issuer and as a Guarantor

and

SANPAOLO IMI BANK (INTERNATIONAL) S.A.

(registered and domiciled with limited liability in the Madeira International Business Centre, Portugal)

as an Issuer

Euro 17,500,000,000

Euro Medium Term Note Programme

On 27th April, 1999, SANPAOLO IMI S.p.A. ("*Sanpaolo IMI*") (then called Istituto Bancario San Paolo di Torino – Istituto Mobiliare Italiano S.p.A.) and SANPAOLO IMI BANK (INTERNATIONAL) S.A. ("*Sanpaolo IMI Bank*") (then called IMI Bank (International) S.A.) entered into a Euro 5,000,000,000 Euro Medium Term Note Programme (the "*Programme*") and issued an offering circular on that date describing the Programme. This Offering Circular supersedes all previous offering circulars and supplemental offering circulars. Any Notes (as defined below) issued on or after the date of this Offering Circular are issued subject to the provisions described herein. This does not affect any Notes already in issue.

Under the Programme each of Sanpaolo IMI, Sanpaolo IMI Bank and any of Sanpaolo IMI's other subsidiaries appointed as an issuer under the Programme (each a "*New Issuer*" and, together with Sanpaolo IMI and Sanpaolo IMI Bank, the "*Issuers*" and each an "*Issuer*") may from time to time issue notes (or any other equivalent debt securities) (the "*Notes*") denominated in any currency agreed between the relevant Issuer (as defined below) and the relevant Dealer (as defined below).

The payments of all amounts owing in respect of Notes issued by Sanpaolo IMI Bank or any New Issuer will be unconditionally and irrevocably guaranteed by Sanpaolo IMI (in such capacity, the "*Guarantor*").

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Summary of the Programme*" and any additional Dealer appointed under the Programme from time to time (each a "*Dealer*" and together the "*Dealers*"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "*relevant Dealer*" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes. References in this Offering Circular to the "*relevant Issuer*" shall be to the Issuer of the relevant Notes.

Application has been made for Notes issued under the Programme during the 12 months from the date of this Offering Circular to be listed on the Luxembourg Stock Exchange. The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed Euro 17,500,000,000 (or its equivalent in other currencies, subject to increase as provided herein).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a pricing supplement (the "*Pricing Supplement*") which, with respect to Notes to be listed on the Luxembourg Stock Exchange, will be delivered to the Luxembourg Stock Exchange on or before the date of issue of the Notes of such Tranche.

The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the relevant Issuer, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) and the relevant Dealer. Each Issuer may also issue unlisted Notes.

Unless otherwise specified in the applicable Pricing Supplement, unsubordinated Notes to be issued under the Programme will be rated Aa3 by Moody's Investors Service Limited ("*Moody's*"), A+ by Standard & Poor's Ratings Services, a division of the McGraw Hill Companies Inc. ("*Standard & Poor's*") and AA- by Fitch Ratings ("*Fitch*"). Lower Tier II Subordinated Notes (as defined under "*Terms and Conditions of the Notes*") to be issued under the Programme will be rated A1 by Moody's, A by Standard & Poor's and A+ by Fitch. Upper Tier II Subordinated Notes (as so defined) to be issued under the Programme will be rated A1 by Moody's, A- by Standard & Poor's and A+ by Fitch, and Tier III Subordinated Notes (as so defined) to be issued under the Programme will be rated A2 by Moody's, on an issue by issue basis by Standard & Poor's and A by Fitch. Notes issued pursuant to the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The relevant Issuer, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) and The Law Debenture Trust Corporation p.l.c. (the "*Trustee*") may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event (in the case of Notes intended to be listed on the Luxembourg Stock Exchange) a supplemental offering circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes. Upon the appointment of any New Issuer, a supplemental offering circular (or a new offering circular to replace this Offering Circular) will be prepared, describing such New Issuer.

Arranger

Merrill Lynch International

Dealers

**ABN AMRO
Barclays Capital
Credit Suisse First Boston
Dresdner Kleinwort Wasserstein
HSBC
Lehman Brothers
Morgan Stanley
The Royal Bank of Scotland**

**Banca IMI
CDC IXIS Capital Markets
Deutsche Bank
Goldman Sachs International
JPMorgan
Merrill Lynch International
SANPAOLO IMI S.p.A.
UBS Investment Bank**

The date of this Offering Circular is 19th May, 2004.

Each of Sanpaolo IMI and Sanpaolo IMI Bank, having made all reasonable enquiries, confirms that this Offering Circular contains or incorporates all information which is material in the context of the issuance and offering of Notes, that the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading. Each of Sanpaolo IMI and Sanpaolo IMI Bank accepts responsibility accordingly.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*”). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

Neither the Dealers nor the Trustee have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by any Issuer or the Guarantor, where the relevant Issuer is other than Sanpaolo IMI, in connection with the Programme. None of the Dealers or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by any Issuer or the Guarantor, where the relevant Issuer is other than Sanpaolo IMI, in connection with the Programme.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by any Issuer, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI), any of the Dealers or the Trustee.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by any Issuer, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI), any of the Dealers or the Trustee that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the relevant Issuer and, where the relevant Issuer is other than Sanpaolo IMI, the Guarantor. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of Sanpaolo IMI, Sanpaolo IMI Bank, any New Issuer, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning Sanpaolo IMI or Sanpaolo IMI Bank is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of Sanpaolo IMI, Sanpaolo IMI Bank or any New Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published audited annual financial statements and, if published later, the most recently published interim financial statements (if any) of the relevant Issuer and, where the Issuer is other than Sanpaolo IMI, the Guarantor when deciding whether or not to purchase any Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the “*Securities Act*”) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons (see “*Subscription and Sale*”).

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. Sanpaolo IMI, Sanpaolo IMI Bank, the Trustee and the Dealers do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by Sanpaolo IMI, Sanpaolo IMI Bank, the Trustee or the Dealers which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Dealers have represented that all offers and sales by them will be made on the same terms. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the United Kingdom, Japan, the Republic of Italy (“Italy”), Portugal, The Netherlands and Germany (see “*Subscription and Sale*”).

All references in this document to “*U.S. dollars*”, “*U.S.\$*” and “*\$*” refer to United States Dollars, to “*Euro*” and “*€*” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended, to “*Swiss francs*” refer to the currency of Switzerland and to “*Sterling*” and “*£*” refer to the lawful currency of the United Kingdom.

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In connection with the issue and distribution of any Tranche of Notes, the Dealer (if any) disclosed as the stabilising manager in the applicable Pricing Supplement or any person acting for him may over-allot or effect transactions with a view to supporting the market price of the Notes of the Series (as defined under “Terms and Conditions of the Notes”) of which such Tranche forms part at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the stabilising manager or any agent of his to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (a) the most recently published audited consolidated and non-consolidated annual financial statements and, if published later, the most recently published interim unaudited consolidated and non-consolidated financial statements (if any) of Sanpaolo IMI and the most recently published audited annual financial statements and, if published later, the most recently published interim unaudited financial statements (if any) of Sanpaolo IMI Bank (see “*General Information*” for a description of the financial statements currently published by each of Sanpaolo IMI and Sanpaolo IMI Bank);
- (b) the most recent annual report on Form 20-F for the time being of Sanpaolo IMI filed with the U.S. Securities and Exchange Commission;
- (c) each supplemental offering circular and all amendments to this Offering Circular circulated by the Issuers and/or the Guarantor from time to time; and
- (d) in respect of any Tranche, the relevant Pricing Supplement,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

Each Issuer and the Guarantor will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed either to the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) at the offices of Sanpaolo IMI at Viale dell’Arte 25, Rome. In addition, such documents will be available, free of charge, from the principal office in Luxembourg of IMI Bank (Lux) S.A. (the “*Luxembourg Listing Agent*”) for Notes listed on the Luxembourg Stock Exchange.

The Issuers and the Guarantor will, in connection with the listing of the Notes on the Luxembourg Stock Exchange, so long as any Note remains outstanding and listed on such exchange, in the event of any material adverse change in the financial condition of any Issuer or the Guarantor which is not reflected in this Offering Circular or in the event of an increase in the size of the Programme, prepare a supplement to this Offering Circular or publish a new offering circular for use in connection with any subsequent issue of Notes to be listed on the Luxembourg Stock Exchange.

If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as supplemented, inaccurate or misleading, a new offering circular will be prepared.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, each Issuer may from time to time issue Notes denominated in any currency, subject as set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the relevant Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under “*Form of the Notes*”.

This Offering Circular and any supplement will only be valid for listing Notes on the Luxembourg Stock Exchange in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed Euro 17,500,000,000 or its equivalent in other currencies. For the purpose of calculating the Euro equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

- (a) the Euro equivalent of Notes denominated in another Specified Currency (as specified in the applicable Pricing Supplement) shall be determined, at the discretion of the relevant Issuer, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the Euro against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the relevant Issuer on the relevant day of calculation;
- (b) the Euro equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Pricing Supplement) shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and
- (c) the Euro equivalent of Zero Coupon Notes (as specified in the applicable Pricing Supplement) and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the relevant Issuer for the relevant issue.

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in “*Form of the Notes*”, “*Terms and Conditions of the Notes*” and “*Subscription and Sale*” shall have the same meanings in this summary.

Issuers:	Sanpaolo IMI, Sanpaolo IMI Bank and any New Issuer.
New Issuer:	Any subsidiary of Sanpaolo IMI appointed as an Issuer of Notes under the Programme pursuant to a letter of accession in the form provided in the Programme Agreement and a supplemental trust deed/deed of accession.
Guarantor (in respect of Notes issued by an Issuer other than Sanpaolo IMI):	Sanpaolo IMI.
Description:	Euro Medium Term Note Programme.
Arranger:	Merrill Lynch International.
Dealers:	ABN AMRO Bank N.V. Banca IMI S.p.A. Barclays Bank PLC CDC IXIS Capital Markets Credit Suisse First Boston (Europe) Limited Deutsche Bank AG London Dresdner Bank Aktiengesellschaft Goldman Sachs International HSBC Bank plc J.P. Morgan Securities Ltd. Lehman Brothers International (Europe) Merrill Lynch International Morgan Stanley & Co. International Limited SANPAOLO IMI S.p.A. The Royal Bank of Scotland plc UBS Limited and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”) including the following restrictions applicable at the date of this Offering Circular. Notes with a maturity of less than one year Notes issued by an Issuer other than Sanpaolo IMI having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 (the “ <i>FSMA</i> ”) unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent (see “ <i>Subscription and Sale</i> ”).
Trustee:	The Law Debenture Trust Corporation p.l.c.

Issuing and Principal Paying Agent:	Deutsche Bank AG.
Programme Size:	Up to Euro 17,500,000,000 (or its equivalent in other currencies calculated as described under “ <i>General Description of the Programme</i> ”) outstanding at any time. Sanpaolo IMI, Sanpaolo IMI Bank and (where applicable) any New Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between the relevant Issuer and the relevant Dealer, including, without limitation, Australian dollars, Canadian dollars, Danish kroner, Euro, Hong Kong dollars, Japanese yen, New Zealand dollars, Norwegian krone, South African rand, Sterling, Swedish kronor, Swiss francs and U.S. dollars (as specified in the applicable Pricing Supplement).
Redenomination:	If so specified in the applicable Pricing Supplement, the relevant Issuer may redenominate Notes issued in the currency of a country that subsequently participates in the third stage of European economic and monetary union, or otherwise participates in European economic and monetary union in a manner with similar effect to such third stage, into Euro. The provisions relating to any such redenomination will be contained in the applicable Pricing Supplement.
Maturities:	Such maturities as may be agreed between the relevant Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency. Unless otherwise permitted by current laws, regulations, directives and/or the Bank of Italy’s requirements applicable to the issue of Subordinated Notes by Sanpaolo IMI, (i) Lower Tier II Subordinated Notes must have a minimum maturity of five years, (ii) Upper Tier II Subordinated Notes must have a minimum maturity of ten years and (iii) Tier III Subordinated Notes must have a minimum maturity of two years.
Issue Price:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer form as described in “ <i>Form of the Notes</i> ”.
Fixed Rate Notes:	Interest on Fixed Rate Notes will be payable at such rate(s) and on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer and on redemption. Interest on Fixed Rate Notes involving broken interest amounts will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as

amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or

- (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (iii) on such other basis as may be agreed between the relevant Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Index Linked Notes:

Payments of principal in respect of Index Linked Redemption Amount Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the relevant Issuer and the relevant Dealer may agree.

Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:

Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the relevant Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer.

Dual Currency Notes:

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the relevant Issuer and the relevant Dealer may agree.

Zero Coupon Notes:

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Redemption:

The applicable Pricing Supplement will specify either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer and/or the Noteholders upon giving notice to the Noteholders or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the relevant Issuer and the relevant Dealer.

The applicable Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are specified in the applicable Pricing Supplement.

The redemption of Upper Tier II Subordinated Notes shall always be subject to the prior approval of the Bank of Italy, such approval being dependent on Sanpaolo IMI maintaining its minimum capital requirements (*patrimonio di vigilanza*) as prescribed in Title IV, Chapter 1, Section II of the Bank of Italy's Regulations immediately following redemption of the Upper Tier II Subordinated Notes. If such approval is not given on or prior to the relevant Maturity Date, Sanpaolo IMI will re-apply to the Bank of Italy for its consent to such redemption forthwith upon its having again, by whatever means, such required minimum capital. Sanpaolo IMI will use its best endeavours to maintain such required minimum capital and to obtain

such approval. Amounts that would otherwise be payable on the Maturity Date will continue to bear interest as provided in the Trust Deed.

Notes issued by an Issuer other than Sanpaolo IMI having a maturity of less than one year may be subject to restrictions on their denomination and distribution, (see “*Certain Restrictions – Notes with a maturity of less than one year*” above).

Denomination of Notes:

Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency. In particular, see “*Certain Restrictions – Notes with a maturity of less than one year*” above.

Taxation:

All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction, subject as provided in Condition 8. In the event that any such deduction is required to be made, the relevant Issuer or, as the case may be, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.

Negative Pledge:

The terms of the Senior Notes will contain a negative pledge provision as further described in Condition 4.

Cross Default:

The terms of the Senior Notes will contain a cross default provision as further described in Condition 10.

Status of the Senior Notes:

The Senior Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4, unsecured obligations of the relevant Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Issuer, from time to time outstanding.

Status of the Subordinated Notes:

The Lower Tier II Subordinated Notes, the Upper Tier II Subordinated Notes and the Tier III Subordinated Notes will constitute direct, unsecured and subordinated obligations of Sanpaolo IMI and will rank *pari passu* and without any preference among themselves.

In the event of the winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*, as described in Articles 80 to 94 of the Italian Banking Act) of Sanpaolo IMI, the payment obligations of Sanpaolo IMI under each series of Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes or Tier III Subordinated Notes and the relative Receipts and Coupons will rank in right of payment after unsubordinated unsecured creditors (including depositors) of Sanpaolo IMI but at least *pari passu* with all other subordinated obligations of Sanpaolo IMI which do not rank or are not expressed by their terms to rank junior or senior to each series of Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes or Tier III Subordinated Notes, as the case may be, and in priority to the claims of shareholders of Sanpaolo IMI, as described in Condition 3.

Loss Absorption on Upper Tier II Subordinated Notes:

To the extent that Sanpaolo IMI at any time suffers losses which, in accordance with Articles 2446 and 2447 of the Italian Civil Code, would require Sanpaolo IMI to reduce its capital to below the Minimum Capital,

the obligations of Sanpaolo IMI in respect of interest and principal under Upper Tier II Subordinated Notes will be reduced to the extent necessary to enable Sanpaolo IMI, in accordance with the requirements of Italian law, to maintain at least the Minimum Capital. The obligations of Sanpaolo IMI in respect of interest and principal due under Upper Tier II Subordinated Notes which are so reduced will be subject to reinstatement in certain circumstances.

Deferral of Interest on Upper Tier II Subordinated Notes: Sanpaolo IMI is not required to pay interest on Upper Tier II Subordinated Notes on an Interest Payment Date if (i) no annual dividend has been approved by the shareholders of Sanpaolo IMI or paid in respect of any class of shares of Sanpaolo IMI during the 12-month period ending on, but excluding, the second London Business Day immediately preceding such Interest Payment Date; or (ii) the Board of Directors of Sanpaolo IMI has announced at the time of publication of any interim accounts of Sanpaolo IMI published during the six-month period ending on, but excluding, the second London Business Day immediately preceding such Interest Payment Date that, based on such accounts, no sums are available at such time in accordance with Italian law for the payment of interim dividends.

Lock-in on Tier III Subordinated Notes: Sanpaolo IMI is entitled to suspend payments in respect of principal and interest due under Tier III Subordinated Notes without such suspension constituting an Event of Default if any of such payments would reduce the total value of Sanpaolo IMI's regulatory capital ("*Fondi Patrimoniali*") below the regulatory capital requirements, either on a consolidated or on a solo basis, as required by the then applicable Bank of Italy's Regulations. The obligations of Sanpaolo IMI in respect of interest and principal due under Tier III Subordinated Notes which are so suspended will be subject to reinstatement in certain circumstances.

Guarantee: Notes issued by Sanpaolo IMI Bank or any New Issuer will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under such guarantee will be direct, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Guarantor and (save for certain obligations required to be preferred by law) will rank *pari passu* and equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

Rating: Unless otherwise specified in the applicable Pricing Supplement, unsubordinated Notes to be issued under the Programme will be rated Aa3 by Moody's Investors Service Limited ("*Moody's*"), A+ by Standard & Poor's Ratings Services, a division of the McGraw Hill Companies Inc. ("*Standard & Poor's*") and AA- by Fitch Ratings ("*Fitch*"), Lower Tier II Subordinated Notes (as defined under "*Terms and Conditions of the Notes*") to be issued under the Programme will be rated A1 by Moody's, A by Standard & Poor's and A+ by Fitch. Upper Tier II Subordinated Notes (as so defined) to be issued under the Programme will be rated A1 by Moody's, A- by Standard & Poor's and A+ by Fitch, and Tier III Subordinated Notes (as so defined) to be issued under the Programme will be rated A2 by Moody's, on an issue by issue basis by Standard & Poor's and A by Fitch. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

- Listing:** Application has been made to list the Notes on the Luxembourg Stock Exchange during the 12 months from the date of this Offering Circular. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the relevant Issuer and the relevant Dealer in relation to each Series.
- Unlisted Notes may also be issued.
- The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).
- Governing Law:** The Notes shall be governed by, and construed in accordance with, English law, except that Condition 3 shall be governed by, and construed in accordance with, Italian law.
- Selling Restrictions:** There are restrictions on the offer, sale and transfer of the Notes in the United States, the United Kingdom, Japan, Italy, Portugal, The Netherlands and Germany and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes (see “*Subscription and Sale*”). As far as United States selling restrictions are concerned, the Issuers are category 2 issuers for the purposes of Regulation S under the Securities Act.

FORM OF THE NOTES

Each Tranche of Notes will be in bearer form and will initially be issued in the form of a temporary global Note (a “*Temporary Global Note*”) or, if so specified in the applicable Pricing Supplement, a permanent global Note (a “*Permanent Global Note*”), which will be delivered on or prior to the issue date of the Tranche to a common depository (the “*Common Depository*”) on behalf of Euroclear Bank S.A./N.V. as operator of the Euroclear System (“*Euroclear*”) and Clearstream Banking, société anonyme (“*Clearstream, Luxembourg*”). While any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

On and after the date (the “*Exchange Date*”) which is 40 days after the Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Global Note of the same Series or (ii) for definitive Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as specified in the applicable Pricing Supplement and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Pricing Supplement) in each case against certification of non-U.S. beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Global Note without any requirement for certification. The applicable Pricing Supplement will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days’ written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein or (ii) only upon the occurrence of an Exchange Event. For these purposes, “*Exchange Event*” means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing, (ii) the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative clearing system satisfactory to the Trustee is available or (iii) the relevant Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 8 which would not be required were the Notes represented by the Permanent Global Note in definitive form and a certificate to such effect signed by two directors of the relevant Issuer is delivered to the Trustee. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 16 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the relevant Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Agent. No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

The following legend will appear on all Notes which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

“Any United States person (as defined in the Internal Revenue Code of the United States) who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code”.

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the Distribution Compliance Period (as defined in the Agency Agreement) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the relevant Issuer, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI), the Agent and the Trustee.

Form of Pricing Supplement

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

[Date]

[SANPAOLO IMI S.p.A.]
[SANPAOLO IMI BANK (INTERNATIONAL) S.A.]
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
[Guaranteed by SANPAOLO IMI S.p.A.]
under a Euro 17,500,000,000
Euro Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes set forth in the Offering Circular dated []. This Pricing Supplement must be read in conjunction with such Offering Circular.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the “*Conditions*”) set forth in the Offering Circular dated [*original date*]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [*current date*], save in respect of the Conditions which are extracted from the Offering Circular dated [*original date*] and are attached hereto.]

[Include whichever of the following apply or specify as “Not Applicable” or “N/A”. Note that the numbering should remain as set out below, even if “Not Applicable” or “N/A” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]

[If the Notes are issued by an Issuer other than Sanpaolo IMI and have a maturity of less than one year, and the proceeds of the issue are accepted in the United Kingdom, the minimum denomination must be £100,000 or its equivalent in any other currency.]

1. [(i)] Issuer: []
[(ii)] Guarantor: []
2. [(i)] Series Number: []
[(ii)] Tranche Number: []

- (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
3. Specified Currency or Currencies: []
 4. Aggregate Nominal Amount:
 - Tranche: []
 - Series: []
 5. (i) Issue Price of Tranche: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* *(in the case of fungible issues only, if applicable)*]
 - (ii) Net Proceeds: [] *(Required only for listed issues)*
 6. Specified Denominations: []
[]
 7. [(i)] Issue Date: []
 - [(ii) Interest Commencement Date (if different from the Issue Date): []]
 8. Maturity Date: *[Fixed rate – specify date/ Floating rate – Interest Payment Date falling in [specify month and year]] (Unless otherwise permitted by current laws, regulations, directives and/or the Bank of Italy's requirements applicable to the issue of Subordinated Notes by Sanpaolo IMI, (i) Lower Tier II Subordinated Notes must have a minimum maturity of five years, (ii) Upper Tier II Subordinated Notes must have a minimum maturity of 10 years, and (iii) Tier III Subordinated Notes must have a minimum maturity of two years)*
 9. Interest Basis:
 - [[] per cent. Fixed Rate]
 - [[specify reference rate] +/- [] per cent. Floating Rate]
 - [Zero Coupon]
 - [Index Linked Interest]
 - [Dual Currency]
 - [specify other]
 - (further particulars specified below)*
 10. Redemption/Payment Basis:
 - [Redemption at par]
 - [Index Linked Redemption]
 - [Dual Currency]
 - [Partly Paid]
 - [Instalment]
 - [specify other]
 11. Change of Interest Basis or Redemption/Payment Basis: *[Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]*
 12. Put/Call Options:
 - [Investor Put]
 - [Issuer Call]
 - [(further particulars specified below)]*

- [13. Status of the Notes: [Senior Notes/Lower Tier II Subordinated Notes/Upper Tier II Subordinated Notes/Tier III Subordinated Notes] (*Applicable only if the relevant Issuer is Sanpaolo IMI*)]
14. Listing: [Luxembourg/specify other/None]
15. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
(*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (i) Rate[(s)] of Interest: [] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [] in each year up to and including the [Maturity Date/specify other] (*amend in the case of long or short coupons*)
- (iii) Fixed Coupon Amount[(s)]: [] per [] in nominal amount
- (iv) Broken Amount(s): [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s)*]
- (v) Day Count Fraction: [30/360/Actual/Actual (ISMA) / specify other]
- (vi) Determination Date(s): [] in each year
[*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. This will need to be amended in the case of regular interest payment dates which are not of equal duration. (Only relevant where Day Count Fraction is Actual/Actual (ISMA))*]
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/specify details]
17. **Floating Rate Note Provisions** [Applicable/Not Applicable]
(*If not applicable, delete the remaining subparagraphs of this paragraph. Also consider whether LIBOR or EURIBOR is the appropriate reference rate*)
- (i) Specified Period(s)/Specified Interest Payment Dates: []
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (iii) Additional Business Centre(s): []
(*Note that this item relates to the determination of interest period end dates*)

- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination / ISDA Determination/ *specify other*]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): []
- (vi) Screen Rate Determination:
- Reference Rate: []
(Either LIBOR, EURIBOR or other, although additional information is required if other, including fallback provisions)
 - Interest Determination Date(s): []
(Second London business day prior to the start of each Interest Period if LIBOR (other than Euro or Sterling LIBOR), first day of each Interest Period if Sterling LIBOR and second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or Euro LIBOR)
 - Relevant Screen Page: []
(In the case of EURIBOR, if not Moneyline Telerate Page 248 ensure it is a page which shows a composite rate or amend the fall back provisions appropriately)
- (vii) ISDA Determination:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (viii) Margin(s): [+/-] [] per cent. per annum
- (ix) Minimum Rate of Interest: [] per cent. per annum
- (x) Maximum Rate of Interest: [] per cent. per annum
- (xi) Day Count Fraction: []
- (xii) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
- 18. Zero Coupon Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Accrual Yield: [] per cent. per annum
 - (ii) Reference Price: []
 - (iii) Any other formula/basis of determining amount payable: []
 - (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 7(e)(iii) and 7(j) apply/specify other]
(Consider applicable day count fraction if not U.S. dollar denominated)

19. **Index Linked Interest Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Index/Formula: [specify or annex details]
- (ii) Calculation Agent responsible for calculating the interest due: []
- (iii) Provisions for determining coupon where calculation by reference to Index and/or Formula is impossible or impracticable: []
- (iv) Specified Period(s)/Specified Interest Payment Dates: []
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (vi) Additional Business Centre(s): []
- (vii) Minimum Rate of Interest: [] per cent. per annum
- (viii) Maximum Rate of Interest: [] per cent. per annum
- (ix) Day Count Fraction: []
20. **Dual Currency Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate of Exchange/Method of calculating Rate of Exchange: [specify details]
- (ii) Calculation Agent, if any, responsible for calculating the interest payable: []
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: []
- (iv) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

21. Issuer Call: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Optional Redemption Date(s): []
(If the Notes are Subordinated Notes, unless otherwise permitted by current laws, regulations, directives and/or the Bank of Italy's requirements applicable to the issue of Subordinated Notes by Sanpaolo IMI, the Optional Redemption Date shall not be earlier than (i) in the case of Lower Tier II Subordinated Notes, five years after the Issue Date, (ii) in the case of Upper Tier II Subordinated Notes, 10 years after the Issue Date, and (iii) in the

case of Tier III Subordinated Notes, two years after the Issue Date)

(ii) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [] per Note of [] Specified Denomination

(iii) If redeemable in part:

(a) Minimum Redemption Amount: []

(b) Higher Redemption Amount: []

(iv) Notice period (if other than as set out in the Conditions): []

(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)

22. Investor Put:

[Applicable/Not Applicable]

(Applicable only to Senior Notes. If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Optional Redemption Date(s): []

(ii) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [] per Note of [] Specified Denomination

(iii) Notice period (if other than as set out in the Conditions): []

(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)

23. Final Redemption Amount of each Note:

[[] per Note of [] Specified Denomination/specify other/see Appendix]

24. Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7(e)):

[]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes: [Temporary Global Note exchangeable on and after the Exchange Date for a Permanent Global Note which is exchangeable for definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
[Temporary Global Note exchangeable for definitive Notes on and after the Exchange Date]
[Permanent Global Note exchangeable for definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event] (*Only if "TEFRA C" or "TEFRA not applicable" is specified in item 34*)]
26. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/specify details]
(*Note that this item relates to the place of payment and not to interest period end dates, to which items 17 (iii) and 19 (vi) relate*)
27. Talons for future Coupons or Receipts to be attached to definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, specify details*]
28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/specify details]
(*A new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues*)
29. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/specify details]
30. Redenomination provisions: [Not applicable/The provisions annexed to this Pricing Supplement apply]
(*If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates)*)
31. Other terms or special conditions: [Not Applicable/specify details]

DISTRIBUTION

32. (i) If syndicated, names of Managers: [Not Applicable/specify names]
(ii) Stabilising Manager (if any): [Not Applicable/specify name]
33. If non-syndicated, name of relevant Dealer: []
34. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/TEFRA C/TEFRA not applicable]

35. Additional selling restrictions: [Not Applicable/*specify details*]

OPERATIONAL INFORMATION

36. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/*specify name(s) and number(s)*]

37. Delivery: Delivery [against/free of] payment

38. Additional Paying Agent(s) (if any): []

ISIN: []

Common Code: []

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the Euro 17,500,000,000 Euro Medium Term Note Programme of SANPAOLO IMI S.p.A. and SANPAOLO IMI BANK (INTERNATIONAL) S.A.]

RESPONSIBILITY

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

[Signed on behalf of the Guarantor:

By:

By:

Duly authorised

Duly authorised]

If the applicable Pricing Supplement specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 5, 6, 7 (except Condition 7(b)), 13, 14, 15, 16 (insofar as such Notes are not listed on any stock exchange) or 18, it will not necessitate the preparation of a supplement to this Offering Circular. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplement to this Offering Circular will be prepared, if appropriate.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note and each definitive Note, in the latter case only if permitted by the rules of the relevant stock exchange or other relevant authority (if any) and agreed by the relevant Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to “Form of the Notes” for a description of the content of Pricing Supplements which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by SANPAOLO IMI S.p.A. (“*Sanpaolo IMI*”), SANPAOLO IMI BANK (INTERNATIONAL) S.A. (“*Sanpaolo IMI Bank*”) or, as the case may be, another subsidiary of Sanpaolo IMI (a “*New Issuer*” and, together with Sanpaolo IMI (in its capacity as an issuer) and Sanpaolo IMI Bank, the “*Issuers*” and each an “*Issuer*”) appointed as an issuer under the Trust Deed (as defined below) and constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the “*Trust Deed*,”) dated 27th April, 1999 and made between Sanpaolo IMI (in its capacity both as an Issuer and as guarantor (in such capacity, the “*Guarantor*”) of Notes issued other than by Sanpaolo IMI), Sanpaolo IMI Bank and The Law Debenture Trust Corporation p.l.c. (the “*Trustee*”, which expression shall include any successor as Trustee).

References in these Terms and Conditions to the “*relevant Issuer*” shall be to the Issuer of the Notes named in the applicable Pricing Supplement (as defined below).

References in these Terms and Conditions to the “*Notes*” shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a global Note (a “*Global Note*”), units of the lowest Specified Denomination in the Specified Currency;
- (ii) any Global Note; and
- (iii) any definitive Notes issued in exchange for a Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) also have the benefit of an amended and restated Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the “*Agency Agreement*”) dated 19th May, 2004 and made between Sanpaolo IMI (in its capacity both as an Issuer and as Guarantor of Notes issued other than by Sanpaolo IMI), Sanpaolo IMI Bank, Deutsche Bank AG, as issuing and principal paying agent and agent bank (the “*Agent*”, which expression shall include any successor agent), the other paying agents named therein (together with the Agent, the “*Paying Agents*”, which expression shall include any additional or successor paying agents) and the Trustee.

Interest bearing definitive Notes (unless otherwise specified in the applicable Pricing Supplement) have interest coupons (“*Coupons*”) and, if specified in the applicable Pricing Supplement, talons for further Coupons (“*Talons*”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Notes repayable in instalments have receipts (“*Receipts*”) for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the “*applicable Pricing Supplement*” are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

The Trustee acts for the benefit of the holders for the time being of the Notes (the “*Noteholders*” or “*holders*”, which expressions shall, in relation to any Notes represented by a Global Note, be construed as provided below), the holders of the Receipts (the “*Receiptholders*”) and the holders of the Coupons (the “*Couponholders*”, which expression shall, unless the context otherwise requires, include the holders of the Talons), all in accordance with the provisions of the Trust Deed.

As used herein, “*Tranche*” means Notes which are identical in all respects (including as to listing) and “*Series*” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are available for inspection and copies of the applicable Pricing Supplement are obtainable during normal business hours at the registered office for the time being of the Trustee in London and at the specified office of each of the Paying Agents save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be available for inspection by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Trustee or, as the case may be, the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, are bound by, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Pricing Supplement which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the Trust Deed, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. Form, Denomination and Title

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Note or a combination of any of the foregoing, depending upon the Interest Basis specified in the applicable Pricing Supplement.

This Note may be an Index Linked Redemption Amount Note, an Instalment Note, a Dual Currency Note, a Partly Paid Note or a combination of any of the foregoing, depending on the Redemption/Payment Basis specified in the applicable Pricing Supplement.

If the relevant Issuer is other than Sanpaolo IMI, this Note is a Senior Note. If the relevant Issuer is Sanpaolo IMI, this Note may be a Senior Note, a Lower Tier II Subordinated Note, an Upper Tier II Subordinated Note or a Tier III Subordinated Note, depending on the Status of the Notes specified in the applicable Pricing Supplement.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable as Zero Coupon Notes do not bear interest.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. The relevant Issuer, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI), the Trustee and the Paying Agents will (except as otherwise required by law) deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. as operator of the Euroclear System (“Euroclear”) and/or Clearstream Banking, société anonyme (“Clearstream, Luxembourg”), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the relevant Issuer, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI), the Trustee and the Paying Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note (or the Trustee in accordance with the Trust Deed) shall be treated by the relevant Issuer, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI), the Trustee and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest or proven error, be conclusive and binding on all concerned. Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the relevant Issuer, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI), the Agent and the Trustee.

2. Status of the Senior Notes and the Guarantee

(a) Status of the Senior Notes

The Senior Notes and any relative Receipts and Coupons constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the relevant Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Issuer, from time to time outstanding.

(b) Status of the Senior Guarantee

The Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed the payment of all principal and interest and other sums from time to time payable under the Trust Deed in respect of Senior Notes and any relative Receipts and Coupons issued by each Issuer other than Sanpaolo IMI. The obligations of the Guarantor under such guarantee (the “Guarantee”) are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Guarantor and (save for certain obligations required to be preferred by law) rank *pari passu* and equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

3. Status of the Subordinated Notes

This Condition 3 applies only to Notes issued by Sanpaolo IMI and specified in the relevant Pricing Supplement as being Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes or Tier III Subordinated Notes. Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes and Tier III Subordinated Notes are together referred to in these Terms and Conditions as “Subordinated Notes”.

(a) Status of Subordinated Notes

- (i) The Lower Tier II Subordinated Notes (*passività subordinate*, as defined in Title IV, Chapter I, Section II, paragraph 4.2 of the Regulations of the Bank of Italy (*Istruzioni di Vigilanza per le Banche*) (the “Bank of Italy’s Regulations”) or in any provision which, from time to time,

amends or replaces such definition), the Upper Tier II Subordinated Notes (*strumenti ibridi di patrimonializzazione*, as defined in Title IV, Chapter 1, Section II, paragraph 4.1 of the Bank of Italy's Regulations or in any provision which, from time to time, amends or replaces such definition) and the Tier III Subordinated Notes (*prestiti subordinati di 3° livello*, as defined in Title IV, Chapter 3, First Part, Section I, paragraph 3 of the Bank of Italy's Regulations or in any provision which, from time to time, amends or replaces such definition) and any relative Receipts and Coupons constitute direct, unsecured and subordinated obligations of Sanpaolo IMI and, subject to Condition 3(a)(ii), 3(b)(i), 3(b)(ii) and 3(c), rank *pari passu* without any preference among themselves. In relation to each Series of Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes or Tier III Subordinated Notes, all Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes or Tier III Subordinated Notes, as the case may be, of such Series will be treated equally and all amounts paid by Sanpaolo IMI in respect of principal and interest thereon will be paid pro rata on all Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes or Tier III Subordinated Notes, as the case may be, of such Series.

- (ii) In the event of the winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*, as described in Articles 80 to 94 of Legislative Decree No. 385 of 1st September, 1993, as amended from time to time (the "*Italian Banking Act*") of Sanpaolo IMI, the payment obligations of Sanpaolo IMI under each Series of Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes or Tier III Subordinated Notes, as the case may be, and the relative Receipts and Coupons will rank in right of payment after unsubordinated unsecured creditors (including depositors) of Sanpaolo IMI but at least *pari passu* with all other subordinated obligations of Sanpaolo IMI which do not rank or are not expressed by their terms to rank junior or senior to such Series of Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes or Tier III Subordinated Notes, as the case may be, and in priority to the claims of shareholders of Sanpaolo IMI.
 - (iii) Each holder of a Subordinated Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Subordinated Note.
- (b) *Special provisions relating to Upper Tier II Subordinated Notes*
- (i) *Loss Absorption*

To the extent that Sanpaolo IMI at any time suffers losses which (as provided for in Articles 2446 and 2447 of the Italian Civil Code) would require Sanpaolo IMI to reduce its capital below the minimum capital as provided for by the Bank of Italy from time to time for the issuance or maintenance of the Bank of Italy's authorisation to carry on banking activities and as determined by the external auditors of Sanpaolo IMI and certified in writing to the Trustee by two Directors of Sanpaolo IMI (the "*Minimum Capital*"), the obligations of Sanpaolo IMI in respect of principal and interest under the Upper Tier II Subordinated Notes will be reduced to the extent necessary to enable Sanpaolo IMI, in accordance with requirements under Italian legal and regulatory provisions, to maintain at least the Minimum Capital. The obligations of Sanpaolo IMI in respect of principal and interest under the Upper Tier II Subordinated Notes which are so reduced will be reinstated whether or not the Maturity Date of the relevant obligations has occurred:

 - (A) in whole, in the event of winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*, as described in Articles 80 to 94 of the Italian Banking Act) of Sanpaolo IMI and with effect immediately prior to the commencement of such winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*), as if such obligations of Sanpaolo IMI had not been so reduced in accordance with this Condition 3(b)(i); and
 - (B) in whole or in part, from time to time, to the extent that Sanpaolo IMI, by reason of its having profits, or by reason of its obtaining new capital contributions, or by reason of

the occurrence of any other event, would again have at least the Minimum Capital and, therefore, would not be required to reduce its obligations in respect of principal and interest in accordance with this Condition 3(b)(i).

Sanpaolo IMI shall forthwith give notice of any such reduction and/or reinstatement to the Noteholders in accordance with Condition 16.

(ii) *Deferral of Interest*

Sanpaolo IMI will not be required to pay interest on the Upper Tier II Subordinated Notes on an Interest Payment Date if (A) no annual dividend has been approved, paid or set aside for payment by a shareholders' meeting of Sanpaolo IMI or paid in respect of any class of shares of Sanpaolo IMI during the 12-month period ending on, but excluding, the second London Business Day (as defined in Condition 5(b)(v)) immediately preceding such Interest Payment Date or (B) the Board of Directors of Sanpaolo IMI has announced, at the time of the release of any interim accounts published during the six-month period ending on, but excluding, the second London Business Day immediately preceding such Interest Payment Date, that, based on such interim accounts, no sums are available at such time for the payment of interim dividends, in accordance with Article 2433-bis of the Italian Civil Code.

Any such unpaid amounts of interest will constitute arrears of interest which will bear interest at the rate applicable to the relevant Upper Tier II Subordinated Notes. Arrears of interest (together with any additional interest amount in respect of such arrears of interest) will become due and payable (i) in part *pari passu* and *pro rata* if and to the extent that Sanpaolo IMI makes payments of or in respect of amounts of interest on or in relation to any other *pari passu* claims; and (ii) in full on the earliest to occur of (A) the Interest Payment Date falling on or after the date on which a dividend is approved or paid on any class of shares of Sanpaolo IMI; (B) the date for repayment of the Upper Tier II Subordinated Notes; or (C) the date on which the *Liquidazione Coatta Amministrativa* of Sanpaolo IMI is commenced pursuant to Article 83 of the Italian Banking Act or on which Sanpaolo IMI becomes subject to a liquidation order.

(c) *Special Provisions relating to Tier III Subordinated Notes*

(i) *Lock-in*

(1) Tier III Subordinated Notes shall be subject to a lock-in clause (*clausola di immobilizzo*) pursuant to which the payment of the sums due by Sanpaolo IMI with respect to principal and interest will be entirely suspended and deferred without such suspension and deferral constituting an Event of Default under Condition 10 below if, at the time any such payment becomes due:

(A) any of such payments would reduce Sanpaolo IMI's Total Amount of Regulatory Capital (*Fondi Patrimoniali*) (as defined below), either on a consolidated or unconsolidated basis, below the aggregate minimum credit risk (*rischio creditizio*) capital requirements of Sanpaolo IMI as required by the then applicable Bank of Italy's Regulations; or

(B) Sanpaolo IMI's Total Amount of Regulatory Capital (as defined below) is, either on a consolidated or unconsolidated basis, less than the aggregate minimum credit risk (*rischio creditizio*) capital requirements of Sanpaolo IMI, as provided by the then applicable Bank of Italy's Regulations.

"Total Amount of Regulatory Capital" means:

(I) on an unconsolidated basis, the aggregate amount of the items stated and defined in (a), (b), (c), (d), (e) and (f) below and/or any additional replacement and/or adjusted or other items, in each case which may from time to time be required to be included pursuant to any then applicable

regulations of the Bank of Italy's Regulations for the purpose of calculating the Issuer's Total Amount of Regulatory Capital;

- (II) on a consolidated basis, the aggregate amount of the items listed in (I) above, calculated on a consolidated basis, according to the Bank of Italy's Regulations from time to time applicable;

where:

- (a) means taken as a positive figure, the aggregate amount of the regulatory capital of Sanpaolo IMI (*Patrimonio di Vigilanza*), calculated on an unconsolidated basis, as set forth in the then applicable Bank of Italy's Regulations;
 - (b) means taken as a positive figure, the aggregate amount of any indebtedness of Sanpaolo IMI qualified by the Bank of Italy as Tier III Subordinated Capital (*passività subordinate di 3° livello*), intended to cover the minimum capital requirements for market risk, calculated on an unconsolidated basis (as currently defined in Title IV, Chapter 3, Section II of the Bank of Italy's Regulations or any provision which amends or replaces such definition) in accordance with the following sub-paragraph (c);
 - (c) means taken as a negative figure, the minimum capital requirements for market risk of Sanpaolo IMI, calculated on an unconsolidated basis (as currently defined in Title IV, Chapter 3, Section II of the Bank of Italy's Regulations or any provision which amends or replaces such definition);
 - (d) means taken as a negative figure, the excess over the limit on the ownership of shareholdings in non-financial companies acquired by Sanpaolo IMI following the recovery of credits (as currently defined in Title IV, Chapter 9, Section V of the Bank of Italy's Regulations or any provision which amends or replaces such definition);
 - (e) means taken as a negative figure, the excess over the limit on the ownership of the real estate acquired by Sanpaolo IMI following the recovery of credits (as currently defined in Title IV, Chapter 10, Section II of the Bank of Italy's Regulations or any provision which amends or replaces such definition);
 - (f) means taken as a negative figure, the additional specific capital requirements, if any, imposed on Sanpaolo IMI by the Bank of Italy, to the extent not taken into account in sub-paragraphs (c) to (e) above.
- (2) For the purposes of the Tier III Subordinated Notes, Sanpaolo IMI's Total Amount of Regulatory Capital is deemed to be equal to or more than the minimum credit risk (*rischio creditizio*) capital requirements of Sanpaolo IMI, when Sanpaolo IMI's Total Amount of Regulatory Capital, calculated both on a consolidated and unconsolidated basis, is equal to or more than the minimum credit risk capital requirements set out in Title IV, Chapter 2, Section II and Section III respectively of the Bank of Italy's Regulations or in any provision which, from time to time, amends or replaces such definition.
- (3) Any interest that Sanpaolo IMI does not pay when due shall constitute, for the purposes of the Tier III Subordinated Notes, "*Arrears of Interest*". Arrears of Interest not paid when due by Sanpaolo IMI in accordance with Condition 3(c)(i) shall not bear interest in respect of the period to which a suspension or deferral under Condition 3(c)(i) applies.

(ii) *Reinstatement of Sanpaolo IMI's payment obligations*

- (1) The obligations of Sanpaolo IMI to effect the payments of interest not paid and/or to repay principal not repaid, when respectively due, in accordance with Condition 3(c)(i) above, shall be reinstated and shall start to accrue in whole and as if the payment obligations of Sanpaolo IMI had never been so suspended:
 - (A) in the event of a winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*, as described in Articles 80 to 94 of the Italian Banking Act) of Sanpaolo IMI; or
 - (B) in the event that Sanpaolo IMI's Total Amount of Regulatory Capital (as defined above) after the payment of interest and/or repayment of principal is, both on an unconsolidated and consolidated basis, equal to or more than the minimum aggregate credit risk (*rischio creditizio*) capital requirements of Sanpaolo IMI, on an unconsolidated and consolidated basis, as respectively required by the then applicable requirements of the Bank of Italy's Regulations.
- (2) Should (B) above occur, the reinstatement of the obligation to make the payments of interest not paid and/or to repay principal not repaid pursuant to Condition 3(c)(i) above, shall become effective on the first Interest Payment Date immediately following the date of receipt by the Bank of Italy of a Report (as defined below) dated as of 31st December, 31st March, 30th June or 30th September which is the closest to the Interest Payment Date, according to which Sanpaolo IMI's Total Amount of Regulatory Capital net of amounts to be paid in respect of interest and/or repayment of principal, both on a consolidated and unconsolidated basis (if it is a Report dated as of 31st December or 30th June) or on an unconsolidated basis only (if it is a Report dated as of 31st March or 30th September), is equal to or more than the minimum aggregate credit risk (*rischio creditizio*) capital requirements under the then applicable Bank of Italy's Regulations, provided that if the Report is dated as of 31st March or 30th September, such capital requirements were satisfied on a consolidated basis in the previous Report dated as of 31st December or 30th June (as applicable).

If the payment of interest and/or the repayment of principal has been suspended pursuant to the provisions of Condition 3(c)(i), the reinstatement of the obligation to make payment and/or repayment in respect thereof shall, where there are insufficient amounts pursuant to the foregoing provisions to make full payment in respect thereof, be made in part as such amounts become so available pursuant to the foregoing provisions in the following order:

- (i) payment of any Arrears of Interest (as defined above) (where not paid in full, Arrears of Interest shall be paid in the order in which it accrued);
- (ii) payment of interest otherwise due pursuant to the applicable Pricing Supplement; and
- (iii) repayment of principal.

All payments to Noteholders of the same Series will be made on a *pro rata* basis.

In these Terms and Conditions:

“*Report*” means the report that Sanpaolo IMI, under Title IV, Chapter 2, Sections II and III of the Bank of Italy's Regulations, is required to send semi-annually to the Bank of Italy for the purpose of supervising Sanpaolo IMI's compliance with minimum regulatory capital requirements, on an unconsolidated and consolidated basis, as of 31st December and 30th June of each fiscal year or the quarterly report which Italian banks are currently required to submit for the purpose of supervising compliance with the minimum regulatory I capital requirements only on an unconsolidated basis as of 31st March and 30th September of each fiscal year. For the purposes of these Terms and

Conditions, no other report which the Bank of Italy may in the future require to be made will be taken into account.

The obligation to make payments shall not be reinstated until the Total Amount of Regulatory Capital net of amounts required to be paid in respect of interest and repayment of principal, both on an unconsolidated and consolidated basis, is equal to or more than the minimum aggregate credit risk (*rischio creditizio*) capital requirements under the then applicable Bank of Italy's Regulations.

- (3) If for any reason (including, but not limited to, merger or any other extraordinary transaction) Sanpaolo IMI, in accordance with any applicable laws and regulations, ceases to be a member of a banking group, all references in this Condition 3(c) to calculations based on consolidated figures of Sanpaolo IMI will automatically cease to apply and calculations made on an unconsolidated basis shall apply.

(iii) *Status of Tier III Subordinated Notes*

In the event of winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*, as described in Articles 80 to 94 of the Italian Banking Act) of Sanpaolo IMI, the payment obligations of Sanpaolo IMI under the Tier III Subordinated Notes and the relative Receipts and Coupons will rank in right of payment *pari passu* with the payment obligations of Sanpaolo IMI under the Lower Tier II Subordinated Notes (which will be satisfied together and *pro rata* with the payment obligations under the Tier III Subordinated Notes, without any preference or priority) and senior to the payment obligations of Sanpaolo IMI under any Series of Upper Tier II Subordinated Notes.

4. Negative Pledge

In respect of Senior Notes, so long as any of the Notes remains outstanding:

- (i) no Issuer (other than Sanpaolo IMI to which the provisions of paragraph (ii) below shall apply) will create or permit to subsist (other than by operation of law) any lien, pledge or charge upon any of its present or future assets or revenues to secure any Indebtedness of such Issuer or any obligation of such Issuer under any guarantee or indemnity in respect of Indebtedness of other persons; and
- (ii) Sanpaolo IMI will not create or permit to subsist (other than by operation of law) any lien, pledge or charge upon any of its present or future assets or revenues to secure any External Indebtedness of Sanpaolo IMI or any obligation of Sanpaolo IMI under any guarantee or indemnity in respect of any External Indebtedness of other persons;

unless, in any such case, all amounts payable in respect of the Notes and the relative Receipts and Coupons and all other moneys payable under the Trust Deed share in and are equally and rateably secured by such lien, pledge or charge in such manner as the Trustee may in its absolute discretion approve or there is provided for all amounts payable in respect of the Notes and the relative Receipts and Coupons and all other moneys payable under the Trust Deed such other security as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

“*Indebtedness*” means any loan or other indebtedness which is in the form of, or is represented by, bonds, notes, debentures or other securities and which at the time of issue thereof or at any time thereafter is, or is intended by the issuer thereof to be, or which the issuer thereof shall at any time thereafter authorise to be, quoted or listed on any stock exchange.

“*External Indebtedness*” means any Indebtedness which is, with the consent of the issuer thereof, initially offered or distributed, directly or indirectly, as to more than 50 per cent. in aggregate nominal amount to persons resident outside the Republic of Italy (“*Italy*”).

5. Interest

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

Except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount specified in the applicable Pricing Supplement.

If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

“*Day Count Fraction*” means, in respect of the calculation of an amount of interest in accordance with this Condition 5(a):

- (i) if “*Actual/Actual (ISMA)*” is specified in the applicable Pricing Supplement:
 - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “*Accrual Period*”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; or
 - (b) in the case of Notes where the Accrual Period is longer than the Determination Period commencing on the last Interest Payment Date on which interest was paid (or, if none, the Interest Commencement Date), the sum of:
 - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; and
 - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year;
- (ii) if “*30/360*” is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Terms and Conditions:

“*Determination Period*” means the period from (and including) a Determination Date to (but excluding) the next Determination Date;

“*sub-unit*” means, with respect to any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to Euro, means one cent.

(b) *Interest on Floating Rate Notes and Index Linked Interest Notes*

(i) *Interest Payment Dates*

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each an “*Interest Payment Date*”) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 5(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

“*Business Day*” means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any Additional Business Centre specified in the applicable Pricing Supplement; and

- (B) either (1) in relation to any sum payable in a Specified Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (if other than any Additional Business Centre and which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in Euro, a day on which the TARGET System is open.

“*TARGET System*” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as specified in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (A), “*ISDA Rate*” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2000 ISDA Definitions (as amended and updated as at the Issue Date of the first Tranche of the Notes, published by the International Swaps and Derivatives Association, Inc. (the “*ISDA Definitions*”)) and under which:

- (1) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (2) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“*LIBOR*”) or on the Euro-zone inter-bank offered rate (“*EURIBOR*”) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (A), “*Floating Rate*”, “*Calculation Agent*”, “*Floating Rate Option*”, “*Designated Maturity*” and “*Reset Date*” have the meanings given to those terms in the ISDA Definitions.

(B) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary, in the case of LIBOR, to the fifth decimal place, with 0.000005 being rounded upwards or, in case of EURIBOR, to the third decimal place, with 0.0005 being rounded upwards) of the offered quotation;

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest

Determination Date in question plus or minus (as specified in the applicable Pricing Supplement) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

(iii) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) *Determination of Rate of Interest and calculation of Interest Amounts*

The Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Agent will calculate the amount of interest (the “*Interest Amount*”) payable on the Floating Rate Notes or Index Linked Interest Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

“*Day Count Fraction*” means, in respect of the calculation of an amount of interest for any Interest Period:

- (A) if “*Actual/365*” or “*Actual/Actual*” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (B) if “*Actual/365 (Fixed)*” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;

- (C) if “*Actual/360*” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (D) if “*30/360*”, “*360/360*” or “*Bond Basis*” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));
- (E) if “*30E/360*” or “*Eurobond Basis*” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of an Interest Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); and
- (F) if “*Sterling/FRN*” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366.

(v) *Notification of Rate of Interest and Interest Amounts*

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the relevant Issuer, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI), the Trustee and any stock exchange or other relevant authority on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed or by which they have been admitted to listing and notice thereof to be published in accordance with Condition 16 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined below) thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange or other relevant authority on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed or by which they have been admitted to listing and to the Noteholders in accordance with Condition 16.

“*London Business Day*” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

(vi) *Determination or calculation by Trustee*

If for any reason at any time the Agent or, as the case may be, the Calculation Agent defaults in its obligations to determine the Rate of Interest or the Agent defaults in its obligation to calculate any Interest Amount in accordance with sub-paragraph (ii)(A) or (B) above or as otherwise specified in the applicable Pricing Supplement, as the case may be, and, in each case, (iv) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum or Maximum Rate of Interest specified in the applicable Pricing Supplement), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent or the Calculation Agent, as applicable.

(vii) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(b), whether by the Agent or, if applicable, the Calculation Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the relevant Issuer, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI), the Trustee, the Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the relevant Issuer, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI), the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or the Calculation Agent or the Trustee (as applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Interest on Dual Currency Notes*

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Pricing Supplement.

(d) *Interest on Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

(e) *Accrual of interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

6. Payments

(a) *Method of payment*

Subject as provided below:

- (i) payments in a Specified Currency other than Euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively); and
- (ii) payments in Euro will be made by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee or, at the option of the payee, by a Euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

(b) *Presentation of definitive Notes, Receipts and Coupons*

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in

the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States thereof and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction).

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the relevant Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive form (other than Dual Currency Notes or Index Linked Notes) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note or Index Linked Interest Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

(c) *Payments in respect of Global Notes*

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will, (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it is presented and such record shall be prima facie evidence that the payment in question has been made.

(d) *General provisions applicable to payments*

The holder of a Global Note (or as provided in the Trust Deed, the Trustee) shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the relevant Issuer or, as the case may be, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) will be discharged by payment to, or to the order of, the holder of such Global Note or the Trustee, as the case may be, in respect

of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the relevant Issuer or, as the case may be, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) to, or to the order of, the holder of such Global Note or the Trustee, as the case may be.

Notwithstanding the provisions of paragraph (a) above, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (i) the relevant Issuer and the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the relevant Issuer and the Guarantor (where the relevant Issuer is other than Sanpaolo IMI), adverse tax consequences to the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI).

(e) *Payment Day*

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, “*Payment Day*” means any day which (subject to Condition 9) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (A) the relevant place of presentation; and
 - (B) any Additional Financial Centre specified in the applicable Pricing Supplement; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Financial Centre and which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in Euro, a day on which the TARGET System is open.

(f) *Interpretation of principal and interest*

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7(e)); and

- (vii) any premium and any other amounts which may be payable by the relevant Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Any reference in these Terms and Conditions to payment of any sums in respect of the Notes (including, in respect of Index Linked Notes, Physically-Settled Notes (as defined in Condition 7(k)) and other structured Notes) shall be deemed to include, as applicable, delivery of any relevant Reference Asset (as defined in Condition 7(k)) if so provided in the applicable Pricing Supplement and references to paid and payable shall be construed accordingly.

7. Redemption and Purchase

(a) Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the relevant Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

The redemption of Upper Tier II Subordinated Notes shall always be subject to the prior approval of the Bank of Italy, such approval being dependent on Sanpaolo IMI maintaining its minimum capital requirements (*patrimonio di vigilanza*) as prescribed in Title IV, Chapter 1, Section II of the Bank of Italy's Regulations immediately following redemption of the Upper Tier II Subordinated Notes. If such approval is not given on or prior to the Maturity Date, Sanpaolo IMI will re-apply to the Bank of Italy for its consent to such redemption forthwith upon its having again, by whatever means, such required minimum capital. Sanpaolo IMI will use its best endeavours to maintain such required minimum capital and to obtain such approval. Amounts that would otherwise be payable on the Maturity Date will continue to bear interest as provided in the Trust Deed.

(b) Redemption for tax reasons

The Notes may be redeemed at the option of the relevant Issuer (but subject to the prior approval of the Bank of Italy in the case of Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes and Tier III Subordinated Notes) in whole, but not in part, at any time (if this Note is not a Floating Rate Note or an Index Linked Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Trustee, the Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), if the relevant Issuer satisfies the Trustee immediately prior to the giving of such notice that:

- (i) on the occasion of the next payment due under the Notes, the relevant Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) would be unable for reasons outside its control to procure payment by the relevant Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any political subdivision of, or any authority in, or of, a Tax Jurisdiction having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (ii) such obligation cannot be avoided by the relevant Issuer or, as the case may be, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the relevant Issuer or, as the case may be, the Guarantor (where the relevant Issuer is other than

Sanpaolo IMI) would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the relevant Issuer or, as the case may be, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) shall deliver to the Trustee: (x) a certificate signed by two Directors of the relevant Issuer or, as the case may be, two Directors of the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) stating that the relevant requirement referred to in Condition 8(b)(i) above will apply on the occasion of the next payment due in respect of the Notes and cannot be avoided by the relevant Issuer or, as the case may be, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) taking reasonable measures available to it; and (y) an opinion of independent legal advisers of recognised standing to the effect that the relevant Issuer or, as the case may be, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 7(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) *Redemption at the option of the relevant Issuer (Issuer Call)*

If Issuer Call is specified in the applicable Pricing Supplement, the relevant Issuer may (subject to the prior approval of the Bank of Italy in the case of Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes and Tier III Subordinated Notes), having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 16; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Trustee and the Agent;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount equal to the Minimum Redemption Amount or a Higher Redemption Amount. In the case of a partial redemption of Notes, the Notes to be redeemed ("*Redeemed Notes*") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "*Selection Date*"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 16 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the relevant Issuer to the Noteholders in accordance with Condition 16 at least five days prior to the Selection Date.

(d) *Redemption at the option of the Noteholders (Investor Put)*

This Condition 7(d) applies only to Senior Notes.

If Investor Put is specified in the applicable Pricing Supplement, upon the holder of any Note giving to the relevant Issuer in accordance with Condition 16 not less than 15 nor more than 30 days' notice the relevant Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

If this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must deliver such Note at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "Put Notice") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depository for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

(e) *Early Redemption Amounts*

For the purpose of paragraph (b) above and Condition 10, each Note will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount; or
- (iii) in the case of a Zero Coupon Note, at an amount (the "*Amortised Face Amount*") calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where

"RP" means the Reference Price;

"AY" means the Accrual Yield expressed as a decimal; and

"y" is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Pricing Supplement.

(f) *Instalments*

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

(g) *Partly Paid Notes*

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

(h) *Purchases*

Subject as provided in the following paragraph, the relevant Issuer, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) or any Subsidiary (as defined in the Trust Deed) of the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. Such Notes may be held, reissued, resold or, at the option of the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI), as applicable, surrendered to any Paying Agent for cancellation.

Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes and Tier III Subordinated Notes may only be purchased by Sanpaolo IMI or any of its Subsidiaries subject to the prior approval of the Bank of Italy, unless the Notes to be purchased (i) do not exceed 10 per cent. of the aggregate nominal amount of the Series and (ii) are not purchased in order to be surrendered to any Paying Agent for cancellation.

(i) *Cancellation*

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and Notes purchased and cancelled pursuant to paragraph (h) above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

(j) *Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and repayable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) the fifth day after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 16.

(k) *Index Linked Notes or other structured Notes*

Index Linked or other structured Notes, including where the amount of principal and/or interest in respect of such Notes is based on the price, value, performance or some other factor relating to an asset or other property ("*Reference Asset*"), may be redeemed by the Issuer at its option by physical delivery of all or part of the Reference Asset or of some other asset or property ("*Physically-Settled Notes*"), in accordance with the provisions of the applicable Pricing Supplement.

8. Taxation

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the relevant Issuer or, as the case may be, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction, except that:

- (i) in respect of payments by Sanpaolo IMI or any other company resident in Italy for tax purposes no such additional amounts shall be payable with respect to any Note, Receipt or Coupon for or on account of *imposta sostitutiva* (at the then applicable rate of tax) pursuant to Italian Legislative Decree No. 239 of 1st April, 1996 (as amended or supplemented from time to time) or any related implementing regulations and in all circumstances in which the procedures set forth in Legislative Decree No. 239 of 1st April, 1996 in order to benefit from a tax exemption have not been met or complied with except where such requirements and procedures have not been met or complied with due to the actions or omissions of Sanpaolo IMI or its agents; and
- (ii) no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:
 - (A) presented for payment by, or on behalf of, a holder who is liable for such withholding or deduction in respect of such Note, Receipt or Coupon by reason of his having some connection with the Tax Jurisdiction other than the mere holding of such Note; or
 - (B) presented for payment by, or on behalf of, a holder who is entitled to avoid such withholding or deduction in respect of such Note, Receipt or Coupon by making a declaration or any other statement, including, but not limited to, a declaration of residence or non-residence or other similar claim for exemption; or
 - (C) presented for payment more than 30 days after the Relevant Date (as defined in Condition 9) except to the extent that the holder of such Notes, Receipts or Coupons would have been entitled to such additional amounts on presenting such Notes, Receipts or Coupons for payment on such thirtieth day (assuming such day to have been a Payment Day as defined in Condition 6(e)); or
 - (D) in the case of Notes issued by Sanpaolo IMI or by an Issuer other than Sanpaolo IMI presented for payment in Italy; or
 - (E) in the case of Notes issued by Sanpaolo IMI Bank presented for payment in Portugal, including Madeira; or
 - (F) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
 - (G) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

“*Tax Jurisdiction*” means Portugal (including Madeira), Italy or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the relevant Issuer or, as the case may be, the Guarantor

(where the relevant Issuer is other than Sanpaolo IMI) becomes subject in respect of payments made by it of principal and interest on the Notes, Receipts and Coupons.

Without prejudice to the above provisions of this Condition 8, in the event that Notes are redeemed prior to the end of the eighteenth month after the Issue Date of the relevant Tranche, (x) the payer (where such payer is an Italian resident), or (y) an Italian resident Noteholder (where the payer is a non-Italian resident), will be required to pay an amount equal to 20 per cent. of the interest and any other amounts accrued up to the date of redemption to the Italian tax authorities. The payment under (x) above will be made by the relevant Issuer or, as the case may be, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) and will not affect the amounts to be received by the Noteholders by way of interest or other amounts, if any, under the Notes.

9. Prescription

The Notes, Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

“*Relevant Date*” means the date on which a payment in respect of the Notes first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect has been duly given to the Noteholders in accordance with Condition 16.

10. Events of Default

(a) Events of Default relating to Senior Notes

The Trustee at its discretion may, and if so requested by the holders of at least one-quarter in nominal amount of the Senior Notes then outstanding or if so directed by an extraordinary resolution of the holders of the Senior Notes shall (subject in either case to being indemnified to its satisfaction), give notice to the relevant Issuer and the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) that the Senior Notes are, and they shall accordingly thereupon immediately become, due and repayable, if any of the following events (each an “*Event of Default*”) occurs:

- (i) default for a period of more than five Business Days (as defined in Condition 5(b)(i)) in the payment of any principal or interest due in respect of any Senior Note; or
- (ii) default in the performance by the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) of any of their respective obligations (other than the obligation to pay principal or interest in respect of the Senior Notes) under the Trust Deed or the Senior Notes (A) which is, in the opinion of the Trustee, incapable of remedy or in respect of which, in the opinion of the Trustee, remedial action satisfactory to the Trustee cannot be taken or (B) which, being a default which is, in the opinion of the Trustee, capable of remedy or in respect of which, in the opinion of the Trustee, such remedial action can be taken, continues for 30 days (or such longer period as the Trustee may permit) after the Trustee has given written notice to the relevant Issuer or, as the case may be, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) requiring such default to be remedied; or
- (iii) default by the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) in the payment of the principal of, or premium or repayment charge (if any) or interest on, any External Debt of or assumed by the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI), as the case may be, when and as the same becomes due and payable, if such default continues for more than the period of grace, if any, originally applicable thereto or in the event that any External Debt of or assumed by the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) becomes repayable before the due date thereof as a result of acceleration of maturity caused by the occurrence of an event of default thereunder, or any default in payment in respect of any guarantee or indemnity given

by the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) in respect of any External Debt. For this purpose “*External Debt*” means any indebtedness owed to or, as the case may be, for the benefit of a person who is not a resident in Italy; or

- (iv) the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) stops or suspends or threatens to stop or suspend payment of all or a material part of its debts or ceases to carry on its business or a material part thereof; or
- (v) dissolution or winding-up of the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI); or
- (vi) the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) makes a conveyance or assignment for the benefit of, or enters into a composition or other arrangement with, its creditors generally, files a petition for a suspension of payments, admits in writing that it cannot pay its debts generally as they become due, initiates a proceeding in bankruptcy, insolvency or other similar laws, is adjudicated bankrupt or insolvent, a receiver or similar official is appointed in relation to, or over the whole or any part of the assets or, undertaking of, the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI), proceedings are initiated against the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, an encumbrancer takes possession of the whole or any part of the assets or undertaking of the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) or a distress or execution or other process is levied or enforced upon or sued out against the whole or any material part of the assets of the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI); or
- (vii) the Guarantee is not, ceases to be, or is claimed by the Guarantor not to be, in full force and effect;

and, in the case of any Event of Default other than those described in any of paragraphs (i), (v) and (vii) above, the Trustee has certified to the relevant Issuer and the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) that such Event of Default is, in its opinion, materially prejudicial to the interests of the holders of the Senior Notes.

If the Senior Notes become due and repayable pursuant to this Condition 10(a), they shall be repayable at their Early Redemption Amount (as described in Condition 7(e)), together, if appropriate, with accrued interest as provided in the Trust Deed.

(b) *Events of Default relating to Subordinated Notes*

The Trustee at its discretion may, and if so requested by the holders of at least one-quarter in nominal amount of the Subordinated Notes then outstanding or if so directed by an Extraordinary Resolution of the holders of the Subordinated Notes shall (subject in either case to being indemnified to its satisfaction), give notice to Sanpaolo IMI that the Subordinated Notes are, and they shall accordingly thereupon immediately become, due and repayable, in the event of the winding up or liquidation of Sanpaolo IMI other than for the purposes of an Approved Reorganisation.

For the purpose of this Condition 10(b), “*Approved Reorganisation*” means an amalgamation, merger or reconstruction on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the holders of the Subordinated Notes.

If the Subordinated Notes become due and repayable pursuant to this Condition 10(b), they shall be repayable at their Early Redemption Amount (as described in Condition 7(e)), together, if appropriate, with accrued interest as provided in the Trust Deed.

No remedy against Sanpaolo IMI other than as specifically provided by this Condition 10(b), Condition 11 or the Trust Deed shall be available to the Trustee or to the holders of the Subordinated Notes and the relative Receipts or Coupons, whether for the recovery of amounts owing under the Trust Deed, in respect of the Subordinated Notes and the relative Receipts or Coupons or in respect of any breach by Sanpaolo IMI of any of its obligations under the Trust Deed, the Subordinated Notes and the relative Receipts or Coupons or otherwise.

11. Enforcement

The Trustee may, at its discretion and without further notice, take such proceedings against the relevant Issuer and/or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) as it may think fit to enforce the obligations of the relevant Issuer and/or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) under the Trust Deed and the Notes and any relative Receipts or Coupons, but it shall not be bound to take any such proceedings or any other action unless (x) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by holders of at least one-quarter in nominal amount of the Notes outstanding and (y) it shall have been indemnified to its satisfaction. No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the relevant Issuer or, as the case may be, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure is continuing.

12. Substitution

The Trustee may, without the consent of the Noteholders, Receiptholders or Couponholders, agree with the relevant Issuer and the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) to the substitution (i) in place of the relevant Issuer (where the relevant Issuer is other than Sanpaolo IMI) (or of any previous substitute) as the principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed, of Sanpaolo IMI or its Successor in Business (as defined in the Trust Deed) or any other Subsidiary (whether or not an Issuer) of Sanpaolo IMI or of its Successor in Business, or (ii) in place of Sanpaolo IMI (or of any previous substitute) as either the principal debtor or guarantor under the Notes, the Receipts, the Coupons and the Trust Deed of its Successor in Business, subject (in the case of the substitution of another Subsidiary of Sanpaolo IMI or of its Successor in Business in place of the relevant Issuer) to the Notes, the Receipts and the Coupons being unconditionally and irrevocably guaranteed by Sanpaolo IMI or its Successor in Business and (in every case) to the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced thereby and certain other conditions set out in the Trust Deed being complied with.

13. Replacement of Notes, Receipts, Coupons and Talons

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the relevant Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

14. Paying Agents

The names of the initial Paying Agents and their initial specified offices are set out below.

The relevant Issuer and the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) are entitled, subject to the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (i) there will at all times be an Agent;
- (ii) the Issuer and the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (iii) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place

as may be required by the rules and regulations of the relevant stock exchange or other relevant authority.

In addition, the relevant Issuer and the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) shall forthwith appoint a Paying Agent approved by the Trustee having a specified office in New York City in the circumstances described in Condition 6(d). Any such variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 16.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the relevant Issuer and the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) and, in certain circumstances set out therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

15. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

16. Notices

All notices regarding the Notes will be deemed to be validly given if published (i) in a leading English language daily newspaper of general circulation in London and (ii) if and for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, a daily newspaper of general circulation in Luxembourg. It is expected that such publication will be made in the *Financial Times* in London and the *Luxemburger Wort* in Luxembourg. The relevant Issuer and the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to listing. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve. Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes provided that, in addition, for so long as any Notes are listed on a stock exchange or are admitted to listing by another relevant authority and the rules of that stock exchange or other relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. While any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

17. Meetings of Noteholders, Modification and Waiver

(a) Meetings

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the relevant Issuer, the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) or the Trustee or by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

(b) Modification, Waiver and Authorisation

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any of the provisions of the Trust Deed or the Agency Agreement which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or to any modification which is of a formal, minor or technical nature or to correct a manifest error. The Trustee may also, without any consent as aforesaid, determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such which, in any such case, is not in the opinion of the Trustee, materially prejudicial to the interests of Noteholders. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders, the Receiptholders and the Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable in accordance with Condition 16.

(c) Exercise by Trustee of its discretions

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the Jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

18. Further Issues

The relevant Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same

as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

19. Indemnification of Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from any obligation to take proceedings to enforce repayment unless indemnified to its satisfaction. The Trustee may enter into business transactions with the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) or any person or body corporate associated with the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) without accounting for any profit made or benefit received.

20. Governing Law and Submission to Jurisdiction

(a) Governing law

The Trust Deed, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law, except for Condition 3 which is governed by, and shall be construed in accordance with, Italian law.

(b) Submission to Jurisdiction

Each of the relevant Issuer and the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) has in the Trust Deed irrevocably and unconditionally agreed, for the exclusive benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have Jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons and that accordingly any suit, action or proceedings (together referred to as “*Proceedings*”) arising out of or in connection with the Trust Deed, the Notes, the Receipts and the Coupons may be brought in such courts.

Each of the relevant Issuer and the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) has in the Trust Deed irrevocably and unconditionally waived any objection which it may have now or hereafter to the laying of the venue of any Proceedings in any English court and any claim that any such Proceedings have been brought in an inconvenient forum and has further irrevocably and unconditionally agreed that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other Jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings against the relevant Issuer or the Guarantor (where the relevant Issuer is other than Sanpaolo IMI) in any other court of competent Jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other Jurisdiction, whether concurrently or not.

(c) Appointment of Process Agent

Each of Sanpaolo IMI and Sanpaolo IMI Bank has in the Trust Deed appointed the London Branch of Sanpaolo IMI at its office for the time being in London, as its agent for service of process, and undertakes that, in the event of the London Branch of Sanpaolo IMI ceasing so to act or in the event of Sanpaolo IMI ceasing to have a London Branch, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

21. Contracts (Rights of Third Parties) Act 1999

The Notes confer no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the relevant Issuer for the general corporate purposes of the Group (as defined on page 49).

DESCRIPTION OF SANPAOLO IMI

Sanpaolo IMI

Introduction

SANPAOLO IMI is incorporated as a limited liability company (*Società per Azioni or S.p.A.*) under the laws of Italy. SANPAOLO IMI was created on 1st November, 1998 by the merger (the “*Merger*”) of Istituto Bancario San Paolo di Torino S.p.A. (“*Sanpaolo*”) and Istituto Mobiliare Italiano S.p.A. (“*IMI*”). SANPAOLO IMI is the legal successor of both Sanpaolo and IMI. Pursuant to Article 2504 *bis* of the Italian Civil Code, all rights previously exercised and all obligations and liabilities previously incurred by Sanpaolo and IMI have automatically passed to SANPAOLO IMI.

After the Merger, SANPAOLO IMI changed its name to “Istituto Bancario San Paolo di Torino – Istituto Mobiliare Italiano S.p.A.” and subsequently to “SANPAOLO IMI S.p.A.”. The name SANPAOLO IMI S.p.A. was adopted by a resolution of the Extraordinary Shareholders’ Meeting held on 30th April, 1999 and the change of name became effective on 2nd June, 1999 with the approval of the Tribunal of Turin.

During 2000, SANPAOLO IMI acquired control of the Banco di Napoli group which is now included within the SANPAOLO IMI Banking Group (the “*Group*”).

In January 2001, SANPAOLO IMI acquired a stake of 10.9 per cent. in Cardine Banca S.p.A. (“*Cardine*”), the savings bank, formed from the merger of the Casse Venete and the Cassa di Risparmio di Bologna S.p.A. both operating in the North East of Italy. In return for the sale of its shareholding in Cardine to SANPAOLO IMI, Fondazione Cassa di Risparmio di Venezia, one of the charitable foundations resulting from the application of the Law No. 218 of 30 July 1990 (the “*Amato Law*”), took 1.96 per cent. of SANPAOLO IMI. In October 2001, certain shareholders of SANPAOLO IMI and Cardine (Compagnia di San Paolo, in respect of SANPAOLO IMI, and Fondazione di Cassa di Risparmio di Padova e Rovigo and Fondazione di Cassa di Risparmio in Bologna, in respect of Cardine (together collectively referred to as the “*Fondazioni*”)) presented to the Bank of Italy a project for the integration of the Groups headed by SANPAOLO IMI and Cardine. The Extraordinary Shareholders’ Meetings of SANPAOLO IMI and Cardine approved this project in March 2002 and the merger agreement was made formally on 24th May, 2002 with legal effect from 1st June, 2002 and accounting and tax effect from 1st January, 2002.

SANPAOLO IMI is registered with the Company Register of the Tribunal of Turin under number 06210280019 and with the Bank of Italy as a bank and, together with its subsidiaries, as a banking group. SANPAOLO IMI is the reporting bank (*capogruppo*) of the Group for regulatory purposes and, as *capogruppo*, is responsible for monitoring the Group’s activities and maintaining the relationship with the Bank of Italy.

SANPAOLO IMI’s registered office is located at Piazza San Carlo 156, Turin and its secondary offices are at Viale dell’Arte 25, Rome, and Via Farini 22, Bologna.

History and Development

SANPAOLO IMI’s origins date back to 1563 when Sanpaolo was established in Turin as a charitable foundation under the name Compagnia della Fede Cattolica sotto l’Invocazione di San Paolo with both charitable and banking activities. The origins of Banco di Napoli date back to the sixteenth century and, particularly, to the foundation of the Sacro Monte di Pietà in 1539.

IMI was established as a public law entity (*Ente di Diritto Pubblico*) in 1931 and Sanpaolo became a public law credit institution (*Istituto di Credito di Diritto Pubblico*) in 1932. In the context of the reformed banking regulation, which lasted until the beginning of the 1990s, the main focus of IMI’s activities was towards medium and long-term lending, including lending for public works, while Sanpaolo’s activities were directed more towards short-term commercial banking, together with certain separately-accounted sections for activities such as mortgage and industrial lending, in its home base of north west Italy. As one of the largest banks in southern Italy, Banco di Napoli played a major role in the economic development of that region.

In the 1990s, certain reforms were introduced into the Italian banking sector. In particular, the Bank of Italy relaxed certain restrictions on the opening of new branches and Sanpaolo was thus encouraged to continue to expand beyond its traditional home base in Piedmont. The government also sought to encourage greater private sector involvement in banking through the conversion of charitable foundations with banking businesses (such as Sanpaolo) into separate charities and businesses and through the sale of stakes in state-controlled banks (such as IMI). These developments were to be effected through a series of legal measures, including tax incentives, to strengthen the capital structure of the banking sector (the first of which was the Amato Law) and through direct sales by the Italian Treasury (the “*Treasury*”) of state controlled holding companies.

Pursuant to the Amato Law, Sanpaolo was established as a *Società per Azioni* as of 31st December 1991, under the name Istituto Bancario San Paolo di Torino Società per Azioni. In 1992, approximately 21 per cent. of Sanpaolo’s share capital was floated in Italy and the shares traded on The Stock Exchange Automated Quotation International System of the London Stock Exchange Limited (“*SEAQ International*”). The charitable foundation, Compagnia di San Paolo, indirectly remained majority shareholder until 1997, when six long-term shareholders and four medium-term shareholders purchased 22 per cent. of Sanpaolo’s share capital, while a further 31 per cent. was sold in an Italian public offering and a global institutional offering. Following the Bank of Italy’s approval, Sanpaolo became *capogruppo*.

IMI became a *Società per Azioni* in 1991. There was no public market for IMI’s shares prior to 1994. In that year, as part of the government’s direct privatisation campaign, the Treasury and several other shareholders in IMI took part in a global offering (the “*Global Offering*”) of more than one-third of IMI’s share capital. In connection with the Global Offering, IMI’s shares were listed on the Italian Stock Exchange and its American Depository Shares (each ADS representing three shares) were listed on the New York Stock Exchange, and the shares were also listed on SEAQ International. In 1995, shares in IMI held by the Treasury were privately placed with Italian and European financial institutions and private industrial companies. In July 1996, IMI lead-managed the third offering of its own shares by the Treasury to institutional investors in Italy, Europe and the USA.

Sanpaolo and IMI merged on 1st November, 1998. For accounting and tax purposes, the Merger became effective from 1st January, 1998. SANPAOLO IMI’s shares and ADSs (each ADS representing two shares) are listed on the Mercato Telematico Azionario in Italy and the New York Stock Exchange, respectively. The ADS depository is JP Morgan Chase.

The Sanpaolo IMI Group

The bank distribution networks of the Sanpaolo IMI Group in Italy currently have more than 3,000 branches, with a market share of approximately 10 per cent., spread throughout the country. Retail networks are managed locally by Sanpaolo, Sanpaolo Banco di Napoli and the Cardine banks, each active in its traditional territory: the North West and the major Islands; the South; and the North East and Adriatic coast.

The Group maintains high levels of capital sufficient to meet capital adequacy requirements and has a dividend distribution policy aimed at a high pay-out from consolidated net earnings.

Business regulation framework and organisational structure

SANPAOLO IMI follows the Self-disciplinary Code for Quoted Companies and has established the following special Committees:

The *Comitato Tecnico Audit* (Technical Audit Committee), to analyse problem areas and practices referring to the evaluation of the internal control system. Its members are Giuseppe Fontana (Chairman), Virgilio Marrone and Mario Sarcinelli, with the participation of the Managing Director and Chairman of the Board of Statutory Auditors.

The *Comitato Tecnico per la Remunerazione* (Technical Remuneration Committee), to evaluate the remuneration of the Directors with particular offices and to examine the total remuneration structure of the Directors. Its members are Iti Mihalich (Chairman), Alfredo Saenz and Alberto Mazzetti, with the contribution of the Managing Director limited to topics concerning general lines of top management remuneration and management policies in the Company and the Group.

The Comitato Etico (Ethical Committee), to examine and evaluate the principles to be proposed to the Board of Directors to identify a corporate environmental ethics policy. Its members are: Anthony Orsatelli (Chairman), Maurizio Barracco and Leone Sibani.

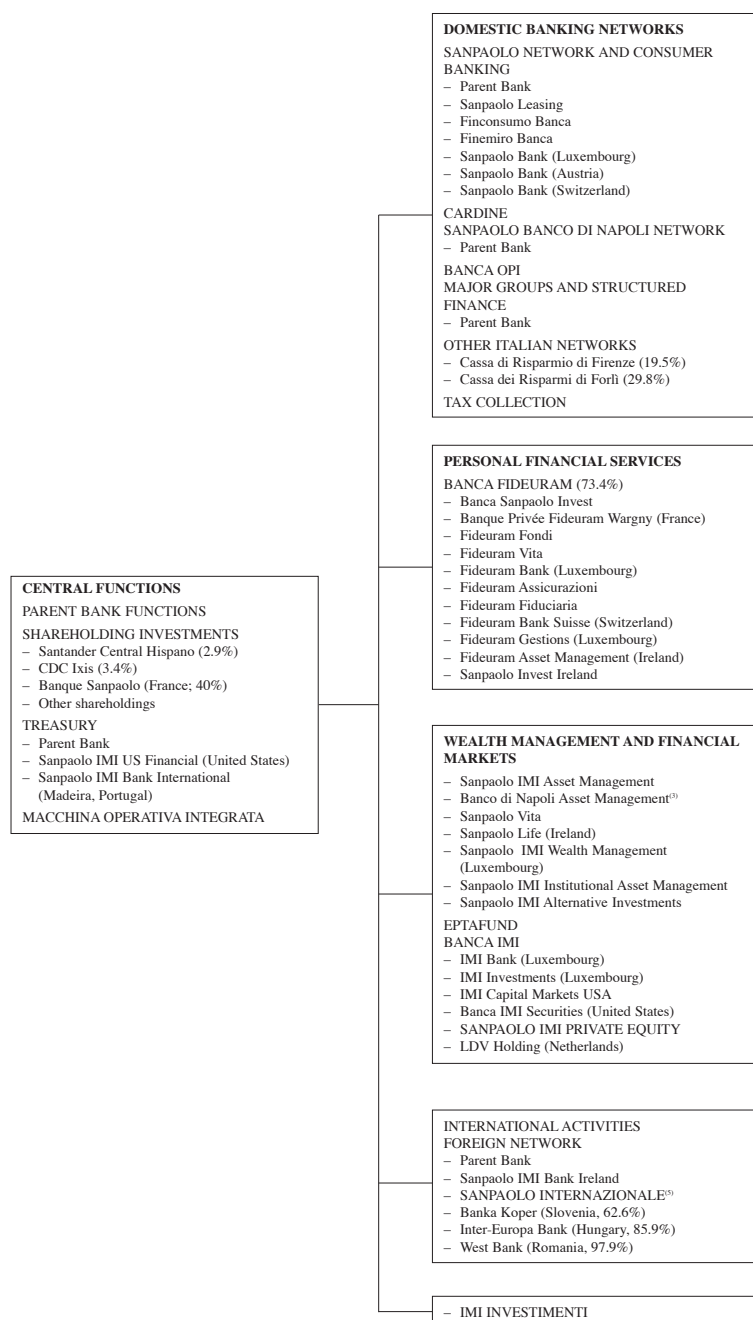
Shareholders

The principal shareholders of SANPAOLO IMI, on the basis of information available at the date of this Offering Circular are:

	<i>Percentage equity shareholdings (total and ordinary shares)</i>	
Compagnia di San Paolo.....	14.479%	7.500%
Fondazione C.R. Padova E Rovigo	10.802%	4.382%
Fondazione C.R. in Bologna.....	7.686%	3.118%
Santander Central Hispano (SCH)	8.612%	10.920%
Giovanni Agnelli E.C. Sapa	3.830%	4.857%
Deutsche Bank AG	2.954%	3.746%
Mediobanca.....	1.929%	2.447%
Fondazione Cariplo.....	1.745%	2.213%
Caisse des Depots et Consignations	1.703%	2.160%
Società Reale Mutua di Assicurazioni	1.533%	1.944%
Ente Cassa di Risparmio di Firenze	1.527%	1.936%
Credit Lyonnais SA.....	1.503%	1.906%
Fondazione Cassa di Risparmio di Venezia	1.498%	1.900%

The Group's structure below clarifies the principal interrelationships of the various businesses and is intended to ensure functional operation in the context of the business structure adopted.

Group Structure



MANAGEMENT AND EMPLOYEES

Board, Management and Statutory Auditors

Directors

At the Shareholders' Meeting held on 29th April, 2004, a new Board of Directors was elected. Its 17 members are set out below.

<i>Name</i>	<i>Title</i>
Enrico Salza	Chairman
Maurizio Barracco	
Pio Bussolotto	
Giuseppe Fontana	
Ettore Gotti Tedeschi	
Alfonso Iozzo	Managing Director
Virgilio Marrone	
Iti Mihalich	
Anthony Orsatelli	
Emilio Ottolenghi	
Orazio Rossi	Deputy Chairman
Gianguido Sacchi Morsiani	
Alfredo Saenz	
Mario Sarcinelli	
Leone Sibani	
Alberto Tazzetti	
Manuel Varela	

Board of Statutory Auditors

The Board of Statutory Auditors is responsible for overseeing the organisation of SANPAOLO IMI.

At the Shareholders' Meeting held on 29th April, 2004, a new Board of Statutory Auditors was elected. Its members are set out below.

<i>Name</i>	<i>Title</i>
Mario Paolillo	Chairman
Aureliano Benedetti	Auditor
Maurizio Dallochio	Auditor
Paolo Mazzi	Auditor
Enrico Vitali	Auditor
Stefania Bortoletti	Supplementary Auditor
Gian Luca Galletti	Supplementary Auditor

Employees

At 31st December, 2003, SANPAOLO IMI's employees numbered 43,465.

FINANCIAL RESULTS FOR YEAR END 2003

On 26th March, 2004, SANPAOLO IMI published its consolidated financial statements for the year ended 31st December, 2003. These were approved by the Shareholders' Meeting held on 29th April, 2004.

Net interest income was Euro 3,716 million, up by 1.7 per cent, and net Commissions rose by 8.6 per cent. to Euro 3,036 million as a result of the recovery in financial markets. Profits and losses from financial transactions and dividends on shares rose by 47 per cent. to Euro 447 million of which more than two thirds came from dealing in securities, foreign exchange and derivatives. Net interest and other banking income showed an increase of 5.9 per cent. to Euro 7,482 million. Operating income rose by 16.4 per cent. to Euro 2,717 million. Net income was Euro 972 million, up by 7.9 per cent. on 2002.

In capital adequacy, the Tier 1 ratio was 7.4 per cent. and the total ratio 10.5 per cent. Return on equity was 9 per cent. in 2003 against 8.3 per cent. in 2002 while the cost/income ratio was 61.9 per cent. against 65.1 per cent. in 2002.

Administrative costs rose by 0.7 per cent. to Euro 4,610 million as the structural cost containment measures launched in 2001 allowed the Group to maintain a strict control. Personnel expenses, despite increases due to the CCNL national employment contract, showed a contained growth of 1 per cent. (Euro 2,841 million) and were in part counterbalanced by actions to contain and optimise staff resources, whose number fell by an average of 2.9 per cent. on 2002. The benefits expected from leaving incentives will be fully felt from 2004, but already began in 2003: staff departures will generate from 2005 an annual saving of approximately Euro 260 million (Euro 170 million in 2004). This has involved provisions of Euro 475 million, largely due to the "Fondo di Solidarietà" for leaving incentives.

Provisions and net adjustments to loans and financial fixed assets amounted to Euro 859 million; the reduction was largely due to the recovery in value of the shareholding in Santander Central Hispano (Euro 215 million against a value adjustment of Euro 399 million in 2002). Net adjustments to loans and provisions for guarantees and charges (Euro 724 million) include the full provision for the exposure to the Cirio Group and the provision of 90 per cent. of the exposure to the Parmalat Group.

Net loans to customers amounted to Euro 122,415 million (up by 0.6 per cent.) while financial assets of customers (including assets under management of Euro 143,711 million and assets in administration of Euro 92,610 million) amounted to Euro 368,042 million (up by 4.4 per cent.). Doubtful loans were Euro 2,571 million (down by 8.8 per cent.) while net non-performing loans were Euro 1,171 million (down by 6.2 per cent.). The ratio of net non-performing loans to net loans was 0.9 per cent.

The distribution of a unit dividend of Euro 0.39 (with full tax credit) was passed by the Shareholders' Meeting. Ex-dividend and payment dates are expected to be 24th and 27th May. The dividend provides a yield of 4.78 per cent. on the basis of the average value of the SANPAOLO IMI share price in 2003.

DISCUSSION OF RESULTS FOR THE FIRST QUARTER OF 2004

On 11th May, 2004, Sanpaolo IMI announced its financial results for the first quarter to 31st March, 2004. Net interest and other banking income was Euro 1,859 million (up by 6.4 per cent.), thanks to positive performance in net commissions (up by 15.1 per cent.) and profits from companies valued at net equity and dividends from shareholdings (up by 58.9 per cent.). Operating income was Euro 720 million (up by 19 per cent.) and the cost/income ratio improved (59.5 per cent. against 63.3 per cent. in the first three months of 2003 and 62.0 per cent. in 2003). Ordinary income rose to Euro 535 million (up by 22.4 per cent.), notwithstanding greater net adjustments to loans and provisions (up by 91.2 per cent.). Direct deposits rose by 2.4 per cent. from the beginning of the year. Customer financial assets grew (up by 5.1 per cent.); the positive trend in asset management (up by 8.1 per cent.), asset administration (up by 7.7 per cent.) and life technical reserves (up by 26.2 per cent.) continued. Group net income was Euro 386 million (up by 37.4 per cent. on 2003) with an annualised return on equity (RoE) of 13.8 per cent. against 10.4 per cent. in the corresponding period of 2003.

In a gradual but still generally weak economic recovery, the Group achieved ordinary income of Euro 535 million (up by 22.4 per cent. on the corresponding period of 2003) and a net improvement in net interest and other banking income (up by 6.4 per cent.), thanks above all to growth in net commissions (up by 15.1 per cent.) and income from companies valued at net equity and dividends from shareholdings (up by 58.9 per cent.). Ordinary income benefited, in addition to the growth in operating revenues, also from the constant attention to costs and asset quality, which remains high notwithstanding the adjustments. The cost/income ratio influenced the significant increase in operating income (up by 19 per cent.), which led it to fall to below 60 per cent. Net income was Euro 386 million against Euro 281 million in the preceding period (up by 37.4 per cent.): annualised RoE reached 13.8 per cent. against 10.4 per cent. in the first quarter of 2003. The results are in line with the growth plan set in the 2004 budget and, in the light of the current trend, allow confirmation of the Three Year Plan's objectives: RoE of 15 per cent. in 2005 and, at that date, a cost/income ratio of 55 per cent.

Net interest and other banking income of the Group was Euro 1,859 million, thanks above all to the positive trend in commission revenues, which compensated for the fall in net interest income. Net interest income in the first three months of 2004 was Euro 904 million: the reduction of 2.2 per cent. on the same period of the previous year was substantially due to the deterioration in customer spreads and downsizing and reduced income from funding imbalances, only partially compensated by business volumes.

Net loans to customers at the end of March 2004 were Euro 120.6 billion, down 2 per cent. from the beginning of the year. The annual change was substantially due to the 14.9 per cent. fall in short-term loans. The reduction was only partially compensated for by the positive performance in medium-long term lending, growing annually by 6.3 per cent. It should be noted, however, that in average terms, loans to customers, excluding repurchase agreements, grew by 3.3 per cent.

In medium-long term lending the good performance in financing to the retail sector (Euro 0.9 billion in mortgage loans from the domestic banking networks, up 9.5 per cent. on the first quarter of 2003) and loans to public works and infrastructure (Banca OPI's total mortgage loans at the end of the period was Euro 18.4 billion, up 2.1 per cent. over the 12 months) proceeded, while the downsizing of large corporate and institutional positions continued.

Net commissions of the Group in the first quarter were Euro 785 million, up 15.1 per cent. on the corresponding period of the previous year. This performance was the result of revenues in all sectors. In particular, growth was driven by management, dealing and consultancy (up by 18.4 per cent.), thanks to performance in asset management (up by 19.1 per cent.) and securities dealing and custody, foreign exchange (up by 14.3 per cent.). Commissions from asset management in the quarter were more than 50 per cent. of the total and 65 million higher on the same period of 2003. The development was due both to the positive performance effect, and to a mix more orientated to equity products.

There were also good performances in deposits and current accounts (Euro 119 million, up by 7.2 per cent.) and financings and guarantees (Euro 76 million, up by 20.6 per cent.).

Customer financial assets at the end of March were approximately Euro 374 billion, up by 1.7 per cent. from the beginning of the year and 5.1 per cent. on the corresponding period of 2003. Direct deposits amounted to approximately Euro 134.9 billion up 2.4 per cent. from the beginning of the year. At the end of March the Group's domestic market share was 10.5 per cent. in loans and direct deposits.

Indirect deposits amounted to Euro 239.3 billion, up 8 per cent. on the end of March 2003, as a result of the positive development both of fund management and fund administration. The positive performance in asset management (up by 8.1 per cent. at the end of March 2003) is due to the net inflow from the distribution networks into insurance, which partially compensated for the disinvestments from mutual funds and GPM, the revaluation of assets under management: the volumes of mutual funds and fund-based asset management, in fact, benefited from the recovery in stock markets, which counterbalanced the net negative inflow, allowing an increase of 0.5 per cent. in total at the end of December 2003. In the 12 months, there was a repositioning within mutual funds towards equity funds, with a share rising from 19.4 per cent. to 24.9 per cent., while the proportion of other funds fell.

The stock of asset management at the end of March reached Euro 145.3 billion, with an incremental flow from the beginning of the year of nearly Euro 1.6 billion. The Sanpaolo IMI Group continues to occupy first position in the domestic mutual fund market, with a share of 21 per cent.

Life technical reserves confirmed the growth already seen in 2003 (up by 26.2 per cent. on the end of March 2003 and up by 5.6 per cent. from the beginning of the year): life products represented one of the preferred customer investment choices (above all index linked and traditional products). Net receipts from the distribution networks in the first three months were Euro 1.4 billion and took life technical reserves to Euro 35.4 billion.

Assets under administration were almost Euro 94 billion (up by 7.7 per cent. annually, up by 1.5 per cent. from the beginning of the year).

Profits from financial transactions and dividends from shares amounted to Euro 81 million, slightly less than the Euro 85 million in the corresponding period of 2003.

Profits from companies carried at net equity and dividends from shareholdings (up by 58.9 per cent. on March 2003) also grew, reaching Euro 89 million in the quarter.

Operating income in the first three months was Euro 720 million, up 19 per cent. from the end of March 2003 thanks also to the attentive policy of cost containment. Administrative costs were Euro 1,115 million (down 0.1 per cent.), substantially in line with the first three months of 2003. In particular, personnel expenses (Euro 693 million) fell thanks to personnel optimisation (down 3.7 per cent. in average terms), which more than compensated for the growth in salaries from the CCNL national employment contract. Other administrative costs amounted to 358 million (up by 1.4 per cent. on 2003), less than inflation. The cost/income ratio in the first quarter of 2004 was 59.5 per cent., with a reduction of 3.8 percentage points compared to the corresponding period of 2003.

Amortisation for merger goodwill and positive differences on consolidation and net equity were Euro 35 million and in line with those of the first quarter of 2003. Provisions and net adjustments to loans and financial fixed assets were Euro 150 million, against Euro 134 million in the first three months of 2003, up by 11.9 per cent. The net figure includes Euro 27 million for the reserve for risks and charges (unchanged on 2003) and Euro 130 million in provisions and adjustments for credit risks (up by 91.2 per cent. against 2003) deriving essentially in line with the value of specific positions moving from performing to other categories and the strengthening of the general reserve.

The net flow includes, Euro 7 million in net write backs to financial fixed assets (compared to Euro 39 million in adjustments in the first three months of 2003) and includes: the write back of the value of the shareholding in SCH (revalued at Euro 92 million), a prudent adjustment on CDC IXIS (Euro 50 million) and further adjustments on H3G (Euro 30 million) and FIAT (Euro 5 million).

In the first three months of 2004 the amount of the general reserve of the Group was approximately 1.1 billion, 0.9 per cent. of the performing loan portfolio: this coverage level is considered to represent a correct balance between the high quality of the loan portfolio and economic instability. Compared to the first three months of 2003 net non-performing loans fell by 5.6 per cent. (Euro 1,178 million against Euro 1,248

million in the corresponding period of 2003), while problem loans, restructured loans and loans in course of restructuring (Euro 1,553 million against Euro 1,480 in 2003) rose by 4.9 per cent.: coverage ratios were respectively 73.2 per cent. and 32.2 per cent. Credit risk indices remain good: the ratio of net non-performing loans to net customer loans is 1 per cent. and between problem loans and loans in course of restructuring to net customer loans 1.2 per cent.

Ordinary income was Euro 535 million (up by 22.4 per cent.). Net extraordinary income was Euro 59 million, against Euro 42 million in the corresponding period of 2003 (up by 40.5 per cent.): this included Euro 55 million in capital gains from the sale of the remaining 30 per cent. of Finconsumo Banca to SCH, in January 2004. Gross income was Euro 594 million (up by 24 per cent.) and the tax rate 32 per cent.

At the end of March 2004 the Group's solvency ratios were 7.6 per cent. (Tier 1 ratio) and 10.9 per cent. (total ratio).

CAPITALISATION OF SANPAOLO IMI

The following table sets forth the consolidated capitalisation of Sanpaolo IMI as at 31st December, 2003 and 31st December, 2002:

	<i>As at 31st December, 2003</i>	<i>2002</i>
	<i>audited</i>	<i>audited</i>
	<i>(in millions of Euro)</i>	
Long-Term Debt⁽¹⁾		
Subordinated Debt	5,850	5,503
Other Long-Term Debt ⁽²⁾	42,425	43,617
Total Long-Term Debt	<u>48,275</u>	<u>49,120</u>
Minority Interests in Shareholders' Equity	<u>271</u>	<u>334</u>
Shareholders' Equity		
Issued and Authorised Share Capital ⁽³⁾	5,144	5,144
Reserves	4,879	4,504
Net Income	972	889
Total Shareholders' Equity	<u>10,995</u>	<u>10,537</u>
Total Capitalisation⁽⁴⁾	<u>59,541</u>	<u>59,991</u>

(1) Excludes the portion of long-term debt which matures within 12 months of the specified dates.

(2) Due to banks, due to customers, Certificates of Deposit and securities issued.

(3) The share capital of Sanpaolo IMI is Euro 5,144,064,800 divided into 1,448,831,892 ordinary shares and 388,334,018 Preferred Shares, both at a nominal unit value of Euro 2.8.

(4) Save as disclosed herein, there has been no material change in the capitalisation of Sanpaolo IMI since 31st December, 2003.

Sanpaolo IMI's financial statements as at and for the years ended 31st December, 2002 and 2003 are set out under "*Financial Information relating to Sanpaolo IMI*".

FINANCIAL INFORMATION RELATING TO SANPAOLO IMI

The financial statements of Sanpaolo IMI as at and for the year ended 31st December, 2003 set out below have been approved by the Board of Directors of Sanpaolo IMI on 26th March, 2004 and subsequently by Sanpaolo IMI's Board of Statutory Auditors and audited by Sanpaolo IMI's auditors, PricewaterhouseCoopers S.p.A. They have been approved by Sanpaolo IMI's shareholders at a general meeting held on 29th April, 2004.

RECLASSIFIED NON-CONSOLIDATED STATEMENT OF INCOME

	<i>Year ended 31st December,</i>			<i>percentage</i>
	<i>2003</i>	<i>2002</i>	<i>2002</i>	<i>change</i>
	<i>audited</i>	<i>audited</i>	<i>pro-forma</i>	<i>(2003</i>
			<i>unaudited</i>	<i>- 2002</i>
				<i>pro-forma</i>
				<i>unaudited</i>
	<i>(in millions of Euro)</i>			<i>(%)</i>
NET INTEREST INCOME	1,849	2,103	1,829	+1.1
Net commissions and other dealing revenues.. ..	1,467	1,512	1,322	+11.0
Profits/(losses) on financial transactions and investment income	89	62	55	+61.8
Dividends on equity investments	832	700	628	+32.5
NET INTEREST AND OTHER BANKING INCOME	4,237	4,377	3,834	+10.5
Administrative costs	(2,723)	(2,866)	(2,713)	+0.4
personnel	(1,665)	(1,823)	(1,655)	+0.6
other administrative costs	(918)	(885)	(914)	+0.4
indirect taxes and similar dues	(140)	(158)	(144)	-2.8
Other operating income, net	375	252	390	-3.8
Adjustments to tangible and intangible fixed assets ..	(339)	(330)	(352)	-3.7
OPERATING INCOME	1,550	1,433	1,159	-33.7
Value adjustments on goodwill and merger differences	(115)	(185)	(148)	-22.3
Provisions and net adjustments to loans and financial fixed assets	(579)	(748)	(710)	-18.5
INCOME BEFORE EXTRAORDINARY ITEMS	856	500	301	+184.4
Net extraordinary income	233	316	425	-45.2
INCOME BEFORE TAXES	1,089	816	726	+50.0
Changes in reserve for general banking risks	-	358	-	n.s.
Income taxes	(265)	(410)	(203)	+30.5
DISTRIBUTABLE NET INCOME FOR THE YEAR	824	764	523	+57.6

The pro-forma statement of income for the year 2002 takes account of the merger by incorporation of Cardine Finanziaria (with accounting effects from 1st January, 2003); and of the change of accounting methods of the tax credit on dividends (with no effect on the net worth).

n.s. means "not significant".

RECLASSIFIED NON-CONSOLIDATED BALANCE SHEET

	<i>As at 31st December</i>			<i>percentage change</i>
	<i>2003</i>	<i>2002</i>	<i>2002</i>	<i>(2003-2002)</i>
	<i>audited</i>	<i>audited</i>	<i>pro-forma unaudited</i>	<i>pro-forma unaudited</i>
	<i>(in millions of Euro)</i>			<i>(%)</i>
ASSETS				
Cash and deposits with central banks and post offices.	741	986	835	-11.3
Loans	91,368	97,110	86,155	+6.1
due from banks	27,385	20,951	20,512	+33.5
loans to customers	63,983	76,159	65,643	-2.5
Dealing securities	8,816	12,658	11,950	-26.2
Fixed assets	14,820	13,381	13,690	+8.3
investment securities	2,458	2,039	2,033	+20.9
equity investments	10,291	8,313	9,344	+10.1
intangible fixed assets	797	1,613	829	-3.9
tangible fixed assets	1,274	1,416	1,484	-14.2
Other assets	9,235	10,872	8,921	+3.5
Total Assets	124,980	135,007	121,551	+2.8
LIABILITIES AND SHAREHOLDERS' EQUITY				
Payables	97,470	106,233	94,750	+2.9
due to banks	37,800	31,020	37,143	+1.8
due to customers and securities issued ⁽¹⁾	59,670	75,213	57,607	+3.6
Reserves	2,490	3,115	2,512	-0.9
for taxation	660	1,038	790	-16.5
for employee termination indemnities	529	687	512	+3.3
for risks and charges	1,301	1,349	1,169	+11.3
for pensions and similar obligations	-	41	41	n.s.
Other liabilities	8,787	9,613	7,934	+10.8
Subordinated liabilities	5,887	6,090	6,090	-3.3
Shareholders' equity ⁽²⁾	10,346	9,956	10,265	+0.8
Total Liabilities and Shareholders' Equity	124,980	135,007	121,551	+2.8
GUARANTEES AND COMMITMENTS				
Guarantees given	29,298	30,142	29,383	-0.3
Commitments	14,057	14,181	13,359	+5.2

(1) In the reclassified table "Public funds administered", included in the official balance sheet equal to Euro 32 million in 2003 and to Euro 91 million in 2002, are included in the amounts due to customers.

(2) In the reclassified table Sanpaolo IMI's own shares, equal to Euro 34 million in 2003 and to Euro 0 million in 2002, are shown as a reduction of net assets.

The pro-forma balance sheet for the year 2002 takes account of the merger by incorporation of Cardine Finanziaria (with accounting effects from 1st January, 2003); and of the change in accounting methods of the tax credit on dividends (with no effect on the net worth) and of the reconstructing (pursuant to letter no. 3147 of 3rd March, 2003 of the Bank of Italy) of Euro 648 million from securities to credits to customers of capitalisation contracts acquired by Sanpaolo IMI.

CONSOLIDATED STATEMENT OF INCOME

	<i>Year ended 31st December,</i>	
	2003	2002
	<i>(audited)</i>	<i>(audited)</i>
	<i>(in millions of Euro)</i>	
Interest income and similar revenues	7,443	8,693
<i>Including on:</i>		
<i>loans to customers</i>	6,215	6,936
<i>debt securities</i>	727	995
Interest expense and similar charges	(3,701)	(4,955)
<i>Including on:</i>		
<i>deposits from customers</i>	(1,050)	(1,445)
<i>debt securities</i>	(1,761)	(2,203)
Dividends and other revenues	309	565
<i>(a) from shares, quotas and other equities</i>	223	410
<i>(b) from equity investments</i>	86	155
Commission income	3,722	3,467
Commission expense	(685)	(671)
Profits (losses) on financial transactions	198	(98)
Other operating income	396	422
Administrative costs:	(4,610)	(4,648)
(a) payroll	(2,841)	(2,856)
<i>Including: wages and salaries</i>	(2,046)	(2,061)
<i>social security charges</i>	(633)	(618)
<i>termination indemnities</i>	(132)	(140)
<i>pensions and similar commitments</i>	(30)	(37)
(b) other	(1,769)	(1,792)
Adjustments to intangible and tangible fixed assets	(642)	(753)
Provisions for risks and charges	(195)	(261)
Other operating expenses	(68)	(50)
Adjustments to loans and provisions for guarantees and commitments	(1,126)	(889)
Writebacks of adjustments to loans and provisions for guarantees and commitments	417	320
Provisions to the reserve for possible loan losses	(15)	(27)
Adjustments to financial fixed assets	(158)	(569)
Writebacks of adjustments to financial fixed assets	218	8
Income (losses) from investments carried at equity	197	137
Income from operating activities	1,700	691
Extraordinary income	548	575
Extraordinary expenses	(580)	(248)
Extraordinary items, net	(32)	327
Changes in reserve for general banking risks	9	364
Income taxes	(657)	(450)
Minority interests	(48)	(43)
Net income for the year	972	889

CONSOLIDATED BALANCE SHEET

		<i>As at 31st December,</i>	
		2003	2002
		<i>(audited)</i>	<i>(audited)</i>
		<i>(in millions of Euro)</i>	
ASSETS			
Cash and deposits with central banks and post offices 1,474 1,406			
Treasury bills and similar bills eligible for refinancing with central banks 3,923 3,143			
Due from banks: 22,278 22,000			
<i>(a) repayable on demand 7,291 4,975</i>			
<i>(b) other deposits 14,987 17,025</i>			
Loans to customers 124,599 126,701			
<i>Including: loans using public funds 172 206</i>			
Bonds and other debt securities:.. .. . 18,588 16,822			
<i>(a) public entities 10,366 8,628</i>			
<i>(b) banks 5,536 5,079</i>			
<i>Including: own bonds 2,783 1,774</i>			
<i>(c) financial institutions 2,116 1,132</i>			
<i>Including: own bonds 53 8</i>			
<i>(d) other issuers 570 1,983</i>			
Shares, quotas and other equities 2,747 2,595			
Investments: 3,442 3,224			
<i>(a) carried at equity 645 426</i>			
<i>(b) other 2,797 2,798</i>			
Investments in group companies: 1,130 840			
<i>(a) carried at equity 1,130 840</i>			
Goodwill arising on consolidation 883 842			
Goodwill arising on application of the equity method.. .. . 76 188			
Intangible fixed assets 343 406			
<i>Including: start-up costs 2 2</i>			
<i>goodwill 7 16</i>			
Tangible fixed assets.. .. . 1,972 2,229			
Own shares (par value Euro 9 million) 34 31			
Other assets 17,986 20,494			
Accrued income and prepaid expenses: 3,105 2,852			
<i>(a) accrued income 2,223 2,063</i>			
<i>(b) prepaid expenses 882 789</i>			
<i>Including: discounts on bond issues 277 236</i>			
Total Assets		202,580	203,773

	As at 31st December,	
	2003 (audited)	2002 (audited)
	(in millions of Euro)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Due to banks:	28,534	24,456
(a) repayable on demand	3,875	2,952
(b) time deposits or with notice period	24,659	21,504
Due to customers:	79,993	85,280
(a) repayable on demand	63,074	60,458
(b) time deposits or with notice period	16,919	24,822
Securities issued:.. .. .	51,553	51,561
(a) bonds	39,979	39,447
(b) certificates of deposit	7,149	7,310
(c) other	4,425	4,804
Public funds administered	175	208
Other liabilities	18,445	18,807
Accrued expense and deferred income:	2,181	2,164
(a) accrued expense	1,708	1,622
(b) deferred income	473	542
Provision for termination indemnities	946	961
Provisions for risks and charges:	2,982	2,781
(a) pensions and similar commitments	304	343
(b) taxation	732	670
(c) other	1,946	1,768
Reserve for possible loan losses.. .. .	91	71
Reserve for general banking risks	4	14
Subordinated liabilities	6,414	6,613
Negative goodwill arising on application of the equity method	213	94
Minority interests	271	334
Capital	5,144	5,144
Share premium reserve	708	708
Reserves:.. .. .	3,882	3,670
(a) legal reserve	1,029	1,029
(b) reserve for own shares	34	31
(c) other reserves	2,819	2,610
Revaluation reserves.. .. .	72	18
Net income for the year	972	889
Total liabilities and shareholders' equity	202,580	203,773

		<i>As at 31st December,</i>	
		2003	2002
		<i>(audited)</i>	<i>(audited)</i>
		<i>(in millions of Euro)</i>	
GUARANTEES AND COMMITMENTS			
Guarantees given	19,912	20,483
Including:			
<i>acceptances</i>	145	167
<i>other guarantees</i>	19,767	20,316
Commitments	25,839	27,574

DESCRIPTION OF SANPAOLO IMI BANK

Incorporation and Share Capital

Sanpaolo IMI Bank was incorporated as IMI Bank (International) S.A. under Cayman Islands law as an exempted company without limit as to its duration on 16th June, 1987. With effect from 30th May, 1997, Sanpaolo IMI Bank redomiciled from the Cayman Islands to the Madeira International Business Centre in Portugal.

Pursuant to resolutions of the general meeting of shareholders held on 7th September, 1999 and on 8th October, 1999, Sanpaolo IMI Bank changed its name from “*IMI Bank (International) S.A.*” to “SANPAOLO IMI BANK (INTERNATIONAL) S.A.” by means of public deeds executed on 7th September, 1999 and 9th December, 1999 in Madeira, Portugal.

As a fully licensed Portuguese bank, Sanpaolo IMI Bank is subject to the regulations of the Bank of Portugal as well as the relevant laws and regulations of Portugal (including Madeira). Sanpaolo IMI Bank is registered at the Commercial Registry of the Madeira International Business Centre under number 2800. Its registered and head office is located at Av. Arriaga, 73-1 andar-sala 114, 9000-060 Funchal, Madeira, Portugal.

The authorised share capital of Sanpaolo IMI Bank is currently Euro 172,238,000. The issued and paid-up share capital of Sanpaolo IMI Bank is Euro 172,238,000, divided into 34,447,600 ordinary shares of Euro 5 each, as redenominated in Euro pursuant to a shareholders’ resolution of 7th September, 1999. Sanpaolo IMI Bank is in compliance with the Portuguese capital adequacy requirements.

The shares of Sanpaolo IMI Bank are held as follows:

<i>Shareholders</i>	<i>Number of shares held</i>
Sanpaolo IMI	34,447,592
Sanpaolo IMI International S.A.	2
IMI Investments S.A.	2
Sanpaolo IMI Bank Ireland PLC	2
IMI Bank (Lux) S.A.	2
Total	<u>34,447,600</u>

Each of Sanpaolo IMI Bank’s shareholders, other than Sanpaolo IMI, is either directly or indirectly wholly-owned by Sanpaolo IMI. Sanpaolo IMI Bank has no subsidiaries.

Activities

Since its incorporation, Sanpaolo IMI Bank has tapped various segments of the international capital markets, raising medium and long-term funds through a number of bond issues in the form of both public and private placements and loans. Sanpaolo IMI Bank’s guaranteed long-term bond debt is currently rated A+ by Standard & Poor’s, Aa3 by Moody’s and AA- by Fitch.

Board of Directors

The current composition of the Board of Directors of Sanpaolo IMI Bank is as follows:

Stefano Del Punta, *Chairman*
Mario Cotto, *Managing Director*
Raul de Almeida Capela
Paolo Modestini
Pedro Rebelo de Sousa

CAPITALISATION OF SANPAOLO IMI BANK

The following table sets forth the capitalisation of Sanpaolo IMI Bank, extracted from Sanpaolo IMI Bank's financial statements as of 31st December, 2003 prepared in conformity with Portuguese GAAP:

	<i>As at 31st December, 2003 Audited</i>
	<i>(in millions of Euro)</i>
Shareholders' Equity	
Issued Share Capital	172.2
Legal reserve	4.0
Net income for the period	5.2
Total Shareholders' Equity	181.4
Long Term Debt	
Bonds payable:	
U.S. dollar Guaranteed Zero Coupon Bonds due 2005	85.1
Euro Medium Term Notes (by residual maturity):	
Maturing before 31st December, 2004.. .. .	319.2
Maturing after 31st December, 2004 and before 31st December, 2005	1,222.0
Maturing after 31st December, 2005 and before 31st December, 2007	4,495.3
Maturing after 31st December, 2007	272.1
Total Long Term Debt	6,393.7
Short Term Debt	
Euro 3,000 Euro-commercial Paper and Certificate of Deposit Programme	1,496.9
Total Capitalisation ⁽¹⁾⁽²⁾⁽³⁾	8,072.0

- (1) In addition to debt raised by means of the issuance of securities, as reflected in the capitalisation table, as at 31st December, 2003 Sanpaolo IMI Bank had outstanding long-term borrowings of Euro 156.5 million and short-term borrowing of Euro 45 million.
- (2) Subsequent to 31st December, 2003 Sanpaolo IMI Bank issued Euro 1,247 million pursuant to the Euro-Commercial Paper and Certificate of Deposit Programme from 1st January to 30th April, 2004 represented by 32 issues.
- (3) Save as disclosed herein, there has been no material change in the capitalisation of Sanpaolo IMI Bank since 31st December, 2003.

FINANCIAL INFORMATION RELATING TO SANPAOLO IMI BANK

The summary financial information of Sanpaolo IMI Bank set out below and on the following page has been extracted without material adjustment from the audited financial statements of Sanpaolo IMI Bank as at and for the years ended 31st December, 2003 and 2002, such financial statements having been prepared in accordance with generally accepted accounting principles, industry practices and other relevant regulatory requirements applicable to the banking industry in Portugal (Portuguese GAAP).

BALANCE SHEET AT 31st DECEMBER, 2003 AND 2002

(Expressed in thousands of Euro)
(Free translation from the original in Portuguese)

	<i>31st December,</i> 2003	<i>31st December,</i> 2002
	<i>Audited</i>	<i>Audited</i>
ASSETS		
Cash and deposits at central banks	19,701	14,242
Demand deposits with credit institutions	46	61
Placements with credit institutions	8,253,827	8,101,991
Fixed assets	5	6
Accruals and deferred expenses	139,422	178,096
Total Assets	8,413,001	8,294,396
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Amounts due to credit institutions	201,451	280,300
Debt securities:		
Outstanding notes and bonds	6,393,649	6,693,505
Eurocommercial paper and certificates of deposits	1,496,940	953,936
Other liabilities	126	139
Accruals and deferred income	138,458	183,193
Provisions for general bank risks	1,000	2,289
Total Liabilities	8,231,624	8,113,362
SHAREHOLDERS' EQUITY		
Share capital (common stock – 34,447,600 shares authorised, issued and outstanding)	172,238	172,238
Reserves	3,978	3,443
Net income for the period	5,161	5,353
Total Shareholders' Equity	181,377	181,034
Total Liabilities and Shareholders' Equity	8,413,001	8,294,396

FINANCIAL INFORMATION RELATING TO SANPAOLO IMI BANK

**INCOME STATEMENT
YEARS ENDED 31st DECEMBER, 2003 AND 2002**

(Expressed in thousands of Euro)
(Free translation from the original presentation in Portuguese)

	<i>31st December, 2003 Audited</i>	<i>31st December, 2002 Audited</i>
DEBITS		
Interest expense	211,533	267,593
Commissions	2	2
Trading activity losses	7	12
General administrative costs:		
Staff costs	28	28
Other administrative coats	664	859
Total general administrative costs	692	887
Depreciation and amortisation	3	4
Other taxes	30	30
Net profit for the period	5,161	5,353
Total	217,428	273,881
CREDITS		
Interest income	216,131	273,867
Commissions	1	1
Provisions	1,289	-
Extraordinary gains	7	13
Total.. .. .	217,428	273,881

TAXATION

Madeira and Portugal

Sanpaolo IMI Bank has been advised that under the existing laws of Madeira and Portugal any payment under the Notes, Coupons and Receipts, deemed as interest pursuant to Portuguese tax legislation, from Madeira to non-residents of Portugal, will not be subject to Portuguese withholding tax, stamp tax or any other taxes either local or national, until the year 2011, with the exception of payments to (i) entities not resident in Portugal with a permanent establishment in Portugal and (ii) entities not resident in Portugal which are controlled by Portuguese entities. The tax exemption referred to above also applies to transactions carried out with entities resident in the *Zona Franca da Madeira* (the “Madeira International Business Centre”) which are not credit institutions, financial companies or branches of financial companies carrying out banking or financial transactions with entities resident in Portugal or with a permanent establishment in Portugal of an entity not resident therein. The tax regime applicable to entities with a licence to operate in the Madeira International Business Centre issued up to 31st December, 2000, such as Sanpaolo IMI Bank, is set out in Article 33 of the *Estatuto dos Benefícios Fiscais* (the “*Statute of Tax Incentives*”). The main tax exemptions provided by the Madeira International Business Centre tax regime to Sanpaolo IMI Bank are granted until 31st December, 2011 (Article 33 of the Statute of Tax Incentives). The tax position with effect from 2011 is expected to be the same as that on the Portuguese mainland unless an extension of the current position is granted. Neither Sanpaolo IMI Bank nor Sanpaolo IMI is in a position to predict at this time whether such an extension will be granted. There will be no Portuguese stamp duty payable on Notes, Coupons or Receipts issued by Sanpaolo IMI Bank brought into Portugal but a holder of Notes or Coupons receiving interest payments in Portugal will be subject to normal Portuguese taxation. Pursuant to the provisions of Portuguese anti-avoidance legislation (Article 38, paragraph 2 of the *Lei Geral Tributária*) payments to entities not resident in Portugal which are resident for tax purposes in a territory included in the list of jurisdictions with a clearly more favourable tax regime approved by *Portaria* (Ministerial Order) 150/2004 of the Portuguese Minister of Finance could be challenged by the Portuguese authorities in the event that the Portuguese authorities consider that the transaction in question is implemented with the principal aim of illegally avoiding tax.

For the purposes of maintaining the tax exemption of the Madeira International Business Centre (as set out in Article 33 of the *Estatuto dos Benefícios Fiscais*, as amended), Sanpaolo IMI Bank must, when requested by the Portuguese tax authorities, provide evidence that transactions, which in the absence of the Madeira International Business Centre tax exemption would attract Portuguese taxation, were directly carried out with entities not resident in Portugal. This is made by presenting the following documents (as relevant):

- (i) tax payers identification (including jurisdiction of taxation and tax number), if the entities in question are central banks or institutions subject to public law or financial companies located in any OECD Member State or in a country with which Portugal has entered into a treaty to avoid international double taxation and are subject to a supervisory regime or to administrative registration (*regime administrativo*); or
- (ii) residence certificate or equivalent document issued by the tax authorities or other official authority of the country of residence or by the Portuguese consulate of the country of residence, in all other cases.

For (ii) above, the documents cannot have been issued more than three years before the date of the transaction in question or three months after the date of the transaction in question (unless the tax authorities of the country of residence of the non resident entity indicate a shorter period in which case such shorter period will apply).

Italy

The statements herein regarding taxation are based on the laws in force in Italy as of the date of this Offering Circular and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Law No. 80 of 7th April, 2003

for the reform of the Italian tax system has been approved by the Italian Parliament on 26th March, 2003 which authorises the Italian Government, *inter alia*, to issue, within two years of the entering into force of such law, legislative decrees introducing a general reform of the tax treatment of financial income, which may impact upon the tax regime of the Notes, as described hereunder. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes. Legislative Decree No. 344 of 12th December, 2003 (“Decree 344”) published in the Italian Official Gazette of 16th December, 2003, No. 261 (Ordinary Supplement No. 190), effective as of 1st January, 2004 introduced the reform of taxation of corporations and of certain financial income amending the Italian Income Taxes Consolidated Code.

Tax treatment of Notes issued by Sanpaolo IMI and other Italian resident issuers (not including their foreign branches)

Legislative Decree No. 239 of 1st April, 1996 (“Decree 239”), as subsequently amended, provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes issued, *inter alia*, by Italian banks, falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*), provided that the notes are issued for an original duration of not less than 18 months.

Italian resident Noteholders

Where an Italian resident Noteholder is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Notes are subject to a tax withheld at source, referred to as *imposta sostitutiva*, levied at the rate of 12.5 per cent. In case the Noteholders described under (i) to (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Where an Italian resident Noteholder is a company or similar commercial entity and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder’s annual income tax return and are therefore subject to general Italian corporate taxation.

Under the current regime provided by Law Decree No. 351 of 25th September, 2001 converted into law with amendments by Law No. 410 of 23rd November, 2001, as clarified by the Italian Revenue Agency through Circular No. 47/E of 8th August, 2003, payments of interests, premiums or other proceeds in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 25th January, 1994 are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of a real estate investment fund.

Where an Italian resident Noteholder is an open-ended or a closed-ended investment fund (the “Fund”) or a SICAV and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but to a 12.5 per cent. or to a 5 per cent. annual substitute tax (each the “Collective Investment Fund Tax”). The 12.5 per cent. substitute tax is calculated on the net result accrued at the end of the tax period. Pursuant to Article 12 of Law Decree 30th September, 2003, No. 269 (“Decree No. 269”), the 5 per cent. substitute tax on the net result accrued at the end of the tax period applies, if: (i) according to the Fund management regulation or to the SICAV by-laws, the Fund or the SICAV hold a participation of at least $\frac{2}{3}$ of their portfolio in small or medium capitalised companies listed on EU Stock Exchanges; and (ii) following the first year from the application of this tax regime and during the subsequent years (with some days of tolerance), the participation in small or medium capitalised companies is equal at least to $\frac{2}{3}$ of the portfolio of the Fund or of the SICAV.

Where an Italian resident Noteholder is a pension fund and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 11 per cent. substitute tax.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a Decree of the Ministry of Economy and Finance (each an “*Intermediary*”) as subsequently amended and integrated.

An Intermediary must (i) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary and (ii) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder.

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident, an exemptive regime applies to interest, premium or other income relating to the Notes provided that the non-Italian resident beneficial owner is either (i) resident, for fiscal purposes, in a country which allows for a satisfactory exchange of information with Italy; or (ii) an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of a taxpayer in its own country of residence; or, independently by the relevant country of tax residence, (iii) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (iv) the Central Bank or an entity which manages the official reserves of a foreign State.

For the purpose of the application of the exemption, the countries which allow for a satisfactory exchange of information with Italy are listed in Ministerial Decree 4th September, 1996, as amended from time to time, and include, *inter alia*, all members of the European Union, Australia, Brazil, Canada, Japan and the United States of America, but exclude, *inter alia*, Switzerland and Cyprus.

The *imposta sostitutiva* will be applicable at the rate of 12.5 per cent. to interest, premium and other income accrued during the holding period when the Noteholders are resident, for fiscal purposes, in countries which do not allow for a satisfactory exchange of information with Italy.

In order to ensure gross payment, non-resident investors must be the beneficial owners of payments of interest, premium or other income and (i) deposit the Notes, the Receipts or the Coupons with a bank or a SIM or a permanent establishment in Italy of a non-resident bank or SIM or with a non-resident operator of a clearing system having appointed as its agent in Italy for the purposes of Decree 239 a resident bank or SIM or a permanent establishment in Italy or a non-resident bank or SIM which are in contact via computer with the Ministry of Economy and Finance and (ii) file with the relevant depositary, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, to be provided only once, until revoked or withdrawn, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy or in the case of foreign Central Banks or entities which manage the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree 12th December, 2001.

Early Redemption

Without prejudice to the above provisions, in the event that Notes issued by an Italian resident issuer are redeemed prior to 18 months from the Issue Date, the relevant issuer will be required to pay a tax equal to 20 per cent. of the interest and other amounts accrued up to the time of the early redemption. Such payment will be made by the relevant issuer and will not affect the amounts to be received by the Noteholder by way of interest or other amounts, if any, under the Notes.

Notes with a duration of less than 18 months

Interest payments relating to Notes issued with a duration of less than 18 months are subject to a withholding tax, levied at the rate of 27 per cent.

Where the Noteholder is (i) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected, (ii) an Italian company or a similar Italian commercial entity, (iii) a permanent establishment in Italy of a foreign entity, (iv) an Italian commercial partnership, or (v) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax; in all other cases, the withholding tax is a final withholding tax.

Tax treatment of Notes issued by Sanpaolo IMI Bank and other non-Italian resident issuers

Decree 239 also provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes issued, *inter alia*, by non-Italian resident issuers, falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*).

Italian resident Noteholders

Pursuant to Decree 239, an *imposta sostitutiva* equal to (i) 12.5 per cent. in relation to Notes issued for an original duration of not less than 18 months and (ii) 27 per cent. in relation to Notes issued for an original duration of less than 18 months, is applied on any payment of interest concerning Notes issued by Sanpaolo IMI Bank or other non-Italian resident issuers if payments are made to (i) an Italian individual not engaged in an entrepreneurial activity to which the Notes are connected, (ii) an Italian non-commercial partnership, (iii) an Italian non-commercial private or public institution, or (iv) an Italian investor exempt from Italian corporate income taxation. Such withholding is applied by the Italian resident Intermediary. In case the Noteholders described under (i) to (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Where an Italian resident Noteholder is a company or similar commercial entity and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder's annual income tax return and are therefore subject to general Italian corporate taxation.

If the Notes are issued for an original duration of less than 18 months, the 27 per cent. *imposta sostitutiva* is also applied to any payment of interest or premium relating to the Notes made to (i) Italian pension funds, (ii) Italian open-ended or closed-ended investment funds, and (iii) Italian SICAVs.

Without prejudice to the above provisions, in the event that Notes issued by Sanpaolo IMI Bank or another non-Italian resident issuer are redeemed prior to 18 months from the Issue Date, the Italian resident Noteholders will be required to pay, by way of a withholding to be applied by the Italian intermediary responsible for payment of interest or the redemption of the Notes, an amount equal to 20 per cent. of the interest and other amounts accrued up to the time of the early redemption.

For whichever Noteholder's category that has not been specifically mentioned in this paragraph, please refer to the paragraph "*Tax treatment of Notes issued by Sanpaolo IMI other than Italian resident issuers – Italian resident Noteholders*" above.

Early Redemption

Without prejudice to the above provisions, in the event that Notes having an original maturity of at least 18 months are redeemed, in full or in part, prior to 18 months from their issue date, Italian resident Noteholders will be required to pay, by way of a withholding to be applied by the Italian intermediary responsible for payment of interest or the redemption of the Notes, an amount equal to 20 per cent. of the interest and other amounts accrued up to the time of the early redemption.

Non-Italian resident Noteholders

No Italian *imposta sostitutiva* is applied on payments to a non-Italian resident Noteholder of interest or premium relating to the Notes issued by Sanpaolo IMI Bank or another non-Italian resident issuer provided that, if such Notes are held in Italy, the non-Italian resident Noteholder declares to be non-Italian resident according to Italian tax regulations.

Payments made by an Italian resident guarantor

With respect to payments on the Notes made to certain Italian resident Noteholders by an Italian resident guarantor, in accordance with one interpretation of Italian tax law, any payment of liabilities equal to interest and other proceeds from the Notes may be subject to a provisional withholding tax at a rate of 12.5 per cent., pursuant to Presidential Decree No. 600 of 29th September, 1973, as subsequently amended. In case of payments to non-Italian resident Noteholders, the withholding tax may be applied at (i) 12.5 per cent. if the payment is made to non-Italian resident Noteholders other than those mentioned under (ii); or (ii) 27 per cent. if payments are made to non-Italian resident Noteholders who are resident in a country which is a “tax haven” (as defined and listed in Ministerial Decree 23rd January, 2002, as amended from time to time). Double taxation treaties entered into by Italy may apply allowing for a lower (on, in certain cases, nil) rate of withholding tax. In accordance with another interpretation, any such payment made by the Italian resident guarantor will be treated, in certain circumstances, as a payment by the relevant issuer and will thus be subject to the tax regime described in the previous paragraphs of this section.

Atypical securities

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 27 per cent.

In case of Notes issued by an Italian resident issuer, where the Noteholder is (i) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected, (ii) an Italian company or a similar Italian commercial entity, (iii) a permanent establishment in Italy of a foreign entity, (iv) an Italian commercial partnership or (v) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases the withholding tax is a final withholding tax. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value.

If the Notes are issued by a non-Italian resident issuer, the 27 per cent. withholding tax mentioned above does not apply to interest payments made to a non-Italian resident Noteholder and to an Italian resident Noteholder which is (i) a company or similar commercial entity (including the Italian permanent establishment of foreign entities), (ii) a commercial partnership, or (iii) a commercial private or public institution.

Capital gains tax

Any gain obtained from the sale or redemption of the Notes would be treated as part of taxable income if received by an Italian company or a similar commercial entity including an Italian permanent establishment of foreign entities to which the Notes are connected or Italian resident individuals engaged in an entrepreneurial activity.

Where an Italian resident Noteholder is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, any gain realised by the Noteholder would be subject to an *imposta sostitutiva*, levied at the current rate of 12.5 per cent. Noteholders may set-off losses with gains. Alternative tax regimes are contemplated if the Notes are managed by authorised intermediaries on behalf of the Italian resident Noteholder.

Capital gains realised by non-Italian resident Noteholders from the sale of Notes traded on regulated markets are not subject to the *imposta sostitutiva*.

Capital gains realised by non-Italian resident Noteholders from the sale of Notes not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary:

- (i) is resident in a country which allows for a satisfactory exchange of information with Italy; or
- (ii) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or

- (iii) is a Central Bank or an entity which manages the official reserves of a foreign State; or
- (iv) is an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of a taxpayer in its own country of residence.

If the conditions above are not met, capital gains realised by non-Italian resident Noteholders from the sale of Notes not traded in regulated markets are subject to the *imposta sostitutiva* at the current rate of 12.5 per cent. However, non-Italian resident Noteholders that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale or redemption of notes are to be taxed only in the country of tax residence of the recipient will not be subject to *imposta sostitutiva* on any capital gains realised upon the sale or redemption of the Notes.

Gains realised by non-Italian resident Noteholders from the sale or redemption of Notes issued by Sanpaolo IMI Bank or another non-Italian resident issuer (whether or not traded on regulated markets) are not subject to Italian taxation, provided that the Notes are held outside Italy.

Italian gift tax

Italian inheritance tax has been abolished by Law No. 383 of 18th October, 2001 in respect of succession proceedings started after 25th October, 2001. Transfers of the Notes by reason of gift to persons other than the spouse, siblings, ascendants and descendants or relatives within the 4th grade will be subject to transfer taxes ordinarily applicable to the relevant transfer for consideration, if due, in respect of the value of the gift received by each person exceeding Euro 180,759.91.

Moreover, an anti-avoidance rule is provided for in case of gift of assets whose sale for consideration would give rise to capital gains to be subject to the *imposta sostitutiva* provided for by Legislative Decree No. 461 of 21st November, 1997, as subsequently amended, such as the Notes. In particular, if the donee sells the Notes for consideration within 5 years from their receipt as a gift, the donee is required to pay the relevant *imposta sostitutiva* as if the gift had never taken place.

Transfer tax

In general, transfer tax is currently payable upon a transfer of Notes at a rate between a maximum of Euro 0.0083 and a minimum of Euro 0.00465 per Euro 51.65 (or fraction thereof) of the price at which the Notes are transferred. Where transfer tax is applied at a rate of Euro 0.00465 per Euro 51.65 (or fraction thereof) of the price at which Notes are transferred, the transfer tax cannot exceed Euro 929.62.

However, transfer tax does not apply, *inter alia*, to: (i) contracts concluded on regulated markets regarding the transfer of securities, including contracts between the intermediary and its principal or between qualified intermediaries; (ii) off-market transactions regarding securities listed on regulated markets, provided that such transactions occurred (a) between banks, SIMs or other investment companies regulated by Decree No. 415 of 23rd July, 1996 as superseded by Legislative Decree No. 58 of 24th February, 1998, or stockbrokers; (b) between the subjects mentioned in (a) above, on the one hand, and non-Italian residents, on the other hand; (c) between the subjects mentioned in (a) above, even if non-resident in Italy, on the one hand, and undertakings for collective investment in transferable securities, on the other hand; and (iii) contracts related to sales of securities occurring in the context of a public offering (*offerta pubblica di vendita*) aimed at listing on regulated markets, or involving financial instruments already listed on regulated markets; or (iv) contracts regarding securities not listed on a regulated market entered into between the authorised intermediaries referred to in (ii)(a) above, on the one hand, and non-Italian residents on the other hand.

EU Savings Tax Directive

On 3rd June, 2003, the European Council of Economics and Finance Ministers adopted a Directive on the taxation of savings income under which Member States will be required, if a number of important conditions are met and from a date not earlier than 1st January, 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State, except that, for a transitional period,

Belgium, Luxembourg and Austria will instead be required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

SUBSCRIPTION AND SALE

The Dealers have in a programme agreement (the “*Programme Agreement*”) dated 27th April, 1999, as amended and restated on 19th May, 2004 agreed with the Issuers a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, the Issuers have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the relevant Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) in relation to Notes which have a maturity of one year or more, it has not offered or sold and, prior to the expiry of the period of six months from the issue date of such Notes, will not offer or sell any such Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);
- (ii) in relation to any Notes issued by an Issuer other than Sanpaolo IMI which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose

ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (iii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA (a) (where the Issuer is other than Sanpaolo IMI) does not apply to the Issuer or would not apply to the Guarantor if it was not an authorised person, or (b) (where the Issuer is Sanpaolo IMI) would not apply to the Issuer if it was not an authorised person; and
- (iv) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the “*Securities and Exchange Law*”) and each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Italy

The offering of the Notes has not been registered pursuant to the Italian securities legislation and accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold, and will not offer or sell, any Notes in Italy in a solicitation to the public at large, and that, save as provided below, sale of the Notes by such Dealer in Italy shall only be negotiated on an individual basis, and shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Accordingly, the Notes may not be offered, sold or delivered and neither the Offering Circular nor any other offering material relating to the Notes may be distributed or made available in Italy unless to “*Professional Investors*”, as defined in Article 31.2 of Consob Regulation No. 11522 of 1st July, 1998 (as amended, restated or substituted from time to time) (“*Regulation No. 11522*”), pursuant to Article 30.2 and Article 100 of Legislative Decree No. 58 of 24th February, 1998 (“*Decree No. 58*”), or in any other circumstances where an express exemption from compliance with the solicitation restriction, provided by Decree No. 58 or Consob Regulation No. 11971 of 14th May, 1999 (as amended, restated or substituted from time to time) (“*Regulation No. 11971*”) applies, provided, however, that: (i) such activities are carried out by a securities intermediary duly authorised to conduct such activities in Italy and in accordance with applicable Italian securities laws and any other applicable legal or regulatory requirements, including, *inter alia*, Decree No. 58, 1998, Regulation No. 11522, Legislative Decree No. 385 of 1st September, 1993 (the “*Italian Banking Act*”) and Regulation No. 11971, all as amended, restated and/or substituted from time to time; and (ii) the applicable requirements for notices to the Bank of Italy under Article 129 of the Italian Banking Act, and the Bank of Italy’s instructions issued thereunder are fully complied with.

Portugal

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that (i) it has not directly or indirectly taken any action or offered, advertised, sold or delivered and will not directly or indirectly offer, advertise, sell, re-sell, re-offer or deliver

any Notes in circumstances which could qualify as a public or private offer in the Portuguese market pursuant to the Portuguese Capital Markets Code (*Código dos Valores Mobiliários*) or in circumstances which could qualify the issue of the Notes as an issue in the Portuguese market and (ii) it has not directly or indirectly distributed and will not directly or indirectly distribute any prospectus or any documents, circulars, advertisements or any offering material except in accordance with all applicable laws and regulations. No invitation may be made to residents of the Republic of Portugal to subscribe for any Notes.

Germany

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the Federal Republic of Germany other than in compliance with the German Securities Selling Prospectus Act (*Wertpapierverkaufsprospektgesetz*) of 13th December, 1990, as amended, or any other laws applicable in the Federal Republic of Germany governing the issue, offering and sale of securities.

The Netherlands

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell in The Netherlands any Notes with a denomination of less than €50,000 (or its foreign currency equivalent) other than to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises) unless one of the other exemptions from or exceptions to the prohibition contained in article 3 of the Dutch Securities Transactions Supervision Act 1995 (*Wet toesticht effectenverkeer 1995*) is applicable and the conditions attached to such exemption or exception are complied with.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuers, the Guarantor or any of the other Dealers shall have any responsibility therefor.

None of the Issuers, the Guarantor or any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the relevant Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

GENERAL INFORMATION

Authorisation

The establishment of the Programme, the issue of Notes under the Programme by Sanpaolo IMI and the giving of the Guarantee in respect of Notes issued other than by Sanpaolo IMI have been duly authorised by a resolution of the Board of Directors of Sanpaolo IMI passed on 26th January, 1999.

The establishment of the Programme and the issue of the Notes under the Programme by Sanpaolo IMI Bank have been duly authorised by a resolution of the Board of Directors of Sanpaolo IMI Bank passed on 3rd March, 1999.

The original offering circular describing the Programme dated 27th April, 1999 (the “*Original Offering Circular*”) was superseded by an offering circular dated 22nd May, 2000 (the “*Second Offering Circular*”). The Second Offering Circular, as amended and supplemented by two supplemental offering circulars dated, respectively, 26th September, 2000 and 2nd November, 2000, was superseded by an offering circular dated 18th May, 2001 (the “*Third Offering Circular*”). The Third Offering Circular, as amended and supplemented by two supplemental offering circulars dated, respectively, 21st November, 2001 and 17th January, 2002, was superseded by an offering circular dated 20th May, 2002 (the “*Fourth Offering Circular*”). The Fourth Offering Circular, as amended and supplemented by a supplemental offering circular dated 6th December, 2002, was superseded by an offering circular dated 20th May, 2003 (the “*Fifth Offering Circular*”). The Fifth Offering Circular was then amended and supplemented by two supplemental offering circulars dated, respectively, 5th August, 2003 and 28th January, 2004 (the “*Supplemental Offering Circulars*”). This Offering Circular supersedes the Fifth Offering Circular, as amended and supplemented by the Supplemental Offering Circulars.

Listing of Notes on the Luxembourg Stock Exchange

Application has been made to list Notes issued under the Programme on the Luxembourg Stock Exchange. A legal notice relating to the Programme and the constitutional documents of Sanpaolo IMI and Sanpaolo IMI Bank are being lodged with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés, Luxembourg*) where such documents may be examined and copies obtained.

For listing purposes, the Luxembourg Stock Exchange has allocated to the Programme the number 12158.

Documents Available

So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available from the registered office of each Issuer and from the specified offices of the Paying Agents for the time being in Luxembourg:

- (i) the constitutional documents (with an English translation thereof) of each Sanpaolo IMI and Sanpaolo IMI Bank;
- (ii) the consolidated audited financial statements of Sanpaolo IMI in respect of the financial years ended 31st December, 2002 and 2003 (with an English translation thereof);
- (iii) the audited financial statements of Sanpaolo IMI Bank for the financial years ended 31st December, 2002 and 2003 (with an English translation thereof) prepared in conformity with accounting principles generally accepted in Portugal for the banking sector;
- (iv) the most recently published audited annual financial statements of each Sanpaolo IMI and Sanpaolo IMI Bank and the most recently published interim financial statements (if any) of each Sanpaolo IMI and Sanpaolo IMI Bank (in each case with an English translation thereof). Sanpaolo IMI currently prepares consolidated and non-consolidated audited Italian GAAP financial statements and consolidated audited U.S. GAAP financial statements for the 12-month period to 31st December in each year, consolidated and non-consolidated Italian GAAP financial statements (subject to a limited review) for the six-month period to 30th June in each

year and non-consolidated unaudited financial statements for the three-month and nine-month periods to 31st March and 30th September, respectively, in each year. Sanpaolo IMI Bank currently prepares audited financial statements in conformity with Portuguese GAAP with accounting principles generally accepted in Portugal for the banking sector for the 12-month period to 31st December in each year and a consolidation reporting package for the consolidated financial statements of the Group for the six-month period to 30th June in each year;

- (v) the Programme Agreement, the Trust Deed, the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (vi) a copy of this Offering Circular;
- (vii) any future offering circulars, prospectuses, information memoranda and supplements including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and
- (viii) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Pricing Supplement.

Material Adverse Change

There has been no adverse change in the financial condition, trading position or prospects of each of Sanpaolo IMI Bank or Sanpaolo IMI and its subsidiaries taken as a whole since 31st December, 2003 which is material in the context of the issue of Notes.

Litigation

No Issuer nor any other member of the Group is involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which any Issuer is aware) which may have or have had in the 12 months preceding the date of this document a material adverse effect on the financial position of any Issuer or the Group.

Auditors

The auditors of Sanpaolo IMI are PricewaterhouseCoopers S.p.A. since 1st January, 2001. PricewaterhouseCoopers S.p.A. audited, without qualification, Sanpaolo IMI's accounts for the financial year ended 31st December, 2003.

The auditors of Sanpaolo IMI Bank are PricewaterhouseCoopers Lda since 1st January, 2002. PricewaterhouseCoopers, Lda audited Sanpaolo IMI Bank's accounts, without qualification, for the financial year ended 31st December, 2003.

Trustee's Reliance on Certificates and Reports

The Trust Deed will provide that the Trustee may rely on any certificate or report by the auditors of the Issuer or any other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with the provisions of the Trust Deed as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Trustee in connection therewith contains a monetary or other limit on the liability of the auditors of the Issuer or such other person in respect thereof.

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