

2002 Annual Report

SANPAOLO IMI S.p.A.

REGISTERED OFFICE: PIAZZA SAN CARLO 156, TURIN, ITALY

SECONDARY OFFICES:

- VIALE DELL'ARTE 25, ROME, ITALY

- VIA FARINI 22, BOLOGNA, ITALY

COMPANY REGISTER OF TURIN 06210280019

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

PARENT BANK OF THE SANPAOLO IMI BANKING GROUP

MEMBER OF THE INTERBANK DEPOSIT GUARANTEE FUND

This document has been translated from that issued in Italy from the Italian into the English language solely for the convenience of international readers.

Board of Directors

Luigi Arcuti	<i>Honorary Chairman</i>
Rainer Stefano Masera (*)	<i>Chairman</i>
Isabelle Bouillot	<i>Director</i>
Pio Bussolotto (*)	<i>Managing Director</i>
Alberto Carmi	<i>Director</i>
Giuseppe Fontana	<i>Director</i>
Gabriele Galateri di Genola e Suniglia	<i>Director</i>
Richard Gardner	<i>Director</i>
Alfonso Iozzo (*)	<i>Managing Director</i>
Mario Manuli	<i>Director</i>
Luigi Maranzana (*)	<i>Managing Director</i>
Virgilio Marrone (*)	<i>Director</i>
Abel Matutes	<i>Director</i>
Iti Mihalich (*)	<i>Director</i>
Emilio Ottolenghi	<i>Director</i>
Orazio Rossi (*)	<i>Deputy Chairman</i>
Gian Guido Sacchi Morsiani	<i>Director</i>
Enrico Salza (*)	<i>Deputy Chairman</i>
Remi François Vermeiren	<i>Director</i>

() Members of the Executive Committee*

Board of Statutory Auditors

Mario Paolillo	<i>Chairman</i>
Aureliano Benedetti	<i>Auditor</i>
Maurizio Dallochio	<i>Auditor</i>
Paolo Mazzi	<i>Auditor</i>
Enrico Vitali	<i>Auditor</i>
Stefania Bortoletti	<i>Supplementary Auditor</i>
Antonio Ottavi	<i>Supplementary Auditor</i>

Independent Auditors

PricewaterhouseCoopers S.p.A.

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Agenda of the Shareholders' Meeting

TURIN

1st calling for the extraordinary and ordinary meetings: 28 April 2003

2nd calling for the extraordinary and ordinary meetings: 29 April 2003

Extraordinary part:

1. Increase of the legal reserve to the maximum limit provided for by art. 2430, subsection 1 of the Italian Civil Code, allocating part of the merger surplus, of the reserve ex art. 7, subsection 3, of Law 218/1990, of the reserve ex D. Lgs. 169/1983 and of part of the share premium reserve.

Ordinary part:

1. Financial statements as of 31 December 2002, reports of the Board of Directors and the Board for Statutory Auditors; allocation of net income; consolidated Group financial statements as of 31 December 2002.
2. Authorization for the purchase and sale of own shares.
3. Remuneration of the Directors.

Letter to the Shareholders

Shareholders,

2002 was not an easy year for banks and financial operators, characterized by a persistently weak international economic cycle, by the crisis of several important international industrial groups, by growing political and military tension and by serious uncertainties on the stock markets, with the consequent drop in the stock price.

In the twelve months the international stock exchanges lost over 20%; even more dramatic trends featured in Europe, where the FTSE Eurotop lost 33%, and in Italy, where the MIB 30 fell by 26%. Contrary to the initial forecast of an improvement in the recovery, the European economy slowed down considerably in 2002, with GDP averaging 0.8% compared with 2001's 1.5%, despite the gradual reduction of interest rates to all-time lows in the EU.

This scenario created strong pressure on the revenues of Italian and European banks following the compression of lending margins and the drop in commissions from financial services, as well as significant charges in terms of adjustments to loans and shareholding investments.

The SANPAOLO IMI Group, leader in the asset management sector in Italy, was affected by these difficult market conditions, registering a decline in revenues and a reversal in profit levels; strict assessment policies were implemented with regard to financial and lending income, involving significant adjustments to the statement of income; consolidated net income was 889 million euro, down 35.4% on the previous year.

The same difficulties also contributed to creating a strong reaction by the Group, which achieved important operating results and considerably increased transactions with companies as well as with households. As far as loans are concerned, while maintaining a policy of meticulous quality assessment, the Group's net loans to customers grew by 2.2%. This result is significant as it has been obtained by pursuing a policy of selecting and reducing loans to some important domestic and international groups. The level of service, loans aside, to companies has also risen. Relevant in this context was the development of Banca OPI, which took full advantage of the opportunities, deriving from the need for investments in infrastructure, from both the public sector and partnerships with private customers.

Increases were also registered in transactions with households and private customers, in terms of mortgages, personal loans and consumer credit, with regard both to asset management and financial services. The effect of the devaluation of the stock exchanges

on customer financial assets was largely offset by a net flow of asset management of 3.2 billion euro and a positive trend of direct deposits and assets under administration flows (+1.7% and +3.7% respectively), confirming the capacity of the distribution networks to maintain a relationship of trust and service with customers, despite the adverse market situation, as proven by the increase in traditional banking services.

Operational development was accompanied by constant attention to cost control: thanks to a drop in personnel costs and to actions to rationalize the organizational structure, the Group kept administrative costs quite stable despite considerable integration charges.

The solid financial situation, summarized by a Tier 1 ratio of 7.3% and by a total ratio of 10.7%, the quality of assets and the positive operating results attained in a difficult market, make it possible to propose to shareholders the distribution of a dividend of 0.30 euro per share and represent a solid base on which to build a strategy of sustainable development over the years to come.

The Group responded to the adverse market conditions with effective structural actions, accelerating the integration processes of its distribution networks: in May, a decision was made to integrate Banca Sanpaolo Invest into Banca Fideuram, in June the merger with Cardine Banca took place followed, at the end of the year, by the merger with Banco di Napoli. These company transactions were accompanied by important operating initiatives: all the finance and treasury operations were centralized in the Parent Bank. The integration of the IT systems continued and will be completed by June 2003 for the branches of the former Banco di Napoli and extended, as of the end of the year, to the Cardine bank networks, being completed in the first half of 2004.

The strong impulse to the integration processes is closely linked with the definition of a highly innovative organizational model for the branch networks, which intends to combine the improvement in operating efficiency and the distribution capacity with the local roots and excellent service and the provision of a quick response to customers.

This new distribution model represents the mainstay of the three-year plan for 2003-2005 presented last February by the Board of Directors, confirming the Group's strategic decision to reinforce primarily its position in the domestic banking market, consolidating that gained in services to households and companies thanks to investments and internal and external growth actions performed in previous years. The Group's banking networks, which at the beginning of 2000 included just over 1,300 branches, now number more than 3,000 branches providing extensive coverage of most of the country. The operating links with the Cassa di Risparmio di Firenze Group

and with the Cassa dei Risparmi di Forlì have also been strengthened, completing the Group's national coverage and distribution capacities.

The Plan shows company loans and services and management of households' savings as being priority markets.

On the loans front, the decision to dedicate attention to all corporate segments resulted in the progressive diversification of the portfolio: despite the confirmed commitment to sustain the main Italian industrial groups, the exposure to several groups in Italy and abroad and, consequently, the level of concentration, were reduced. The weight of the first 10 borrowers in the loan portfolio has fallen over the last three years from 13.4% to 10.4%, while loans to small- and medium-sized companies and to households have increased, both through the banking channel and in the form of consumer credit, where the Group concentrated its investments in Finemiro for synergic development with the banking activity. Corporate loans and services will be strengthened throughout the country, accepting the challenge that the new Basel rules present to banks and companies and thus allocating to this customer segment the network of approximately 130 branches created during the last 18 months and the activity of the specialized companies within the Group aimed at creating innovative financial products.

With the acquisition of Banka Koper, the Public Offer for Inter-Europa Bank, the restoration and consolidation of West Bank and the establishment of a widespread network of offices in the New Europe, the Group is capable of offering efficient services to Italian customers and of contributing to the support of economic and financial relations with countries in that region.

Concerning asset management products, instruments and techniques adopted by the Sanpaolo Network in terms of sales and advisory services to households are concerned, these will be exported to the other distribution networks, benefiting markets in the South and North-East. Simultaneously, the Sanpaolo IMI Wealth Management product factory continues to improve product performance and innovation, taking full advantage of the opportunities offered by the insurance, pensions and welfare market.

The Plan provides for initiatives aimed at improving earnings in all the other main business areas, as well as the active management of the investment portfolio, in order to optimize the allocation and performance of the capital invested and to free up resources to use for new, selected development opportunities. The partnership projects set up or being studied with the foreign groups SCH and CDC Ixis/EULIA are moving in this direction.

These actions to relaunch operations and revenues will be accompanied by strict policies to rationalize structures and to keep costs down, starting by rationalizing head offices and subsidiaries, with investments in the IT systems of the Macchina Operativa Integrata and with a staff policy enabling a reduction of Group's total personnel and, at the same time, implementing a rejuvenation of staff and boosting resources dedicated to the distribution structures.

The financial targets of the Plan, in which a gradually recovering and fragile economic scenario can be envisaged for 2003 with more sustained growth over the next two years, can be summarized in a RoE progressively increasing by 9% in 2003 up to 15% in 2005⁽¹⁾. The simultaneous action on revenues and costs will enable the Group to make significant improvements to the cost/income ratio, taking it from the current 65% to below 55% in 2005.

These are ambitious aims, especially considering the market conditions that are characterizing the early part of 2003 and the uncertainty that continues to prevail with regard to the performance of the international economy and financial markets, also due to the conflict in Iraq, but to which management is fully committed.

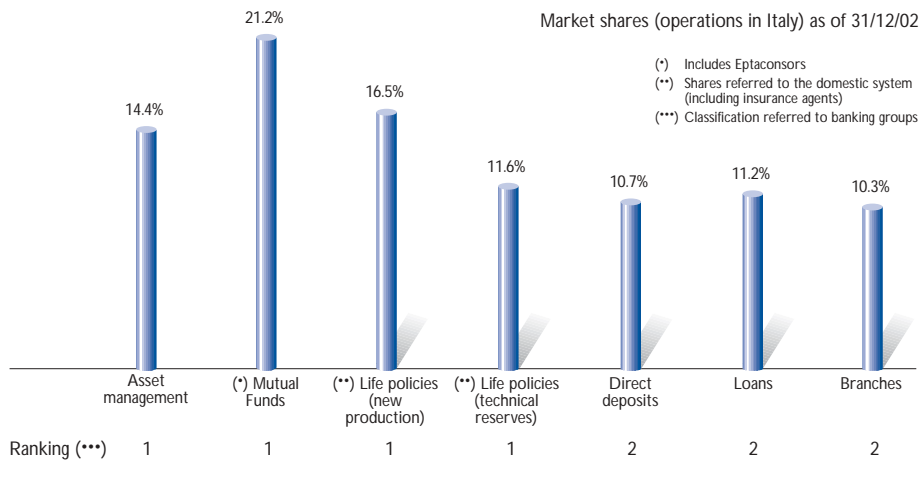
The operating evolution in the first two months of the year confirms the Group's ability to grow in the market, in terms of asset management – with a positive net inflow of mutual funds (1.8 billion euro in the two months), life insurance (about 1.3 billion euro) and other investment products – and in terms of dealing activities and services for households and companies. Despite a negative impact on asset management of 2.4 billion euro resulting from the devaluations of the markets, the stock of financial assets rose by 0.9% from the beginning of the year, while net loans to customers grew by 1.7%. The performance of the financial markets and interest rates continues to pressurize the unit contribution margins to which the Group is responding with an improvement in quality and an expansion of the range of services offered, with the aim of satisfying customer needs and the interest of shareholders.

Turin, 25 March 2003

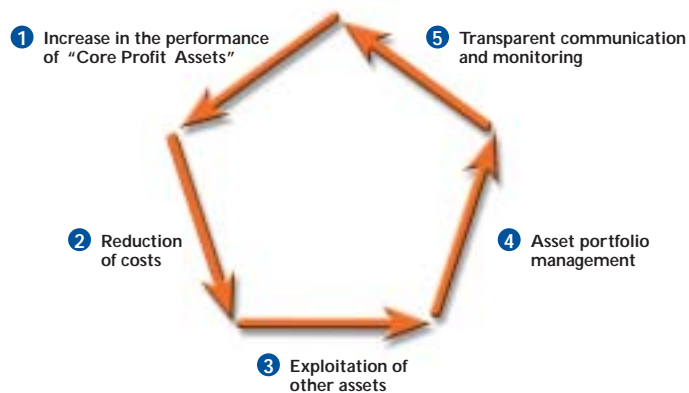
The Chairman


(1) The 15% RoE target cannot be directly compared with that presented in December 2001 at the time of the merger with Cardine following a change in the calculation method suggested by the need to comply with international practice. The adoption of the previous method – which substantially excluded current income from the average equity – would take the current RoE target to 16.5% in 2005.

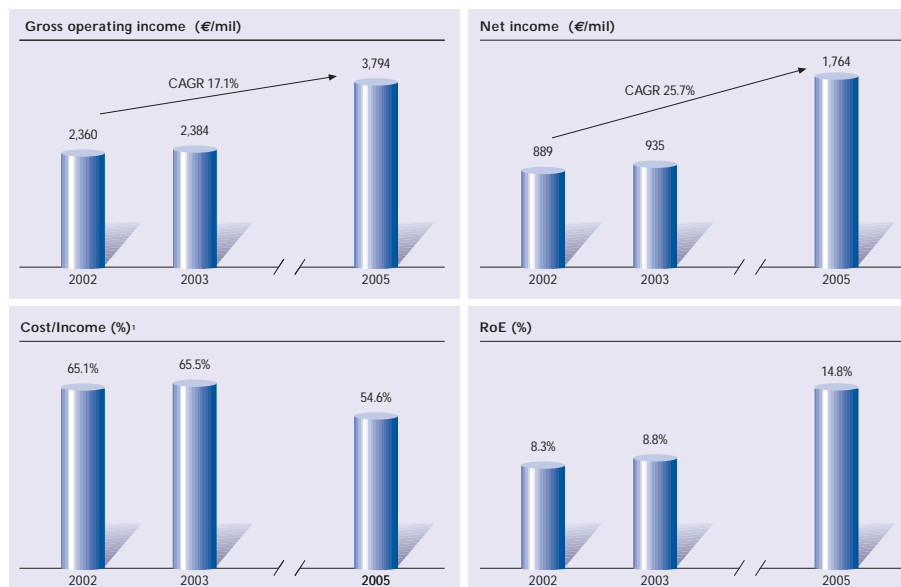
The position of the SANPAOLO IMI Group



The strategic choices for the 2003-2005 Plan: the five guidelines



2003-2005 Plan: the expected results



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

Key figures

	2002	2001 pro forma (1)	Change 2002 / 2001 pro forma (%)	2001
CONSOLIDATED STATEMENT OF INCOME (€/mil)				
Net interest income	3,773	3,959	-4.7	2,788
Net commissions and other net dealing revenues	2,809	3,056	-8.1	2,608
Administrative costs	-4,648	-4,647	+0.0	-3,600
Operating income	2,360	2,770	-14.8	2,118
Provisions and net adjustments to loans and financial fixed assets	-1,426	-1,007	+41.6	-737
Income before extraordinary items	722	1,591	-54.6	1,231
Net income of the Group	889	1,376	-35.4	1,203
CONSOLIDATED BALANCE SHEET (€/mil)				
Total assets	203,773	213,427	-4.5	170,191
Loans to customers (excluding NPLs and SGA loans)	124,115	121,469	+2.2	94,085
Securities	22,591	28,543	-20.9	22,127
Equity investments	4,064	4,898	-17.0	4,697
Subordinated liabilities	6,613	5,829	+13.4	5,607
Shareholders' equity of the Group	10,537	10,933	-3.6	8,182
CUSTOMER FINANCIAL ASSETS (€/mil)				
Customer financial assets	356,281	357,875	-0.4	305,404
- Direct deposits	137,049	134,803	+1.7	106,784
- Indirect deposits	219,232	223,072	-1.7	198,620
- Asset management	131,515	138,479	-5.0	125,977
- Asset administration	87,717	84,593	+3.7	72,643
PROFITABILITY RATIOS (%)				
RoE (2)	8.3	12.9		15.5
Cost / Income ratio (3)	65.1	61.6		62.1
Net commissions / Administrative costs	60.4	65.8		72.4
CREDIT RISK RATIOS (%)				
Net non-performing loans / Net loans to customers	1.1	1.1		1.0
Net problem loans and loans in restructuring / Net loans to customers	1.1	1.2		1.0
SOLVENCY RATIOS (%) (4)				
Tier 1 ratio	7.3	7.2		7.2
Total ratio	10.7	9.5		9.5
SHARES				
Number of shares (millions)	1,837	1,837	-	1,404
Quoted price per share (€)				
- average	9.439	14.375	-34.3	14.375
- low	5.231	8.764	-40.3	8.764
- high	13.702	18.893	-27.5	18.893
Earnings / Average number of shares in circulation (€)	0.48	0.75	-36.0	0.87
Dividend per share (€)	0.30	0.57	-47.4	0.57
Dividend per share/ Average annual price (%)	3.18	3.97		3.97
Price / Book value	1.1	2.2	-50.0	2.2
Shareholders' equity / Number of shares in circulation (€)	5.74	5.95	-3.5	5.90
OPERATING STRUCTURE				
Employees	45,650	46,556	-1.9	35,028
Domestic branches	3,069	3,049	+0.7	2,212
Foreign branches and representative offices	153	150	+2.0	95
Financial planners	4,955	5,510	-10.1	5,506

(1) The pro forma figures have been prepared, according to the criteria detailed in the Explanatory Notes, assuming the merger with Cardine Banca and the acquisition of the interest in Banka Koper as of 1/1/2001.

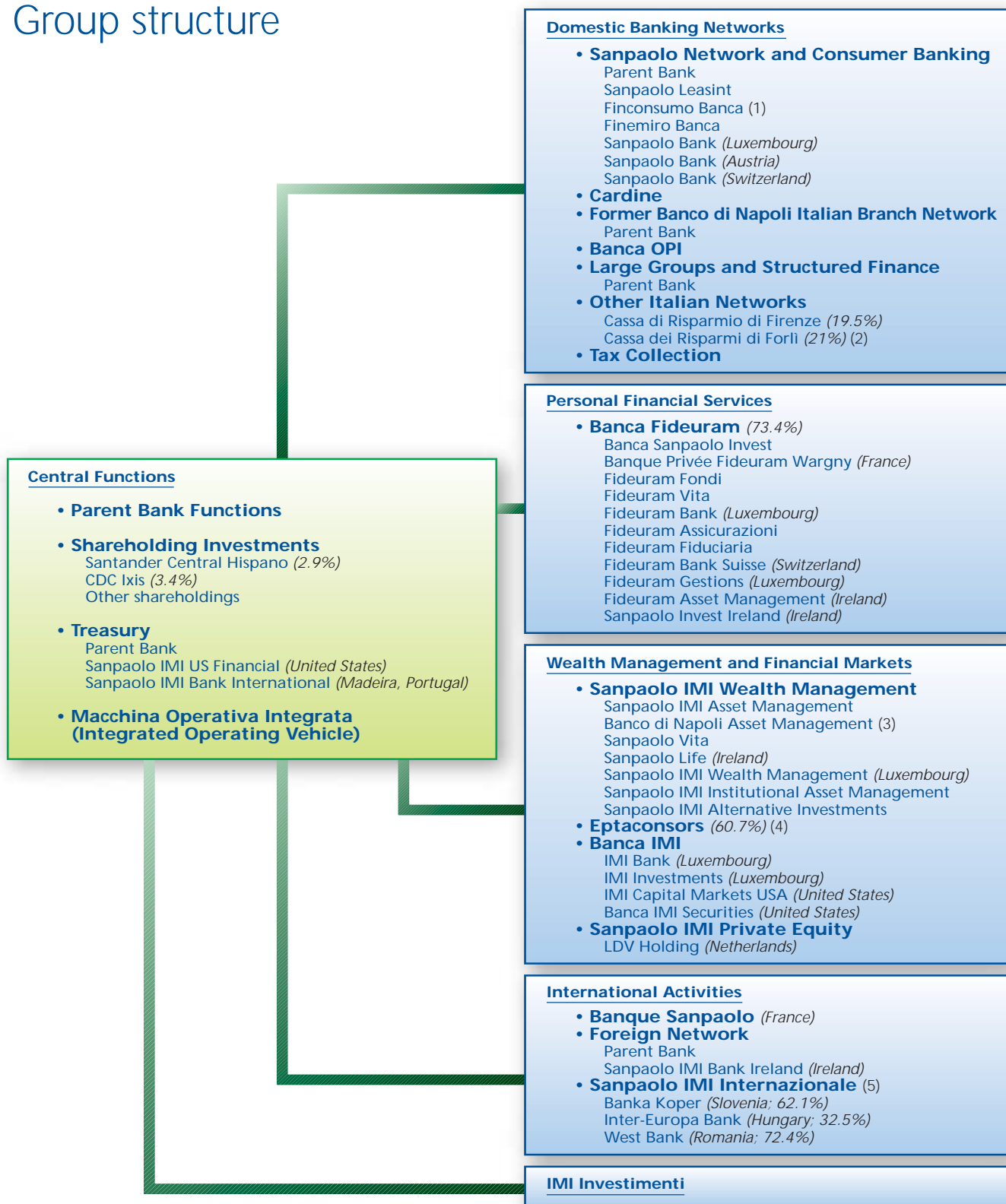
(2) Net income / Average net shareholders' equity.

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

(4) Solvency ratios as of 31/12/2001 are not pro forma.

The pro forma figures for 2001 are unaudited.

Group structure



(1) On 3 March 2003 an agreement was reached for the sale to Santander Central Hispano of the 50% stake held by SANPAOLO IMI.

(2) The share will rise to 29.8% due to the exercising of a put option by Fondazione Cassa dei Risparmi di Forlì, as provided for by the preliminary agreement stipulated with SANPAOLO IMI on 29 November 2000.

(3) On 4 March 2003 Bank of Italy authorized the merger by incorporation of Banco di Napoli Asset Management into Sanpaolo IMI Asset Management, effective as of 1 September 2003.

(4) On 29 January 2003 the share rose to 60.7% following the completion of the acquisition of the 20.24% interest held by Cassa di Risparmio di Firenze.

(5) The conferral of the interests in Banka Koper, Inter-Europa Bank and West Bank to Sanpaolo IMI Internazionale has still to be completed.

Consolidated financial statements and reports

RECLASSIFIED CONSOLIDATED FINANCIAL STATEMENTS

REPORT ON OPERATIONS

INDEPENDENT AUDITORS' REPORT

CONSOLIDATED FINANCIAL STATEMENTS

ATTACHMENTS

Reclassified consolidated financial statements

RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

QUARTERLY ANALYSIS OF THE RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

RECLASSIFIED CONSOLIDATED BALANCE SHEET

QUARTERLY ANALYSIS OF THE RECLASSIFIED CONSOLIDATED BALANCE SHEET

Reclassified consolidated statement of income

	2002 (€/mil)	2001 pro forma (1) (€/mil)	Change 2002 / 2001 pro forma (%)
NET INTEREST INCOME	3,773	3,959	-4.7
Net commissions and other net dealing revenues	2,809	3,056	-8.1
Profits and losses from financial transactions and dividends on shares	286	300	-4.7
Profits from companies carried at equity and dividends from shareholdings	292	228	+28.1
NET INTEREST AND OTHER BANKING INCOME	7,160	7,543	-5.1
Administrative costs	-4,648	-4,647	+0.0
- <i>personnel</i>	-2,856	-2,862	-0.2
- <i>other administrative costs</i>	-1,528	-1,519	+0.6
- <i>indirect duties and taxes</i>	-264	-266	-0.8
Other operating income, net	358	353	+1.4
Adjustments to tangible and intangible fixed assets	-510	-479	+6.5
OPERATING INCOME	2,360	2,770	-14.8
Adjustments to goodwill and merger and consolidation differences	-212	-172	+23.3
Provisions and net adjustments to loans and financial fixed assets	-1,426	-1,007	+41.6
INCOME BEFORE EXTRAORDINARY ITEMS	722	1,591	-54.6
Net extraordinary income	296	414	-28.5
INCOME BEFORE TAXES	1,018	2,005	-49.2
Income taxes for the period	-450	-517	-13.0
Change in reserves for general banking risks	364	-6	n.s.
Income attributable to minority interests	-43	-106	-59.4
NET INCOME	889	1,376	-35.4

(1) The pro forma statement of income for 2001 has been prepared, according to the criteria detailed in the Explanatory Notes, assuming the merger with Cardine Banca and the acquisition of the interest in Banka Koper as of 1/1/2001.

The pro forma statement of income for 2001 is unaudited.

Quarterly analysis of the reclassified consolidated statement of income

	2002					2001 pro forma (1)				
	Fourth quarter	Third quarter	Second quarter	First quarter pro forma (1)	Quarterly average	Fourth quarter	Third quarter	Second quarter	First quarter	Quarterly average
	(€/mil)	(€/mil)	(€/mil)	(€/mil)	(€/mil)	(€/mil)	(€/mil)	(€/mil)	(€/mil)	(€/mil)
NET INTEREST INCOME	960	936	950	927	943	1,001	956	1,005	997	990
Net commissions and other net dealing revenues	755	668	689	697	702	776	726	798	756	764
Profits and losses from financial transactions and dividends on shares	64	13	125	84	72	141	6	81	72	75
Profits from companies carried at equity and dividends from shareholdings	53	55	135	49	73	60	7	101	60	57
NET INTEREST AND OTHER BANKING INCOME	1,832	1,672	1,899	1,757	1,790	1,978	1,695	1,985	1,885	1,886
Administrative costs	-1,224	-1,128	-1,176	-1,120	-1,162	-1,234	-1,105	-1,178	-1,130	-1,162
- <i>personnel</i>	-745	-691	-721	-699	-714	-727	-683	-744	-708	-716
- <i>other administrative costs</i>	-410	-375	-384	-359	-382	-444	-358	-358	-359	-380
- <i>indirect duties and taxes</i>	-69	-62	-71	-62	-66	-63	-64	-76	-63	-66
Other operating income, net	94	93	93	78	90	78	89	102	84	89
Adjustments to tangible and intangible fixed assets	-160	-127	-112	-111	-127	-146	-120	-111	-102	-120
OPERATING INCOME	542	510	704	604	591	676	559	798	737	693
Adjustments to goodwill and merger and consolidation differences	-88	-39	-44	-41	-53	-50	-42	-41	-39	-43
Provisions and net adjustments to loans and financial fixed assets	-661	-453	-156	-156	-357	-443	-192	-228	-144	-252
INCOME BEFORE EXTRAORDINARY ITEMS	-207	18	504	407	181	183	325	529	554	398
Net extraordinary income	126	34	80	56	74	38	167	130	79	103
INCOME BEFORE TAXES	-81	52	584	463	255	221	492	659	633	501
Income taxes for the period	42	-77	-243	-172	-113	6	-93	-188	-242	-129
Change in reserves for general banking risks	353	13	-2	-	91	-6	-1	1	-	-2
Income attributable to minority interests	-	-14	-15	-14	-11	12	-58	-36	-24	-26
NET INCOME	314	-26	324	277	222	233	340	436	367	344

(1) The pro forma quarterly statements of income have been prepared, according to the criteria detailed in the Explanatory Notes, assuming the merger with Cardine Banca and the acquisition of the interest in Banka Koper as of 1/1/2001.

The quarterly statements of income are unaudited.

Reclassified consolidated balance sheet

	31/12/2002 (€/mil)	31/12/2001 pro forma (1) (€/mil)	Change 31/12/02 - 31/12/01 pro forma (%)
ASSETS			
Cash and deposits with central banks and post offices	1,406	1,172	+20.0
Loans	148,701	151,346	-1.7
- due from banks	22,000	26,436	-16.8
- loans to customers	126,701	124,910	+1.4
Dealing securities	19,694	24,557	-19.8
Fixed assets	9,596	11,889	-19.3
- investment securities	2,897	3,986	-27.3
- equity investments	4,064	4,898	-17.0
- intangible fixed assets	406	444	-8.6
- tangible fixed assets	2,229	2,561	-13.0
Differences arising on consolidation and on application of the equity method	1,030	1,243	-17.1
Other assets	23,346	23,220	+0.5
Total assets	203,773	213,427	-4.5
LIABILITIES			
Payables	161,505	171,285	-5.7
- due to banks	24,456	36,482	-33.0
- due to customers and securities issued	137,049	134,803	+1.7
Provisions	3,813	4,278	-10.9
- for taxation	670	1,219	-45.0
- for termination indemnities	961	955	+0.6
- for risks and charges	1,839	1,761	+4.4
- for pensions and similar	343	343	-
Other liabilities	20,971	20,309	+3.3
Subordinated liabilities	6,613	5,829	+13.4
Minority interests	334	793	-57.9
Shareholders' equity	10,537	10,933	-3.6
Total liabilities	203,773	213,427	-4.5

(1) The pro forma balance sheet figures at 31/12/2001 have been prepared, according to the criteria detailed in the Explanatory Notes, assuming the merger with Cardine Banca and the acquisition of the interest in Banka Koper as of 1/1/2001.

The pro forma balance sheet figures as of 31/12/2001 are unaudited.

Quarterly analysis of the reclassified consolidated balance sheet

	2002				2001 pro forma (1)			
	31/12 (€/mil)	30/9 (€/mil)	30/6 (€/mil)	31/3 pro forma (1) (€/mil)	31/12 (€/mil)	30/9 (€/mil)	30/6 (€/mil)	31/3 (€/mil)
ASSETS								
Cash and deposits with central banks and post offices	1,406	1,042	1,029	1,454	1,172	710	688	709
Loans	148,701	145,679	146,607	147,273	151,346	144,674	145,957	145,269
- due from banks	22,000	21,977	22,735	21,189	26,436	22,681	21,340	23,434
- loans to customers	126,701	123,702	123,872	126,084	124,910	121,993	124,617	121,835
Dealing securities	19,694	23,737	25,100	25,657	24,557	23,724	28,029	24,712
Fixed assets	9,596	10,093	10,660	11,732	11,889	12,620	12,750	14,574
- investment securities	2,897	3,117	3,642	3,931	3,986	4,995	5,286	7,028
- equity investments	4,064	4,170	4,120	4,837	4,898	4,621	4,433	4,511
- intangible fixed assets	406	390	407	426	444	442	449	426
- tangible fixed assets	2,229	2,416	2,491	2,538	2,561	2,562	2,582	2,609
Differences arising on consolidation and on application of the equity method	1,030	1,095	1,141	1,120	1,243	1,260	1,260	1,167
Other assets	23,346	23,128	22,995	23,116	23,220	23,763	24,871	25,611
Total assets	203,773	204,774	207,532	210,352	213,427	206,751	213,555	212,042
LIABILITIES								
Payables	161,505	163,743	166,657	168,360	171,285	164,162	169,456	166,504
- due to banks	24,456	26,902	30,201	32,943	36,482	34,789	38,629	36,888
- due to customers and securities issued	137,049	136,841	136,456	135,417	134,803	129,373	130,827	129,616
Provisions	3,813	4,291	4,159	4,565	4,278	3,945	5,108	5,840
- for taxation	670	1,194	1,058	1,392	1,219	1,027	1,029	1,730
- for termination indemnities	961	969	989	993	955	966	979	969
- for risks and charges	1,839	1,786	1,769	1,810	1,761	1,616	1,700	1,731
- for pensions and similar	343	342	343	370	343	336	1,400	1,410
Other liabilities	20,971	19,765	19,755	19,611	20,309	21,469	22,414	22,671
Subordinated liabilities	6,613	6,218	6,155	5,793	5,829	5,621	5,401	5,365
Minority interests	334	429	437	797	793	882	831	841
Shareholders' equity (2)	10,537	10,328	10,369	11,226	10,933	10,672	10,345	10,821
Total liabilities	203,773	204,774	207,532	210,352	213,427	206,751	213,555	212,042

(1) The pro forma balance sheet figures have been prepared, according to the criteria detailed in the Explanatory Notes, assuming the merger with Cardine Banca and the acquisition of the interest in Banka Koper as of 1/1/2001.

(2) Reserves are net of own shares held by the Parent Bank.

The pro forma balance sheet figures and the balance sheet figures as of 30/9/2002 are unaudited.

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The international context

During 2002, economic growth in the major international areas – despite the recovery from the minimums registered in the second half of 2001 – was particularly vulnerable and, on the whole, more modest than expected at the beginning of the year.

The dynamics of the cycle were negatively affected by endogenous factors, especially the decline in expenditure for fixed investment in the main industrialized economies, and by exogenous factors, such as the financial scandals involving leading US companies and the possible developments of the military and political tension in Iraq. Both factors had a considerable effect on the confidence and the decisions of operators regarding expenditure, compounding existing uncertainties on the future direction of the major economies and financial markets. The development of international commerce was penalized, revealing itself to be incapable of sustaining the expected relaunch of international manufacturing activity.

In 2002, in the United States GDP recovered globally, with a growth rate of 2.4% compared with 0.3% in 2001. Manufacturing activity was supported by private consumption and public expenditure, while the change in fixed investment remained negative. In the last part of the year however, the major indicators of the cycle showed new deterioration of the market situation. The industrial production index fell again. GDP slowed considerably, taking the rate of unemployment to 6%. Simultaneously, there was a dramatic reversal in consumer confidence indexes.

In this context, in November, about a year after the last intervention, the Fed dropped interest rates again, taking the rate on Federal Funds to 1.25%. Uncertainties regarding the prospects of the economy and the modest performance of capital flows which, in the years characterized by expansion, had made it easy to finance the growing deficit of the current amounts, reflected negatively on the US currency. The dollar fell during the year in comparison with the euro and the yen.

In Japan, according to preliminary estimates, GDP grew by 0.3% over the year. The manufacturing dynamics were sustained by net exports, while the contribution of domestic demand remained negative, especially because of the

decline in private investments. Structural problems linked with the vulnerability of the banking system and the manufacturing sector on the one hand, and the limited possibility for intervention with monetary and tax policies on the other, represent considerable restrictions to the possibility of recovery by the Japanese economy in the short term.

During the year emerging countries showed greater dynamism than in 2001, yet with evident differences between the various areas. The Asian economies performed better thanks to lively domestic demand and the intensification of intra area commercial exchanges. The situation remained critical in Latin America, especially in Argentina and Venezuela, owing to the economic and political difficulties in the two countries.

East European economies showed sustained growth as a whole, even though, especially during the second half of the year, they suffered the effects of the persistent weakness of economic activity in the European Union, the area's main commercial partner. The dynamics of the bond spreads of the candidate countries benefited from the prospects of joining the European Union in 2004, confirmed in Copenhagen at the end of 2002.

The euro-zone and Italy

In the euro-zone, the dynamics of GDP in 2002, despite the recovery of the market situation compared with the minimum point reached in the last quarter of 2001, was modest over the year (+0.8% compared with 1.5% in 2001). Development suffered the difficult recovery in domestic demand but benefited from the increase in exports. However, at the end of the year, in Europe as well, the cyclical indicators showed a new phase of deterioration in the market situation; the production index fell again and unemployment increased once more in various countries.

Within the area the weak market situation mainly regarded Germany and Italy, but recently began to affect France too, albeit in a minor way. In Germany the general drop in fixed investments (-6.5%) highlighted the severe recession in the manufacturing sector.

In Italy the growth of GDP (+0.4%) was higher only than that in Germany (+0.2%). Economic stagnation can be attributed to the persistent weakness of domestic demand (+0.7%), which recovered in terms of investments in the

second half of the year, and to export difficulties (-1%) caused by the recession in the main export markets.

The difficult market situation in the area had negative effects on the dynamics of public accounts, jeopardizing the respect of targets agreed to previously with the European Commission. In some cases, such as Portugal, France and Germany, the relationship between public deficit and GDP exceeded the upper limit of 3%. In Italy the net debt of the Public Administration was 2.3% of the GDP, well below the level indicated in the Maastricht Treaty, but 1.8 percentage points higher than the previously established convergence plan. The ratio between the public debt and the GDP fell once more (from 109.5 in 2001 to 106.7 in 2002), continuing the reduction phase which started in 1995.

In 2002 the current rate of inflation in the area alternated, rising to 2.5% in the first quarter due to increases in prices as a consequence of the changeover and, after a brief fall, rising again in the third quarter as a result of the increase in the price of oil. Towards the end of the year, the dynamics of prices suffered as a result of the slowing down of the market situation and of the considerable rise in the value of the euro. Therefore in 2002 the rate of inflation settled at 2.2% (2.5% in Italy).

The controversial performance of inflation restricted the action of the Central Bank. In December, with signs of a deterioration in the market situation and simultaneous deceleration towards the target rate of inflation, the ECB reduced the policy rate from 3.25% to 2.75%.

Banking industry

The tone of the real economy, below the expectations expressed at the beginning of the year, determined a consistent resizing in terms of growth of bank loans in Italy in 2002, up 5.9% compared with 7.8% in 2001.

The evolution of the total aggregate discounted the evident slowing down of the short-term component (+0.3% against +6.5% in 2001), partially because of the decline in loans linked with merger and acquisition transactions. Medium- and long-term loans on the other hand gave a strong impulse to the dynamics of loans, with an increase of 11.5% (+9.1% in 2001).

The low level of bank rates on disbursements stimulated the demand for loans by households (+9.4%), used as

consumer credit (+19.2%) and domestic mortgage loans (+23.5%). Despite the delicate financial situation in the major industrial sectors, the dynamics of company loans were positive (+5%). However there was a decline in the volume of loans to Public Administration (-2.8%).

During 2002, direct banking deposits showed a moderate deceleration (+4.4%) compared with the previous year (+5.9%). The trend was conditioned by the considerable decline in funding from abroad (-6.8%). During the year the dynamics of the remaining funding components was influenced by the higher propensity for liquidity expressed by households in the face of uncertainties regarding the evolution of markets, as well as by the inflow of capital from abroad following Decree Law 350 dated 25/9/01. In December total deposits were up 7.4% as a result of the increase in the amounts of current accounts (+7.6%) and, after several years of decline, of savings accounts (+6.7). The dynamics of the inflow benefited by the considerable increase in the stock of bonds (+9.5%).

With the fall in money market rates (the 3-month Euribor fell by 39 basis points between December 2001 and December 2002), short-term banking rates also fell. During the year, because of the fall in the average rate on short-term loans by 26 basis points and a reduction of 13 basis points in the average rate of open accounts payable, the short-term banking spread was down by 13 basis points.

Securities brokerage

In 2002 the main international share indexes suffered substantial losses. In line with the dynamics of the real cycle, the negative trend of the stock markets suffered from endogenous factors linked with the reduced development of productive activity and the general decline in company earnings and from exogenous shocks attributable to the company scandals which occurred during the second quarter and the risks, which grew in the third quarter, regarding the developments of the military and political situation in Iraq.

In United States markets, the cut in costs following improvements to various companies offered support to the evolution of the company's accounts; however, in the absence of an effective recovery of revenues, this was not sufficient to avoid a new drop in stock market prices. During the year the S&P500 fell by 23.4%. The Nikkei

225 index fell by 18.6% and the DJ Stoxx 50 index fell by 35%. In Italy the MIB30 was down by 26% and the Mibtel was down by 23.5%. All the major international sector indices registered declines, which were more evident in the technology, insurance, finance, telecommunications, automotive, media, pharmaceutical and utilities sectors.

As a result of the decline in the stock markets at the end of the year the total capitalization of the Italian companies quoted in domestic market fell by 458 billion euro, 36.6% of the GDP (from 592 billion, 48.7% of the GDP, in 2001). The number of new companies quoted fell to six (from 18 in 2001). The flow of investments into the Italian market, as channeled through a Public Offer amounted to 2.9 billion euro (in comparison with 7 billion in 2001), through nine transactions instead of the 20 transactions that were implemented during 2001. The total funds obtained by the quoted companies through capital increases were equivalent to 3.7 billion euro, as opposed to 7.6 billion in 2001, based on 18 transactions (25 in 2001). The average daily value of shares exchanged was 2.5 billion euro (2.6 billion in 2001).

Asset management

The volatility of the financial markets and the decline in stock market prices, which was particularly evident in the second and third quarters of 2002, had considerable repercussions on the dynamics of mutual funds, leading to extensive devaluation of assets and high net outflows. Because of these trends, in December the amount of funds managed by Italian brokers fell to 466 billion euro, down 9.4% in comparison to 2001.

During the year net inflows registered a reduction of 6.4 billion, despite the slight recovery during the last quarter. Net disinvestments were high for the bond funds (-18.4 billion), balanced funds (-12 billion) and equity funds (-9.8 billion). The prudent attitude of investors helped the flow of capital into liquidity funds (+29.8 billion), but was not sufficient to offset the weak dynamics of the other categories.

The general dynamics of assets under management benefited from the strong growth of the life insurance area. On the basis of currently available figures an annual growth in life technical reserves is estimated at about 16%.

Action points and initiatives in the year

The merger between SANPAOLO IMI and Cardine Banca

The merger act between SANPAOLO IMI and Cardine Banca was signed on 24 May 2002, becoming legally effective on 1 June and effective for accounting and tax purposes starting on 1 January 2002. The transaction entailed the merger of Cardine into SANPAOLO IMI, following the conferral by Cardine of part of its business to a wholly controlled subsidiary, Cardine Finanziaria, whose headquarters are located in Padua.

The merger terms and impact on shareholder structure

The merger, based on an exchange ratio of 1.7950 SANPAOLO IMI shares for each Cardine share, led to an increase in the equity capital of SANPAOLO IMI from 3,932.4 to 5,144.1 million euro; the new equity capital is composed of 1,837.2 million shares of nominal unit value of 2.80 euro. To serve the exchange 432.7 million new SANPAOLO IMI shares, constituting the above mentioned capital increase were issued and 48 million own shares held by the Parent Bank were used. Of the 274.9 million of ordinary shares, of nominal unit value of 5.20 euro, representing the total capital of Cardine Banca, a total of 7.1 million shares held by the incorporating and the incorporated bank were cancelled without exchange.

Regarding the aspects relating to the shareholder structure of the Parent Bank upon completion of the merger, the Compagnia di San Paolo, which – prior to the integration – held 16.1% of the capital of SANPAOLO IMI, and the Fondazioni Cassa di Risparmio di Padova e Rovigo and Cassa di Risparmio in Bologna, which held 40.2% and 28.6%, respectively, of the capital of Cardine Banca, had agreed, pursuant to the provisions of D.Lgs. 153/1999, to request the post merger conversion of part of the respective ordinary shares into preference shares, so as to hold, after the conversion, a total of 15% of the ordinary capital.

The Fondazioni had further agreed to place these ordinary shares (subdivided into two equal stakes, one of which, in the amount of 7.5%, attributable to the Compagnia di San Paolo, and the other of which, in the same amount, attributable to the other two Fondazioni, in proportion to the

shares held by each of them in Cardine Banca), in a company dedicated to this specific purpose, set up in January 2002 and named Fondaco SGR. Participation in the capital of Fondaco was divided equally between the Compagnia di San Paolo, on the one hand, and the two Fondazioni, on the other hand, with a 20% minority share reserved for Ersel Finanziaria, a qualified independent investment management advisor.

Pursuant to the above mentioned requests and as decided by the respective Shareholders' Meetings, on 1 June 2002, as part of the merger effect, 388.3 million ordinary shares were converted into preference shares, each with a nominal unit value of 2.80 euro. These preference shares will in turn be converted into ordinary shares after a period of ten years or in case of alienation. The post merger shareholder structure of SANPAOLO IMI is presented in greater detail in a following chapter of this Report.

Reorganization of the Group

The increased dimensional complexity of the Group following the merger revealed the existence of certain needs relating to governance and coordination which allow to achieve maximal sharing of common objectives and close connections among the various operating areas, which are necessary conditions for the development of operational efficiency and for the provision of excellent service to all of the Group's customers.

To place itself in the best position for achieving these goals, and in compliance with the instructions issued by the Regulatory Authorities, SANPAOLO IMI established its own Business Regulation Framework, approved by the Board of Directors on 26 March 2002, which defines the global organizational structure, the basic principles according to which the Group operates, its areas of competence and the responsibilities of the central structures, as well as the Group's coordination mechanisms and instruments. The Regulation represents the regulatory frame of reference and is intended to characterize the Group through its common entrepreneurial design, its strong internal cohesiveness and its unified management, in a manner consistent with the directives issued by the Bank of Italy and in compliance with the requirements for sound and prudent management of the Group.

The basic underlying principles of the Regulation are represented by: the relevance and centrality of a system of shared values; central control of strategic decisions and

decisions involving the risks associated with loans, financing and operations, especially in view of the expected evolution of the Basel Capital Agreement; the exploitation of managerial resources and the assignment of responsibility to those personnel; coordinated and consistent action by all of the companies within the Group.

On 26 March 2002 the SANPAOLO IMI Board of Directors approved a new business model based on the exploitation of the customer relations and customer service capacities, on the specialization of the professional capabilities of the productive, distributive and service units and on the allocation of responsibility and the measurement of results.

Within the Group, Cardine Finanziaria, which holds the controlling shares in the seven bank networks of the Cardine Group and other shareholdings related to business, has been assigned responsibility for cooperating with the Parent Bank and assisting it with activities involving the direction, governance and control of the Cardine bank networks, especially with regard to operational planning for the target markets, monitoring of progress toward stated goals and risk management.

Integration actions

During the year, actions were undertaken to allow the synergies envisaged by the industrial plan and obtain the opportunities offered by the integration: high-priority operational approaches were implemented in accordance with the master plan developed at the start of the year.

In consideration of the extent of the synergies that could be achieved, maximum attention was given to:

- the activation of the Macchina Operativa Integrata, to serve the domestic banking networks: the necessary steps to satisfy the requirements of the merger have been taken, to achieve proper integration of management reporting systems and control at Parent Bank level and to allow the use of certain SANPAOLO IMI applications of particular importance for Cardine; the assessment of the target IT system was made, evaluating the impact of the adoption of the SANPAOLO IMI system for the Group's banks, in terms of the effectiveness of its support to the business, efficiency of operating processes and sustainability of the technological infrastructure;
- initiatives to centralize operations at the Parent Bank SANPAOLO IMI in treasury, medium- and long-term funding and property portfolio management, on a centralized operational Group finance model. In particular, the Parent

Bank has taken over the management of deposit and lending needs of the bank networks and the access to Forex and Money markets, and Banca IMI has assumed the securities management, the access to regulated and over the counter markets, as well as the structuring of derivative products for clients of the customer desks;

- actions to develop revenues from retail customers, also through the sharing with the Cardine networks of the products and know how of SANPAOLO IMI.

Acceleration of the integration with Cardine Finanziaria

In the context of a wider project for the rationalization of the Group's distribution networks, in October 2002 provision was made for the acceleration of the integration between SANPAOLO IMI and Cardine Finanziaria, which provides for the merger of the latter by the end of 2003. From the operating point of view, provision has also been made for the centralization in the Parent Bank of the Cardine Finanziaria support functions (Macchina Operativa Integrata and Logistics). This initiative is aimed at achieving the planned benefits in terms of scale and scope economies.

The other commercial coordination and operating support functions performed for bank networks will be successively centralized in relation to the operating effectiveness of the individual banks. Accordingly, in terms of efficiency and rationalization, the activities to transfer to the Parent Bank and to the bank networks will be evaluated.

Integration between SANPAOLO IMI and Banco di Napoli

On 25 November 2002, the respective Extraordinary Meetings approved the merger by incorporation of Banco di Napoli into SANPAOLO IMI, becoming legally effective from 31 December 2002 and effective for accounting and tax purposes from 1 January 2002.

As SANPAOLO IMI held all the 1,864,097,491 ordinary shares of Banco di Napoli, no exchange of these took place, in accordance with art. 2504 ter of the Italian Civil Code. In relation to savings shares, the exchange ratio was set at one SANPAOLO IMI ordinary share to six Banco di Napoli savings shares. Considering that SANPAOLO IMI held 111,765,709 savings shares in the company to be incorporated and that the latter held no own shares, this ratio determined the assignment of 2,718,608 SANPAOLO

IMI ordinary shares in exchange and replacement of 16,311,650 Banco di Napoli savings shares not held by the incorporating company. The assignment took place without the issue of new shares, using own shares held in portfolio by the incorporating company and therefore without an increase in capital by the same.

The merger of Banco di Napoli into SANPAOLO IMI represents the first phase of a project which provides for, as the next step, the distribution and commercial integration of the Sanpaolo and Banco di Napoli networks.

The unification of the networks is an essential step to achieve the aims in terms of scale and scope economies of the merger and to enable the exchange of know how, products and marketing techniques needed to increase the levels of commercial effectiveness and operating efficiency of the two networks. The Southern Territorial Direction, made up of the Naples, Campania, Apulia and Calabro-Lucana Areas, based in Naples and directly supervised by the Sanpaolo Network Management, was established on 31 December 2002. The Southern Territorial Direction has a total of 738 operating points, 117 of which belong to the Sanpaolo Network and 621 belonging to the former Banco di Napoli.

The realization of the third phase is expected to take place in the second half of 2003 when, upon completion of the unification of the IT systems, the Southern Territorial Direction will be spun off into Sanpaolo Banco di Napoli, a company based in Naples and the only bank in the SANPAOLO IMI Group to operate in the regions of Campania, Apulia, Calabria and Basilicata. Sanpaolo Banco di Napoli will have a streamlined directional structure, to coordinate the territorial areas in which the reference branch network will be structured.

Integration of distribution networks

The integration of the Sanpaolo and Banco di Napoli networks is part of a major plan to develop and rationalize the distribution networks of the SANPAOLO IMI Group, which aims to take full advantage of the territorial expansion involving the acquisition of Banco di Napoli and the merger with Cardine Banca. The distribution model, presented at the end of the third quarter of 2002, is designed for an approach targeting macro customer segments, for an improved and more effective response to different needs of households and companies.

The project provides for articulation of the Group branch networks into operating structures aimed at three macro markets:

- Companies, which will mainly involve, in customer relations, the specialized areas of consulting and financial assistance, in the broad sense of the term, as well as the capacity to evaluate and manage the credit risk above certain levels or with particular characteristics.
- Private, which targets on the affluent customer segment requiring personalized and top of the range investment management services.
- Retail (households, small companies and small entrepreneurs), in which the capacity to supply a complete range of services, from credit to asset management services, will be flanked by special attention to the efficiency of basic banking services.

The aim of the project is gradually to introduce the distribution model already successfully adopted by the Sanpaolo Network, based upon the specialization of the operating points and better suited to satisfying the needs of the various types of customers, into all Group networks. This translates into the specialization of the branch networks and the distribution structures by macro customer segments, guaranteeing a unique strategy at national level and ensuring a more effective response to the varying service needs expressed by various types of customers and improving the efficiency of the structures and processes of investment in technologies and resources.

The new distribution model aims at achieving a correct balance between the specialization of the operating points by macro market segments and the territorial coordination that, through the Area Manager or the Branch Manager, to whom all the retail, business and private branches in the same territory report, must supervise and fulfill the needs for osmosis between the various customer segments.

At full capacity, the Group territorial presence in banking activity should cover a certain number of territorial areas and bank networks with light central structures, which will provide uniform and overall supervision of the respective territory.

Activity in the public works and infrastructure sector and in the tax collection sector

The public sector, which includes financing and advisory services for local bodies and former municipal companies for the realization of infrastructure and public works, offers interest-

ing development prospects for the years to come. The SANPAOLO IMI Group operates in this sector through Banca OPI, which has continued the tradition of IMI and San Paolo.

Following the merger of Banco di Napoli into SANPAOLO IMI and in line with the rationalization project, which provides for the concentration of professional abilities and know how, centralizing all medium/long-term operations performed by the different banks of the Group in this area, activity in the public works and infrastructure sector of the Neapolitan bank was transferred to Banca OPI on 1 January 2003.

The Group's presence in the tax collection sector will be rationalized by concentrating tax collection activities in Esaban, with the aim of achieving the economies of scale and scope essential to sustain the profitability in this sector. On 1 October 2002, the activities previously performed by Banco di Napoli in the provinces of Naples and Caserta were concentrated in Esaban, which will also handle all the other tax collection activities performed by Group companies: Sanpaolo Riscossioni Genova, Sanpaolo Riscossioni Prato and GE.RI.CO. (licensee of the provinces of Bologna, Venice, Padua, Rovigo and Gorizia). The choice of location of the company office in Naples derives from the weight carried by the tax collection activity in the Neapolitan area.

The initiatives to rationalize the Group structure

The integration between Banca Fideuram and Banca Sanpaolo Invest

The acquisition of Banca Sanpaolo Invest by Banca Fideuram was completed on 8 October 2002 with conferral to the latter of the total shareholding held by SANPAOLO IMI in Banca Sanpaolo Invest. The shareholding has been valued at 603.8 million euro, net of the extraordinary dividend of 8.7 million euro that was distributed by the company at the end of July. To serve the conferral, Banca Fideuram made a capital increase (from 236.4 to 254.9 million euro) reserved to SANPAOLO IMI, through the issue of 71 million ordinary shares, integrated by a compensatory sum of 10 million euro. Following the integration, the SANPAOLO IMI Group's stake in Banca Fideuram rose to 73.4%.

The transaction is among the actions further to strengthen the leadership position held in Personal Financial Services, to which SANPAOLO IMI attributes strategic priority, as well as to rationalize the Group operating structure.

The transaction will make possible the development and full exploitation of the potential of Banca Sanpaolo Invest, leveraging on the best practice of Banca Fideuram, and allow strategic coordination of the financial planner networks, through the adoption of consistent marketing and brand policies.

Rationalization of the Group's presence in private equity

Among the initiatives aimed at a greater focus and specialization of the operations of the Business Areas in the various activity sectors, the redesign of the structure of NHS, the company in which SANPAOLO IMI held a 51% share and which fulfilled the role of merchant bank in the Group, should be noted. This restructuring led to the partial and proportional split of the subsidiary, with the allocation of the merchant banking and private equity activities into a new company (NHS S.p.A., renamed Sanpaolo IMI Private Equity S.p.A.) and the maintenance of the portfolio of substantial industrial investment inside the original company, which took the name of IMI Investimenti.

Sanpaolo IMI Private Equity, established with legal office in Bologna and initial capital of 245 million euro, has as its strategic objective the strengthening and consolidation of its position in private equity, becoming a preferred interlocutor for small- and medium-sized companies in the field of risk capital raising.

The activities of IMI Investimenti, which had a net shareholders' equity, after the split, of 566 million euro, aim at the management of the shareholding portfolio, which contains the Group's major industrial interests.

The shareholder structure of the two subsidiaries after the split was also revised, through shareholding exchanges with the Compagnia di San Paolo. Specifically, before the merger with Cardine, SANPAOLO IMI transferred to the Compagnia, at a price of 440 million euro, 8% of its 10.8% share in Cardine Banca, taking over in turn the shares held by the Compagnia in Compagnia di San Paolo Investimenti Patrimoniali (renamed FIN.OPI) (100%), Sanpaolo IMI Private Equity (27.02%), and IMI Investimenti (39.77%). SANPAOLO IMI completed its acquisition of all of the shares of IMI Investimenti and Sanpaolo IMI Private Equity by purchasing further minority shares. It also placed the shareholding in Compagnia di San Paolo Investimenti Patrimoniali with the subsidiary Banca OPI, thereby increasing the subsidiary's own capital. The transaction was subject to a fairness opinion by a major investment bank.

Purchase by SANPAOLO IMI of the Cassa di Risparmio di Firenze stake in Eptaconsors

On 15 October 2002 SANPAOLO IMI and Cassa di Risparmio di Firenze reached an agreement which provides for the sale of the 20.24% stake of Eptaconsors, held by the Florentine group, to the SANPAOLO IMI Group, which already had a shareholding of 40.48%, thus becoming the majority shareholder of the Eptaconsors group. The transaction was completed on 29 January 2003, with authorization from the Antitrust.

Eptaconsors has been operating actively for almost twenty years in asset management (through the specialized companies Eptafund and EGI) and securities dealing (through Eptasim). At the end of February 2003, the Eptaconsors group, in the mutual funds sector, managed assets of approximately 13 billion euro, with a 2.7% market share.

The purchase of Eptaconsors is part of the rationalization of the equity investments that will enable SANPAOLO IMI to strengthen its position on the reference markets and, through the aggregation process, further to exploit the important competencies of the new subsidiary.

Other rationalization initiatives

On 3 March 2003 SANPAOLO IMI and Santander Central Hispano, which participate jointly in the capital of Finconsumo Banca, reached an agreement which provides for the sale of the shareholding of Banca Finconsumo held by the Italian group to Santander Central Hispano. The operation, which is part of the rationalization of the respective shareholdings, will determine for the Parent Bank a total gross capital gain of 123 million euro. The agreement provides for the sale of an initial share of 20% at a total price of 60 million euro, while on the remaining 30% it establishes the mutual concession of put options to SANPAOLO IMI and call options to Santander Central Hispano, which can be exercised from the end of 2003 for a period of 12 months, at a total price of 80 million euro. The completion of the transaction is subject to obtainment of the necessary authorizations.

On 17 December 2002, the SANPAOLO IMI Group reached an agreement with Centrobanca (Banca Popolare di Bergamo – Credito Varesino Group) for the sale to the latter of an 80% stake in IMIWeb Bank, specialized in online trading. The purchase of the shareholding by Centrobanca is conditional to the release of the necessary authorizations by Bank of Italy: it will probably be completed in the early

months of 2003. The price, arranged at 80% of the free capital of IMIWeb Bank at 31 December 2002, will be increased by an amount proportionate to the company profits for the next three years. The SANPAOLO IMI Group will continue to hold 20% of the capital.

Development initiatives in foreign markets

In line with the development objectives mentioned in the plan for the merger with Cardine, SANPAOLO IMI has been taking steps to strengthen its operational capabilities in foreign countries with major opportunities for growth. Accordingly, Sanpaolo IMI Internazionale was formed in order to reinforce and control the Group's presence in countries deemed to be of strategic interest through operations involving acquisitions and alliances.

A Public Offer for all of the shares of the Slovenian Bank, Banka Koper, which had been launched at the end of November 2001 after the acquisition of an initial tranche consisting of 15% of the capital of the bank, was completed on 25 February 2002. All shareholders who accepted the Offer were given a non transferable put option on the outstanding shares (at the same price as in the Offer, plus interest and net of dividends). This option may be exercised at any time between 31 December 2002 and 31 July 2006. 250,271 shares, corresponding to 47.1% of the capital of Banka Koper, were contributed to the offer, at an incurred cost equivalent to 116 million euro. SANPAOLO IMI, which as a result of the Offer holds a total share of 62.1% of Banka Koper, will temporarily limit the exercise of its voting rights to 32.99%, in compliance with authorization from Bank of Slovenia.

On 25 February 2003 Sanpaolo IMI Internazionale approved the launch of a Public Offer on the Hungarian bank Inter-Europa Bank, of which SANPAOLO IMI already owns a 32.5% share. The bank's remaining capital is held by Santander Central Hispano, with a share of approximately 10%, Simest, 7.8%, other leading international institutional investors and free float (approximately 45% quoted on the Budapest Stock Exchange). The Public Offer, subject to approval by the relevant authorities, provides for a price of 2,000 Hungarian forints per share, at a premium of 2.1% on the last Stock Exchange price of 24 February 2003, and of 9.2% and 22.7% on the average prices for the past 30 and 180 days respectively before the approval. Assuming full acceptance, the total value of the transaction will be approximately 40 million euro.

Commercial agreements and alliances abroad

Within the context of the strategic agreements defined in 2001 between SANPAOLO IMI and EULIA, the French holding company created by the Caisse des Dépôts et Consignations Group and by the Caisse d'Epargne Group, and following the Framework Agreement signed by the two Groups in February 2002, the collaboration project became operational, producing generally satisfactory results in the capital market and financing sectors and in the private equity activity.

In particular, in the context of private equity, a draft agreement dedicated to the development of a joint analysis of closed-end investment funds in the infrastructure sector and in public-private partnership initiatives was prepared in November. The project provides for the evaluation of joint investment opportunities in Italy, France and at European level, and aims to define a common strategy also in terms of other institutional investors and European institutions. In consideration of the subject of the agreement, the structures of the SANPAOLO IMI Group dedicated to intervention in the public works and infrastructure sector, particularly Banca OPI and its subsidiary FIN.OPI (the former Compagnia di San Paolo Investimenti Patrimoniali) will be involved in its implementation.

The project joins initiatives previously implemented by the two Groups, such as the agreement at the end of September between Sanpaolo IMI Private Equity, CDC Ixis Private Equity and Bayerische Landesbank Equity Management for the constitution of the EAGLE FUND, the first pan European private equity fund with the aim of investing in small and medium European companies, mainly in Italy, France and Germany.

Still in the context of private equity, Sanpaolo IMI Private Equity and CDC-Pme (a subsidiary of Caisse des Dépôts et Consignations) have signed an agreement with the French government for participation in a new investment fund, which aims to invest in French regional funds which, in turn, invest in small and medium local companies. The fund will have 70 million euro and the investors include the EIF (European Investment Fund), as well as those mentioned above.

Still on the European market, SANPAOLO IMI and Santander Central Hispano continued the industrial collaboration initiatives and, to this end, reached an agreement for the development of a pan European project in the

wholesale distribution of third party mutual funds. At the base of the agreement there is the establishment of a pan European joint venture between the two banking groups, which provides for the acquisition by SANPAOLO IMI of a 50% shareholding of Allfunds Bank S.A., a company wholly owned by Santander Central Hispano and operating in the placement of third party funds with institutional customers. SANPAOLO IMI, which, with this transaction, would have the opportunity to enter a sector which is not yet covered, and Santander Central Hispano intend to develop the joint venture in order to consolidate their leadership at European level; for this purpose the two banking groups will aim at identifying potential strategic partners in the main European markets.

Agreements with FIAT and Italergergia

Finally, in May 2002 SANPAOLO IMI, together with Banca Intesa, Unicredit and Capitalia, subscribed a Framework Agreement concerning an articulated plan of financial operations regarding the FIAT Group.

In this context, in July 2002, the banks granted a "to be converted" financing for a three year period, for 3 billion euro (400 million of which provided by SANPAOLO IMI), which provides, upon expiry and in accordance with procedures and at a price agreed between the parties, for the conversion of their loans into ordinary FIAT shares through compensation between the aforementioned loans and the corresponding subscription obligation, while FIAT retains the faculty to proceed with cash reimbursement of the loan under set conditions. In September 2002 SANPAOLO IMI, through IMI Investimenti, purchased (along with the other two banking partners, Banca Intesa and Capitalia) a further 4.66% stake in Italergergia Bis (new leading holding company of the Italergergia group receiving the shares), in addition to the original share of 7.82%, from the FIAT Group, thus reaching a total share of 12.48% in this holding. SANPAOLO IMI made disbursements of approximately 183 million euro. With this transaction, the FIAT shareholding dropped from 38% to about 24%, with the consequent separation of the Italergergia/Edison debt from that of FIAT. Based on the subscribed agreements, the banking partners also obtained put options on the shareholding, that can be exercised starting in 2005, towards the industrial partner EDF – Electricité de France, at price conditions that guarantee the recovery of the original investments plus a financial profit, allowing for any upside.

Still in the context of the agreements referred to, the banks also signed, in March 2003, the contractual agreements for the acquisition from FIAT Auto of 51% of Fidis' consumer loans activity in Europe ("Fidis Retail"), at a price in line with the shareholders' equity of the compendium, adjusted according to due diligence (the SANPAOLO IMI commitment is about 100 million euro). The execution of these agreements, after obtaining the necessary approvals, is expected to take place in May-July 2003. It has been agreed that FIAT Auto can repurchase the shareholding, at a prearranged price, by exercising a call option by 2006.

In relation to the Edison group, it should be noted that in December 2002 the merger by incorporation of Edison into Italoenergia, which, at the same time, adopted the company name Edison and was listed on the Milan Stock Exchange, became operational.

Also in December 2002, Edison approved a capital increase of up to 2,095 million euro, subscription of which is reserved:

- 1,000 million euro to Italoenergia Bis;
- 503 million euro to the permanent partners of Italoenergia Bis (the IMI Investimenti share, being 66 million euro, already issued in the form of "payment in capital increase");
- the remaining 592 million euro to the market; the related execution is expected to be completed in March-May 2003. The shareholders of Italoenergia Bis will underwrite any increase not absorbed by the market (the maximum commitment envisaged for SANPAOLO IMI is about 73 million euro).

On the new Edison shareholding being purchased by the SANPAOLO IMI Group, the extension of the put option towards EDF for the share referable to the original stake held in Italoenergia has been negotiated.

Consolidated results

Summary of results

The deterioration of the international economic scenario and prolonged uncertainty on the financial markets during 2002 penalized the Group's economic results, causing a general drop compared with the levels registered in 2001, within the same consolidation setting.

Beside the drop in revenues, the year was conditioned by high provisions and adjustments mainly to the listed investment portfolio, which was prudently aligned with the prices expressed by the market in this phase.

In order to face the extraordinary economic impact linked with the management of shareholdings and considering the need to optimize the Group's tax position, it was

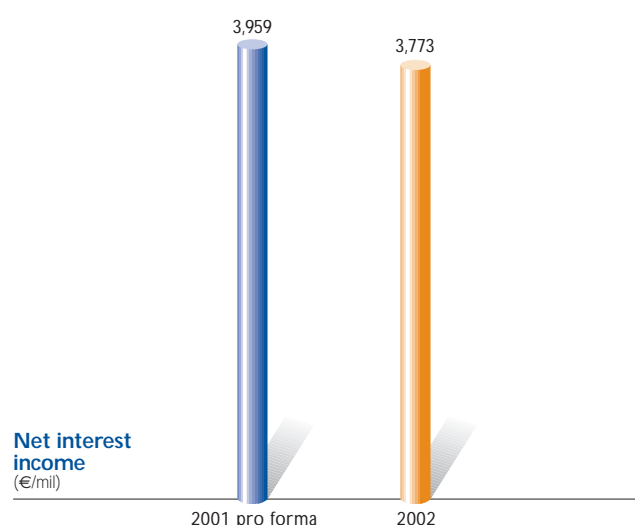
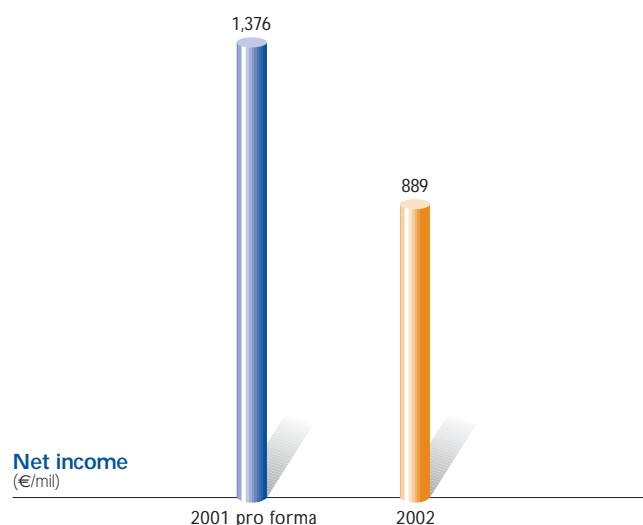
deemed necessary to use the reserve for general banking risks existing in the net shareholders' equity.

Net income for 2002 reached 889 million euro (525 million euro before the mentioned use of the reserves for general banking risks), compared with 1,376 million in 2001.

It should be noted that the following is made in comparison to the pro forma figures for 2001, prepared according to the criteria detailed in the Explanatory Notes.

Net interest income

Net interest income in 2002 was 3,773 million euro; comparison with the previous year shows a decline of 4.7%, mainly attributable to the fall in interest rates, which was reflected in a closure of spreads only partly compensated for by the positive development of the average amounts of



Net interest income

	2002 (€ mil)	2001 pro forma (€ mil)	Change 2002 / 2001 pro forma (%)
Interest income and similar revenues	8,693	10,451	-16.8
Interest expense and similar charges	-4,955	-6,586	-24.8
Reclassification (1)	35	94	-62.8
Net interest income	3,773	3,959	-4.7

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

sight deposits and medium- and long-term loans related to customer business. This is joined by a decline in fund imbalance volumes and returns.

As regards market rates, three-month Euribor fell by 39 basis points in terms of end period values, from the 3.35% of December 2001 to the 2.96% of December 2002, and by 95 basis points in average terms. The return on the ten-year BTP, in average terms, recorded a reduction of 14 cents.

In 2002 the return on the interest-earning assets of the Group was 5.20% and the cost of interest-bearing liabilities was 2.94%. In customer business the average spread between deposits and loans, excluding repurchase agreements, was 2.90% compared with 3.07% in 2001.

The average interest-earning assets of the Group showed a reduction of 4.8% on 2001; in this context the average

amounts of loans to customers, excluding repurchase agreements, thus recorded an increase of 2.1%. On the liability side, there was an increase of 2.9% in average volumes of customer deposits, net of repurchase agreements, as a result of an increase in the short-term (+3.4%) and medium- and long-term component (+2.2%).

Net interest and other banking income

Group net interest and other banking income in 2002 came to 7,160 million euro, down 5.1% on the previous year.

This activity can be attributed, as well as to the drop in net interest and other banking income, to the negative trend in commissions and profits from financial transactions, only in part compensated for by the increase in profits from companies carried at equity and dividends from shareholdings.

Analysis of average amounts, interest and rates

	2002			2001 pro forma		
	Average amounts (€/mil)	Interest (€/mil)	Average rate (%)	Average amounts (€/mil)	Interest (€/mil)	Average rate (%)
Interest-earning assets	157,066	8,166	5.20	164,957	9,884	5.99
- loans to customers	118,868	6,732	5.66	116,462	7,628	6.55
- due from banks	12,120	399	3.29	20,497	885	4.32
- securities	17,351	750	4.32	21,326	1,049	4.92
- repurchase agreements	5,992	185	3.09	2,798	126	4.50
- other interest-earning assets of Banco di Napoli	2,735	100	3.66	3,874	196	5.06
Non interest-earning assets (1)	50,299			50,778		
Total assets	207,365	8,166		215,735	9,884	
Interest-bearing liabilities	149,287	4,393	2.94	154,079	5,925	3.85
- direct customer deposits	115,020	3,174	2.76	111,788	3,886	3.48
- due to customers	66,888	1,022	1.53	64,677	1,578	2.44
- securities issued	48,132	2,152	4.47	47,111	2,308	4.90
- due to banks	19,643	596	3.03	27,171	1,291	4.75
- repurchase agreements	8,671	290	3.34	9,597	421	4.39
- subordinated liabilities	5,953	333	5.59	5,523	327	5.92
Non interest-bearing liabilities (1)	47,343			50,962		
Shareholders' equity	10,735			10,694		
Total liabilities and shareholders' equity	207,365	4,393		215,735	5,925	
Net interest income		3,773			3,959	

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

Net commissions amounted to 2,809 million euro, down 8.1% compared with the previous year. The change on an annual basis was conditioned by the negative trend of the financial markets, which reduced revenues from asset management and securities dealing; in particular, commissions from management, dealing and advisory services fell by 14.5%. In 2002 commissions from asset management represented about 49.4% of the total, compared with the 52% of the previous year. The decline in these commission revenues was caused both by the downsizing of assets under management induced by the fall in equity markets and by the change in the customer financial assets mix oriented towards low-risk and reduced financial duration investments.

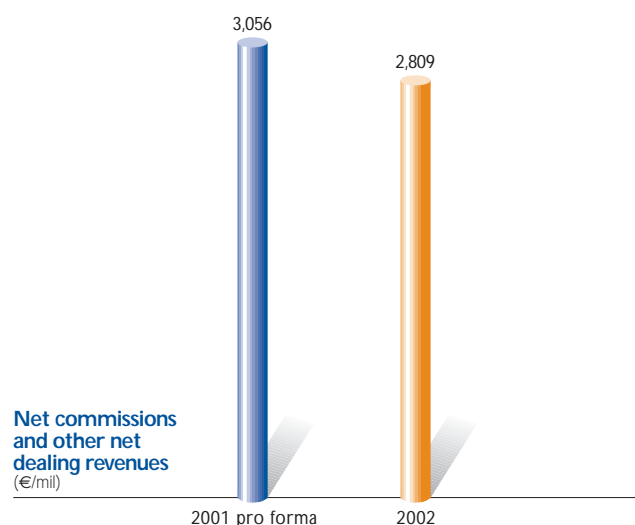
Other commission revenues include the 13.8% increase in the deposits and current accounts area.

Overall, in 2002 the Group's net commissions accounted for 60.4% of administrative costs and 98.4% of personnel costs.

In 2002 net profits from financial transactions and dividends on shares reached 286 million euro, down by 4.7% compared with the 300 million in 2001. This moderate drop is caused by the decline in the non-structural component of the aggregate, attributable to the sale, in 2001, of equity positions which were no longer strategic for the Group. The most structurally stable part of the aggregate, referable to the Parent Bank and Banca IMI, showed growth of approximately 50 million euro compared with 2001.

Profits from companies carried at equity and dividends from shareholdings, 292 million euro, rose by 28.1% compared with 2001. In particular:

- profits from companies carried at equity were 137 million euro against 82 million in 2001; they referred mainly to the insurance subsidiaries, which are significantly expanding, and to the other shareholdings in the banking area which are subject to a significant influence by the Group;
- dividends paid to the Group by minority shareholdings not included in the consolidation area amounted to 155 million euro, substantially aligned with those received in 2001.



Net interest and other banking income

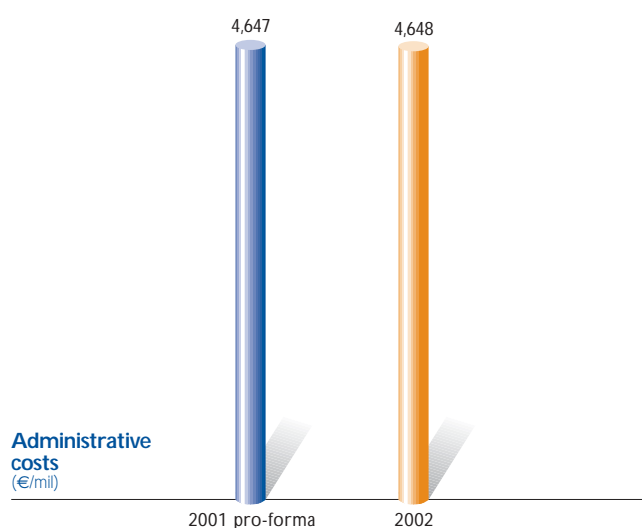
	2002 (€/mil)	2001 pro forma (€/mil)	Change 2002 / 2001 pro forma (%)
Net interest income	3,773	3,959	-4.7
Net commissions and other net dealing revenues	2,809	3,056	-8.1
- management, dealing and advisory services	1,673	1,957	-14.5
- <i>asset management</i>	1,387	1,588	-12.7
- <i>dealing/custody of securities and currencies</i>	286	369	-22.5
- loans and guarantees	245	249	-1.6
- collection and payment services	227	228	-0.4
- deposits and current accounts	438	385	+13.8
- other services and net dealing revenues	226	237	-4.6
Profits and losses from financial transactions and dividends on shares	286	300	-4.7
Profits from companies carried at equity and dividends from shareholdings	292	228	+28.1
Net interest and other banking income	7,160	7,543	-5.1

Operating income

Operating income amounted to 2,360 million euro, 14.8% less compared with 2001.

The structural cost containment actions taken in 2001 allowed the Group to maintain strict control of the trend of administrative costs, which were almost unchanged, despite the non-negligible impact of integration and restructuring costs due to the Group's expansion operations in recent years. Altogether, administrative costs amounted to 4,648 million euro.

Personnel costs, 2,856 million euro, benefited from a reduction in staff; in 2002 the number of employees fell by



906, mainly at the former Banco di Napoli and, to a lesser extent, at SANPAOLO IMI and Cardine Finanziaria. The reduction in these costs was made despite the contractual increases occurred during the year, following the renewal of the national collective labor contract, and part of the contractual adjustments attributable to the year for the personnel of the former Banco di Napoli.

Other administrative costs presented an increase of 0.6%, at 1,528 million euro. The increase is a result of the initiatives to rationalize the Group structures, the development and promotion of products and unrepeatably costs sustained in the early months of 2002 for the lira/euro changeover.

In 2002 amortization of tangible and intangible fixed assets was 510 million euro, up 6.5% on the previous year; the trend is influenced in particular by investments made to strengthen and specialize the commercial network, and to improve and integrate IT systems.

Income before extraordinary items

The Group's income before extraordinary items came to 722 million euro, down 54.6% compared with 2001.

Adjustments to goodwill and merger and consolidation differences, 212 million euro, recorded an increase on the year of 23.3%. This increase is attributable to the adjustment to the positive consolidation differences for the French group Fideuram Wargny, which reflects, besides ordinary amortization, an extraordinary adjustment of 45

Operating income

	2002 (€/mil)	2001 pro forma (€/mil)	Change 2002 / 2001 pro forma (%)
Net interest and other banking income	7,160	7,543	-5.1
Operating costs	-4,800	-4,773	+0.6
- administrative costs	-4,648	-4,647	+0.0
- personnel	-2,856	-2,862	-0.2
- other administrative costs	-1,528	-1,519	+0.6
- indirect duties and taxes	-264	-266	-0.8
- other operating income, net	358	353	+1.4
- adjustments to tangible fixed assets	-294	-268	+9.7
- adjustments to intangible fixed assets	-216	-211	+2.4
Operating income	2,360	2,770	-14.8

million euro to the goodwill of the French subsidiaries, made to take account of the downward trend in financial markets and of a more prudent evaluation of the subsidiary's future profit prospects.

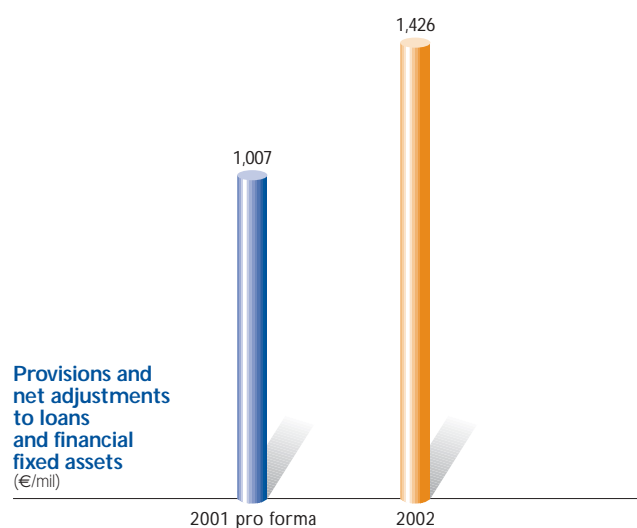
Provisions and net adjustments to loans and financial fixed assets were 1,426 million euro, compared with 1,007 million euro in the previous year (+41.6%).

The net flow includes:

- 261 million euro of provisions to the risks and charges fund, compared with the 214 million of 2001; these provisions were made to cover losses on legal disputes and claims from bankruptcy liquidators (58 million), potential charges for the renegotiation of mortgage loans (40 million), charges for commercial and operational risks connected with the distribution of financial products (68 million) and other charges for personnel, premium transactions and other potential liabilities (95 million);
- 604 million euro of provisions and adjustments for credit risks (540 million in 2001), aiming both at adjusting the estimated realizable value of specific accounts, included in doubtful loans, and strengthening the coverage of the physiological risk of the performing loans and guarantees portfolio. With an economic scenario which continues to be characterized by a considerable degree of uncertainty, the Group has in fact further strengthened control of credit risk, increasing the general risk reserve, also taking account of the reserves for possible loan losses, to 0.9% of the performing loan

portfolio. This level of coverage, also established using the indications taken from the Group's credit risk management portfolio model, represents a correct control over the negative trend in the economic scenario, taking account of the high quality of the credit portfolio. At the end of the year, the Group's general reserves for the coverage of such risks amounted to a total of 1,064 million euro;

- 561 million euro of adjustments to financial fixed assets (253 million in 2001), attributable largely to the shareholdings in Santander Central Hispano (SCH) and FIAT. The value of the shareholding in SCH, held by the Parent Bank and by Sanpaolo IMI International, has been



Income before extraordinary items

	2002 (€/mil)	2001 pro forma (€/mil)	Change 2002 / 2001 pro forma (%)
Operating income	2,360	2,770	-14.8
Adjustments to goodwill and merger and consolidation differences	-212	-172	+23.3
Provisions and net adjustments to loans and financial fixed assets	-1,426	-1,007	+41.6
- provisions for risks and charges	-261	-214	+22.0
- adjustments to loans and provisions for guarantees and commitments	-604	-540	+11.9
- net writedowns	-742	-702	+5.7
- net provisions for guarantees and commitments	-68	-26	+161.5
- recoveries	206	188	+9.6
- net adjustments to financial fixed assets	-561	-253	+121.7
- net writedowns of equity investments	-539	-237	+127.4
- net writedowns of investment securities	-22	-16	+37.5
Income before extraordinary items	722	1,591	-54.6

aligned to a value of 6.5 euro per share, the average of the market prices for the second half of 2002. This evaluation involved the booking of capital loss of 399 million euro. In relation to the shareholding in FIAT held by IMI Investimenti, the book value was prudently aligned with the average market price in December (8.7 euro per share), using the faculty provided for by current standards. The capital losses recorded were 82 million euro. It is believed that the intrinsic value of the Turin Group remains higher than the market prices, also in the light of recent plans to refinance its debt and the industrial reorganization initiatives.

Net income

Net income, 889 million euro, includes 296 million euro of net extraordinary income, compared with 414 million euro in 2001.

The most relevant component of this aggregate is represented by the 149 million euro of capital gains from the

sale of shareholdings, 62 million of which attributable to the sale of an 8.6% share in Cardine Banca, related to the mentioned operations of shareholding purchase and sale with Compagnia di San Paolo and minority shareholders of IMI Investimenti. The remainder is made up of uses of reserves considered in excess on the basis of the most recent actuarial estimates, real estate proceeds and sales, tax reimbursements and other minor contingent assets.

As anticipated, to face the extraordinary economic impact linked with the management of shareholdings, on the one hand, and considering the need to optimize the Group's tax position, on the other, the reserves for general banking risks were utilized through transfer to the statement of income, for an amount of 364 million euro.

Because of a tax liability of 450 million euro, the tax rate of the SANPAOLO IMI Group was 44.2%, a significant increase on that recorded in 2001 (25.8%), which had benefited from the recovery of prior tax losses by Group companies and the lower incidence of the IRAP taxable amount.

Net income

	2002 (€/mil)	2001 pro forma (€/mil)	Change 2002 / 2001 pro forma (%)
Income before extraordinary items	722	1,591	-54.6
Net extraordinary income	296	414	-28.5
- net gains on disposal of equity investments	149	432	-65.5
- other net extraordinary items	147	-18	n.s.
Income before taxes	1,018	2,005	-49.2
Income taxes for the period	-450	-517	-13.0
Change in reserves for general banking risks	364	-6	n.s.
Income attributable to minority interests	-43	-106	-59.4
Net income	889	1,376	-35.4

Embedded value of the life portfolio

The Group's half year net income includes the net accounting result registered by the insurance companies operating in the life sector; in particular:

- Sanpaolo Vita and its subsidiary Sanpaolo Life, belonging to Wealth Management, contributed 71 million euro to the Group's net income;
- Fideuram Vita registered 46 million euro net income.

To understand fully the importance of these results, it should be remembered that one of the most significant indicators of the management performance of an insurance company is the increase registered in a year by the so-called embedded value. The embedded value is an estimate made using actuarial techniques of the economic value of a closed portfolio company, regardless of the value attributable to future production. This is intended as the sum of two elements:

- the company's shareholders equity adjusted to market value as of the date of valuation;
- the value of the policy portfolio as of the date of valuation, calculated as the current value of income after taxes, that the portfolio in force is likely to generate over the years until its natural extinction, corrected by the maintenance cost of the capital required to respect the solvency margin.

The calculation of the embedded value of the life insurance business as of 31 December 2002 has been carried out with the assistance of the actuarial divisions of leading consulting companies, according to the following criteria:

- in preparation for the valuation of the portfolio in force, an actuarial technical examination of the portfolio of contracts held by the companies was carried out. This was joined by a formulation of expected future operating scenarios, important elements of this being the hypotheses assumed with regard to the performance of assets, the mortality rate, the management costs of the portfolio in question, the trend in premature closure due to abnormal causes and options exercised by customers, and the tax charge;
- subsequently, the comparison made with the aid of actuarial procedures of general sharing between the operating scenarios used as reference for the calculation of the premiums related to the current portfolio and anticipated scenarios, as formulated above, was used to obtain the succession of the estimated values of income that the portfolio will generate during the individual years of

remaining life, net of taxes and of the opportunity cost linked with the maintenance of the solvency margin;

- this succession of values was then discounted by applying a discount rate equal to the performance of a non-risk investment, increased to consider the uncertainty of the flow of income as determined above.

This is linked to the uncertainty that the operating hypotheses formulated correspond to actual operation. In particular, as regards the performance rates of the assets, a curve which refers mainly to the forward rates curve as of 31/12/2002 was used for Sanpaolo Vita, characterized by a yield to maturity of 4.02% in the first two years, 4.30% on five years and 4.73% on 10 years. A constant rate of 4.8% was considered for Sanpaolo Life, with 4.27% for Fideuram Vita separate management, 5% for guaranteed unit linked management and 5.1% non guaranteed unit linked management. As regards the discounting rates, an annual rate which is 2.25% higher than the aforementioned rate curve is considered for Sanpaolo Vita, as in the previous evaluations, while discounting rates of 7.0% and 7.25% have been considered for Sanpaolo Life and Fideuram Vita respectively.

On this basis, an estimate of the increase registered in 2002 by the embedded value at Group level inherent in the life insurance business was made, considering not only the component implicit in the life insurance companies but also the part of value allocated to other Group companies, to which the companies acknowledge sale, management or maintenance commissions. The results of the estimate are reported in the table below.

Embedded value of the life insurance business

	Wealth Management life insurance business (€/mil)	Banca Fideuram life insurance business (€/mil)
Embedded value as of 31/12/2001	752	743
Embedded value as of 31/12/2002	899	844
Change in the embedded value during 2002	147	101
<i>of which: increase in value attributable to new production</i>	<i>180</i>	<i>171</i>
<i>new policies excluding migration (1)</i>	<i>71</i>	
<i>new policies resulting from migration (2)</i>	<i>100</i>	
Dividends distributed	29	29
Capital increase	-70	-74
Fees during the year (net of Network costs and taxes)	43	-
Value added during the year	149	56

(1) Excluding the new production from the Banca Sanpaolo Invest channel.

(2) With the contextual drop in the value of the Banca Fideuram asset management portfolio by 79 million euro.

The embedded value of the life insurance business in the Group companies that receive sale, management or maintenance commissions is estimated as the current value of specific income, net of costs and after tax, that these companies will register on the policy portfolio until their contractual dissolution.

The change in the embedded value during 2002, for the

Group's life insurance business, was 147 million euro for operations carried out by Wealth Management and 101 million euro for Banca Fideuram. The added value of the year, considering the dividends distributed by the companies to Group companies (net of capital increases) and commissions, came to 149 million euro for Wealth Management and 56 million euro for Banca Fideuram.

Operating volumes and organization

Assets managed on behalf of customers

At the end of December 2002, customer financial assets amounted to 356.3 billion euro, down slightly on the value registered at the end of 2001 (-0.4%).

The evolution during the year was largely influenced, on the one hand, by the inflow of capital from abroad as a result of the so-called "tax shield", and, on the other, by the devaluation of asset management and asset administration determined by the drop in share prices. The uncertainty of the financial markets directed customer preferences towards asset administration, which accounted for 24.6% of total financial

assets compared with 23.6% at the end of 2001, and towards direct deposits, which accounted for 38.5% of the total aggregate at year end (37.7% at 31 December 2001).

Asset management and administration

Despite the difficult external scenario, in 2002 the Group had a positive net asset management flow of 3.2 billion euro; however, against this inflow, the decline in market prices led to a devaluation of 10.2 billion euro in the Group's total existing assets under management, which at the end of December came to 131.5 billion euro, down by 5% since the end of December 2001.

Among the various asset management products, mutual funds and fund-based portfolio management were most penalized by the trend in the financial markets: the amounts fell to 94.9 billion euro (-11.9% in comparison to the end of

Customer financial assets

	31/12/2002		31/12/2001 pro forma		Change 31/12/02-31/12/01 pro forma (%)
	Amount (€/mil)	%	Amount (€/mil)	%	
Asset management	131,515	36.9	138,479	38.7	-5.0
Asset administration	87,717	24.6	84,593	23.6	+3.7
Direct deposits	137,049	38.5	134,803	37.7	+1.7
Customer financial assets	356,281	100.0	357,875	100.0	-0.4

Asset management

	31/12/2002		31/12/2001 pro forma		Change 31/12/02-31/12/01 pro forma (%)
	Amount (€/mil)	%	Amount (€/mil)	%	
Mutual funds and fund-based portfolio management	94,918	72.2	107,742	77.8	-11.9
Portfolio management	9,443	7.2	10,698	7.7	-11.7
Life technical reserves	27,154	20.6	20,039	14.5	+35.5
Asset management	131,515	100.0	138,479	100.0	-5.0

Change in assets under management

	2002 (€/mil)	2001 pro forma (€/mil)
Net inflow for the period	3,197	6,702
- Mutual funds and fund-based portfolio management	-3,641	1,886
- Portfolio management	-853	114
- Life policies	7,691	4,702
Performance effect	-10,161	-10,301
Change in assets under management	-6,964	-3,599

December 2001). The trend in equity markets and the consequent choices of customers led to a significant recomposition in the different types: in particular the proportion on the total of liquidity funds rose from 17.3% at the end of 2001 to 27.1% at the end of December 2002, while the proportion of equity funds fell from 32.1% to 22.3%. At the end of the year the SANPAOLO IMI Group occupied second place in the domestic market, with a market share of 18.4%; it should be noted, however, that with the acquisition of control of Eptaconsors, concluded in January 2003, the Group gained market leadership with a share of 21.3%.

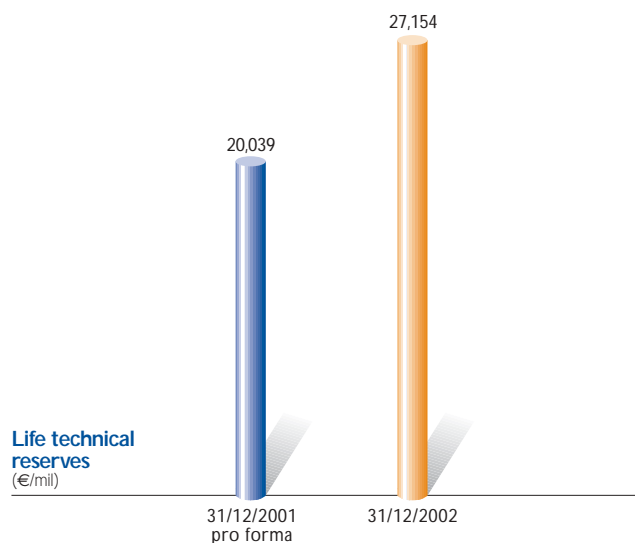
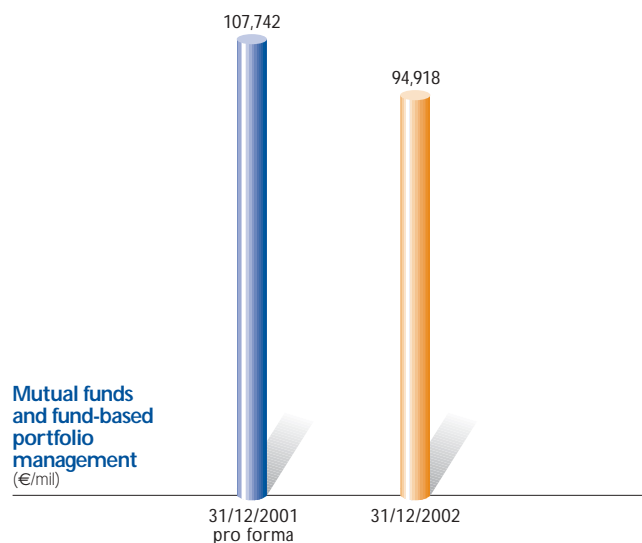
Life technical reserves benefited from the positive trend shown during 2002 in the placement of insurance products, representing one of the forms of investment preferred by customers; the net inflow realized by the distribution networks from the beginning of the year, 7.7 billion euro, took the amount at the end of 2002 to 27.2 billion euro, up 35.5%.

Customer security needs are also reflected in the expansion of assets under administration; despite the devaluation of stocks, the amounts have risen to 87.7 billion euro, presenting a flow of 3.1 billion euro since the end of 2001 (+3.7%).

Direct deposits

Direct customer deposits in 2002 presented a positive trend: the flow from the beginning of the year, 2.2 billion euro, brought the total amount to 137 billion euro, up 1.7% on the twelve months.

This evolution was encouraged by the growth in current accounts and deposits and in repurchase agreements, partly attributable to the effects of the inflow of capital from abroad and partly to continuing uncertainty on the financial markets, which has directed customer preferences

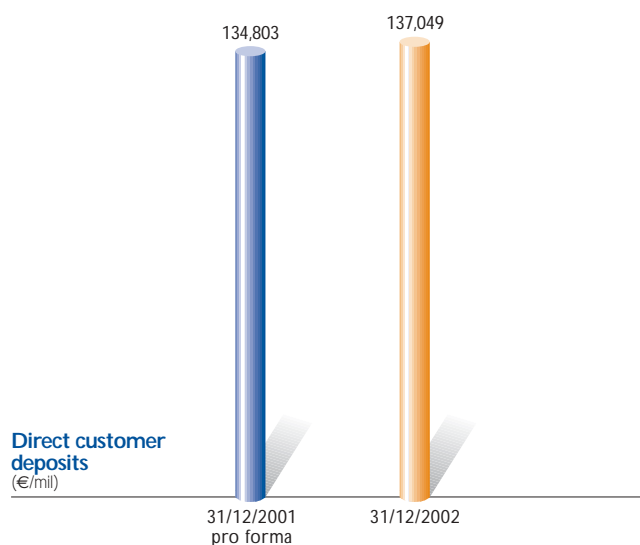


Mutual funds by type

	31/12/2002 %	31/12/2001 pro forma %
Equity	22.3	32.1
Balanced	10.9	14.2
Bond	39.7	36.4
Liquidity	27.1	17.3
Total Group mutual funds	100.0	100.0

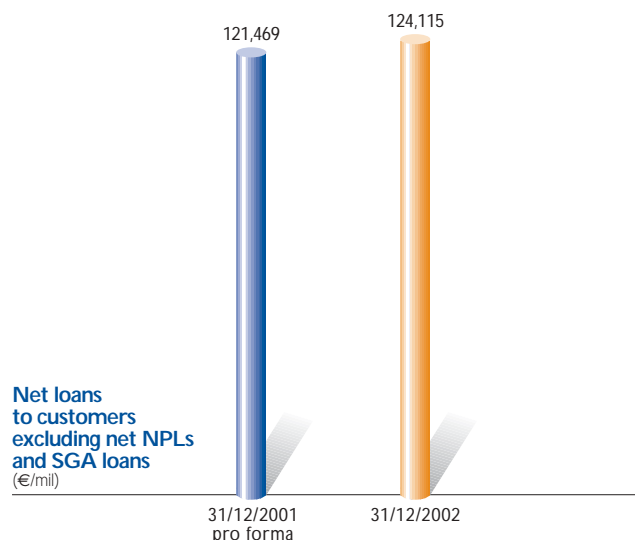
towards short-term investments. In medium- and long-term funding the flow in certificates of deposit, 3.5 billion euro, continued and was only partially compensated for by a 2.9 billion euro increase in bonds.

At the end of the year, the Group's domestic market share was 10.7%.



Loans to customers

At the end of 2002, the amounts of net loans to Group customers, excluding non-performing loans and loans to SGA, the company into which the doubtful loans of the former Banco di Napoli were transferred, were 124.1 billion euro, up 2.2% on the end of December 2001. This



Direct customer deposits

	31/12/2002		31/12/2001 pro forma		Change 31/12/02-31/12/01 pro forma (%)
	Amount (€/mil)	%	Amount (€/mil)	%	
Current accounts and deposits	70,313	51.3	67,634	50.2	+4.0
Certificates of deposits	7,310	5.3	10,777	8.0	-32.2
Bonds	39,447	28.9	36,529	27.1	+8.0
Commercial paper	4,139	3.0	4,137	3.1	+0.0
Repurchase agreements and securities lending	12,917	9.4	11,477	8.5	+12.5
Other deposits	2,923	2.1	4,249	3.1	-31.2
Direct customer deposits	137,049	100.0	134,803	100.0	+1.7

Loans to customers

	31/12/2002		31/12/2001 pro forma		Change 31/12/02-31/12/01 pro forma (%)
	Amount (€/mil)	%	Amount (€/mil)	%	
Short-term loans	48,637	38.4	51,849	41.5	-6.2
Medium- and long-term loans	75,478	59.5	69,620	55.8	+8.4
Loans to customers excluding NPLs and SGA loans	124,115	97.9	121,469	97.3	+2.2
Non-performing loans	1,334	1.1	1,400	1.1	-4.7
SGA loans	1,252	1.0	2,041	1.6	-38.7
Loans to customers	126,701	100.0	124,910	100.0	+1.4

change is the result of lively dynamics in medium- and long-term loans, which are up 8.4% on an annual basis, and of a 6.2% drop in short-term loans.

In medium- and long-term loans, good progress in financings directed to the retail sector continued: mortgage disbursements to households by the Sanpaolo Network in 2002 were 1.9 billion euro, up 17.1% on the previous year. These are joined by 0.9 billion disbursed by Cardine bank networks and 0.4 billion by the network of the former Banco di Napoli. The evolution in terms of loans made by Banca OPI for public works and infrastructure, which rose to 14.7 billion euro at the end of

December 2002, up by 10.9% since the beginning of the year, was also positive.

These results contributed to a growth in loans to the private sector: loans to households presented a variation of 8.8% compared with the end of December 2001; loans to family businesses and non-financial companies also increased (+1.6% since the end of 2001).

With reference to Group transactions in Italy, the geographical breakdown shows more sustained movement in loans to customers resident in the North East, up 9.6% on an annual basis, in Central Italy (+7.2%) and in the North

Loans to customers by counterparty

	31/12/2002		31/12/2001 pro forma		Change 31/12/02-31/12/01 pro forma (%)
	Amount (€/mil)	%	Amount (€/mil)	%	
Loans to households	24,586	19.4	22,603	18.1	+8.8
Loans to family businesses and non-financial businesses	73,680	58.2	72,551	58.1	+1.6
Loans to financial companies	13,985	11.0	14,248	11.4	-1.8
Loans to governments and public bodies (1)	13,481	10.6	13,947	11.2	-3.3
Other	969	0.8	1,561	1.2	-37.9
Loans to customers	126,701	100.0	124,910	100.0	+1.4

(1) Excluding Banca OPI's loans to municipalized companies.

Loans to customers by type of lending

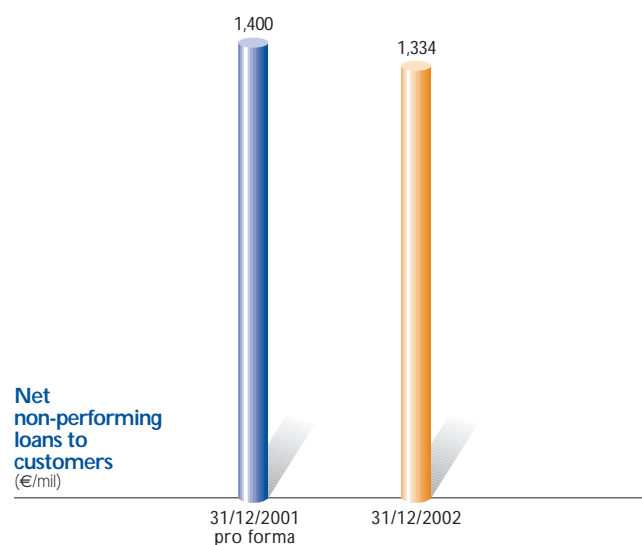
	31/12/2002		31/12/2001 pro forma		Change 31/12/02-31/12/01 pro forma (%)
	Amount (€/mil)	%	Amount (€/mil)	%	
Loans to households	24,586	19.4	22,603	18.1	+8.8
- Domestic network	23,260	18.4	21,333	17.1	+9.0
- overdraft	1,736	1.4	1,732	1.4	+0.2
- personal loans	3,360	2.7	3,066	2.5	+9.6
- mortgage loans	16,390	12.9	14,922	11.9	+9.8
- other	1,774	1.4	1,613	1.3	+10.0
- Foreign network	1,326	1.0	1,270	1.0	+4.4
Loans to family businesses, companies, governments, public bodies and others	102,115	80.6	102,307	81.9	-0.2
- Domestic network	91,375	72.1	89,369	71.5	+2.2
- overdraft	15,199	12.0	15,523	12.4	-2.1
- repurchase agreements	1,613	1.3	2,590	2.1	-37.7
- import/export financing	2,882	2.3	2,183	1.7	+32.0
- leasing	4,090	3.2	3,039	2.4	+34.6
- mortgage loans	41,799	33.0	39,702	31.8	+5.3
- other	25,792	20.3	26,332	21.1	-2.1
- Foreign network	10,740	8.5	12,938	10.4	-17.0
Loans to customers	126,701	100.0	124,910	100.0	+1.4

West (+6.5%). The Group's market share in the domestic market at the end of 2002 was 11.2% for total loans; more specifically, medium- and long-term loans had a 12.4% share, while short-term loans took 9.8%.

Loans issued by the Group's foreign network came to 12.1 billion euro, down 15.1% since the end of December 2001.

Doubtful loans

Against an economic scenario which is still characterized by a considerable degree of uncertainty, the Group continued to defend the asset quality during the year, in particular through the adoption of strict loan-issue selection policies by all the banking networks, as well as an intense recovery activity and prudent provision policies.



At the end of 2002 Group net doubtful loans were 2,892 million euro, 68 million down on the end of December 2001 (-2.3%). More specifically, in loans to customers:

- net non-performing loans were 1,334 million euro against 1,400 million euro at the end of December 2001 (-4.7%); the ratio of net non-performing loans to net loans to customers was 1.1%, stable on the values at the end of 2001. At the end of December 2002 the Group's non-performing loans presented a coverage ratio of 68.9%;
- problem, restructured and in course of restructuring loans were 1,447 million euro, 1% down on the amount at the end of 2001; the coverage ratio was 30.1%;
- non-guaranteed loans to customers in countries subject to country risk rose to 59 million euro from the 35 million at the end of 2001.

Activities on financial markets

Dealing and treasury activities

After the establishment of the integrated Treasury, following the reorganization of Group Finance implemented during 2002, interbank transactions for the domestic Network Banks and all the Group Companies in general, for which direct access to the monetary markets was considered inefficient, were progressively centralized at the Parent Bank. The integrated treasury activity, carried out in order to optimize the Group's exchange, rate and liquidity risk and therefore maximize profitability, guaranteed the domestic banking networks immunity from financial risks, offsetting intra-Group transactions by the centralized channeling of flows. The different location of the Treasury, in Turin for the euro market, New York for

Analysis of loan portfolio

	31/12/2002		31/12/2001 pro forma		Change 31/12/02-31/12/01 pro forma (%)
	Amount (€/mil)	%	Amount (€/mil)	%	
Non-performing loans	1,334	1.1	1,400	1.1	-4.7
Problem, restructured and in course of restructuring loans	1,447	1.1	1,462	1.2	-1.0
Loans to countries at risk - customers	59	0.0	35	0.0	+68.6
Performing loans	123,861	97.8	122,013	97.7	+1.5
Total loans to customers	126,701	100.0	124,910	100.0	+1.4
Non-performing and problem loans - banks	1		1		-
Loans to countries at risk - banks	51		62		-17.7

the dollar market and Tokyo and Singapore for the Far East market, satisfied customer needs and the pursuit of a meticulous policy to diversify funding sources. On the interbank market, approximately 50% of the volumes negotiated by the Parent Bank regarded collection transactions in euro; a significant portion of the total amount (265 billion euro), was channeled through the e-Mid circuit, on which the Bank maintained a market share of about 3%.

At the end of 2002, the Group's securities portfolio came to 22.6 billion euro, down 20.9% on the pro forma amount at the end of 2001. The investment component fell to 2.9 billion euro, accounting for 12.8% of the total, in comparison to the 14% at the end of the previous year (4.0 billion euro).

At the end of the year the dealing portfolio of the subsidiary Banca IMI was 6.6 billion euro, down 10.8% compared with the 7.4 billion held at the end of 2001; this included approximately 52% Government and EU public issue bonds and approximately 19% other bonds.

The Parent Bank's bond portfolio, comprising the portfolios of Cardine Banca and Banco di Napoli acquired during the merger, amounted to 14.4 billion euro. At the end of the year, the dealing component of the portfolio amounted to 12.4 billion euro, while the investment component amounted to 2 billion euro. In the context of the dealing portfolio, Government bonds accounted for 40%; bonds from financial and banking issuers represented 56%, while the remaining 4% share comprised corporate bonds and securitization-related issues. Approximately 70% of the investment component was represented by Government

and bank bonds, with the remaining 30% made up of corporate issues related to securitization transactions. The volume of the securities negotiated by the Parent Bank was 25 billion euro, while transactions in repurchase agreements, entered into for retail and corporate customers and to support activity on the monetary markets, amounted to 296 billion euro, 197 billion of which were handled by the MTS/PCT platform.

Within the context of the guidelines adopted during 2002 concerning the funding liquidity risk, the Board of Directors tied up a minimum quantity of eligible securities to be held available for spot hedging of the very short-term liquidity risk. "A liquidity target ratio" was introduced with these guidelines, to be respected in the short-term as regards the imbalance between expiring assets or those suitable for prompt liquidation, and expiring liabilities, divided into time brackets. Consequently the dealing portfolio, according to the different holding purposes and the diverse risk/performance profile of the securities, was split into four different operating sub-portfolios: (i) Liquidity, (ii) Dynamic Investment, (iii) Corporate Bonds, (iv) Group Debt. The sizing of these sectors took place according to values such as to maximize the profitability aims and satisfy the secondary liquidity needs of the Bank and the Group Companies for which the Parent Group activated the integrated Treasury during the year.

As regards medium- and long-term funding, the activity carried out during 2002 confirmed SANPAOLO IMI among the leading issuers on the domestic and international market. Globally the issues generated inflows of 7.5 billion euro (4.1 billion euro obtained through the domestic banking networks and 3.4 billion euro on the international mar-

Securities, interbank position and derivatives

	31/12/2002		31/12/2001 pro forma		Change 31/12/02-31/12/01 pro forma (%)
	Amount (€mil)	%	Amount (€mil)	%	
Investment securities	2,897	12.8	3,986	14.0	-27.3
Dealing securities (1)	19,694	87.2	24,557	86.0	-19.8
Total securities	22,591	100.0	28,543	100.0	-20.9
Loans to banks	22,000		26,436		-16.8
Funding from institutional banking organizations	5,881		4,621		+27.3
Funding from other banks	18,574		31,861		-41.7
Derivatives and forward transactions in foreign currencies (at nominal value)	354,244		427,570		-17.1

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

ket), of which 6.5 million of senior nature and 1 billion of subordinated nature in the form of a second level issue (Lower Tier II). Within the context of public transactions, the Parent Bank realized two issues of senior nature for a cost of 1.5 billion euro and two issues of subordinated nature for a total cost of 800 million euro.

Placement and advisory business

During 2002, despite a primary debt market characterized at international level by contained operating volumes, Banca IMI confirmed its status as one of the main Italian operators, assuming the role of leader or sole placer in 36 bond issues, for a total of approximately 13 billion euro. In the financial institutions sector in particular, it accompanied Finconsumo Banca and Banco Desio in their debut on the euromarket. Other transactions include the benchmark issues for SANPAOLO IMI (senior and subordinated), the senior issues of Banca Agrileasing, Efibanca and Lehman Brothers and the organization of an issue of hybrid investment instrument for Cassa di Risparmio di Firenze. In relation to sovereign state issues, attention ought to be drawn to the jumbo issue for the Greek Republic and, as regards corporate issuers, the placement of a senior issue for Italoenergia through OPS and the debut issue of I Viaggi del Ventaglio on the euromarket. Lastly, the securitization sector includes the “European Auto Securitization” for FIAT Auto, the securitization of the residential mortgages of the Cassa di Risparmio di Firenze, and the appointment from the Cassa Depositi e Prestiti for a securitization of 3.6 billion euro.

In the equity sector, 2002 registered substantial staginations in the IPO sector, as a result of market conditions, while there was a considerable increase in capital market operations through capital increase options. In this last context, the Bank realized, among other things, the biggest transaction carried out in Italy, in relation to the Alitalia SpA capital increase (by 1.4 billion euro in shares and convertible bonds) and also took part in the Fiat capital increase (1 billion euro).

In the context of equity placements, the Bank took part in the main transactions carried out on the Italian market (Fiera Milano, ASM Brescia, Astaldi, Pirelli Real Estate, Fondo Alpha, Banca Lombarda), it acted as sponsor in the listing admission of ordinary and savings shares of Italoenergia (renamed Edison herewith) and took part in important transactions on the international market enabling consolidation of its positive track record. To this

end it participated as co-lead manager in the Institutional placement consortium of Autoroutes du Sud de la France (global offer of over 2.4 billion euro), the activity within the context of the offer of shares in the American CIT Group Inc. (financing company of the American group, Tyco) and in the International Institutional Offer of shares in Enagas (principal supplier of services in transport and stockholding of natural gas in Spain). It also acted as co-manager in the private placement of shares in Telekom Austria AG.

Market conditions privileged Public Offers, where Banca IMI acted as financial consultant and coordinating intermediary in the collection of applications regarding the offer launched by ENI S.p.A. on Italgas S.p.A. which, at a cost of 2.5 billion euro, represented the biggest takeover bid launched on the Italian market during 2002. Banca IMI also acted as coordinating intermediary for the residual offer launched by Idra Partecipazioni S.p.A. for Idra Presse S.p.A. ordinary shares.

With regard to Corporate Finance Advisory, despite the presence of an unfavorable market, Banca IMI completed several particularly significant M&A transactions and handled the financing structuring of various acquisitions. The main activities include the participation in the extensive financial restructuring process of the FIAT Group. In this context, Banca IMI handled the sale of a 51% share of Fidis to the financing banks.

Important advisory activity was carried out for the Buzzi Unichem Group regarding the establishment of the exchange ratio in the merger by incorporation of Unimed into Buzzi Unichem. Significant consulting activity was carried out in the energy, telecommunications and IT services sectors, which also concerned the advisory for AEM Torino, for the exploitation of electricity generation assets, and the advisory for the Albanian government in the project for the privatization of the fixed telecommunication and energy (oil & gas) sectors. During the last quarter Banca IMI acquired a mandate from Edison to supply assistance in the sale of reserves of gas in Egypt and from Finmeccanica for the exploitation of the Eltag assets.

Equity investments

The Group's investments in companies that are not consolidated on a line-by-line basis amounted to 4.1 billion euro, with a net decrease of 0.8 billion euro compared with the pro forma value as of 31 December 2001.

Globally, during the year acquisitions amounted to 490 million euro. The main transactions, mentioned earlier, regarded:

- the acquisition by Fiat of a further 4.66% share of Italcenergia Bis, for 183 million euro, in the context of the agreements with this group; the acquisition, in addition to the original 7.82% share, took the total investment in this holding to 12.48%, for a cost of 431 million euro. The value of the equity investment is covered by way out agreements completed with the industrial partners EDF (Electricité de France) and FIAT. Prior to the above-mentioned acquisition, the share originally held in Italcenergia (7.82%) had been placed, together with the shares of the other shareholders, into the new Italcenergia Bis, with consequent assumption by the latter of the new role of leading holding company of the Group.
- the acquisition by Banca Intesa of 3.33% of the capital of Borsa Italiana, with an outlay of 32 million euro, increasing the Group's interest to 12.51%; the purchase follows recent increases in the shareholding deriving from the application for the exchange offer launched by Borsa Italiana on Monte Titoli;
- the subscription in February 2002 of the FIAT capital increase for 15 million euro.

During the year disposals of shares in companies not consolidated using the line-by-line method amounted to 831 million euro, realizing capital gains of 146 million euro net of the tax effect. These include:

- the sale to Compagnia di San Paolo, before the merger with Cardine, of an 8% holding in Cardine Banca, at the price of 440 million euro, and the simultaneous acquisition by Compagnia di San Paolo of shareholdings in FIN.OPI (100%), in Sanpaolo IMI Private Equity (27.02%) and IMI Investimenti (39.77%). SANPAOLO IMI also acquired the minority interest in IMI Investimenti using a further 0.61% share in Cardine

Banca. These transactions involved the booking of gross capital gains of 62 million euro;

- the complete sale of the 0.19% stake in the Royal Bank of Scotland, with the realization of total capital gains of about 64 million euro (14 million euro booked in 2002 and 49 million euro deducted in 2001 as a result of the valuation of the inherent equity and exchange risk hedging transactions);
- the sale of a 0.06% share of the 0.26% stake originally held in ENI; the transaction created capital gains of 7 million euro for an outlay of 43 million euro;
- the re-sale of the 8.49% held in Banca Agricola Mantovana for a cost of 206 million euro (corresponding to the relative book value) through the exercising of a put option with Monte dei Paschi di Siena;
- the sale by Banco di Napoli, before the merger, of the 70% share held in Datitalia Processing, at a price of 11 million euro, realizing capital gains of 3 million euro.

Further disposals regarded the interests held as part of the merchant banking activity and, in particular, the complete sale of the shares held in Camuzzi Gazometri, Cartiere Fedrigoni, UTET and Salvagnini, as well as the partial sale of the Davide Campari shares, with global gross capital gains of about 14 million euro on a sale price of 81 million euro.

Operating structure

The distribution network

The merger with Cardine and, subsequently, the incorporation of Banco di Napoli and the constitution of the Southern Territorial Direction, already described in detail, contributed to strengthening the Group's distribution network, enabling excellent coverage of the country.

Non-consolidated equity investments

	31/12/2002		31/12/2001 pro forma		Change 31/12/02-31/12/01 pro forma (%)
	Amount (€/mil)	%	Amount (€/mil)	%	
Equity investments	4,064	100.0	4,898	100.0	-17.0
- carried at equity	1,266	31.2	1,102	22.5	+14.9
- carried at cost	2,798	68.8	3,796	77.5	-26.3
- in listed companies	1,302	32.0	2,024	41.3	-35.7
- in other companies	1,496	36.8	1,772	36.2	-15.6

The plan to develop and rationalize the SANPAOLO IMI Group networks also provides for a distribution model based on the specialization by macro customer segments, in order to supply an improved and more effective response to different household and company needs.

At the end of December the SANPAOLO IMI Group had a network of 3,069 banking branches in Italy, 33.9% of which are distributed throughout the North West, which is in-depth covered by the Sanpaolo Network, 27.4% in the North East, where the Cardine network is concentrated, 26.2% in Southern Italy and the Islands, where the branches of the former Banco di Napoli operate. The remaining 12.5% of the Group network is situated in Central Italy, where there are more than 400 branches of Cassa di Risparmio di Firenze, in which a 19.5% interest is held and with which SANPAOLO IMI has stipulated distribution agreements. Further commercial agreements have been stipulated with Cassa dei Risparmi di Forlì, which has about sixty branches mainly operating in the North East.

The share held by the Group throughout Italy amounts to 10.3%. SANPAOLO IMI in particular has an 11.3% share in the North West, 10.6% in the North East, 5.7% in the Center and 13.7% in the South and the Islands.

The strengthening of the branch networks realized via the specialization of branches to deal with their reference customer segments led to the creation of 129 “company branches” in the Sanpaolo network; similar specialization initiatives regarded the Banco di Napoli and Cardine networks.

The Group confirmed its commitment towards innovative channels. The Sanpaolo Network in particular carried out commercial development activities with regard to the services offered through direct channels, expanding their functionality and strengthening the customer service instruments. At the end of December the number of contracts enabling private customers to operate in an integrated way through traditional channels and direct channels rose to

Group distribution network

	31/12/2002	31/12/2001 pro forma	Change 31/12/02-31/12/01 pro forma (%)
Banking branches and area offices	3,205	3,178	+0.8
- Italy	3,069	3,049	+0.7
<i>of which: Parent Bank (Sanpaolo Network and Banco di Napoli Network)</i>	2,115	2,107	+0.4
- Abroad	136	129	+5.4
<i>of which: Banque Sanpaolo</i>	62	59	+5.1
Representative offices	17	21	-19.0
Financial planners	4,955	5,510	-10.1
<i>of which: Banca Fideuram</i>	3,520	3,795	-7.2
<i>of which: Banca Sanpaolo Invest</i>	1,234	1,494	-17.4

Group distribution network in Italy as of 31/12/2002

	Sanpaolo		Banco di Napoli		Cardine		Other (1)		TOTAL	
		%		%		%		%		%
North-West (Piedmont, Val d'Aosta, Lombardy and Liguria)	980	70.5	3	0.4	13	1.5	43	38.1	1,039	33.9
North-East (Veneto, Trentino Alto Adige, Friuli Venezia Giulia and Emilia Romagna)	107	7.7	1	0.1	706	84.0	26	23.0	840	27.4
Centre (Tuscany, Marche, Umbria, Lazio, Abruzzo and Molise)	127	9.1	110	15.2	122	14.5	26	23.0	385	12.5
South and Islands (Campania, Puglia, Basilicata, Calabria, Sicily and Sardinia)	176	12.7	611	84.3	-	-	18	15.9	805	26.2
Banking branches and area offices in Italy	1,390	100.0	725	100.0	841	100.0	113	100.0	3,069	100.0

(1) Includes the branches of Banca Fideuram (87), Finconsumo Banca (24), Finemiro Banca (1) and Farbanca (1).

325,000, with an increase of more than 145,000 since the beginning of the year, and Internet banking contracts with companies exceeded 19,000. On the date, the Cardine bank networks had approximately 57,000 phone and Internet banking contracts.

With reference to direct channels, the retail customer service is carried out through the network of automatic Bancomat tellers which, at the end of the year, included 1,899 Sanpaolo ATMs, 979 belonging to the Cardine bank networks and 895 to former Banco di Napoli, and through the POS terminals of the Sanpaolo Network (27,064), Cardine (18,619) and former Banco di Napoli (10,100).

The Group's distribution structure is also made up of 4,955 financial planners, mainly of Banca Fideuram and Banca Sanpaolo Invest. In this context it should be noted that the acquisition of Banca Sanpaolo Invest by Banca Fideuram was completed during the year. The transaction will increase the commercial effectiveness of the sales network, enabling strategic coordination of the financial planners, the adoption of a range of common products and consistent brand and marketing policies.

The Group operates abroad through a network of 136 branches, of which 62 belonging to the French Banque Sanpaolo, and 17 representative offices.

Personnel

At the end of the year Group personnel consisted of 45,650 employees, down by 906 on the previous year, considering the pro forma inclusion as of 31/12/2001 of the Cardine Group and Banka Koper.

This net reduction fits into a series of interventions to contain personnel dynamics, and therefore costs, implement-

ed during the last two years, without sacrificing investments in personnel to strengthen and expand the commercial network.

With particular reference to the Parent Bank, on 31 December 2002, the staff was made up of 28,036 employees, down 973 in comparison to the previous year (reconstructed pro forma to include the staff of the former Banco di Napoli net of the spin off of the tax collection sector and 24 employees of the former Cardine Foreign branches in London and Luxembourg, acquired by the Parent Bank in June 2002).

The staff reduction, realized via 1,546 resignations and 573 new hires, can be attributed to a management strategy which, while adopting voluntary redundancy plans on the one hand, continues development actions on the other, with the introduction of new resources into its structures, simultaneously ensuring a gradual generational change. In particular, the voluntary redundancy initiatives resulted in the resignation of over 1,100 people.

With regard to the other Group companies, as of 31/12/2002 the Cardine structure, made up of Cardine Finanziaria and the seven bank networks, had 9,719 members of staff, down 86 compared with 31/12/2001 (reconstructed pro forma in consideration of the assignment of the 24 resources mentioned above).

The other companies grew by 153 units, mainly due to commercial expansion in Eastern European countries.

The actions implemented up to now will be completed and continued as provided for by the 2003-2005 three-year plan, which places considerable emphasis on the recovery of efficiency, realized mainly through the integration of the

Personnel

	31/12/2002		31/12/2001 pro forma (1)		Change 31/12/02-31/12/01 pro forma (%)
		%		%	
Period-end headcount	45,650	100.0	46,556	100.0	-1.9
- Executives (2)	881	1.9	834	1.8	+5.6
- Third and fourth level managers (2)	5,975	13.1	6,252	13.4	-4.4
- other personnel	38,794	85.0	39,470	84.8	-1.7

(1) Includes the employees of the former Cardine Group and Banka Koper as of 31/12/01.

(2) The distinction between executives and third and fourth level managers as of 31/12/02 follows the changes in the staff organization introduced by the National Collective Labour Contract for the banking sector with the constitution of the "extended management" in the context of the former Banco di Napoli. The comparison with 2001 is therefore inconsistent.

distribution networks and the common exploitation of the business support structures.

The reduction of staff planned during the three years will enable substantial elimination of the inertial growth dynamics of the cost, also through a consistent “rejuvenation” action linked with investments in new personnel to strengthen the distribution structure and therefore improve commercial effectiveness.

This strengthening operation will also be implemented through the recomposition of the ratio between resources assigned to the business structures and resources assigned

to the business support structures, actuating intense professional conversion processes for the resources of the corporate center.

With reference to the management tools used during the year, within the context of the Group's commercial banks, the integration of the planning and development systems and those to extend the incentive models and programs for the enhancement of the professional skills and potential of people continued, and were also actuated through growing investments in training. Together with this, the gradual application of the same systems continued, suitably adapted to the Group's different specialist situations.

Capital and reserves

Net shareholders' equity

Group shareholders' equity, 10,537 million euro as of 31 December 2002, showed in the year the following movements:

<i>Movements in Group shareholders' equity</i>	<i>€/mil</i>
Shareholders' equity as of 1 January 2002	8,182
Decreases	-1,141
- Dividends	-773
- Exchange and other adjustments	-4
- Use of reserves for general banking risks	-364
Increases	3,496
- Merger with Cardine Banca	2,063
- capital	1,212
- reserves	851
- Decrease in own shares held by the Parent Bank	294
- Portion of tax benefits from the Banco di Napoli merger	250
- Net income for the year (1)	889
Shareholders' equity as of 31 December 2002	10,537

(1) Includes the use of reserves for general banking risks for 364 million euro.

Besides the distribution of the 2001 dividend and the net income for 2002, the changes compared with the figures at the end of December 2001 reflect:

- among reductions, the use of the reserves for general banking risks by the Parent Bank (358 million euro) and in residual measure, by other subsidiaries, to cover the negative impact on net income of the devaluations of the listed investment portfolio and considering the need to optimize the Group's tax position;
- among increases:
 - 250 million euro of tax benefits out of funds concerning the deferred tax asset generated by the merger of Banco di Napoli into SANPAOLO IMI and in relation to the quota of goodwill on Banco di Napoli, booked in 2000 to offset pre-existing negative differences at first consolidation;
 - 2,063 million euro related to the effect of the merger with Cardine; this amount represents the consolidated equity of the incorporated bank (3,213 million euro), reduced to take account mainly of alignment with Group accounting principles (86 million euro), of compensation of the positive differences of consolidation with the negative differences (296 million euro), of the use of SANPAOLO IMI own shares in the exchange (678 million euro), as well as of the cancellation of Cardine shares in the portfolios of the merged companies (90 million euro).

Own shares

As of 31 December 2002 the own shares held by the Group were 4,940,751, equal to 0.27% of the equity capital and booked at market value in the dealing portfolio for 31 million euro, in line with that done by the subsidiaries in their financial statements.

Group transactions with SANPAOLO IMI shares during 2002 were the following:

- as of 31 December 2001, the Parent Bank held 17,080,403 own shares in its portfolio (48 million euro nominal value), for a book value, at cost, of 294 million euro. During the year it purchased 35,578,038 shares (100 million euro nominal value) for a total cost of 423 million euro. The shares were destined as follows:
 - 48,013,809 shares (134 million euro nominal value) were used in the exchange involved in the merger with Cardine Banca;
 - 2,718,608 shares (8 million euro nominal value) were exchanged with Banco di Napoli saving shares in the context of the merger by incorporation of the Banco di Napoli into SANPAOLO IMI;
 - 1,912,373 shares (5 million euro nominal value), for a cost of 19 million euro were assigned to employees in June in relation with the extended employee stock plan;
 - 13,650 shares (38,220 euro nominal value), for a book value of 137,000 euro, were sold on the market for a cost of about 135,000 euro;
- As of 31 December 2002, therefore, the Parent Bank held just 1 own share in its portfolio, with 2.8 euro nominal value, for a book value of 7.41 euro;
- as of 31 December 2001, the subsidiary Banca IMI, in relation to its institutional dealing activity, held 815,564 SANPAOLO IMI shares in its portfolio (2 million euro nominal value), booked at a market value of 10 million euro. During the year the company purchased 46,589,230 shares (130 million euro nominal value), for a cost of 452 million euro, and sold 45,810,050 shares (128 million euro nominal value) for a total outlay of 441 million euro. As of 31 December 2002, Banca IMI held 1,594,744 shares in its portfolio (4 million euro nominal value), booked at a market value of 10 million euro;
 - as of 31 December 2002, the subsidiary IMI Investimenti held 219,190 SANPAOLO IMI shares in its dealing portfolio (1 million euro nominal value), booked at a market value of 1.4 million euro. The shares arise from the conversion of Cardine Banca shares into SANPAOLO IMI shares following the merger between the two banks;

- furthermore, following the merger with Cardine Banca, the number of SANPAOLO IMI shares in the Group's portfolio rose by 3,126,815 shares (9 million euro total nominal value) thanks to the contribution of several companies of the former Cardine Group. The total number of these shares, which remained unchanged in the period following the merger, was thus composed as of 31 December 2002:
 - 3,073,729 shares (9 million euro nominal value), at a market value of 19 million euro, booked by Prospettive 2001, following the conferral to the same of a company branch of Fincardine SpA;
 - 53,087 shares in its portfolio (0.1 million euro nominal value), booked at a market value of 0.3 million euro, held by Banca Popolare dell'Adriatico.

Regulatory capital and solvency ratios

As of 31 December 2002 the ratio of the Group's total regulatory capital to total weighted assets against risks, deriving mainly from credit and market risks, showed a total solvency ratio of 10.7%; in particular, the market risks referable to the Parent Bank and other Group companies, 10 billion euro at the end of December 2002, were largely hedged by Tier 3 subordinated liabilities, entered into for a total of 589 million euro.

The ratio between the Group's Tier 1 capital and the total weighted assets reached, at the end of December 2002, 7.3% (Tier 1 ratio).

Lastly, the core Tier 1 ratio (calculated on the Tier 1 capital net of preferred shares) came to 6.6%.

The regulatory capital structure of the SANPAOLO IMI Group is therefore consistent with the recommendations recently formulated by the Bank of Italy which, following a more general international orientation aimed at stimulating the creation of more solid capital endowment for the most important banks (e.g.: aligned to the status of Financial Holding Company in accordance with United States standards), indicated to the Bank stricter than obligatory target ratios:

- Core Tier 1 ratio = 6%;
- Total Risk ratio = 10%.

Regulatory capital and capital adequacy

	31/12/2002	31/12/2001
Regulatory capital (€/mil)		
Tier 1 capital	9,765	7,656
<i>of which: preferred shares</i>	1,000	1,000
Tier 2 capital	4,406	3,552
less: prescribed deductions	-470	-1,740
Regulatory capital	13,701	9,468
Tier 3 subordinated loans	589	610
Total regulatory capital	14,290	10,078
Weighted assets (€/mil)		
Credit risk	123,575	97,137
Market risk	9,588	8,025
Other requirements	550	538
Total assets	133,713	105,700
Solvency ratios (%)		
Total risk ratio	10.7	9.5
Tier 1 ratio	7.3	7.2
Core tier 1 ratio (net of preferred shares)	6.6	6.3

Risk management and control

The basic principles

The SANPAOLO IMI Group is strongly committed to risk management and control, which is based on three principles:

- clear identification of responsibility for taking on risks;
- measurement and control systems in line with international best practice;
- organizational separation between the Business Areas that carry on day to day operations and those that carry out controls.

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

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

The Business Areas that generate credit and/or financial risks are all assigned with limits of autonomy and each has its own control structure.

Financial risk management and control

Organization

As regards the management and control of financial risks, the fundamental role is assigned to the Board of Directors of the Parent Bank, which defines the orientations and strategic addresses concerning market risks, allocates capital on the basis of the expected risk/return profile, approves the operating risk limits for the Parent Bank and the guidelines for the subsidiaries.

The Group Financial and Market Risks Committee (CRFMG) is responsible for defining the risk measurement criteria and methodologies, the structure of the Parent Bank and Business Areas' risks limits and verifying the Group companies' risk profile. The Committee consists of the Managing

Directors, the heads of the business units that take on risks, and the Risk Management department.

The Risk Management Department is responsible for developing the risk monitoring methods and the proposals regarding the system of operating risks limits for the various lines of business of the Bank and the Group, as well as the measurement of risks existing in the various operating units and monitoring the Business Areas compliance with the limits laid down by the Board of Directors and Executive Committee.

The individual Business Areas measure internally the financial risks, using approved methodologies, models and a system of limits consistent with the Parent Bank's global design.

Measurement techniques

The financial risk measurement methods used by the Group consist mainly of:

- Value at Risk (VaR);
- Sensitivity analysis;
- Worst Case Scenario,

VaR corresponds with the maximum loss of the value of the portfolio which could occur in the ten subsequent working days in 99% of cases, based on the volatility and historical correlations (of the last 250 working days) between the individual risk factors, made up, for every currency, of the short and long-term interest rates, the exchange rate and share prices.

The sensitivity analysis expresses the change of value in the portfolio following adverse movements of the risk factors. For interest rate risk, adverse movement is defined as a parallel and uniform shift of 100 basis points of the interest rate curve. For companies in the banking book, is also applied a measure of net interest income at risk, which is defined as the potential change in net interest income resulting from a parallel and instantaneous shock of ± 25 basis points in the level of interest rates over the next twelve months. This measurement shows the effect of the changes in interest rates on the portfolio being measured, excluding assumptions regarding future changes in the assets and liabilities mix, and therefore cannot be considered a predictor of the future level of the Group's net interest income.

The Worst Case method establishes a risk measurement (Maximum Potential Loss), which represents the worst possible economic result of those obtained in various hypo-

thetical scenarios, built in such a way as to represent a significant shock to current market parameters on the basis of a holding period of one day and accumulating the losses deriving from the various risk factors in absolute value. The idea underlying the determination of the shocks to be assigned to the risk factors is to ensure a high degree of prudence; indeed, the objective is to quantify and limit the maximum potential loss that could emerge in extreme market conditions.

Financial risks from lending activities

The financial risk generated by the Group's lending activities (Asset and Liability Management) in 2002 was slightly higher than the average level which could be established for last year, appropriately restated including the measurements of the former Cardine Group.

During 2002, the potential loss on the fair value of lending activities, measured using the sensitivity analysis, had an average value of 231 million euro, with a minimum and a maximum of 185 and 279 million euro respectively; the rise in value emerging from the comparison with the previous year, within the same consolidation setting, is attributable to the Group operating policies aimed at maximizing the fair value of the portfolio, in relation to the expected scenarios with regard to interest rates.

Sensitivity Analysis – Lending activities

	2002 (€/mil)	2001 (€/mil)
Average	230.6	199.2
Low	184.9	150.5
High	278.7	269.6
31 December	251.1	269.6

The VaR of the lending activities during 2002 oscillated around the average value of 97 million euro, amounting to 105 million euro at the end of December.

The exchange risk generated by the lending activities was very limited during the year.

The sensitivity of the net interest income for companies in the "banking book" - assuming a rise in rates of 25 basis points - amounted at the end of December to 20 million euro (-19 million euro in the case of reduction), corresponding to 0.5% of the consolidated annual net interest income.

Equity investments in non-Group listed companies

Equity investments held in quoted companies not consolidated line by line or at net equity showed a market value, at the end of the year prices, of 1,338 million euro, 291 million of which held by the subsidiary IMI Investimenti. The market value of the equity investments showed, according to prices at the end of December, a net potential capital gain on book value of 17 million euro.

The monitoring of the market risk of the equity investments portfolio, the oscillations in the value of which do not directly influence the Group's statement of income, given that such investments are accounted at cost, is accomplished by calculating the Value at Risk.

The Value at Risk related to minority investments in quoted companies, recorded during 2002 an average level of 248 million euro, with a minimum of 166 million euro and a maximum of 302 million euro. At the end of December 2002 the VaR reached 226 million euro; this value was lower than the levels observed at the end of 2001 (297 million euro) following the reduction in the value of the portfolio.

Listed investment portfolio VaR

	2002 (€/mil)	2001 (€/mil)
Average	248.0	266.0
Low	166.3	215.0
High	301.6	326.0
31 December	226.3	297.0

Trading activities

The major part of this risks are concentrated in Banca IMI and its subsidiaries and arise from dealing in fixed income securities, equity securities, currency and other derivatives.

The VaR of trading activities registered an average value during the year of 8.8 million euro, oscillating between a minimum of 3 million euro and a maximum of 15 million euro. At the end of December the VaR was 14.4 million euro, rising compared with the 6.9 million of the previous year.

In addition to the VaR, the Worst Case Scenario technique is used to monitor the impact of potential losses that might arise under extreme market conditions. The development of the maximum potential daily loss was largely stable in

the year, in terms of potential risks, always oscillating around the yearly average of 33 million euro.

Backtesting showed the prudential nature of the internal measurement techniques used, considering the volatility observed on the markets during the period. In 2002, actual losses were never higher than the risk measures expressed in terms of maximum potential loss, while the trading results exceeded the ex-ante VaR, measured on a daily basis, in just two cases.

Credit risk management and control

Organization

The Group organizational model, defined with the aim of maximizing the efficiency of the process to manage and

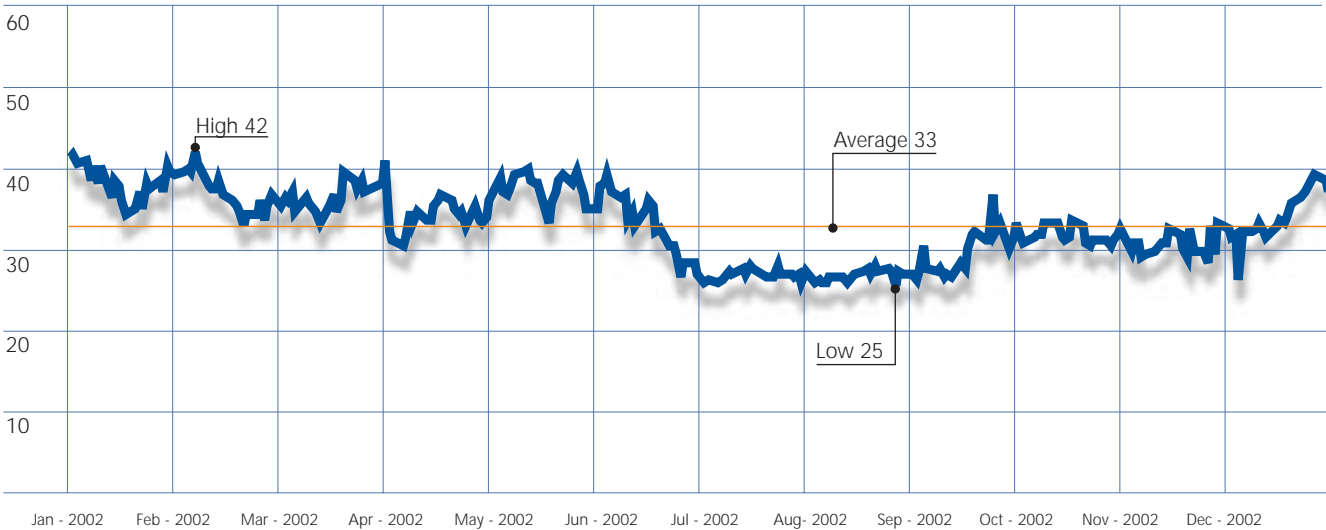
control credit risks, provides for:

- the allocation of precise responsibilities as regards the management of the credit risk to the individual Business Areas;
- the separation of the management and control of credit risks.

SANPAOLO IMI has established lines of conduct to be followed when taking on credit risk; these rules are to be applied throughout the Group. They provide for approval levels defined in terms of Group exposure to the counterparty and differing mainly with regard to the rating (internal or agency) of the counterparty. The first approval level is represented by the Business Areas and the subsidiaries, which, in turn, establish the approval limits to be delegated to the network. Transactions in excess of these limits must be submitted to the appropriate body within the Parent Bank, consisting of (according to the increased level of exposure Group Credit Committee (composed of the

VaR of trading activities broken down by type of risk

	31 December (€/mil)	Average (€/mil)	Low (€/mil)	High (€/mil)	31 December (€/mil)	Average (€/mil)
		2002			2001	
Interest rate risk	8.8	4.1	0.1	9.5	5.5	2.5
Exchange risk	0.4	0.5	0.1	2.8	0.5	0.5
Share price risk	9.9	6.9	1.3	13.8	3.9	6.7
Diversification effect	-4.7	-2.8	n.s.	n.s.	-3.0	-2.2
Total	14.4	8.8	3.0	15.0	6.9	7.5



Trading Activity Maximum Potential Daily Loss (€/mil)

joint Managing Directors and the heads of the Group Credit Management and Risk Management departments), the Executive Committee and the Board of Directors.

As regards credit risks with financial institutions, the centralized and unitary control is attributed to the Committee for Group Financial and Market Risks, which is also responsible for the approval of problems concerning country risk.

The Risk Management department is responsible for defining and updating the Group measurement methods, with the aim of guaranteeing alignment with best practice, as well as the analysis of the Parent Bank and Group risk profile and the proposal of any corrective measures. The Risk Management department is also given the responsibility of measuring the exposure of the larger counterparties, verifying the consistency and integrity of the measurements carried out by the risk control units within the Business Areas, preparing key reports for the heads of the Parent Bank on the changes in credit quality of the credit activities and on the use of economic capital by the individual Business Areas.

The control structures operating within the individual Business Areas are responsible for measuring and monitoring the portfolio assigned to them.

Measurement techniques

SANPAOLO IMI has developed a series of instruments to ensure analytical control over the quality of the loans to customer and financial institutional, as well as exposures to subject to country risk.

With reference to loans to customers, differentiated grading models have been developed according to the operating segment of the counterparty, in terms of economic sector and size. These models make it possible to synthesize the credit quality of the counterparty in a measurement, the rating, which reflects the probability of insolvency in a period of one year, calibrated to the average level of the economic cycle. The ratings calculated are also reported, through statistical adjustments, as fully comparable with the classifications of the official rating agencies, within a consistent reference scale. The backtesting analyses carried out, comparing the insolvency forecasts with the defaults effectively incurred, confirmed the validity of the models used.

As regards the portfolio attributed to the SANPAOLO Network (including the former Banco di Napoli), made up of households, small entrepreneurs and small- and medi-

um-sized companies, credit quality management is supported by a system which classifies customers into categories, based on assessment by the credit managers, to whom specific management responsibilities are assigned (frequency of revisions of lines of credit and recovery actions). Lastly, the control of the credit quality uses an early warning system aimed at the anticipated indication of any anomalous situations.

With reference to the banking and financial counterparties, a system has been established to classify the financial institutions in a scale consistent with those used by agencies specialized in ratings. The risk class forms the basic information which, integrated by the technical form and the duration of the transaction, as well as by any guarantees present, makes it possible to establish the credit limits with each counterparty. In the case of transactions covered by guarantees issued by banks, the credit quality of the guaranteed counterparty is also taken into consideration when weighting the limit.

Lastly, as regards the country risk, the rating is assigned on the basis of a model which considers the judgment of specialized institutions and agencies, market information and internal assessments.

Besides being a direct instrument for monitoring credit quality, ratings provide a primary element for the credit risk portfolio model, which summarizes the information on the quality of the assets in risk indicators, including the expected loss and risk capital.

The expected loss is the product of probability of default (derived from the rating), exposure at default and loss given default; the latter is measured with reference to an economic, as opposed to accounting, concept of loss comprehensive of legal costs, calculated prudently on the recoveries from disputes on a discounted base.

The “expected” loss represents the average of the loss distribution, while the risk capital is defined as the maximum “unexpected” loss which the Group could incur with a confidence level of 99.95%.

In terms of the innovations introduced by the proposed revision of the New Basel Capital Accord, SANPAOLO IMI intends to stand for the most advanced approaches to the calculation of the regulatory capital, which also provide for the possibility of using internal ratings for the calculation of the capital requirements. An interfunctional project is

being set up for the purpose of completing the steps still needed in order to comply with Basel II requirements.

As regards the creditworthiness measurement methods, those currently used by the Group appear substantially in line with that set out by the Basel proposal.

Credit risks

All of the on- and off-balance sheet credit exposures are measured here. The analysis is developed on the Parent Bank’s portfolio including the former Banco di Napoli, Banca OPI, Sanpaolo IMI Bank Ireland, Sanpaolo Leasint and the Cardine bank networks.

Altogether the credit portfolio analyzed represents about 90% of the Group’s weighted assets.

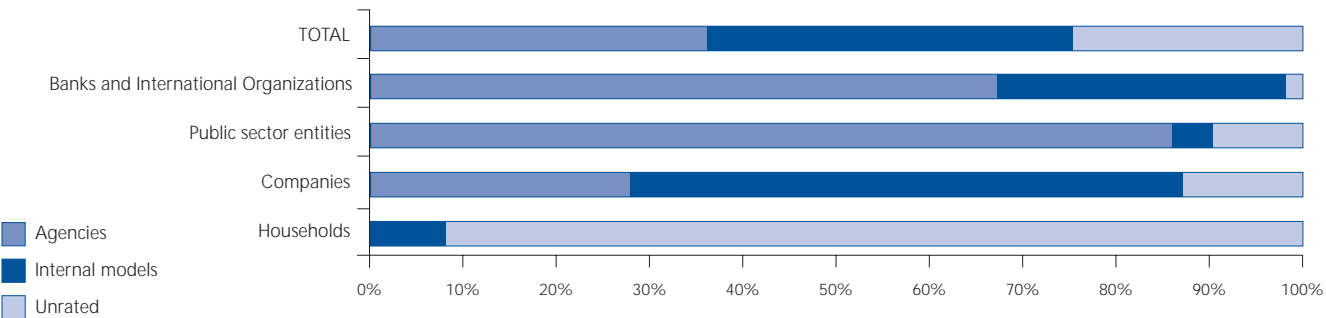
In terms of exposure, the analytical rating covers 75% of the credit portfolio. The unrated counterparties, to whom

a rating estimated on the basis of the average likelihood of insolvency has been assigned, are concentrated in the household sector. Analytical ratings coverage for other sectors is approximately 90%.

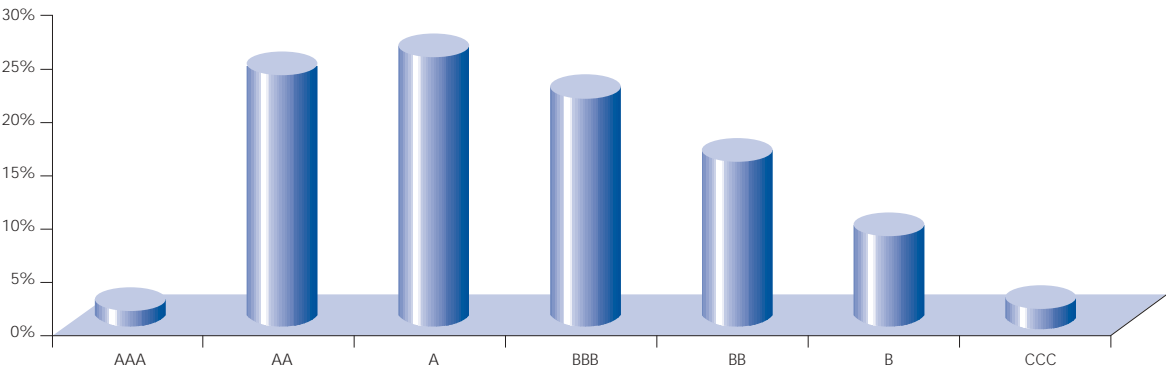
In relation to the combination of analytical ratings, just under half are represented by ratings of specialized agencies, while the remainder are internal ratings; the latter are by large the prevailing ones in the corporate sector.

Loans to customers to which an analytical rating has been assigned, which represent the main reference of the credit risk management model, show a high credit quality, with a portion of investment grade loans (from AAA to BBB) equal to three quarters of the total and substantially stable during the year.

The expected loss of the portfolio considered, at the end of the year, accounted for 0.50% of loans. The expected loss measure has been taken into account in establishing the



Drawn down loan portfolio by rating source (%)



Drawn down loan portfolio by level of rating (%)

amount of general writedown to cover the inherent risk in performing loans.

The economic capital was equal to 4.20% of loans; on the basis of the impact simulations made, it was substantially in line with the requirement deriving from the current proposal of the New Basel Capital Accord, calculated according to the advanced methods.

The concentration risk fell considerably during the year: exposure towards the first 20 corporate groups registered a reduction of about 2.3 billion euro and, also because of the merger with Cardine, the proportion on the total portfolio fell from 16.5% to 11.4%. This led to a recomposition of the portfolio, on the one hand, toward operators in the public sector and, on the other, small- and medium-sized companies and households.

The management and control of other risks

SANPAOLO IMI also considers two other types of risk in its models: operational risk and business risk.

Operational risk is defined as the risk of incurring losses as a result of four macro categories of events: fraud, legal risks (including non-performance of contractual obligations), weaknesses in internal control or information systems, and natural calamities. For each category use was made of a database of relevant events occurring in the last ten years and from which it was possible to identify the impact in terms of loss from public information sources. The empirical distributions of losses calculated in this way are estimated by means of distribution theories according to the extreme value theory. The risk capital is defined as the minimum measurement, net of existing insurance policies, needed to face the maximum potential loss with a confidence level of 99.95%; the method also provides for the application of a correction factor to take account of the effectiveness of internal controls in the various operating areas.

It should be pointed out that this method was developed with the intention of allocation to the Business Areas and

to the Group as a whole a quantity of capital adjusted to the potential of these types of events. The control of operating risks is carried out at process level through the definition of internal rules and procedures, the observance of which is verified by the Audit Direction.

The measurement method is evolving, especially with regard to the improvement of statistical calculation engines, the determination of the economic effect linked with the effectiveness and intensity of internal controls and the development of scenario analyses. Work also continues on the extension of the databases related to operating losses and exposure indicators, both through the continuous updating of the internal databases and through the participation in consortium initiatives with leading banking groups for shared use of the same; this activity has been developed at a national level by helping to set up the DIPO (Database Italiano delle Perdite Operative – Italian Database of Operational Losses) Consortium and at an international level by acting as a founder member of the ORX (Operational Riskdata eXchange association) Consortium.

These developments are aligned with the advanced methods of determination of the capital requirements provided for by the proposal of the New Basel Capital Accord and are also consistent with the best practices emerging from the international work groups operating in this field, with which SANPAOLO IMI actively cooperates.

Business risk (also called strategic risk) is the risk of incurring losses as a result of changes in the macro- or micro-economic scenario which could jeopardize the ability to generate income, typically by reduced operating volumes or margin compression.

This is evaluated through the break down of the Business Area assets, on the basis of the respective cost and revenue structures, into fundamental “industrial” business sectors (such as EDP, consulting and distribution). The Business Areas are then allocated a level of capitalization in line with the norm for companies operating in the same type of activity.

Supplementary information

Performance of share prices

At the end of December 2002, SANPAOLO IMI's share price was 6.20 euro; this was a fall of 48.5% from the beginning

of the year, against a decline of 27.2% in the MIB bancario. On the same date, the SANPAOLO IMI share traded on a price/book value of 1.1 and a price/earnings, calculated on consensus earnings for 2003, of 11.1.

On 20 March 2003, the quoted price was 6.565 euro, up 5.9% since the start of the year.

Market comparison

	20/3/2003	30/12/2002	28/12/2001	Change 30/12/02-28/12/01 (%)
SANPAOLO IMI share price (€)	6.565	6.200	12.041	-48.5
Banking index (historical MIB bancario)	1,736	1,727	2,371	-27.2

SANPAOLO IMI share price (1)

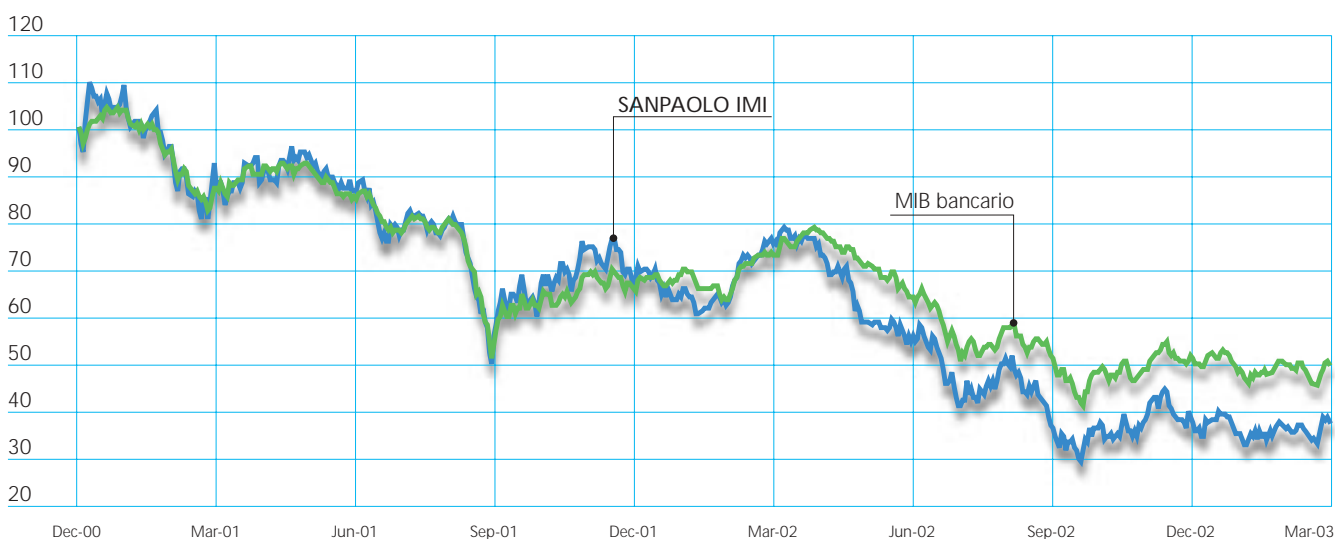
Year	High (€)	Low (€)	Average (€)
1995	5.118	4.025	4.577
1996	5.269	4.236	4.766
1997	8.800	4.564	6.275
1998	16.274	8.717	12.429
1999	16.071	10.970	13.192
2000	20.800	11.483	16.612
2001	18.893	8.764	14.375
2002	13.702	5.231	9.439
2003 (up to 20/3/2003)	7.029	5.796	6.386

SANPAOLO IMI market indices

	30/12/2002	28/12/2001
Price/book value	1.1	2.2
Price/earnings on consensus earnings (2)	11.1	13.8

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

(2) Calculated on consensus earnings 2003 for 30/12/2002 and on consensus earnings 2002 for 28/12/2001.



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

Shareholders

As of 31 December 2002 the shareholder structure of SANPAOLO IMI, based on available information, was as follows:

Shareholders of SANPAOLO IMI

	% of capital	
	total	ordinary
Compagnia di San Paolo	14.48	7.50
Fondazione CR Padova e Rovigo	10.80	4.38
Fondazione CR Bologna	7.69	3.12
Santander Central Hispano	5.17	6.55
IFI / IFIL	3.83	4.86
Deutsche Bank	3.68	4.67
Ente CR Firenze	2.06	2.61
Fondazione Cariplo	1.75	2.21
Caisse des Dépôts et Consignations (CDC)	1.70	2.16
Templeton Global Advisers	1.54	1.95
Società Reale Mutua di Assicurazioni	1.54	1.95
Fondazione CR Venezia	1.47	1.87
Other shareholders (1)	44.29	56.17
Total	100.00	100.00

(1) Includes own shares held by the Group.

After 31/12/2002 information was received confirming that Monte dei Paschi di Siena holds a 1.60% share of the total capital.

Ratings

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

SANPAOLO IMI debt ratings

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

Concerning Group companies, in 2002 Moody's and Standard & Poor's evaluated the debt of Sanpaolo IMI Bank International and Banca OPI, assigning the companies the same ratings as SANPAOLO IMI.

Transactions with related parties

The transactions entered into with "related parties" of a typical or usual nature, as governed and established by the Consob (Communications dated 20 February 1997, 27 February 1998, 6 April 2001 and 30 September 2002) lie within the scope of the normal operations of the Group and are usually entered into under market conditions, on the basis of valuations made for mutual economic convenience, also in observance of the internal procedure provided for this purpose.

In particular, as far as intra-Group transactions are concerned, reciprocal relations between the principal company groups into which the SANPAOLO IMI banking Group is divided can be attributed to the ordinary internal operations of a multifunctional banking organization, and principally concern:

- support by SANPAOLO IMI for the financial needs of the other Group companies, both in the form of loans (37% of total Group companies balances existing at the end of the year), both in the form of subscription of securities issued by the subsidiaries (6.4% of total Group companies balances existing at the end of the year);
- the channeling of foreign funding made by the Group's specialist companies (Sanpaolo IMI US Financial Co., Sanpaolo IMI Bank International S.A., Sanpaolo IMI Capital Company I L.L.C.) towards the Parent Bank and, in a minimal part, towards other subsidiaries (26% of total Group companies balances existing at the end of the year);
- the lending transactions of the liquidity of subsidiaries with the Parent Bank in the forms of current accounts, deposits and repurchase agreements (21% of total Group companies balances existing at the end of the year).

The following tables show the balance sheet and income balances for relations existing as of 31 December 2002 between the principal company groups of the banking Group.

Information related to relations existing with the subsidiaries not consolidated on a line-by-line basis, as well as with affiliated companies subject to significant influence, are reported in the Explanatory Notes to the Consolidated Financial Statements (Part B – Section 3).

The Explanatory Notes to the Parent Bank Financial Statements (Part B – Section 3) report the analytical list of

relations existing between the Parent Bank and the affiliated companies, subsidiaries or companies subject to significant influence.

During the year the Group has entered into transactions with related parties of particular relevance as regards the organizational-business model and/or relations with the Parent Bank shareholders.

These transactions, reference to some of which has already been made to within this Report, regarded:

- the conferral from Cardine Banca to Cardine Finanziaria of the company branch inclusive of the shareholdings in the bank networks of the former Cardine group, within the context of the reorganization connected with the merger;
- the conferral from Banco di Napoli to Esaban of the company branch concerning tax collection activities;

Balances as of 31/12/2002 of infra-Group transactions between the Group's main company groups (1)

	Borrowers	Parent Bank	Foreign funding vehicles (2)	Cardine Finanziaria Group	Banca OPI	Banca IMI Group	Wealth Management Group	Banca Fideuram Group	Other	€/mil TOTAL
Creditors										
Loans										
Parent Bank	-	-	1,552	6,262	2,139	190	1	7,027	17,171	
Foreign funding vehicles (2)	11,825	-	-	157	-	-	-	125	12,107	
Cardine Finanziaria Group	5,472	-	-	-	9	-	-	84	5,565	
Banca OPI	232	-	-	-	-	-	-	150	382	
Banca IMI Group	1,477	-	2	50	-	5	-	29	1,563	
Wealth Management Group	2,648	-	1	-	5	-	-	630	3,284	
Banca Fideuram Group	146	-	-	-	672	-	-	69	887	
Other	601	-	48	-	30	23	30	-	732	
TOTAL	22,401	-	1,603	6,469	2,855	218	31	8,114	41,691	
Securities										
Parent Bank	-	51	56	2,843	1	-	-	3	2,954	
Foreign funding vehicles (2)	-	-	-	-	-	-	-	-	-	
Cardine Finanziaria Group	-	-	-	-	-	-	-	-	-	
Banca OPI	-	-	-	-	-	-	-	-	-	
Banca IMI Group	249	4	13	-	-	-	1	2	269	
Wealth Management Group	6	79	-	-	-	-	-	-	85	
Banca Fideuram Group	42	14	-	-	697	-	-	-	753	
Other	10	-	2	-	-	-	-	-	12	
TOTAL	307	148	71	2,843	698	-	1	5	4,073	
Other										
Parent Bank	-	147	2	38	8	138	1	13	347	
Foreign funding vehicles (2)	50	-	-	-	-	-	-	-	50	
Cardine Finanziaria Group	66	-	-	-	-	-	-	5	71	
Banca OPI	-	-	-	-	-	-	-	-	-	
Banca IMI Group	23	-	6	-	-	1	2	-	32	
Wealth Management Group	6	-	-	-	-	-	-	3	9	
Banca Fideuram Group	1	-	-	-	2	9	-	-	12	
Other	94	-	-	-	-	-	-	-	94	
TOTAL	240	147	8	38	10	148	3	21	615	

(1) The groups shown refer exclusively to companies consolidated on a line-by-line basis and do not include the amounts referable to shareholdings and dividends. The tables do not show the transactions performed within the individual groups, as they are compensated.

(2) Sanpaolo IMI US Financial Co., Sanpaolo IMI Bank (International) S.A., Sanpaolo IMI Capital Company I L.L.C..

- the conferral from the Parent Bank to Banca Fideuram of the total shareholding in the subsidiary Banca Sanpaolo Invest;
- the conferral by the Banco di Napoli of the total shareholding in the subsidiary Banco di Napoli Asset Management to Sanpaolo IMI Wealth Management.
- the sale of a 30% shareholding in Sanpaolo IMI Institutional Asset Management by Fideuram Capital

- SIM (a Banca Fideuram subsidiary) to Sanpaolo IMI Wealth Management, for an outlay of 8 million euro;
- the agreement with Cassa di Risparmio di Firenze for the acquisition of the 20.24% shareholding of Eptaconsors held by the Florentine group. This transaction was completed in January 2003 at a price of 19 million euro;
- the sale, by the Parent Bank, to the shareholder Compagnia di San Paolo of a portion of the shareholding

Economic components for 2002 in relation to infra-Group transactions between the Group's main company groups (1)

Companies that sustain costs	Parent Bank	Foreign funding vehicles (2)	Cardine Finanziaria Group	Banca OPI	Banca IMI Group	Wealth Management Group	Banca Fideuram Group	Other	€/mil TOTAL
Companies that receive revenues									

Interest

Parent Bank	-	1	17	275	124	14	-	140	571
Foreign funding vehicles (2)	378	-	-	11	-	-	-	4	393
Cardine Finanziaria Group	146	-	-	-	4	-	-	6	156
Banca OPI	8	-	-	-	1	-	-	1	10
Banca IMI Group	33	-	-	2	-	-	1	-	36
Wealth Management Group	58	-	-	-	1	-	-	39	98
Banca Fideuram Group	9	-	-	2	34	-	-	7	52
Other	23	-	2	-	3	3	-	-	31
TOTAL	655	1	19	290	167	17	1	197	1,347

Commission

Parent Bank	-	-	-	1	33	550	-	4	588
Foreign funding vehicles (2)	-	-	-	-	-	-	-	-	-
Cardine Finanziaria Group	1	-	-	-	11	-	-	5	17
Banca OPI	-	-	-	-	-	-	-	-	-
Banca IMI Group	7	-	1	-	-	3	-	1	12
Wealth Management Group	1	-	-	-	-	-	1	-	2
Banca Fideuram Group	1	-	-	-	7	45	-	-	53
Other	-	-	-	-	-	-	-	-	-
TOTAL	10	-	1	1	51	598	1	10	672

Other revenues/costs

Parent Bank	-	-	40	5	1	9	3	6	64
Foreign funding vehicles (2)	-	-	-	-	-	-	-	-	-
Cardine Finanziaria Group	36	-	-	-	-	-	-	12	48
Banca OPI	-	-	-	-	-	-	-	-	-
Banca IMI Group	-	-	-	-	-	-	1	-	1
Wealth Management Group	1	-	-	-	-	-	-	-	1
Banca Fideuram Group	-	-	-	-	-	-	-	-	-
Other	13	-	-	-	-	-	1	-	14
TOTAL	50	-	40	5	1	9	5	18	128

(1) The groups shown refer exclusively to companies consolidated on a line-by-line basis and do not include the amounts referable to shareholdings and dividends. The tables do not show the transactions performed within the individual groups, as they are compensated.

(2) Sanpaolo IMI US Financial Co., Sanpaolo IMI Bank (International) S.A., Sanpaolo IMI Capital Company I L.L.C..

- in Cardine Banca (before the merger), amounting to 8% of the capital of the latter, for a price of 440 million euro;
- the purchase by the Parent Bank, for a cost of 230 million euro, of 100% of the share held by the shareholder Compagnia di San Paolo in Compagnia di San Paolo Investimenti Patrimoniali S.p.A.. The company was subsequently transferred to Banca OPI and changed its name to FIN.OPI;
- the purchase by the Parent Bank of the minority shares held in Sanpaolo IMI Private Equity (formerly NHS) by Cassa di Risparmio di Firenze (5% for a price of 14 million euro), by Compagnia di San Paolo (two tranches for a total of 39.8 % for a total outlay of 101 million euro), by Petrolifera Italo Rumena, a company attributable to a director of the Parent Bank (1.7% for a price of 5 million euro) and by other partners (2.5% of the capital);
- the purchase by the Parent Bank of the minority shares held in IMI Investimenti by Compagnia di San Paolo (39.8% for a total price of 145 million euro), by Cassa di Risparmio di Firenze (exchange of 915,023 Cardine Banca shares against 3,861,228 IMI Investimenti shares, 5% of the capital), Petrolifera Italo Rumena, (1.7% for a price of 6 million euro) and by other partners (2.5% of the capital).

The above-mentioned transactions were performed on the basis of evaluations and appraisals carried out by independent experts.

As regards transactions with subjects who fulfill administrative, managerial, and executive duties for the Bank, or for banking Group companies, these are governed by the provisions of Article 136 of D.Lgs. 385/93 (Testo Unico Bancario – Consolidated Banking Law). Accordingly, any such transactions were the subject of unanimous decisions by the Board of Directors, with the favorable vote of all of the Statutory Auditors, subject to the abstention obligations provided by said law. The same procedure also applies to the parties who carry out the administrative, managerial, and executive duties within a bank or a company belonging to the Group, for actions taken in connection with the company itself or for financing transactions entered into with other companies or banks within the Group. In such cases, the transactions were approved by the boards of the contracting company or bank, with the prior consent of the Parent Bank.

Section D of the Explanatory Notes to the Parent Bank Financial Statements report the loans and guarantees issued to Directors and Auditors of the Parent Bank.

The same section of the Explanatory Notes also reports, in accordance with art. 78 of Consob Resolution 11971 of 14/5/99, the remuneration of the Directors and Auditors of the Parent Bank.

The shares of the Parent Bank and subsidiaries, held by Administrators and Auditors of the Parent Bank and by others, as provided for by art. 79 of Consob Resolution 11971 of 14/5/99, are detailed in the table on the next page.

Offices held by Directors in other companies

In accordance with the recommendations of the Code of Conduct for Listed Companies issued by Borsa Italiana S.p.A., Section D of the Explanatory Notes to the Parent Bank Financial Statements reports the list of the offices of Director or Auditor held by the Directors of SANPAOLO IMI in other companies listed in regulated markets (also foreign), in financial, banking, insurance and other significant-sized companies.

Stock incentive plans

The Shareholders' Meeting, held on 31 July 1998, authorized the Board of Directors to make stock incentive (stock option) plans in favor of Group executives, resorting to increases in capital against payment up to a maximum amount subsequently established as 40 million euro, corresponding to 14,285,714 shares.

On the strength of this power of attorney, the Board of Directors:

- in the meeting held on 9 February 1999, presented a first plan, assigning to the Managing Directors, inasmuch as General Managers, and to other 56 executives, a total of 6,772,000 rights exercisable for one third as of 2000, for one third as of 2001 and for the remaining third as of 2002 and no later than 31 March 2003 (extended to 31 March 2004 with resolution of the Board of Directors of 30 July 2002), at a subscription price of 12.396 euro per share;
- in the meeting of 27 June 2000, it presented a second plan, assigned to the Managing Directors, inasmuch as General Managers, and to 122 other executives, 3,378,270 rights exercisable as of 2003 and no later than 31 March 2005, at a subscription price of 16.45573 euro per share;

Shares held by individuals as per Article 79 of Consob Resolution no. 11971 of 14/5/99 (1)

Surname and name	Company	How held	Title to shares	Shares held on 31/12/01	Shares bought during 2002	Shares sold during 2002	Shares held as of 31/12/02
Bussolotto Pio	SANPAOLO IMI	Direct	Full	3,000			3,000
Carmi Alberto	SANPAOLO IMI	Spouse	Full	10,000			10,000
Fontana Giuseppe	SANPAOLO IMI	Direct	Full	-	30,000	30,000	-
Iozzo Alfonso	SANPAOLO IMI	Direct	Full	7,087			7,087
Masera Rainer	SANPAOLO IMI	Direct	Full	180,900		30,900	150,000
		Spouse	Full	27,500			27,500
Matutes Abel	SANPAOLO IMI	Subsidiary	Full	761,517			761,517
Mihalich Iti	SANPAOLO IMI	Direct	Full	6,000	2,000		8,000
Ottolenghi Emilio	SANPAOLO IMI	Direct	Full	320,000			320,000
		Subsidiary	Full	4,110,000	548,731 (2)		4,658,731
		Spouse	Full	4,000			4,000
Rayneri Alessandro	SANPAOLO IMI	Subsidiary	Full	15,000	3,000		18,000
		Spouse	Full		2,000		2,000
Rossi Orazio	SANPAOLO IMI	Direct	Full	52,593.50		0.50	52,593
		Spouse	Full		34,000		34,000
Sacchi Morsiani Gian Guido	SANPAOLO IMI	Direct	Full	33,000	200,591.25 (2)	33,591.25	200,000
Salza Enrico	SANPAOLO IMI	Direct	Full	500			500
		Spouse	Full	1,250			1,250

(1) Shares held in the issuing company and in its subsidiaries by Directors, Statutory Auditors, Managing Directors and by their not legally divorced spouses and minor sons, directly, through a subsidiary, a trust or a third party.

(2) Shares from the exchange of Cardine Banca shares.

Development of stock option plans in 2002

	Number of shares	Average exercise price (€)	Market price (€)
Rights existing as of 1/1/2002	11,654,104	13.66497	12.041 (a)
New rights assigned in 2002 to Executives	5,455,000	7.1264	6.703 (b)
New rights assigned to the Chairman and Managing Directors	1,650,000	12.6244	11.742 (c)
Rights exercised in 2002	0		-
Rights lapsed in 2002 (d)	-245,000	14.3989	-
(5) Rights existing as of 31/12/2002	18,514,104	10.9061	6.200 (e)
(6) Of which: exercisable as of 31/12/2002 (f)	0		-

(a) Reference market price as of 31/12/2001.

(b) Reference market price as of 18/12/2002, first day after the resolution of the Board of Directors.

(c) Reference market price as of 15/05/2002, first day after the resolution of the Board of Directors.

(d) Rights no longer exercisable because holders no longer work for the Bank.

(e) Reference market price as of 31/12/2002.

(f) No rights were exercisable as of 31/12/2002, in that the date is not included in the infra-annual periods in which rights may be exercised. As of 31/12/2002, 4,305,834 residual rights for exercise (at a price of 12.396 Euro) in 2002 existed; these rights will again be exercisable from 2003.

Detail of rights by exercise price and residual maturity

Exercise price (€)	Rights assigned as of 31/12/2002					of which: exercisable as of 31/12/2002	
	Minimum remaining contractual validity				Total	Total	Average residual contractual maturity
	February 2003 - March 2004 (a)	May 2003 - March 2005	May 2004 - March 2006	May 2005 - March 2007			
12.396	4,305,834	-	-	-	4,305,834	-	-
16.45573	-	3,208,270	-	-	3,208,270	-	-
12.7229	-	-	3,895,000	-	3,895,000	-	-
12.6244	-	-	1,650,000	-	1,650,000	-	-
7.1264	-	-	-	5,455,000	5,455,000	-	-
Total	4,305,834	3,208,270	5,545,000	5,455,000	18,514,104	-	-

(a) The Board of Directors has postponed the deadline for exercising the 1999 plan from March 2003 to March 2004.

- on 18 December 2001, it approved a third stock option plan, assigning to 171 Group executives, of which about 40 employees of subsidiaries, 4,030,000 rights exercisable after the detachment of the dividend for 2003 and no later than 31 March 2006, at a price of 12.7229 euro.

The Shareholders' Meeting, held on 30 April 2002, conferred a new power of attorney to the Board of Directors to make stock incentive plans in favor of Group executives, resorting to increases in capital against payment up to a maximum amount of 51,440,648 million euro, corresponding to 18,371,660 shares.

On the strength of this power of attorney the Board of Directors, on 17 December 2002, presented a new stock option plan, structured thus:

- recipients: 291 Group executives, of which about 77 employees of subsidiaries, in relation to the office held;
- rights assigned: 8,280,000, of which 5,455,000 fixed and 2,825,000 with effective exercise subordinated to the achievement of the Group's ROE and cost income targets for 2003;
- exercise of rights: after the detachment of the dividend for 2004 and no later than 31 March 2007; the exercise of the rights is permitted in the context of four periods during the year, each lasting 25 days, following approval of the Group's quarterly/half-year results;
- share subscription price: 7.1264 euro, corresponding to the average of SANPAOLO IMI's share prices in the month before approval of the plan;
- restrictions: the exercise of the rights is subject to restrictions and cancellations, described in detail in the plan regulations, principally linked with the transferability of the rights and the organizational role of the beneficiaries.

Furthermore, the Board of Directors, on 14 May 2002, presented a stock option plan for the Chairman and the Managing Directors, for the 2001-2003 three-year period, on the basis of the power of attorney approved by the Ordinary meeting of 30 April 2002 to use own shares at the service of the same plan.

The plan thus presented, has the following characteristics:

- total rights: 2,200,000 own shares;
- recipients and assignable quantities:
 - Dr. Rainer MASERA, Alfonso IOZZO, Luigi MARANZANA: 450,000 total fixed rights each for the 2001-

2003 three-year period, plus another 150,000 total rights each for the three-year period upon achieving an average share price (in the thirty days before the Meeting to approve the 2003 financial statements) of 20 euro;

- Pio BUSSOLOTTO: 300,000 total fixed rights for the remaining part of the 2001-2003 three-year period, with the possibility for increase by 100,000 rights at the same conditions stated above;
- purchase price: arithmetic average of the prices during the last month before the Board's approval of the plan, which amounts to 12.6244 euro;
- periods of exercise of rights: at the end of the 2001/2003 three-year period, after the detachment of the dividend for 2003 and before approval by the Board of Directors of the 2005 financial statements and no later than 31 March 2006;
- restrictions: non-admissible inter vivos transferability of the rights; forfeiture of the rights in the event of termination of office before expiry of the mandate; faculty of the Board of Directors, upon proposal of the Remuneration and Personnel Policies Technical Committee and having heard the opinion of the Board of Auditors, to confirm the rights, establishing the measure, taking account of the period of office already covered and the reasons determining the interruption of the same office.

In 2002 the Board of Directors approved the first stock granting operation of SANPAOLO IMI shares to all Parent Bank personnel in service on 27 June 2002. The initiative, application for which was voluntary, was connected with the 2001 company production premium issued in May 2002.

The assignment of free shares, stock granting, (unavailable for three years) involved 14,427 employees, 72.5% of those entitled. On the basis of the initiative regulations, personnel received 1,912,373 shares with a reference cost per unit of 10.0196 euro (calculated according to the current tax standards) for a commitment of 19.2 million euro.

Lastly, the Board of Directors on 4 March 2003 approved the repetition of the stock granting operation to Parent Bank personnel, with voluntary application, for a cost graduated in relation to the individual level of remuneration, providing for a connection with the 2002 company production premium which will be issued in 2003.

Group Business Areas

Organization by Business Areas

As of 26 March 2002 the SANPAOLO IMI Group has adopted a new organizational model, in order to enable rapid achievement of the benefits deriving from the merger with Cardine. The new model, based on the exploitation of capacity for customer relationship and service, specialization of the production, distribution and service units' skills and responsibility and measurement of results, is structured in four business sectors:

- Domestic Banking Networks, including: the Sanpaolo Network, which is widespread in North Western Italy, Cardine, rooted in the North East, and the network of the former Banco di Napoli, (merged into the Parent Bank on 31 December 2002, with effect for accounting purposes as of 1 January 2002) operating in the Southern regions. The three networks, dedicated to the service of retail and business markets, provide excellent national coverage through approximately 3,000 banking branches and an integrated multi-channel infrastructure. The banking networks are flanked by specialist units to serve domestic clients: Banca OPI, which provides consultancy and medium- and long-term financing to public bodies and infrastructure, tax collection, as well as, within the Sanpaolo Network and Consumer Banking, companies operating in private banking, consumer credit, and leasing. This sector also includes the Other Italian Networks, which handles the Group's shareholdings in Cassa di Risparmio di Firenze and in Cassa dei Risparmi di Forlì, as well as Large Groups and Structured Finance;
- Personal Financial Services, with activities carried out by the networks of financial planners of the Banca Fideuram group (which, since October 2002, includes Banca Sanpaolo Invest) to serve customers with a medium/high savings potential;
- Wealth Management and Financial Markets which include: the Sanpaolo IMI Wealth Management companies, dedicated to providing asset management products to the Group networks and associated networks, as well as institutional investors and other networks; Eptaconsors, 60.7% held, operating mainly in corporate finance, asset management, securities dealing and trading on line; Banca IMI, the Group's investment bank, whose business priorities concern, on the one side, the supply of specialist services to companies and institutional customers and, on the other, the development of structured products distributed to retail customers and

companies through the Group's networks; Sanpaolo IMI Private Equity (previously NHS), in which the private equity activities of the Group have been concentrated;

- International Activities, which include the French subsidiary Banque Sanpaolo, the Parent Bank's Foreign Network, limited to corporate lending, and Sanpaolo IMI Internazionale, established to develop the presence in foreign countries of strategic interest through appropriate growth initiatives, in particular acquisitions and alliances. Holding activities, finance, the Macchina Operativa Integrata and the management of property, shareholding investments and Group's lending policy, are included in the Central Functions.

Criteria for calculating the profitability of the Business Areas

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

- for those Areas whose business is carried out both by the Parent Bank and by subsidiaries, consolidation of the accounts of the Parent Bank attributable to the relevant Area has been effected with the income statement line items of the subsidiary companies. The attribution to individual Areas of Parent Bank line items, in particular, is made on the basis of the following principles:
 - the net interest income has been calculated using appropriate internal transfer rates;
 - in addition to commissions in effect, notional commissions for services rendered by one Area to another have also been quantified;
 - the direct costs of each Area have been calculated and, according to parameters, operating costs of the central structures other than those attributable to holding company functions, have been allocated to the Areas;
- for those Areas whose business is carried out wholly by subsidiaries, the income statements of the companies are reported; their contribution to consolidated net income is also shown, net of minority interest and after the posting of consolidation attributable to the Area; amortization of goodwill consequent upon investments made directly by the Parent Bank in the Areas has thus been allocated to Central Functions.

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

- for those Areas whose business is carried out both by the Parent Bank and by subsidiaries, consolidation of the average economic capital of the Parent Bank with

that of the subsidiaries has been effected. The capital is measured according to VaR, distinguishing among the different types of risk: credit risk, market risks and operational risks;

- for those Areas whose business is carried out exclusively by subsidiaries, reference is made to the average accounting net shareholders' equity (including income for the year).

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

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

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

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

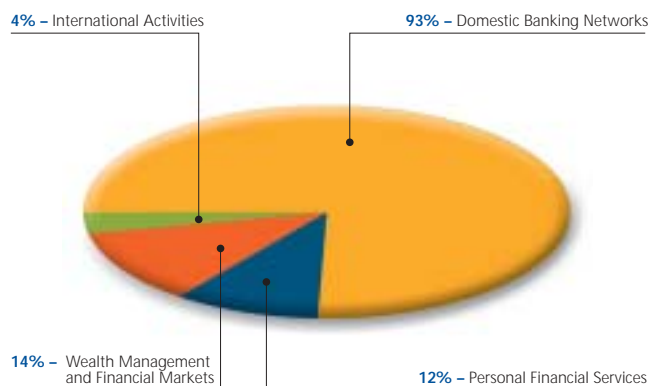
Results of the Business Areas

The table below summarizes the economic results and the profitability ratios for the sectors in which the Group has operated.

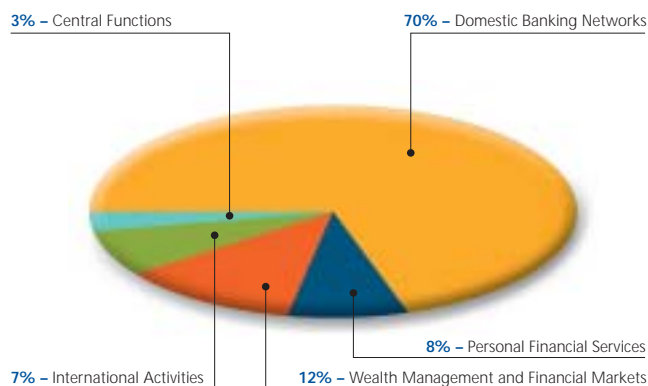
Where necessary, the figures used to evaluate the performance compared with the previous year have been consistently reconstructed, assuming that the new organizational model was launched as of 1/1/2001.

	Contribution to net income of the Group			Average capital		Profitability	
	2002	2001	Change 2002 / 2001 (%)	2002	2001	2002	2001
	(€/mil)	(€/mil)	(%)	(€/mil)	(€/mil)	(%)	(%)
DOMESTIC BANKING NETWORKS	830	909	-8.7	7,544	7,431	11.0	12.2
PERSONAL FINANCIAL SERVICES	111	191	-41.9	789	806	14.1	23.7
WEALTH MANAGEMENT AND FINANCIAL MARKETS	125	257	-51.4	1,268	1,268	9.9	20.3
INTERNATIONAL ACTIVITIES	40	44	-9.1	789	794	5.1	5.5
CENTRAL FUNCTIONS (1)	-217	-25	n.s.	345	395	n.s.	n.s.
GROUP TOTAL	889	1,376	-35.4	10,735	10,694	8.3	12.9

(1) These include holding activities, finance, the Macchina Operativa Integrata, the management of property and shareholding investments and Group postings; the results for 2002 include, among revenue components, the use of the reserves for general banking risks and, among cost components, devaluations of the listed investment portfolio.



Net income 2002 by business sectors (2)



Allocated capital 2002 by business sectors

(2) The chart does not include the Central Functions which present a negative value; the percentages of Domestic Banking Networks, Personal Financial Services, Wealth Management and Financial Markets, International Activities are calculated relating the contribution of each one to the net income (889 million euro).

Domestic Banking Networks

Sanpaolo Network and Consumer Banking

In 2002 the Sanpaolo Network and Consumer Banking Area operated according to an activity setting comprising the following business units:

- the Sanpaolo Network, consisting of the over 1,390 branches of the Parent Bank; according to a commercial specialization, it includes, besides the branches performing activities for retail customers, the 129 branches
- and 61 detached teams dedicated to companies and the 17 operating points specialized in serving the private sector. The Network is supported by Internet, phone and mobile banking direct channels;
- the subsidiaries operating in consumer credit (Finemiro Banca and Finconsumo Banca; the 50% stake held by SANPAOLO IMI in the latter will be sold to SCH, by effect of the agreement reached in March 2003), leasing (Sanpaolo Leasing which incorporated Cardine Leasing on 1 October) and international private banking (Sanpaolo Bank Luxembourg, Sanpaolo Bank Austria and Sanpaolo Bank Switzerland).

	Sanpaolo Network and Consumer Banking			of which: Sanpaolo Network (1)		
	2002	2001	Change 2002 / 2001 (%)	2002	2001	Change 2002 / 2001 (%)
STATEMENT OF INCOME (€/mil)						
Net interest and other banking income	3,088	3,090	-0.1	2,713	2,753	-1.5
Operating costs	-1,918	-1,929	-0.6	-1,764	-1,776	-0.7
Operating income	1,170	1,161	+0.8	949	977	-2.9
Provisions and net adjustments to loans and financial fixed assets	-276	-232	+19.0	-206	-215	-4.2
Income before extraordinary items	894	929	-3.8	743	762	-2.5
Net extraordinary income	2	7	-71.4	-6	8	n.s.
Income before taxes	896	936	-4.3	737	770	-4.3
Income taxes for the period	-407	-421	-3.3	-357	-368	-3.0
Change in reserves for general banking risks and income attributable to minority interests	-	-2	n.s.	-	-	-
Net income	489	513	-4.7	380	402	-5.5
ALLOCATED CAPITAL (€/mil)	2,660	2,702	-1.6	2,031	2,060	-1.4
RATIOS (%)						
RoRAC	18.4	19.0		18.7	19.5	
Cost / Income ratio	62.3	62.6		65.0	64.5	
	31/12/2002	31/12/2001	Change 31/12/02-31/12/01 (%)	31/12/2002	31/12/2001	Change 31/12/02-31/12/01 (%)
OPERATING DATA (€/mil)						
Customer financial assets	152,899	154,347	-0.9	147,129	147,823	-0.5
- Direct deposits	37,799	36,505	+3.5	33,919	32,548	+4.2
- Asset management	60,884	65,236	-6.7	60,602	64,583	-6.2
- Mutual funds and fund-based portfolio management	45,444	52,566	-13.5	45,320	52,310	-13.4
- Portfolio management	3,597	4,462	-19.4	3,439	4,065	-15.4
- Life technical reserves	11,843	8,208	+44.3	11,843	8,208	+44.3
- Asset administration	54,216	52,606	+3.1	52,608	50,692	+3.8
Net asset management flows	-220	2,841		-41	2,916	
Net loans to customers excluding NPLs	46,663	43,766	+6.6	43,257	39,053	+10.8
OPERATING STRUCTURE						
Employees	17,638	17,809	-1.0	16,388	16,644	-1.5
Domestic branches	1,416	1,401	+1.1	1,390	1,376	+1.0

(1) Including business with companies with turnover in excess of 250 million euro and the depositary bank.

Altogether, during 2002, the Sanpaolo Network and Consumer Banking posted net income of 489 million euro, a drop of 4.7% in comparison with the previous year. This drop is mainly attributable to the increase in provisions by the companies operating in the consumer credit sector. The profitability of the Area, expressed in terms of RORAC, was 18.4%.

Regarding the Sanpaolo Network in particular, the major initiatives undertaken during the year were aimed on the one hand at strengthening the market position in terms of private and retail customers and, on the other, at the development of relations with companies with appropriate creditworthiness. The Sanpaolo Network also implemented activities in preparation for integration with the distribution structures of Banco di Napoli in view of the merger by incorporation of the Neapolitan bank on 31 December 2002.

The strengthening of the market position in terms of private customers was mainly sought through:

- the specialization of the distribution model by customer segments. That will be achieved continuing a project which will be completed in 2003, aimed at the expansion of the network dedicated to private customers and to the creation, within the retail branches, of modules specialized in serving the customers of the various markets: private, affluent, family and small entrepreneurs;
- the provision to branches of customer relationship support tools. A project providing for adoption by branches of evolved models for the evaluation of the customer financial profile is in the advanced stages;
- the expansion of the range of services offered: in line with market needs, new protected capital investment products as well as new retail mortgages for households were introduced;
- the spread of multi-channel infrastructures: at the end of December direct banking contracts rose to 325,000, with an increase of more than 145,000 since the beginning of the year.

The development of operations with companies was pursued with the launch of targeted commercial projects, the most relevant of these being:

- the initiative aimed at expanding the range of financial instruments dedicated to hedging and investment;
- the activity aimed at spreading the use of direct channels; Internet banking contracts with companies and small entrepreneurs exceeded 19,000 at the end of the year compared with 8,500 at the beginning of the year.

Significant efforts were also made towards the integration between the Sanpaolo Network distribution structures and those of the former Banco di Napoli Italian Network. Waiting for the unification of the two networks' IT systems, which will take place in the first half of 2003, criteria for the unified management of the territory and commercial policies were defined. The Sanpaolo Network in particular was reorganized into 23 territorial areas, 4 of which operating in the Southern Italian regions traditionally served by Banco di Napoli, each with unitary responsibility for both Sanpaolo and Banco di Napoli branches.

Under the operational profile, Sanpaolo Network customer financial assets showed a recomposition of asset management (-6.2%), in favor of asset administration (+3.8%) and sight deposits (+4.2%). Loans to customers were up 10.8% on the end of December 2001; in this context retail mortgages for households showed a positive trend, with disbursements for 1.9 million euro in the 12 months and a 21% increase in the amounts.

The income results of the Sanpaolo Network realized during the year fell compared with 2001, having suffered from the lower contribution of direct deposits due to the reduction of the mark down, and to the lower flow of commissions from asset management. The reduction of net interest and other banking income (-1.5%) was partially compensated by savings on operating costs (-0.7%) and by lower levels of provisions and adjustments (-4.2%). Net income reached 380 million euro, compared with the 402 million euro of 2001, with a RORAC of 18.7%.

Cardine

Cardine operates in North East Italy, through the 841 branches of the seven bank networks: Cassa di Risparmio di Padova e Rovigo, Cassa di Risparmio in Bologna, Cassa di Risparmio di Venezia, Cassa di Risparmio di Udine e Pordenone, Cassa di Risparmio di Gorizia, Banca Agricola di Cerea and Banca Popolare dell'Adriatico.

During the year, Cardine performed the activities associated with its integration with the SANPAOLO IMI Group, with the rationalization of its operations and with the focusing on its business of reference. The main initiatives were aimed at:

- the implementation of an optimal organizational model to fulfill the duties assigned to Cardine Finanziaria within the Group. These include assisting the Parent Bank in direction, governance and control of the bank networks as well as, during the initial phase, providing support to

these banks in the IT sector, as well as for administrative, accounting and logistical functions;

- the performance of activities connected with the realization of the Macchina Operativa Integrata project;
- the improvement of the customer service capacity. The implementation of the commercial arrangement was concluded in the last part of the year with the adoption of a new distribution model articulated by customer segments and based upon the management of customer portfolios by specialized consultants. In this con-

text, activities were primarily aimed at programming and realizing projects focused on developing revenues from retail customers, through the sharing of SANPAOLO IMI's products and know how.

During 2002, the activities of Cardine were characterized by the development of the main operational aggregates. In asset management, the net inflow from the start of the year, 1.5 billion euro, more than offset the devaluation of the stock, which at the end of December 2002 was 13.2

Cardine (1)

	2002	2001	Change 2002 / 2001 (%)
STATEMENT OF INCOME (€/mil)			
Net interest and other banking income	1,435	1,434	+0.1
Operating costs	-855	-894	-4.4
Operating income	580	540	+7.4
Provisions and net adjustments to loans and financial fixed assets	-276	-158	+74.7
Income before extraordinary items	304	382	-20.4
Net extraordinary income	-11	6	n.s.
Income before taxes	293	388	-24.5
Income taxes for the period	-148	-178	-16.9
Change in reserves for general banking risks and income attributable to minority interests	-10	-9	+11.1
Net income	135	201	-32.8
Contribution to net income of the Group (2)	191	201	-5.0
ALLOCATED CAPITAL (€/mil)	2,536	2,601	-2.5
RATIOS (%)			
RoE	7.5	7.7	
Cost / Income ratio	59.3	61.7	
Normalized cost / income ratio (3)	60.8	63.2	
	31/12/2002	31/12/2001	Change 31/12/02- 31/12/01 (%)
OPERATING DATA (€/mil)			
Customer financial assets	51,815	49,683	+4.3
- Direct deposits	26,524	25,820	+2.7
- Asset management	13,159	12,394	+6.2
- Mutual funds and fund-based portfolio management	8,539	8,104	+5.4
- Portfolio management	3,038	3,081	-1.4
- Life technical reserves	1,582	1,209	+30.9
- Asset administration	12,132	11,469	+5.8
Net asset management flows	1,478	-50	
Net loans to customers excluding NPLs	24,588	23,433	+4.9
OPERATING STRUCTURE			
Employees	9,719	9,805	-0.9
Domestic branches	841	834	+0.8

(1) Cardine Finanziaria group consolidated.

(2) After the posting of consolidation attributable to the Area, mainly represented by the reversal of the discounting of loans performed for the first time in 2002 for consistency with the Group's criteria.

(3) Calculated assuming the inclusion of the holding Cardine Finanziaria for the whole year rather than just seven months.

billion euro, up 6.2% in the 12 months. The trend of direct customer deposits was also positive, showing growth of 2.7% on an annual basis. Loans to customers, net of non-performing loans, were up 4.9% compared with the end of December 2001; new disbursements to households in connection with retail mortgages were also relevant at 856 million euro.

In 2002 the operating income showed an increase of 7.4%, at 580 million euro. This movement was made possible by the reduction of operating costs (-4.4%) and by maintenance of revenues, favored by the increase in the flow of commissions which more than compensated the drop in net interest income and profits from financial transactions. The profit results for the year were affected by the extraordinary

components related to the discounting of doubtful loans and the higher general provisions for loans made for alignment with the prudential standards of the Parent Bank. The contribution to the Group's operating income amounted to 191 million euro, down 5% compared with 2001.

The above figures refer to the consolidated financial statements of Cardine Finanziaria and of the seven bank networks unlike the results, presented in the previous Reports, which included the accounts of the bank networks alone.

Former Banco di Napoli Italian Network

During 2002 Banco di Napoli operated in the regions of Southern Italy through a network of 725 branches.

Former Banco di Napoli Italian Network (1)

	2002	2001	Change 2002 / 2001 (%)
STATEMENT OF INCOME (€/mil)			
Net interest and other banking income	819	873	-6.2
Operating costs	-648	-706	-8.2
Operating income	171	167	+2.4
Provisions and net adjustments to loans and financial fixed assets	-82	-79	+3.8
Income before extraordinary items	89	88	+1.1
Net extraordinary income	-	-	-
Income before taxes	89	88	+1.1
Income taxes for the period	-57	-58	-1.7
Net income	32	30	+6.7
ALLOCATED CAPITAL (€/mil)	885	848	+4.4
RATIOS (%)			
RORAC	3.6	3.5	
Cost / Income ratio	79.1	80.9	
	31/12/2002	31/12/2001	Change 31/12/02- 31/12/01 (%)
OPERATING DATA (€/mil)			
Customer financial assets	32,064	32,467	-1.2
- Direct deposits	16,155	18,093	-10.7
- Asset management	10,485	8,761	+19.7
- Mutual funds and fund-based portfolio management	7,603	6,255	+21.6
- Portfolio management	1,325	1,421	-6.8
- Life technical reserves	1,557	1,085	+43.5
- Asset administration	5,424	5,613	-3.4
Net asset management flows	1,910	2,480	
Net loans to customers excluding NPLs and SGA loans	8,692	10,244	-15.2
OPERATING STRUCTURE			
Employees	6,554	6,607	-0.8
Financial planners	193	200	-3.5
Domestic branches	725	731	-0.8

(1) Includes the Italian Branch Network and the depositary bank of the former Banco di Napoli.

On 25 November, the respective Extraordinary Meetings approved the merger by incorporation of Banco di Napoli into SANPAOLO IMI, legally effective from 31 December 2002 and effective for accounting purposes from 1 January 2002. This transaction, as already described in a previous chapter of this Report, is part of a much bigger plan of integration and rationalization of the Sanpaolo, Banco di Napoli and Cardine networks.

The Southern Territorial Direction, made up of the Naples, Campania, Apulia and Calabro-Lucana Areas, based in Naples and directly supervised by the Sanpaolo Network was established on 31 December 2002; it will be subsequently spun off into Sanpaolo Banco di Napoli upon completion of the unification of the IT procedures, which will take place in the first half of 2003.

The main actions performed by Banco di Napoli in 2002 were essentially aimed both at the focusing of operation in its area of traditional roots and at the disposal of assets which were not instrumental to the performance of the core business. The major initiatives include:

- the sale, at the end of January 2002, of the share held in Datitalia and the disposal, completed in July, of the minority shareholding in Cedel International;
- the conferral to Sanpaolo IMI Wealth Management of the subsidiary Banco di Napoli Asset Management, in view of the subsequent merger, authorized by the Bank of Italy at the beginning of March 2003, effective as of 1 September 2003;
- the disposal of real estate not instrumental for the commercial network;
- disengagement from the activities of the foreign network, with the sale to third parties of the London branch and the sale of the New York branch property;
- the conferral to Esaban, on 1 October, of the tax collection activities, previously performed by Banco di Napoli in its capacity as government commissioner for Naples and Caserta;
- the conferral to Banca OPI, as of 1 January 2003, of the operations in the public works and infrastructure sector.

In the last part of the year, the activities needed for the integration of the distribution structures of the Sanpaolo Network and of the former Banco di Napoli Italian Network were implemented; in particular, with reference to the Macchina Operative Integrata project, the activities necessary in order to guarantee the transition to the new IT system are under way.

In 2002 the trend in operating volumes of former Banco di Napoli Italian Network was characterized by the significant recomposition of customer financial assets towards asset management, which rose at the end of December 2002 to 10.5 billion euro, up by 1.7 billion euro from the beginning of the year (+19.7%); the increase was due to positive net flows, 1.9 billion euro, in a market characterized by strong disinvestments out of mutual funds. Direct deposits on the other hand registered a drop of 10.7%, attributable mainly to the downsizing of operations, reaching 16.2 billion euro, and assets under management fell to 5.4 billion, down 3.4%.

The profit results of former Banco di Napoli Italian Network benefited from the reduction in structural costs (-8.2%), which succeeded in balancing the reduction in revenues (-6.2%) due to the downsizing of activities. The net income for the year was therefore up 6.7%.

Banca OPI

Banca OPI provides financial services to the public sector, with particular reference to the financing of infrastructure investments and works. During the year the bank was strengthened by the conferral, by the Parent Bank, of the whole shareholding in FIN.OPI (former Compagnia di San Paolo Investimenti Patrimoniali); as of 1 January 2003, it also includes the activities in the public works sector previously performed by Banco di Napoli.

In 2002 the bank:

- issued new loans aimed mainly at the railway, airport and road infrastructure sector, environmental protection and land preservation, as well as loans to Regions to support health services and interventions to restore flood damage; it also participated, as leader, in an important transaction for the Agency for the "Torino 2006" XX Winter Olympic Games for the construction of sports venues, transport infrastructure and reception structures;
- financed Territorial Entities (mainly Regions) through the subscription of securities;
- participated, in conjunction with CDC Ixis, in a closed-end investment fund governed by French law, which will invest in companies operating in France in support of the development of renewable energy;
- in project financing, took on advisory and financial structuring mandates for various major investment projects in Italy and abroad. In particular, the main interventions on the domestic market regarded the health sector, urban and re-qualification furnishings, transport,

the water sector and the management of integrated waste disposal systems; on the foreign market it was co-arranger in important international initiatives concerning high-speed rail systems and the modernization of local transport;

- in advisory, acquired new mandates for the exploitation of the companies and local bodies' assets.

In 2002 the bank made new disbursements for 3.2 billion euro, which took total loans at the end of December to 14.7 billion euro, up 10.9% in the 12 months. These were joined by a flow of new subscriptions of securities issued by public bodies, 0.4 billion euro, entirely within the last quarter.

The income results for 2002 were conditioned by the losses of the subsidiary FIN.OPI. This, together with the increase in operating costs and despite the considerable growth in commissions, led to a 15.6% reduction of net income. Provisions made mainly for tax purposes were substantially in line with those of the previous year.

Large Groups and Structured Finance

The management of relations with the 30 major groups of domestic and international importance, as well as project financing (for energy, oil & gas and telecommunications sectors) and specialized structured lending (acquisition, LBO, real estate) were centralized to optimize the risk/performance profile, in two specialist units: Large Groups and Structured Finance.

In 2002 the Large Groups unit achieved lower profit results than in 2001, in line with the general decline in the economic context. The RORAC reached 9.9% despite the increase of the risk capital absorbed following the decline in the ratings of the automotive sector; in this context, during the year, particular attention was dedicated to the management of the correlated risk.

The results of the Structured Finance unit were influenced, on one side, by prolonged difficulties in specific markets, which made it necessary to increase provisions for some

Banca OPI

	2002	2001	Change 2002 / 2001 (%)
STATEMENT OF INCOME (€/mil)			
Net interest and other banking income	120	127	-5.5
Operating costs	-20	-18	+11.1
Operating income	100	109	-8.3
Provisions and net adjustments to loans and financial fixed assets	-68	-65	+4.6
Income before extraordinary items	32	44	-27.3
Net extraordinary income	4	2	+100.0
Income before taxes	36	46	-21.7
Income taxes for the period	-9	-14	-35.7
Net income	27	32	-15.6
Contribution to net income of the Group (1)	66	69	-4.3
ALLOCATED CAPITAL (€/mil)	500	365	+37.0
RATIOS (%)			
RoE	13.2	18.9	
Cost / Income ratio	16.5	14.0	
	31/12/2002	31/12/2001	Change 31/12/02- 31/12/01 (%)
OPERATING DATA (€/mil)			
Net loans to customers excluding NPLs	14,735	13,284	+10.9
Disbursements in the period	3,231	3,018	+7.1
OPERATING STRUCTURE			
Employees	126	114	+10.5

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

projects, and on the other, by the increase in the finance acquisition sector, with the definition of important transactions, the economic effects of which will become more evident in the years to come.

Other Italian Networks

Other Italian Networks operates in the domestic market through the distribution networks of the Cassa di Risparmio di Firenze, in which the Group has a stake of 19.5%, and the Cassa dei Risparmi di Forlì (21% stake). With reference to the latter, by effect of the exercising of a put option by the Fondazione Cassa dei Risparmi di Forlì, this stake will rise to 29.8%.

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

lowing should be noted:

- positive progress in the marketing of mutual funds managed by CR Firenze Gestion Internationale (in which an 80% interest is held by Carifirenze and a 20% interest by SANPAOLO IMI). The net flow for the year, equal to 413 million euro, brought the total amounts to 2.1 billion euro;
- placement by the Cariforlì network, in the year, of SANPAOLO IMI Group asset management products for 80 million euro. This net flow took the stock, at the end of December, to 166 million euro, up 84.4% since the beginning of the year.

In profit terms, the contribution to the SANPAOLO IMI Group's net income, accounted for in the context of the profits from companies carried at equity, was 18 million euro for Carifirenze and 8 million euro for Cariforlì.

Personal Financial Services

Banca Fideuram

Banca Fideuram has a network of 3,520 financial planners, joined by 1,234 Banca Sanpaolo Invest planners, and 87 branches in Italy. It operates using its own specialized companies dedicated to the production of asset management services.

During the year, Banca Fideuram:

- carried out the activities connected with the integration

with Banca Sanpaolo Invest, completed on 8 October with the acquisition of the total shareholding held by SANPAOLO IMI;

- made rationalization interventions on shareholdings which involved foreign subsidiaries and are destined to continue in 2003, also in Italy. In particular, it continued the implementation of the business plan relating to the operational development of the French group Wargny; completed the restructuring of the subsidiaries in Luxembourg, with the concentration of the five product companies in a single corporate vehicle, Fideuram Gestions; launched, in Ireland, the operations of the subsidiary Fideuram Asset Management

Banca Fideuram (1)

	2002	2001	Change 2002 / 2001 (%)
STATEMENT OF INCOME (€/mil)			
Net interest and other banking income	598	657	-9.0
Operating costs	-344	-333	+3.3
Operating income	254	324	-21.6
Adjustments to goodwill and merger and consolidation differences	-58	-24	+141.7
Provisions and net adjustments to loans and financial fixed assets	-68	-49	+38.8
Income before extraordinary items	128	251	-49.0
Net extraordinary income	19	11	+72.7
Income before taxes	147	262	-43.9
Income taxes for the period	-13	-19	-31.6
Change in reserves for general banking risks and income attributable to minority interests	16	1	n.s.
Net income	150	244	-38.5
Contribution to net income of the Group (2)	111	191	-41.9
ALLOCATED CAPITAL (€/mil)	789	806	-2.1
RATIOS (%)			
RoE	14.1	23.7	
Cost / Income ratio	55.3	49.3	
	31/12/2002	31/12/2001	Change 31/12/02- 31/12/01 (%)
OPERATING DATA (€/mil)			
Customer financial assets	56,444	60,222	-6.3
- Direct deposits	3,901	3,927	-0.7
- Asset management	40,028	45,716	-12.4
- Mutual funds and fund-based portfolio management	28,756	36,718	-21.7
- Portfolio management	525	525	-
- Life technical reserves	10,747	8,473	+26.8
- Asset administration	12,515	10,579	+18.3
Net asset management flows	-1,153	646	
OPERATING STRUCTURE			
Employees	1,880	1,857	+1.2
Financial planners	4,754	5,289	-10.1
Domestic branches	87	82	+6.1

(1) Including Banca Sanpaolo Invest.

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

Ireland, which is responsible for the asset management activities of the Luxembourg funds.

The integration with Banca Sanpaolo Invest, which is part of the actions further to strengthen the leadership position in Personal Financial Services, is aimed at: fully exploiting the potential of Banca Sanpaolo Invest, leveraging on the best practice of Banca Fideuram; allowing strategic coordination of the financial planner networks, with the adoption of consistent marketing and brand policies; realizing scale economies through the creation of a common technological platform and a shared product portfolio, appropriately adapted to suit the commercial characteristics of each network.

At the end of December 2002 customer financial assets of Banca Fideuram, including the results of Banca Sanpaolo

Invest, were 56.4 billion euro, down 6.3% since the beginning of the year. Within the total aggregate the trend in asset administration, up by 18.3% on the 12 months has been positive; this increase partially compensated for the reduction in assets under management, mainly because of the devaluation of the stock.

Profit margins for the year were generally reduced; net interest and other banking income, 598 million euro, fell by 9%, mainly because of the decline in commission revenues. Higher charges sustained for the implementation of the development plan for the French subsidiaries, as well as the adjustment of the goodwill paid on these to reflect the drop in the expected profitability, created a profit of 150 million euro, down by 38.5% compared with 2001. The RoE was 14.1%.

Wealth Management and Financial Markets

Sanpaolo IMI Wealth Management

Wealth Management provides asset management products and services both to the Group's internal distribution networks and to institutional investors, associated networks and other networks. The Area was established in April 2001 through the conferral by the Parent Bank to the holding Sanpaolo IMI Wealth Management of the subsidiaries operating in mutual funds, portfolio management and life insurance.

The main initiatives realized by the Area in the year concerned:

- the expansion of the range of services offered, with the launch of protected capital portfolio management. The range of insurance products was also reviewed on the basis of emerging needs of customers. In particular, a new index linked policy was marketed by Sanpaolo Vita

and new unit linked policies to be distributed through the network of the Cassa dei Risparmi di Forlì were launched;

- the launch of the distribution of products through the new Group networks: in particular, marketing of funds through the Cardine network has begun. Agreements with extra-captive networks were also entered into. These agreements envisage the distribution of the funds and portfolio managed assets of Wealth Management;
- the increase in the Sanpaolo Vita capital endowment in relation to the company's strong commercial development during 2002;
- the introduction, on 21 October 2002, of a new Italian fund commission system together with a rationalization process for Luxembourg funds, through the merger of several sectors and changes to the characteristics of the existing sectors.

In the context of the Group's restructuring, during the first half of the year Banco di Napoli Asset Management was transferred to Sanpaolo IMI Wealth Management, which

Sanpaolo IMI Wealth Management (1)

	2002	2001	Change 2002 / 2001 (%)
STATEMENT OF INCOME (€/mil)			
Net interest and other banking income	207	233	-11.2
Operating costs	-88	-73	+20.5
Operating income	119	160	-25.6
Adjustments to goodwill and merger and consolidation differences	-7	-7	-
Provisions and net adjustments to loans and financial fixed assets	-	-7	n.s.
Income before extraordinary items	112	146	-23.3
Net extraordinary income	2	-	n.s.
Income before taxes	114	146	-21.9
Income taxes for the period	-8	39	n.s.
Change in reserves for general banking risks and income attributable to minority interests	-7	-8	-12.5
Net income	99	177	-44.1
Contribution to net income of the Group (2)	109	190	-42.6
ALLOCATED CAPITAL (€/mil)	630	522	+20.7
RATIOS (%)			
RoE	17.3	36.4	
Cost / Income ratio	45.5	34.4	
	31/12/2002	31/12/2001	Change 31/12/02- 31/12/01 (%)
OPERATING DATA (€/mil)			
Assets under management	83,407	84,724	-1.6
OPERATING STRUCTURE			
Employees	404	348	+16.1

(1) Does not include Sanpaolo Bank Luxembourg and its subsidiaries.

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

also acquired from Banca Fideuram 30% of Sanpaolo IMI Institutional Asset Management, a company dedicated to management activities for institutional investors. Sanpaolo IMI Alternative Investments SGR, a company dedicated to the management of hedge funds, also became operational. In the third quarter, Sanpaolo Fiduciaria was sold to the Parent Bank. In January 2003 the acquisition of the share held by Sanpaolo Bank Luxembourg in Sanpaolo IMI Wealth Management Luxembourg was completed.

The Area's assets under management at the end of December amounted to 83.4 billion euro, down 1.6% from the start of the year. Within the total aggregate the sustained growth in life technical reserves, which rose to 14.3 billion euro (+47% in comparison with the end of December 2001) should be noted.

In 2002 Wealth Management registered net interest and other banking income of 207 million euro, down by 11.2%

compared with the previous year; this trend was due in particular to a 23.7% reduction in net commissions only partially compensated by the considerable growth of the contribution of the insurance companies Sanpaolo Vita and Sanpaolo Life, booked as profits from companies carried at equity. The drop in revenues, together with the 20.5% increase in operating costs led to net income of 99 million euro. The profitability, expressed in terms of RoE, was 17.3%.

Banca IMI

Banca IMI, the Group's investment bank, covers securities dealing both on own account and for customers, the raising of risk and debt capital for companies, as well as consulting in corporate finance. It uses its own subsidiaries, excluding IMIWeb Bank. Following the agreement reached in December with Centrobanca (Banca Popolare di Bergamo – Credito Varesino Group) an 80% stake in IMIWeb Bank will be sold to the latter.

Banca IMI

	2002	2001	Change 2002 / 2001 (%)
STATEMENT OF INCOME (€/mil)			
Net interest and other banking income	185	197	-6.1
Operating costs	-150	-160	-6.3
Operating income	35	37	-5.4
Provisions and net adjustments to loans and financial fixed assets	-5	-7	-28.6
Income before extraordinary items	30	30	-
Net extraordinary income	5	-1	n.s.
Income before taxes	35	29	+20.7
Income taxes for the period	-2	5	n.s.
Net income	33	34	-2.9
Contribution to net income of the Group	33	34	-2.9
ALLOCATED CAPITAL (€/mil)	341	332	+2.7
RATIOS (%)			
RoE	9.7	10.2	
Cost / Income ratio	81.0	81.1	
OPERATING DATA (€/mil)			
Banca IMI SpA trading volumes			
- trading	671,677	681,694	-1.5
- sales	143,809	121,814	+18.1
- repurchase agreements	1,621,992	1,440,015	+12.6
- placements	6,360	14,506	-56.2
	31/12/2002	31/12/2001	Change 31/12/02- 31/12/01 (%)
OPERATING STRUCTURE			
Employees	634	653	-2.9
Branches	2	2	-

During 2002, with reference to corporate finance and capital markets, Banca IMI:

- with regard to Public Offerings acted as a coordinating intermediary in the context of the residual Public Offer launched by SANPAOLO IMI on the savings shares of Banco di Napoli, and for the Public Offer launched by Idra Partecipazioni on Idra Presse and by ENI on Italgas;
- was a participant in equity placements in some of the major IPOs (Initial Public Offerings) that took place in Europe, such as Autoroutes du Sud de la France, Enagas in Spain, and PPC in Greece, as well as, in Italy, in the transactions with ASM Brescia and Fiera di Milano; it acted as co-manager in the private placement of Telekom Austria shares promoted by Telecom Italia;
- in capital increases, led, along with a small group of financial institutions, the capital increase of FIAT and performed, as joint lead manager, the activities regarding the Alitalia capital increase. It also participated in capital increases for IT Holding, Aedes and SS Lazio;
- was co-sponsor, with Deutsche Bank, in the listing admission of ordinary and savings shares of Italenergia (subsequently renamed Edison), a company created from the merger by incorporation of Edison into Italenergia.

With regard to corporate finance advisory, Banca IMI: supplied consulting for the sale of the majority shareholding of Utet to De Agostini, and with regard to the entry of Autogrill into the capital of Pastarito; served as financial consultant in the definition of the exchange ratio in the merger by incorporation of Unimed into Buzzi Unicem; supplied consulting to the FIAT Group, to CR Firenze in the partial disposal of a non-performing portfolio, to Inferentia in structuring an increase in capital, to Alitalia in the share swap project with Air France, to the Fontana Group for the reorganization of the structure and refinancing of the debt; acquired a mandate from Edison to supply assistance in the sale of reserves of gas in Egypt; supplied advisory services for extraordinary financing transactions in the IT and telecommunications sectors; provided assistance to the Albanian government in the project for the privatization of the fixed telecommunication and energy sectors and advisory to AEM Torino in the project for the exploitation of certain electricity generation assets.

Also noteworthy are the launch of the corporate sales activity to support the SANPAOLO IMI network and the development of personal finance products distributed through the Group networks.

In 2002, the total revenues of Banca IMI were conditioned by the high instability of the financial markets, reaching

185 million euro, down by 6.1% compared with the previous year. The reduction in operating costs and higher extraordinary income allowed the bank to achieve net income of 33 million euro, substantially in line with that of 2001, and a RoE of 9.7%.

Sanpaolo IMI Private Equity

Sanpaolo IMI Private Equity (previously NHS) is responsible for the private equity activity of the Group, with the strategic goal of strengthening and consolidating its presence in this sector, which is characterized by high growth potential in the medium term.

The company is to operate as a point of reference for venture capital investments in small- and medium-sized companies, supporting their possibilities of growth, aggregation and reorganization. Accordingly, Sanpaolo IMI Private Equity is concentrating its efforts on promotion, management and placement of closed-end private equity funds.

The company heads the subsidiaries specialized in the management of closed-end security investment funds (Sanpaolo IMI Fondi Chiusi SGR and NHS Mezzogiorno SGR) as well as several foreign subsidiaries instrumental to the management of foreign law closed-end investment funds (including the SIPEF Fund) and the merchant banking activity.

The actions carried out in 2002 were aimed at the centralization in the company, with the role of sub holding, of the private equity activities of the Group following the merger with Cardine, as well as those belonging to the Eptaconsors group. The model, in terms of corporate and organizational structure, provides for the attribution to the sub holding of the centralized co-ordination, control and performance of services for subsidiaries, and advisor for foreign law closed-end funds.

At the end of the year the 2003-2005 strategic plan, which places emphasis on the promotion and management of closed-end funds financed by capital collected mainly on the market, both at regional level (one of which focusing on the Central regions and one on the North Western regions), and at pan European level, in conjunction with CDC Ixis Private Equity and Bayerische Landesbank Equity Management, was approved.

In March 2003 Cardine Finanziaria acquired the entire capital of Alcedo, the advisory company of the Cardine Impresa and Eptasviluppo Funds. This transaction completed the centralization of the private equity activities of the Group.

Also programmed is the participation in a new investment fund promoted by the French government in support of small- and medium-sized local companies, following an agreement signed with CDC-Pme (a subsidiary of Caisse des Dépôts et Consignations) and EIF (European Investment Fund).

With reference to the financial statement results, in 2002 Sanpaolo IMI Private Equity, together with its subsidiaries, achieved an operating income of 8 million euro and a net loss of 14 million euro, mainly determined by the amortization of positive differences arising on consolidation and adjustments to financial fixed assets.

International Activities

Banque Sanpaolo

Banque Sanpaolo operates in France, through a network of 62 branches, with a customer base of 125,000 private customers with a medium/high savings potential and small- and medium-sized companies.

In 2002 Banque Sanpaolo carried on the specialization of the branch network on the reference customer segments.

In operating terms, the bank reported a positive trend in customer volumes: compared with the end of December

2001, direct deposits were up 2.6% and loans to customers rose by 5.2%.

This produced a favorable trend for net interest income, which was not however sufficient to compensate the drop in commissions and higher losses on financial transactions. Therefore net income fell by 21.1%, reaching 30 million euro.

Foreign Network

The Area is responsible for the foreign network of the Parent Bank composed, following the transfer of Cardine's operating points, of 12 branches, 17 representative offices (joined

Banque Sanpaolo

	2002	2001	Change 2002 / 2001 (%)
STATEMENT OF INCOME (€/mil)			
Net interest and other banking income	196	201	-2.5
Operating costs	-135	-134	+0.7
Operating income	61	67	-9.0
Provisions and net adjustments to loans and financial fixed assets	-13	-16	-18.8
Income before extraordinary items	48	51	-5.9
Net extraordinary income	1	3	-66.7
Income before taxes	49	54	-9.3
Income taxes for the period	-19	-16	+18.8
Net income	30	38	-21.1
Contribution to net income of the Group (1)	29	37	-21.6
ALLOCATED CAPITAL (€/mil)	447	457	-2.2
RATIOS (%)			
RoE	6.5	8.1	
Cost / Income ratio	66.3	64.7	
	31/12/2002	31/12/2001	Change 31/12/02- 31/12/01 (%)
OPERATING DATA (€/mil)			
Customer financial assets	11,485	12,340	-6.9
- Direct deposits	4,648	4,532	+2.6
- Asset management	5,204	5,362	-2.9
- <i>Mutual funds and fund-based portfolio management</i>	3,527	3,514	+0.4
- <i>Portfolio management</i>	865	1,104	-21.6
- <i>Life technical reserves</i>	812	744	+9.1
- Asset administration	1,633	2,446	-33.2
Net asset management flows	548	310	
Net loans to customers excluding NPLs	3,582	3,406	+5.2
OPERATING STRUCTURE			
Employees	1,239	1,257	-1.4
Branches	62	59	+5.1

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

by a new office in Madrid in January 2003) and one operating desk, as well as of the Irish subsidiary Sanpaolo IMI Bank Ireland. This structure has a direct presence in 26 countries.

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

The activity, targeted at the development of business to encourage the internationalization of Italian companies and to increase the presence of foreign multinationals on the Italian market, was marked by the selectivity of relations and safeguarding the quality of the assets rather than increasing operating volumes, in a market environment characterized by generalized economic uncertainty and growing levels of risk in the corporate sector. The Foreign Network concentrated, on one side, on consolidating the position achieved in a European context and, on the other, on reducing the total risk with foreign counterparties, especially from the United States, through major diversification in both the number of customers and economic sectors.

As regards the economic profile, corporate lending activities with foreign counterparties confirmed good maintenance of the operating income, which reached 55 million euro, compared with the 58 million on 2001. The difficult international context and the deterioration of the corpo-

rate risk led to an increase in provisions, mainly connected to the adjustments to the Marconi position.

Sanpaolo IMI Internazionale

Sanpaolo IMI Internazionale was formed for the purpose of developing and supervising the presence of the Group in those foreign countries deemed to be of strategic interest through operations involving acquisitions and alliances.

In December, the transfer to the company of the equity investments held by the Group in Central Eastern Europe and in the Mediterranean Area was approved, conditional to the obtaining of the necessary authorization from the local Regulatory Authorities. The shareholdings include: Banka Koper, in which SANPAOLO IMI has a share of 62.1%, operating in Slovenia through a network of 39 branches; Inter-Europa Bank (32.5%), which has 23 branches on the Hungarian market; West Bank (72.4%) with 17 operating points in Romania.

In 2002 the Area performed the activities necessary to the completion of the start up phase of the new company and in preparation for the transfer of equity investments into it. Initiatives aimed at exploiting the potential of the two most recently acquired banks, Banka Koper and West Bank also continued: for this purpose actions aimed at enabling the sharing of the Group's know how in the operating areas that offer greater development opportunities in the reference markets were identified and undertaken.

It should also be noted that, on 25 February 2003, Sanpaolo IMI Internazionale approved the launch of a Public Offer on the Hungarian bank Inter-Europa Bank.

IMI Investimenti

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

Financial fixed assets, including loans to subsidiaries, reached 965 million euro at the end of December, following investments for 306 million euro, of which 262 million for the increase of the stake in the Italenergia/Edison group, and disinvestments for 43 million euro regarding the shareholding in ENI. It should also be noted that, on 10 March 2003, the preliminary contracts for the acquisition, through a newco in which the company participates jointly with Capitalia, Banca Intesa and Unicredito, from the FIAT Group of 51% of the European network of the finance company Fidis (concerning exclusively the retail financing activities) has

been subscribed, with a total commitment by IMI Investimenti for about 100 million euro.

Under the sectoral profile, at the end of December 2002 the equity portfolio was split between the Utilities & Energy sector (66%), Tlc (22%), Automotive (8%) and other (4%).

The economic performance in 2002 showed positive operating income for 3 million euro, thanks mainly to the contribution of the dividends collected and to the considerable reduction in structural costs made possible by the reorganization operations performed. The significant adjustments made to the shareholding portfolio (with particular reference to the devaluation of the FIAT shareholding and of the company vehicles with investments in the mobile telecommunications company H3G), despite being mitigated by capital gains realized on the sale of part of the ENI shares held by the company, heavily penalized the income for the year, which incurred losses for 89 million euro.

Developments after the end of the year

Economic background

Since the beginning of 2003 the real cycle indicators have further deteriorated. Share prices have fallen. At the same time, both in the United States and in the euro-zone, long-term rates have dropped, especially in the real component, more sensitive to the operators' expectations on the cycle prospects. With the continuation of the crisis in Iraq, oil prices continued to rise while the euro gained even more strength against the dollar.

In this context, the ECB, taking account of the improvement in the inflation rate in the euro-zone, at the beginning of March performed a new reduction of policy rates taking the reference rate to 2.5%.

The drop in stock market indexes had a negative effect on mutual funds, whose amounts, at the end of February, were down by 0.1% compared to the end of 2002, despite positive net flows for 4.9 billion euro in the two months.

The prospects of the international economy and markets are particularly uncertain in this phase. The development of the market situation in the main international areas appears to be largely conditioned by two factors: the persistent weakness of the cycle indicators and the still uncertain consequences of the military and political situation in Iraq. An extension or an expansion in the tensions linked with the conflict could negatively influence the degree of confidence and decisions made by operators in terms of expenditure, causing the United States economy to slide into a new recession and dragging the euro-zone economy with it. On the contrary, rapid absorption of the tensions could encourage a rise in confidence indicators and market share prices.

In the best case, accepted by the major forecasters of the reference scenarios, assuming stabilization of the international military and political situation in the short term, the recovery profile of the international economy and the financial markets, on the basis of contained rates in the next quarters, is expected to accelerate only from the end of the year.

The Group's financial position in the first two months of the new year

Despite the adverse conditions of the financial markets, the Group's stock of financial assets shows signs of improvement in the first two months of 2003, with growth of 0.9%, 3.2 billion euro, since the beginning of the year. With regard to the total amount, growth was observed in asset management (+0.5%), asset administration (+1.7%) and direct deposits (+0.8%).

As regards asset management products a net flow of 3 billion euro was achieved, more than balancing the negative market performance, totaling 2.4 billion euro. The development of insurance policies was particularly positive, with the collection of premiums in the two months reaching 1.3 billion euro.

As regards lending activities, net loans to customers recorded a 1.7% increase, corresponding to a positive flow of 2.1 billion euro.

Concerning the management of the Group, awaiting an effective recovery of the economic cycle to lower the level of uncertainty and volatility of the markets, and thus boost revenues, constant attention was maintained on cost control and the quality of assets, which already characterized 2002.

The main profit margins achieved in the first two months of 2003, though penalized by the drop in rates and in the stock exchange trend, were substantially aligned with the budgeted targets.

Alignment with the period targets confirms the validity of the actions taken during 2002 to strengthen customer relations by offering a complete service to households and companies, and lays the foundations to ensure the ambitious development program of Group activities outlined in the 2003-2005 plan approved on 11 February 2003.

In this context the Group strategy was targeted at several fundamental issues, among which:

- the improvement of the performance of Core Profit Assets through the integration of the banking networks, the adoption of a unique and innovative distribution model and the alignment of Wealth Management performances with those of the best operators;
- the improvement of the profitability of other activities with high growth potential and the full exploitation of new business development opportunities;

- the active and efficient management of the shareholding portfolio, aimed at ensuring a return on assets which is higher than the capital cost.

Future prospects

The Group has responded to the unstable market conditions with structural actions, accelerating the integration of its banking networks; the rationalization of head offices and IT systems will be completed by June 2003 for the former Banco di Napoli branches and extended to the Cardine bank networks from the end of the year, being completed in the first half of 2004.

To handle the delicate transition from a phase characterized by strong deterioration to one with an improving economic scenario, the Group can rely on the network's renewed distribution capacity, which is based on strong territorial roots, the exploitation of traditional brands and

a single management policy, in terms of strategic and commercial management throughout the country. During this year it will be possible to achieve the synergies and profit returns expected from investments and internal and external growth performed in previous years.

The specialization of the distribution networks is joined by the know how and product innovation of the Group companies in their respective businesses, and traditional strong points such as the solid financial situation and the high quality of assets, confirmed by the solvency ratios and credit risk ratios.

As regards exogenous factors, the banking industry could gain a boost, on the liability side, from the extension to the first half of 2003 of the government provisions related to the tax shield, while on the asset side, loans to companies are linked with the gradual recovery of the cycle, which is expected to become more consistent from the end of the year.

**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW
DECREE N° 58 DATED 24 FEBRUARY 1998**

To the Shareholders of
Sanpaolo IMI SpA

- 1 We have audited the consolidated financial statements of Sanpaolo IMI SpA and its subsidiaries (the "Sanpaolo IMI Group") as of 31 December 2002. These consolidated financial statements are the responsibility of Sanpaolo IMI's directors. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the Auditing Standards and criteria recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of certain subsidiaries, representing 13 per cent of consolidated "Total assets", 3 per cent of consolidated "Net interest income" and 7 per cent of consolidated "Net interest and other banking income", have been audited by other auditors, who have provided us with their related reports. Our opinion expressed on this report, insofar as it relates to the amounts of such subsidiaries included on the consolidated financial statements, is also based on the audits carried out by other auditors.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to our report dated 9 April 2002.

- 3 In our opinion, the consolidated financial statements present fairly the financial position of the Sanpaolo IMI Group as of 31 December 2002 and the results of its operations for the year then ended in accordance with the Italian regulation governing financial statements.
- 4 For a more immediate understanding of the consolidated financial statements, we draw your attention to the following circumstances, more widely described in the Report on Operation and in the Explanatory Notes to the consolidated financial statements:
 - (a) Cardine Banca SpA merged into Sanpaolo IMI SpA during the current financial year; the merger became effective, for accounting and tax purposes, starting from 1 January 2002;
 - (b) the Group's net income for the current year includes a credit of 364 million euro due to the release of the reserve for general banking risk to the Statement of Income.

Turin, 10 April 2003

PricewaterhouseCoopers SpA

Signed by
Sergio Duca
(Partner)

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

Consolidated financial statements

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF INCOME

CONSOLIDATED BALANCE SHEET (comparison with pro forma schedules)

CONSOLIDATED STATEMENT OF INCOME (comparison with pro forma schedules)

CONSOLIDATED EXPLANATORY NOTES

Consolidated balance sheet

(€/mil)

ASSETS		31/12/02	31/12/01
10.	Cash and deposits with central banks and post offices	1,406	818
20.	Treasury bills and similar bills eligible for refinancing with central banks	3,143	9,373
30.	Due from banks	22,000	21,571
	a) repayable on demand	4,975	3,191
	b) other deposits	17,025	18,380
40.	Loans to customers	126,701	97,056
	of which:		
	- loans using public funds	206	99
50.	Bonds and other debt securities	16,822	11,216
	a) public entities	8,628	4,352
	b) banks	5,079	3,433
	of which:		
	- own bonds	1,774	1,074
	c) financial institutions	1,132	1,120
	of which:		
	- own bonds	8	-
	d) other issuers	1,983	2,311
60.	Shares, quotas and other equities	2,595	1,528
70.	Equity investments	3,224	4,054
	a) carried at equity	426	339
	b) other	2,798	3,715
80.	Investments in Group companies	840	643
	a) carried at equity	840	643
90.	Goodwill arising on consolidation	842	838
100.	Goodwill arising on application of the equity method	188	215
110.	Intangible fixed assets	406	367
	of which:		
	- start-up costs	2	3
	- goodwill	16	8
120.	Tangible fixed assets	2,229	1,726
140.	Own shares or quotas (nominal value € 14 million)	31	304
150.	Other assets	20,494	18,585
160.	Accrued income and prepaid expenses	2,852	2,191
	a) accrued income	2,063	1,871
	b) prepaid expenses	789	320
	of which:		
	- discounts on bond issues	236	31
Total assets		203,773	170,485

		(€/mil)	
LIABILITIES		31/12/02	31/12/01
10.	Due to banks	24,456	27,922
	a) repayable on demand	2,952	3,378
	b) time deposits or with notice period	21,504	24,544
20.	Due to customers	85,280	65,845
	a) repayable on demand	60,458	48,463
	b) time deposits or with notice period	24,822	17,382
30.	Securities issued	51,561	40,839
	a) bonds	39,447	27,695
	b) certificates of deposits	7,310	8,346
	c) other	4,804	4,798
40.	Public funds administered	208	100
50.	Other liabilities	18,807	15,590
60.	Accrued expenses and deferred income	2,164	2,162
	a) accrued expenses	1,622	1,811
	b) deferred income	542	351
70.	Provisions for employee termination indemnities	961	734
80.	Provisions for risks and charges	2,781	2,471
	a) pensions and similar	343	43
	b) taxation	670	901
	c) other	1,768	1,527
90.	Reserve for possible loan losses	71	41
100.	Reserve for general banking risks	14	356
110.	Subordinated liabilities	6,613	5,607
130.	Negative goodwill arising on application of the equity method	94	118
140.	Minority interest	334	698
150.	Capital	5,144	3,932
160.	Additional paid-in capital	708	22
170.	Reserves	3,670	2,836
	a) legal reserve	1,029	793
	b) reserve for own shares or quotas	31	304
	d) other reserves	2,610	1,739
180.	Revaluation reserves	18	9
200.	Net income for the year	889	1,203
Total liabilities and shareholders' equity		203,773	170,485

		(€/mil)	
GUARANTEES AND COMMITMENTS		31/12/02	31/12/01
10.	Guarantees given	20,483	16,016
	<i>of which:</i>		
	- acceptances	167	128
	- other guarantees	20,316	15,888
20.	Commitments	27,574	24,839

Consolidated statement of income

(€/mil)

	2002	2001
10. Interest income and similar revenues	8,693	8,016
<i>of which:</i>		
– loans to customers	6,936	5,999
– debt securities	995	1,026
20. Interest expenses and similar charges	-4,955	-5,326
<i>of which:</i>		
– due to customers	-1,445	-1,600
– securities issued	-2,203	-2,112
30. Dividends and other revenues	565	397
a) shares, quotas and other equities	410	263
b) equity investments	155	134
40. Commission income	3,467	3,312
50. Commission expense	-671	-714
60. Profits (losses) on financial transactions	-98	105
70. Other operating income	422	280
80. Administrative costs	-4,648	-3,600
a) personnel	-2,856	-2,221
<i>of which:</i>		
– wages and salaries	-2,061	-1,600
– social security charges	-618	-471
– termination indemnities	-140	-109
– pensions and similar	-37	-41
b) other administrative costs	-1,792	-1,379
90. Adjustments to tangible and intangible fixed assets	-753	-543
100. Provisions for risks and charges	-261	-136
110. Other operating expenses	-50	-36
120. Adjustments to loans and provisions for guarantees and commitments	-889	-636
130. Writebacks of adjustments to loans and provisions for guarantees and commitments	320	278
140. Provisions to the reserve for possible loan losses	-27	-11
150. Adjustments to financial fixed assets	-569	-235
160. Writebacks of adjustments to financial fixed assets	8	2
170. Income (losses) from investments carried at equity	137	79
180. Income from ordinary activities	691	1,232
190. Extraordinary income	575	660
200. Extraordinary expense	-248	-269
210. Net extraordinary income	327	391
230. Change in reserve for general banking risks	364	-1
240. Income taxes	-450	-318
250. Income (loss) attributable to minority interests	-43	-101
260. Net income for the year	889	1,203

Consolidated balance sheet (comparison with pro forma schedules)

(€/mil)

ASSETS		31/12/02	31/12/01 pro forma (*)
10.	Cash and deposits with central banks and post offices	1,406	1,172
20.	Treasury bills and similar bills eligible for refinancing with central banks	3,143	10,181
30.	Due from banks	22,000	26,436
	a) repayable on demand	4,975	4,658
	b) other deposits	17,025	21,778
40.	Loans to customers	126,701	124,910
	of which:		
	- loans using public funds	206	200
50.	Bonds and other debt securities	16,822	16,280
	a) public entities	8,628	6,639
	b) banks	5,079	5,254
	of which:		
	- own bonds	1,774	1,080
	c) financial institutions	1,132	1,688
	of which:		
	- own bonds	8	-
	d) other issuers	1,983	2,699
60.	Shares, quotas and other equities	2,595	2,054
70.	Equity investments	3,224	4,238
	a) carried at equity	426	451
	b) other	2,798	3,787
80.	Investments in Group companies	840	660
	a) carried at equity	840	651
	b) other	-	9
90.	Goodwill arising on consolidation	842	1,028
100.	Goodwill arising on application of the equity method	188	215
110.	Intangible fixed assets	406	444
	of which:		
	- start-up costs	2	3
	- goodwill	16	8
120.	Tangible fixed assets	2,229	2,561
140.	Own shares or quotas	31	28
150.	Other assets	20,494	20,544
160.	Accrued income and prepaid expenses	2,852	2,676
	a) accrued income	2,063	2,271
	b) prepaid expenses	789	405
	of which:		
	- discounts on bond issues	236	41
Total assets		203,773	213,427

(*) The pro forma consolidated balance sheet as of 31 December 2001 which is unaudited, was prepared to enable consistent comparison with the consolidated financial statements as of 31 December 2002. The pro forma schedules reflect the line-by-line consolidation of the former Cardine Group and the proportional consolidation of Banka Koper with effect from 1 January 2001.

		(€/mil)	
LIABILITIES		31/12/02	31/12/01 pro forma (*)
10.	Due to banks	24,456	36,482
	a) repayable on demand	2,952	4,986
	b) time deposits or with notice period	21,504	31,496
20.	Due to customers	85,280	82,276
	a) repayable on demand	60,458	61,263
	b) time deposits or with notice period	24,822	21,013
30.	Securities issued	51,561	52,326
	a) bonds	39,447	36,529
	b) certificates of deposits	7,310	10,777
	c) other	4,804	5,020
40.	Public funds administered	208	201
50.	Other liabilities	18,807	17,658
60.	Accrued expenses and deferred income	2,164	2,651
	a) accrued expenses	1,622	2,157
	b) deferred income	542	494
70.	Provisions for employee termination indemnities	961	955
80.	Provisions for risks and charges	2,781	3,250
	a) pensions and similar	343	343
	b) taxation	670	1,219
	c) other	1,768	1,688
90.	Reserve for possible loan losses	71	73
110.	Subordinated liabilities	6,613	5,829
130.	Negative goodwill arising on application of the equity method	94	118
140.	Minority interest	334	793
	Capital and reserves (captions 100, 150, 160, 170, 180)	9,554	9,439
200.	Net income for the year	889	1,376
Total liabilities and shareholders' equity		203,773	213,427

		(€/mil)	
GUARANTEES AND COMMITMENTS		31/12/02	31/12/01 pro forma (*)
10.	Guarantees given	20,483	17,833
	of which:		
	- acceptances	167	158
	- other guarantees	20,316	17,675
20.	Commitments	27,574	26,424

(*) The pro forma consolidated balance sheet as of 31 December 2001 which is unaudited, was prepared to enable consistent comparison with the consolidated financial statements as of 31 December 2002. The pro forma schedules reflect the line-by-line consolidation of the former Cardine Group and the proportional consolidation of Banka Koper with effect from 1 January 2001.

Consolidated statement of income (comparison with pro forma schedules)

(€/mil)

	2002	2001 pro forma (*)
10. Interest income and similar revenues	8,693	10,451
<i>of which:</i>		
– loans to customers	6,936	7,873
– debt securities	995	1,343
20. Interest expenses and similar charges	-4,955	-6,590
<i>of which:</i>		
– due to customers	-1,445	-1,962
– securities issued	-2,203	-2,571
30. Dividends and other revenues	565	425
a) shares, quotas and other equities	410	273
b) equity investments	155	152
40. Commission income	3,467	3,849
50. Commission expense	-671	-803
60. Profits (losses) on financial transactions	-98	121
70. Other operating income	422	419
80. Administrative costs	-4,648	-4,647
a) personnel	-2,856	-2,862
<i>of which:</i>		
– wages and salaries	-2,061	-2,054
– social security charges	-618	-589
– termination indemnities	-140	-140
– pensions and similar	-37	-79
b) other administrative costs	-1,792	-1,785
90. Adjustments to tangible and intangible fixed assets	-753	-651
100. Provisions for risks and charges	-261	-214
110. Other operating expenses	-50	-56
120. Adjustments to loans and provisions for guarantees and commitments	-889	-892
130. Writebacks of adjustments to loans and provisions for guarantees and commitments	320	374
140. Provisions to the reserve for possible loan losses	-27	-23
150. Adjustments to financial fixed assets	-569	-255
160. Writebacks of adjustments to financial fixed assets	8	2
170. Income (losses) from investments carried at equity	137	82
180. Income from ordinary activities	691	1,592
190. Extraordinary income	575	701
200. Extraordinary expense	-248	-288
210. Net extraordinary income	327	413
230. Change in reserve for general banking risks	364	-6
240. Income taxes	-450	-517
250. Income (loss) attributable to minority interests	-43	-106
260. Net income for the year	889	1,376

(*) The pro forma consolidated balance sheet as of 31 December 2001 which is unaudited, was prepared to enable consistent comparison with the consolidated financial statements as of 31 December 2002. The pro forma schedules reflect the line-by-line consolidation of the former Cardine Group and the proportional consolidation of Banka Koper with effect from 1 January 2001.

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Introduction - Background information on the consolidated financial statements

Form and content of the consolidated financial statements

The consolidated financial statements for the 2002 financial year have been prepared pursuant to D.Lgs. 87 dated 27 January 1992, which implemented EEC Directive 86/635. They also take into account the requirements contained in the Bank of Italy instructions dated 30 July 1992 and subsequent amendments. For all matters not governed by special regulations, reference has been made to the Italian Civil Code and to national accounting standards.

The consolidated financial statements comprise the consolidated balance sheet, the consolidated statement of income and these explanatory notes. They are accompanied by the Board of Directors' Report on Operations.

These Consolidated explanatory notes are presented with comparative figures taken from the financial statements as of 31 December 2001 and provide all the information required by law, including any supplementary information considered necessary to give a true and fair view of the Group's financial position. The tables provided for by law and the details required by the Bank of Italy are numbered in accordance with Bank of Italy instructions or based on the relevant Instructions.

The analyses and contents of the Report on Operations refer to the pro forma performances for 2001 and the first quarter of 2002, in relation to the main changes to the line-by-line and proportional method of consolidation for 2002, following the merger by incorporation of Cardine Banca S.p.A. with SANPAOLO IMI S.p.A. and the purchase of 62.10% of Banka Koper. They have been prepared assuming the line-by-line consolidation of the former Cardine Group and the proportional consolidation of the Slovenian bank as of 1 January 2001 (see subsequent paragraph on "Consolidated pro forma schedules for 2001 and the first quarter of 2002"). Furthermore, in order to make a more significant and consistent comparison with the situation as of 31 December 2002, a pro forma version of the official Consolidated Balance Sheet and Consolidated Statement of Income as of 31 December 2001 have also been supplied. Lastly, the Explanatory Notes offer comparison with the pro forma performances for 2001, as far as the tables summarizing the main balance sheet and income aggregates are concerned, as well as remarks on the effects of the merger in the presentation of the changes in portfolio stocks.

The Consolidated Financial Statements are compiled in millions of euro.

The following schedules are attached to the consolidated financial statements:

- Statement of changes in consolidated shareholders' equity;
- Statement of consolidated cash flows;
- Reconciliation between the profit and net equity of the Parent Bank and that of the Group;
- List of equity investments that exceed 10% of the capital of unquoted and limited companies (as per Consob resolution no. 11715 of 24 November 1998);
- Methodological notes and statements of the consolidated pro forma statement of income and balance sheet for 2001 and for the first quarter of 2002.

Scope of consolidation

The scope of line-by-line consolidation reflects the SANPAOLO IMI Banking Group as recorded in the appropriate register in compliance with art. 64 of Decree 385 dated 1 September 1993, with the exception of certain minor investments whose balance sheet and statement of income results have little or no effect on the consolidated financial statements, or because

they have been put into liquidation or listed for disposal. In addition to SANPAOLO IMI S.p.A. (the Parent Bank), the Banking Group comprises those directly and indirectly controlled subsidiaries which carry out banking, finance or other activities which complement those of the Parent Bank.

The scope of line-by-line consolidation excludes Società per la Gestione di Attività S.p.A. (Sga), the shares of which have been handed over as a pledge with voting right to the Treasury Ministry as part of the special procedures described in these notes – “Part B Section 5 - Other assets”.

Equity investments under the assumption of joint control are consolidated on a proportional basis.

Investments in subsidiaries whose activities differ from banking, financing and those of the rest of the Group, i.e. those that are excluded from the scope of consolidation for the above-mentioned reasons, are valued using the equity method, together with holdings in companies subject to significant influence where the Group controls at least 20% of the voting rights in the ordinary meeting (i.e. associated companies).

The principal changes in the line-by-line and proportional consolidation area when compared to 31 December 2001 concern:

- inclusion in the line-by-line consolidation area, acquiring the related financial flows from the beginning of 2002 of:
 - the former Cardine Group companies following the merger by incorporation of the Cardine Banca Parent Bank into SANPAOLO IMI S.p.A.;
 - FIN.OPI S.p.A. (formerly Compagnia di San Paolo Investimenti Patrimoniali S.p.A.) held entirely by Banca OPI S.p.A.;
- the inclusion in the proportional consolidation area of the Slovenian company Banka Koper, as of 1 January 2002, following the attainment of joint control through the increase in the stake already held in the previous year by the Parent Bank.

The change of the company name of NHS S.p.A. to Sanpaolo IMI Private Equity S.p.A. should also be noted.

Companies consolidated on a line-by-line or proportional basis and investments carried at equity are listed in Part B, Section 3 of these notes.

Modalities and effects of the consolidation of the former Cardine Group companies

For the first time inclusion in the consolidated financial statements of the former Cardine Group companies, following the merger by incorporation of the Parent Bank Cardine Banca S.p.A. into SANPAOLO IMI S.p.A., reference has been made to the shareholders' equity of the newly-consolidated companies and to the related book values as of 1 January 2002, this being the reference date of the transaction, for accounting and tax purposes. For the purposes of alignment to the accounting principles of the SANPAOLO IMI Group, the reference net shareholders' equities have been appropriately adjusted in order to reflect the discounting of doubtful loans of the former Cardine Group (63 million euro net of the related tax effect), as well as the losses on investment securities (23 million euro net of the related tax effect).

The first time consolidation of the former Cardine Group shareholdings revealed positive and negative goodwill differences on line-by-line consolidation and on net equity for, respectively, 314 million euro and 299 million euro. The positive differences have been allocated as follows:

- a) 299 million euro have been deducted from negative goodwill, using the faculty provided for by art. 32, subsection 4 of D.Lgs. 87/92, confirmed by subsection 5 of the same article, as well as the relevant application of the Bank of Italy instructions (provision dated 30 July 1992 and subsequent amendments);

b) the remaining 15 million euro of assets in the consolidated balance sheet to be amortized over 10 years, given the nature of the investment. For the year 2002, amortization charged to the statement of income totaled 1.5 million euro.

Considering that, as mentioned earlier, the merger by incorporation of Cardine Banca has an accounting effect as of 1 January 2002, the SANPAOLO IMI consolidated statement of income for the year 2002 reflects the financial flow of the former Cardine Group companies line-by-line for the whole period.

Consolidated pro forma schedules for 2001 and the first quarter of 2002

Given the impact on the balance sheet and statement of income from the consolidation of the former Cardine Group, carried out for the first time in the accounts as of 30 June 2002, in order to ensure comparability of the accounting results on a consistent basis, the accounts of the previous period are also presented in a pro forma version that conventionally assumes the merger with Cardine Banca as of 1 January 2001. The same pro forma accounts also assume the proportional consolidation of the Slovenian company Banka Koper as of 1 January 2001. Furthermore, as the Consolidated Quarterly Statement of the SANPAOLO IMI Group as of 31 March 2002 was published with reference to the SANPAOLO IMI Group stand alone accounts, a pro forma reconstruction of the results of the first quarter of 2002 has also been made to include the former Cardine Group.

The above pro forma results, which are not subject to audit, are used as a comparable basis for the analyses and comments contained in the Report on Operations.

Methodological notes and statements to determine the consolidated pro forma statement of income and balance sheet for 2001 and for the first quarter of 2002 are attached to these explanatory notes.

Consolidation principles

The main consolidation principles adopted are as follows:

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

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

"Positive goodwill" arising on the application of line-by-line consolidation, proportional consolidation or from the equity method is deducted from the total "negative goodwill" already existing, or which arose during the same year, and up to the total amount. Investments acquired to be re-sold as part of the merchant banking activity are not offset in this way.

Positive goodwill differences which are not offset against negative differences are amortized over a period corresponding to the use of the investment (see Section 5 – “Other assets”).

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

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

Adjustments and provisions made in the financial statements of the Parent Bank and of other companies consolidated on a line-by-line basis solely for fiscal purposes, are eliminated from the Consolidated Financial Statements.

Financial statements used for the consolidation

The financial statements used for the line-by-line consolidation process are those prepared as of 31 December 2002, as approved by the boards of the subsidiaries concerned. They have been adjusted, where necessary, for consistency with Group accounting policies. The financial statements of subsidiaries operating in the financial leasing sector and included in consolidation, have been prepared using the financial lease method, which is essentially consistent with Group accounting policies.

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

Audit of the consolidated financial statements

The consolidated financial statements and those of the Parent Bank, have been subjected to an audit by PricewaterhouseCoopers S.p.A., in accordance with the shareholders' resolution dated 28 April 2000, which appointed the firm as auditors for the 2001/2003 three-year period.

Comparison with the Quarterly Report as of 31 December 2002

The Consolidated Financial Statements, prepared using the final accounting information of the Parent Bank and its subsidiaries, include a number of changes compared with the Quarterly report as of 31 December 2002, which was presented on 11 February 2003 and which provided advance information concerning the Group's results for the year end.

The differences however are not significant and do not alter the substance of the report already published. They relate primarily to:

- the completion of the reconciliation process, by more precise elimination of intercompany transactions which is essentially reflected in net commissions and interest margin;
- the more precise calculation of personnel costs;
- modifications to provisions mainly referring to restructuring charges for the tax collection activities;
- the recalculation of the tax effect on the above changes.

Part A - Accounting policies

SECTION 1 - DESCRIPTION OF ACCOUNTING POLICIES

The consolidated financial statements as of 31 December 2002 have been prepared using the same accounting policies as those adopted for the financial statements as of 31 December 2001.

Loans, guarantees and commitments

Loans

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

In detail:

- non-performing loans: loans to borrowers in a state of insolvency or similar, are valued on a case-by-case basis;
- problem loans: loans to borrowers suffering temporary difficulties which are likely to be overcome in an acceptable period of time, are valued on a case-by-case basis;
- restructured loans: loans for which a syndicate of banks (or a single bank) reschedules the repayment of principal or renegotiates the applicable terms at lower-than-market rates, are valued on a case-by-case basis;
- loans being restructured: loans for which the borrower has applied for consolidation to a variety of banks within the past 12 months, are valued on a case-by-case basis;
- loans exposed to "country risk": loans to borrowers resident in countries with debt-servicing difficulties; these are normally adjusted on a general basis, from country to country, by applying writedown percentages that are not lower than those specified by the Banking association. Exceptions are made for certain positions which are valued separately as they are backed by specific guarantees. These loans do not include specific positions which, on the basis of an objective state of insolvency, are classified in the previous risk categories;
- performing loans: loans to borrowers who, at this time, do not present specific insolvency risks, are valued on a general basis, except for the positions of certain companies under observation, which are assessed on a case-by-case basis. Loans acquired from third parties for the purpose of investment, or rather with the intent of holding them in portfolio up to their expiry in order to maximize the financial profit of the investment, are classified at purchase cost; any difference between the price paid for the investment and the nominal value or reimbursement is reflected in the statement of income to adjust the interest relating to the loans acquired, according to the residual duration of the loans and on the basis of the accruals principle. With reference to trading on the secondary loans market by the Parent Bank's New York and London branches,

performing loans acquired within this activity form a separate consistent portfolio which is valued on the basis of the lower between cost and market value. General adjustments to other performing loans are calculated by the individual subsidiaries on a historical-statistical basis. For the Parent Bank and domestic bank networks, this method is flanked by a centralized portfolio model based on the risk management methodologies used to monitor and control credit risks.

The Parent Bank's historical/statistical method, which essentially provides a historical valuation of the portfolio risk level, is organized as follows:

1. at the period-end an estimate is made of the performing loans which, based on the movements over the last five years, are expected to become doubtful loans during the next year;
2. the calculation of the potential losses likely to be incurred on the aggregate of point 1, is determined assuming that the loss percentage on performing loans transferred to doubtful loans is the same as the average loss observed over the last five years.

The portfolio model which, characterized by valuation tables, provides the extent of the loss which might be suffered the following year, is based essentially on the following elements:

1. the rating attributed to each counterparty assigned by the Parent Bank, which is used to calculate the likelihood of insolvency in the next year (i.e. movements in doubtful loans), aligned to the average level of the economic cycle;
2. the loss given default which measures the average percentage of loss expected in the case of insolvency.

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

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

Doubtful loans are classified to the various risk categories (non-performing, problem, restructured and being restructured) by the operating structures coordinated by the central departments responsible for the supervision of credit control.

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

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

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

As regards the method used to calculate discounting adjustments, these are determined to reflect the difference between:

- the estimated realizable value;
- and the net present value of future financial flows (principal and interest).

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

The timing and extent of expected cash receipts are determined on detailed calculations provided by the departments responsible for loan evaluation and, if these are not available, then estimates and general statistics from historical data and studies of the business sectors concerned are used.

With regard to the discounting rate, at 31 December 2002, the Parent Bank used the average reference rate of 5.5%, determined as the appropriate approximate average performance at the date of inception of the doubtful loan portfolio and calculated on the basis of the contractual rates actually applied by the Parent Bank on medium-long term loans (fixed and floating rate) and on short term loans (floating rate). Considering the need to simplify and reduce data processing costs, it is deemed that such average rate is sufficiently approximate to the result which would have been obtained had current contractual rates been applied to transactions now classified as doubtful loans. A similar approach has been adopted by the subsidiaries; using reference rates appropriate to the markets concerned for foreign companies.

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

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

Loans deriving from financing and deposit contracts

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

Reverse repurchase agreements on securities

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

Lending of securities

Transactions involving the loan of securities guaranteed by funds freely available to the lender, are treated in the same way as repurchase agreements on securities. Securities loaned, not guaranteed by sums of money, are reported in the financial statements as a combination of two functionally-linked transactions: a loan to and a deposit from a third party (or vice versa). These transactions are essentially the same as repurchase agreements, which means that the securities loaned remain in the portfolio of the lender.

Finance leases

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

Guarantees and commitments

Guarantees and commitments giving rise to lending risk are recorded at the total value of the exposure, while the related risk is assessed on the basis described in relation to loans. Expected losses in relation to guarantees and commitments are covered

by the related provision. Commitments include exposures to underlying borrowers for derivatives on loans for which the Group has taken over the lending risk ("seller protection").

Derivatives on loans

Seller protection – Derivative contracts on loans which involve seller protection are recorded to caption 20 "commitments" according to their theoretical value. If payment of a fixed amount is expected, the amount recorded is that of the final sum established by the contract.

Buyer protection – Derivative contracts on loans which involve buyer protection are booked to the underlying asset among loans secured by personal guarantees.

Derivative contracts on loans are classified as belonging to the dealing portfolio (trading book) when the bank is holding them for trading. Derivatives on loans not included in the trading book are classified to the banking book.

Derivative contracts on loans belonging to the trading book are valued individually, taking into consideration the credit and financial risk inherent in the contracts.

Derivative contracts on loans belonging to the banking book are valued:

- at cost adjusted to take into account any permanent losses in value, in the case of contracts which involve hedging sales;
- in a consistent manner with the underlying asset object of the protection, for contracts which involve hedging purchases.

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

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

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

Investment securities

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

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

Dealing securities

Securities held for dealing and treasury purposes are stated at their "average daily cost", adjusted to reflect accrued issue discounts. They are determined as follows:

- securities quoted in organized markets: the official price quoted on the last trading day of the year;
- securities not quoted in organized markets: at the lower between cost and market value. The latter value is estimated by discounting future financial flows, applying market rates applicable at the time of valuation for similar types of instru-

ments and the creditworthiness of the issuer. Where possible, the estimates are compared with quoted securities with similar financial characteristics. The original value of dealing securities is reinstated when the reasons for any writedowns cease to apply. Unquoted securities which are economically linked to derivative contracts are valued at market price, consistent with the accounting treatment of the contracts concerned.

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

Commitments to buy or sell for security transactions to be settled

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

Equity investments

Equity investments which are neither consolidated on a line-by-line basis or valued at equity, are stated at cost, increased to reflect past revaluations at the time the company was transformed and the effect of mergers, determined on a LIFO basis with annual increments. Cost is written down to reflect any permanent losses in value, taking into account any reductions in the equity value of the companies concerned and in the trend in exchange rates for those investments held at historical rates. The original value of equity investments is reinstated if the reasons for any writedowns cease to apply.

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

With reference to investments held in Isveimer and in Sga, any charges which the Parent Bank may be called on to bear to cover losses incurred by group companies, will be covered through measures taken in accordance with Law 588/96, accomplished with the procedures provided by the Ministerial Decree of 27 September 1974, as revealed in Part B, Section 5 of these notes.

Dividends from investments that are not consolidated line-by-line or valued at equity are recorded, together with the related tax credits, at the moment in which the tax credit becomes collectible, usually in the year in which dividends are declared and collected.

Foreign currency assets and liabilities (including off-balance sheet transactions other than derivatives)

With the introduction of the euro, the term foreign currency refers to all currencies outside the euro-zone.

Assets and liabilities denominated in foreign currency

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

Foreign currency costs and revenues are stated using the exchange rates applying at the time they arose.

Unsettled spot and forward currency transactions

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

Transactions not carried out for hedging purposes are valued:

- at year-end spot exchange rates, in the case of spot transactions still to be settled;
- at period-end forward exchange rates for maturity dates corresponding to those of the transactions being valued, in the case of forward transactions.

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

Tangible fixed assets

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

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

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

Intangible fixed assets

Intangible fixed assets are stated at purchase or production cost, including related charges, and amortized over the period they are expected to benefit, as described below:

- start-up costs and costs for increases in share capital and other deferred charges are generally amortized on a straight-line basis, over five years;
- costs incurred for the purchase of software and for development of software by third parties are generally amortized on a straight-line basis, over three years, taking into account the expected residual period of utilization;
- the goodwill deficit arising from the merger of Banca Provinciale Lombarda and Banco Lariano in 1993, net of the portion allocated to reflect the value of the related assets, is amortized on a straight-line basis. This amortization, concluded in the current year, is provided over a period of ten years and is justifiable in view of the duration of the goodwill accumulated by the merged banks, as assessed in expert appraisals prepared for the respective mergers.

Other aspects

Own shares

Own shares purchased by the Parent Bank are valued at cost, determined using the “average daily cost” method, as they are classed as long-term investments. The main reason for the Parent Bank buying its own shares is to use them in strategic deals

that require the availability of such shares (e.g. share exchanges as part of the acquisition of equity investments, co-operation agreements and other corporate finance deals). Shares of the Parent Bank purchased by subsidiaries for dealing purposes are valued at their market value corresponding to the “official quotation of the year-end closing date”.

Should own shares be destined for stock incentive plans or stock option plans, they are classified at market value in special separate portfolios, in the same manner as dealing securities.

Stock option plans

Stock incentive plans approved by the Parent Bank, which do not include the assignment of own shares, consist in the assignment of rights to subscribe to increases in share capital against payment. Considering that neither Italian regulations nor Italian accounting policies provide specific instructions in this respect, the booking of these plans is made by registering the increase in capital and the related additional paid in capital, at the time of subscription.

Payables

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

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

Provisions for employee termination indemnities

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

Provisions for risks and charges

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

Pensions and similar commitments

The pension fund, qualifiable as an “internal” pension fund, is set up by the Parent Group to cover charges linked with integration of the pension paid to the former IMI S.p.A. staff entitled to such payment integration and by some companies from the former Cardine Group. The contingency arising in this connection is assessed at year end on the basis of independent actuarial appraisals, in order to determine the provisions to technical reserves needed to cover future pensions.

Taxation

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

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

Deferred taxation, determined according to the so called "balance sheet liability method", reflects the tax effect of provisional differences between the book value of assets and liabilities and their value for tax purposes, which will lead to taxable and deductible amounts in future years.

To this end, taxable provisional differences are defined as those which will give rise to taxable income in future years (deferred capital gains, for example); while deductible provisional differences are defined as those which will give rise to deductible amounts in future years (such as provisions and costs that can be deducted for tax purposes over a period of years, e.g. general loan writedowns in excess of the fiscally deductible amount).

Deferred tax liabilities are calculated by applying to each consolidated company the average tax rate to taxable provisional differences likely to generate a tax burden. Deferred tax assets are calculated on deductible provisional differences if there is a reasonable certainty of recovery.

The deferred taxation on equity reserves that will become taxable "however used" is charged against shareholders' equity. Deferred taxation relating to revaluations arising on conversion to the euro, credited to a specific reserve that will become taxable pursuant to art. 21 of D.Lgs. 213/98, is charged directly against this reserve.

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

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

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

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

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

Other provisions

Provisions for guarantees and commitments cover losses on guarantees given and, more generally, the contingencies associated with the Group's guarantees and commitments and the exposures to derivative contracts on loans for which the Group has taken over the lending risk (seller protection).

Provisions for other risks and charges cover estimated losses arising from legal action and, in particular, from repayments claimed by the receivers of bankrupt customers. They also cover possible charges in connection with guarantees given on the sale of equity investments, possible charges in connection with the Group's commitment to support the Interbank Deposit Guarantee Fund, possible charges in connection with the renegotiation of subsidized home mortgage loans (Law 133/99 and that dictated by Budget Law 2001) and unsubsidized fixed rate mortgages (Law Decree 394 dated 29 December 2000, converted to Law 24 dated 28 February 2001) and possible charges in connection with other potential liabilities.

Provisions for other personnel charges mainly comprise:

- provisions made by the Parent Bank on the basis of an independent actuarial report, in order to cover the technical deficit of the Independent Supplementary Pension Fund, an independent entity which integrates the compulsory pension fund, as well as accruals for other welfare and social contributions;
- provisions made on a mathematical/actuarial basis to set up the technical reserve needed to cover long-service bonuses payable to employees.
- provisions made to cover discretionary employee bonuses and other potential liabilities, including those connected with staff leaving incentives.

Reserve for general banking risks

This reserve covers general business risks and as such, forms part of shareholders' equity in compliance with international supervisory standards and Bank of Italy instructions.

Accruals and deferrals

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

Derivative contracts

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

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

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

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

Hedging contracts

These are entered into with the aim of protecting the value of individual assets or liabilities, as well as any groups of assets or liabilities, on or off the balance sheet, from the risk of market fluctuations. In the case of groups of assets or liabilities the hedging objective is achieved via the use by the Group of *asset and liability management* techniques. A transaction is considered to be a hedge in the presence of the following documented conditions:

- a) intent to enter into a hedge;
- b) high degree of correlation between the technical and financial characteristics of the assets or liabilities hedged and those inherent in the hedging contract.

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

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

Balance sheet: the relevant element of differentials or net interest on contracts hedging the interest arising from interest-earning/bearing assets and liabilities is classified among “Accrued income” and/or “Accrued expenses”. The relevant element of differentials on forward rate agreements hedging the interest arising from interest-earning/bearing assets and liabilities is classified among “Prepaid expenses” and/or “Deferred income”. The market value of contracts hedging the risk of price fluctuations, and the effect of valuing contracts hedging the exchange risk on lending and funding activities (principal portion) using year-end spot exchange rates, are classified among “Other assets” and/or “Other liabilities”. Contracts hedging investment securities, or total loans and deposits, are valued at cost consistently with the assets and liabilities being hedged.

Statement of income: where derivative contracts are intended to hedge the interest arising from interest-earning/bearing assets and liabilities, the related economic effect will form part of net interest income on an accruals basis. In this case, the related differentials and margins are allocated either to interest income or to interest expense, depending on their nature. If, on the other hand, the derivative contract hedges the risk of market price or exchange fluctuations (principal portion), then the revenues or costs generated are treated as “Profits/losses on financial transactions”. More specifically, differentials and margins earned on derivative contracts hedging dealing securities are treated as interest, if they relate to multiple-flow contracts (e.g. IRS) or to single-flow contracts where the duration of the underlying asset is less than one year (e.g. FRA); but as profits and losses from financial transactions, if they relate to single-flow contracts where the duration of the underlying asset is more than one year (e.g. futures and options).

Non-hedging contracts

These are valued as follows:

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

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

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

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

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

Internal deals

The Parent Bank and the subsidiary Banca IMI have adopted an organizational structure based on specialized trading desks that have exclusive authorization to deal in specific derivatives. This arrangement is inspired mainly by the goals of efficiency

(lower transaction costs), improved management of market and counterparty risks, and the optimal allocation of specialized human resources. These desks manage portfolios consisting of various types of derivatives and, sometimes, securities and operate within defined net risk limits.

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

With regard to the accounting treatment of internal deals and their effect on income, it should be noted that:

- internal deals involving derivatives held in specialized desk portfolios are stated at market value when entered into for trading/dealing purposes;
- internal deals involving derivatives held in non-specialized desk portfolios are treated on a basis consistent with the assets or liabilities being hedged (for example, at market value if they hedge listed dealing securities and at cost if they hedge investment securities and/or deposits).

Settlement date

Currency and security transactions, interbank deposits and loans and the bills portfolio are recorded with reference to their settlement dates.

SECTION 2 - ADJUSTMENTS AND PROVISIONS RECORDED FOR FISCAL PURPOSES

Value adjustments recorded solely for fiscal purposes

Adjustments recorded solely for fiscal purposes in the statutory financial statements of the Parent Bank and the companies included in consolidated have been reversed upon consolidation.

The Group has not recorded any adjustments solely for fiscal purposes during the year.

Provisions recorded solely for fiscal purposes

Provisions recorded solely for fiscal purposes by consolidated companies in their statutory financial statements have been reversed upon consolidation.

Provisions to the reserve for possible loan losses made in accordance with tax laws by the subsidiary Banca OPI S.p.A. for 58 million euro have been eliminated from the consolidated statement of income for the year.

Part B - Information on the consolidated balance sheet

SECTION 1 - LOANS

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

	31/12/02 (€/mil)	31/12/01 (€/mil)	31/12/01 pro forma (€/mil)
Due from banks (caption 30)	22,000	21,571	26,436
Loans to customers (caption 40) (*)	126,701	97,056	124,910
Total	148,701	118,627	151,346

(*) The amount includes 1,285 million euro of loans to Società per la gestione delle attività S.p.A. (Sga). (see Section 5 – “Other assets”), of which 1,252 million euro (2,041 million euro as of December 2001) disbursed under Law 588/96.

Due from banks (caption 30)

Amounts due from banks include:

Detail of caption 30 “due from banks” (Table 1.1 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
a) Deposits with central banks	474	1,796	-73.6
b) Bills eligible for refinancing with central banks	-	-	n.s.
c) Finance leases	-	-	n.s.
d) Reverse repurchase agreements	11,500	6,678	+72.2
e) Securities loaned	118	52	+126.9

Deposits with central banks as of 31 December 2002 include the compulsory reserve of 458 million euro with the Bank of Italy and other foreign central banks, (786 million euro as of 31 December 2001).

Loans to customers (caption 40)

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

Detail of caption 40 “loans to customers” (Table 1.2 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
a) Bills eligible for refinancing with central banks	18	15	+20.0
b) Finance leases	4,266	2,253	+89.3
c) Reverse repurchase agreements	2,631	3,623	-27.4
d) Securities loaned	13	129	-89.9

The increase in the caption “finance leases” refers mainly to the first time consolidation of the former Cardine Group companies Finemiro Leasing and Cardine Leasing (now merged with Sanpaolo Leasing).

“Secured loans to customers” are detailed as follows:

Secured loans to customers (Table 1.3 B.I.) ()*

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
a) Mortgages	31,588	21,826	+44.7
b) Pledged assets:			
1. cash deposits	706	200	n.s.
2. securities (**)	4,705	5,698	-17.4
3. other instruments	390	432	-9.7
c) Guarantees given by:			
1. governments (***)	6,257	6,091	+2.7
2. other public entities	401	253	+58.5
3. banks	2,237	1,650	+35.6
4. other operators	18,139	12,122	+49.6
Total	64,423	48,272	+33.5

(*) The values as of 31 December 2001 relating to mortgage loan and personal guarantees have been reclassified to make them consistent with those as of 31 December 2002.

(**) Includes repurchase and similar agreements guaranteed by underlying securities totaling 2,644 million euro (3,752 million euro as of 31 December 2001).

(***) Includes 1,285 million euro of loans to Società per la gestione delle attività S.p.A. (Sga).

Loans to customers guaranteed by banks and other operators include 113 million euro of positions for which the Parent Bank purchased buyer protection against the risk of non-performance, by means of derivative contracts.

“Secured loans to customers” and those granted directly to Governments or other public bodies represent 61.5% of total loans to customers (62.7% as of 31 December 2001).

Degree of risk in loan portfolio

The principal and interest elements of loans are stated at their estimated realizable value by applying the policies described in detail in Part A, Section 1 of these notes; the related writedowns are effected via direct reduction of the balance sheet asset value of the loans concerned.

The estimated realizable value of doubtful loans takes into account not only the likelihood of recovery, but also their total or partial lack of income generation and late repayment. The global adjustments for discounting purposes as of 31 December 2002 are set at 272 million euro, 74 million euro of which is attributable to the former Cardine Group (192 million euro for SANPAOLO IMI Group *stand alone* and 94 million euro for former Cardine Group as of 31 December 2001).

Analysis of loans to customers

(Bank of Italy instructions dated 17.12.98)

	31/12/02 (€/mil)			31/12/01 (€/mil)		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
A. Doubtful loans	6,447	3,607	2,840	4,391	2,501	1,890
A.1 Non-performing loans	4,294	2,960	1,334	3,069	2,139	930
A.2 Problem loans	1,767	565	1,202	1,090	293	797
A.3 Loans in course of restructuring	35	4	31	66	21	45
A.4 Restructured loans	268	54	214	121	35	86
A.5 Unsecured loans exposed to country risk	83	24	59	45	13	32
B. Performing loans	124,854	993	123,861	95,899	733	95,166
Total loans to customers	131,301	4,600	126,701	100,290	3,234	97,056

Non-performing and problem loans include unsecured loans to residents of nations exposed to risk for a gross exposure of, respectively, 2 million euro and 11 million euro, and which have been written down by 2 million euro and 9 million euro, respectively.

Commentary on the effect of doubtful loans on the former Cardine Group aggregate accounts is provided in the subsequent tables which highlight the movements in gross doubtful loans and indicate the balance referring to the former Cardine Group as of 31 December 2001.

Coverage of loans (*)

Categories	31/12/02	31/12/01	31/12/01 pro forma (**)
Non-performing loans	68.9%	69.7%	66.4%
Problem, restructured and in course of restructuring loans	30.1%	27.3%	27.0%
Unsecured loans exposed to country risk	28.9%	28.9%	28.6%
Performing loans (***)	0.9%	0.8%	0.8%

(*) Index is defined as the ratio between accumulated adjustments on loans and the gross amount of such loans at year end.

(**) The pro forma schedules reflect the line-by-line consolidation of the former Cardine Group and the proportional consolidation of Banka Koper commencing from 1 January 2001.

(***) Total performing loans do not include loans to Sga (for 1,285 million euro), total adjustments includes the reserve for possible loan losses (for 71 million euro).

Analysis of loans to banks

(Bank of Italy instructions dated 17.12.98)

	31/12/02 (€/mil)			31/12/01 (€/mil)		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
A. Doubtful loans	77	25	52	86	28	58
A.1 Non-performing loans	11	10	1	11	10	1
A.2 Problem loans	-	-	-	-	-	-
A.3 Loans in course of restructuring	-	-	-	-	-	-
A.4 Restructured loans	-	-	-	-	-	-
A.5 Unsecured loans exposed to country risk	66	15	51	75	18	57
B. Performing loans	21,959	11	21,948	21,522	9	21,513
Total loans to banks	22,036	36	22,000	21,608	37	21,571

Non-performing loans include unsecured loans to residents of nations exposed to risk, held in portfolio by the Parent Bank, for a gross exposure of 9 million euro, written down by 8 million euro.

Non-performing loans (Table 1.4 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
Non-performing loans (net amount, including default interest)	1,335	931	+43.4

Movements in gross doubtful loans to customers

(Bank of Italy instructions dated 17.12.98)

Description / Categories	(€/mil)				
	Non-performing loans	Problem loans	Loans in course of restructuring	Restructured loans	Unsecured loans exposed to country risk
A. Gross value as of 1/1/02	3,069	1,090	66	121	45
A.1 of which: for default interest	547	38	-	-	-
B. Increases	2,069	2,047	54	196	55
B.1 inflows from performing loans	205	1,180	15	8	16
B.2 default interest	133	34	-	-	-
B.3 transfer from other categories of doubtful loans	446	99	33	40	-
B.4 other increases	1,285	734	6	148	39
C. Decreases	844	1,370	85	49	17
C.1 outflows to performing loans	14	210	-	6	9
C.2 write-offs	303	68	-	5	-
C.3 collections	415	585	8	24	5
C.4 disposals	41	-	-	-	-
C.5 transfer to other categories of doubtful loans	37	492	76	13	-
C.6 other decreases	34	15	1	1	3
D. Gross value as of 31/12/02	4,294	1,767	35	268	83
D.1 of which: for default interest	641	88	-	-	-

“Other increases” include a 1,771 million euro balance as of 1/1/2002 for the former Cardine Group, of which 1,078 million euro for non-performing loans, 549 million euro for problem loans, 1 million euro for loans being restructured, 140 million euro for restructured loans and 3 million euro for unsecured loans to risk countries.

Movements in gross doubtful amounts due from banks

<i>(Bank of Italy instructions dated 17.12.98)</i>					
					(€/mil)
Description / Categories	Non-performing loans	Problem loans	Loans in course of restructuring	Restructured loans	Unsecured loans exposed to country risk
A. Gross value as of 1/1/02	11	-	-	-	75
<i>A.1 of which: for default interest</i>	1	-	-	-	-
B. Increases	1	-	-	-	20
B.1 inflows from performing loans	-	-	-	-	-
B.2 default interest	-	-	-	-	-
B.3 transfer from other categories of doubtful loans	-	-	-	-	-
B.4 other increases	1	-	-	-	20
C. Decreases	1	-	-	-	29
C.1 outflows to performing loans	-	-	-	-	-
C.2 write-offs	-	-	-	-	-
C.3 collections	-	-	-	-	29
C.4 disposals	-	-	-	-	-
C.5 transfer to other categories of doubtful loans	-	-	-	-	-
C.6 other decreases	1	-	-	-	-
D. Gross value as of 31/12/02	11	-	-	-	66
<i>D.1 of which: for default interest</i>	1	-	-	-	-

Movements in adjustments made to loans granted to customers

(Bank of Italy instructions dated 17.12.98)

(€/mil)

Description / Categories	Non-performing loans	Problem loans	Loans in course of restructuring	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A. Total adjustments as of 1/1/02	2,139	293	21	35	13	733
<i>A.1 of which: for default interest</i>	547	38	-	-	-	8
B. Increases	1,328	553	7	38	16	442
B.1 adjustments	463	254	3	8	7	251
<i>B.1.1 of which: for default interest</i>	133	34	-	-	-	17
B.2 use of reserves for possible loan losses	3	28	-	-	-	6
B.3 transfer from other categories of doubtful loans	192	108	4	4	3	6
B.4 other increases	670	163	-	26	6	179
C. Decreases	507	281	24	19	5	182
C.1 writebacks from valuations	54	24	1	8	2	8
<i>C1.1 of which: for default interest</i>	1	1	-	-	-	-
C.2 writebacks of collections	103	50	1	1	-	11
<i>C2.1 of which: for default interest</i>	37	9	-	-	-	5
C.3 write-offs	303	68	-	5	-	27
C.4 transfer to other categories of doubtful loans	26	134	22	4	-	131
C.5 other decreases	21	5	-	1	3	5
D. Total adjustments as of 31/12/02	2,960	565	4	54	24	993
<i>D.1 of which: for default interest</i>	641	88	-	-	-	24

“Other increases” include 970 million euro as of 1/1/2002 for the former Cardine Group, of which 611 million euro for non-performing loans, 161 million euro for problem loans, 25 million euro for restructured loans, 1 million euro for unsecured loans to risk countries and 172 million euro for performing loans.

As of 31 December 2002 total adjustments include 272 million euro (with 74 million euro attributable to the former Cardine Group) relating to the adoption of the policy for discounting doubtful loans (192 million euro for the SANPAOLO IMI Group *stand alone* and 94 million euro for the former Cardine Group as of 31 December 2001). More specifically, writedowns for discounting purposes total 197 million euro on non-performing loans, 60 million euro on problem loans and 15 million euro on restructured loans and loans being restructured.

The adjustments in value to performing loans to customers include a specific writedown of 9 million euro booked by the Parent Bank to watchlist positions for a gross exposure of 201 million euro.

Movements in adjustments made to loans granted to banks

(Bank of Italy instructions dated 17.12.98) (€/mil)

Description / Categories	Non-performing loans	Problem loans	Loans in course of restructuring	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A. Total adjustments as of 1/1/02	10	-	-	-	18	9
<i>A.1 of which: for default interest</i>	1	-	-	-	-	-
B. Increases	1	-	-	-	2	2
B.1 adjustments	-	-	-	-	-	1
<i>B.1.1 of which: for default interest</i>	-	-	-	-	-	-
B.2 use of reserves for possible loan losses	-	-	-	-	-	-
B.3 transfer from other categories of doubtful loans	-	-	-	-	-	-
B.4 other increases	1	-	-	-	2	1
C. Decreases	1	-	-	-	5	-
C.1 writebacks from valuations	-	-	-	-	-	-
<i>C.1.1 of which: for default interest</i>	-	-	-	-	-	-
C.2 writebacks of collections	-	-	-	-	1	-
<i>C.2.1 of which: for default interest</i>	-	-	-	-	-	-
C.3 write-offs	-	-	-	-	-	-
C.4 transfer from other categories of doubtful loans	-	-	-	-	-	-
C.5 other decreases	1	-	-	-	4	-
D. Total adjustments as of 31/12/02	10	-	-	-	15	11
<i>D.1 of which: for default interest</i>	1	-	-	-	-	-

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

Country	(€/mil)		
	Total	Gross exposure	
		of which: unsecured book value	weighted value
Brazil	75	39	39
Romania	33	28	28
Egypt	54	26	26
Morocco	70	15	15
Venezuela	14	12	11
Argentina	95	8	8
Tunisia	8	6	1
Algeria	8	4	3
Cameroon	2	2	2
Costa Rica	2	2	-
Russia	363	1	1
Iran	60	1	1
Philippines	11	1	1
Yugoslavia	1	1	1
Lebanon	32	1	-
Pakistan	32	-	-
Other	43	2	1
Total gross exposure	903	149	138
Total adjustments	39	39	
Net exposure as of 31/12/2002	864	110	

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

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

Secured loans amounting to 754 million euro, are mainly insured by SACE or equivalent entities and by surety bonds from banking operators in the OECD area. In addition, they comprise loans of 158 million euro granted by the Parent Bank to a prime customer resident in Russia that are guaranteed by receivables deriving from supply contracts with leading West European companies. This collateral is deemed adequate to cover the lending risk. In compliance with Bank of Italy regulations, these loans are included in the calculation of country risk, which is deducted from the Bank's capital for supervisory purposes.

Other information relating to loans

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

SECTION 2 - SECURITIES

Securities owned by the Group are analyzed as follows:

	31/12/02 (€/mil)	31/12/01 (€/mil)	31/12/01 pro forma (€/mil)
Treasury bills and similar bills eligible for refinancing with central banks (caption 20)	3,143	9,373	10,181
Bonds and other debt securities (caption 50)	16,822	11,216	16,280
Shares, quotas and other equities (caption 60)	2,595	1,528	2,054
Total	22,560	22,117	28,515

“Treasury bills and similar bills eligible for refinancing with central banks” represent securities which may be used for refinancing purposes, but may not be used for this purpose as of the date of the financial statements.

Investment securities

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

Investment securities (Table 2.1 B.I.)

	31/12/02 (€/mil)		31/12/01 (€/mil)	
	Book value	Market value	Book value	Market value
1. Debt securities				
1.1 Government securities				
– quoted	1,193	1,273	1,579	1,605
– unquoted	-	-	-	-
1.2 Other securities				
– quoted	731	749	1,069	1,090
– unquoted	965	980	655	656
2. Equities				
– quoted	-	-	-	-
– unquoted	8	8	5	5
Total	2,897	3,010	3,308	3,356

The comparison between the market value and book value reveals net unrealized gains, for the Parent Bank and some subsidiaries, for 24 million euro on securities not covered by derivatives contracts and for 89 million euro on hedged securities. The evaluation of related derivatives tools reveals potential losses for 94 million euro (including 18 million euro for operations entered into with Group companies operating on financial markets within their brokerage activity).

“Other securities”, quoted and unquoted, mainly include securities held by the Parent Bank for 1,043 million euro and by foreign subsidiaries for 630 million euro. In particular, investments in securities in foreign Governments and public bodies amount to 344 million euro, while other investments, amounting to 1,352 million euro are composed mainly of securities issued by leading companies in the European Union (833 million euro).

“Equities” entirely comprise units in mutual funds included in the investment portfolios of the subsidiaries Sanpaolo IMI Private Equity S.p.A. and Cardine Finance P.L.C..

Changes in investment securities during the year (Table 2.2 B.I.)

(€/mil)

A. Opening balance	3,308
B. Increases	
B1. purchases	768
B2. writebacks	5
B3. transfers from dealing portfolio	7
B4. other changes	722
C. Decreases	
C1. sales	464
C2. redemptions	769
C3. adjustments	22
<i>of which:</i>	
<i>long-term writedowns</i>	18
C4. transfers to dealing portfolio	432
C5. other changes	226
D. Closing balance	2,897

“Transfers from dealing portfolio” at subcaption B3 refer to transfers by a foreign subsidiary.

Subcaption B4. “Increases – other changes” includes 678 million euro as of 1/1/2002 for the former Cardine Group, 20 million euro exchange gains on securities denominated in foreign currency and 5 million euro gains from dealings.

Subcaption C5. “Decreases – other changes” includes 165 million euro exchange losses on securities denominated in foreign currencies and 3 million euro losses on dealings.

In addition, subcaptions B4 and C5 also include accrued issue and dealing discounts.

Subcaption C1. “Sales” includes 277 million euro sales carried out by the Parent Bank on the basis of resolutions passed by the Board of Directors of the Bank and 187 million euro for other sales made by certain subsidiary companies in relation to the redefinition of business.

The “adjustments” of 22 million euro reported in subcaption C3. reflects any permanent losses in value for 18 million euro (subsection 2 of art. 18 D.Lgs. 87/92), with the remainder of the adjustments made to reflect market value (subsection 1 of art. 18 D.Lgs. 87/92). Negative adjustments of a permanent nature have been determined according to the deterioration in liquidity of borrowers in connection with securities or collaterals. When determining the adjustments, the prices supplied by the arrangers of the issues were also prudently considered.

Subcaption C4. “transfer to dealing portfolio” refers to transfers made by the Parent Bank.

The positive net differences between reimbursements and book values (issue and dealing discounts) total 55 million euro and have been booked to the statement of income on the basis of the accruals principle. More specifically, the Parent Bank shows a positive difference for 59 million euro and other foreign subsidiaries show a negative difference of 4 million euro.

It should be noted that movements in the investment portfolio are carried out by Group companies on the basis of resolutions passed by the Board of Directors and within the limits set by them.

Dealing securities

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

Dealing securities (Table 2.3 B.I.)

	31/12/02 (€/mil)		31/12/01 (€/mil)	
	Book value	Market value	Book value	Market value
1. Debt securities				
1.1 Government securities				
– quoted	7,248	7,248	9,626	9,626
– unquoted	43	43	57	57
1.2 other securities				
– quoted	4,234	4,236	4,140	4,140
– unquoted	5,551	5,575	3,463	3,471
2. Equities				
– quoted	2,426	2,429	1,259	1,259
– unquoted	161	162	264	265
Total	19,663	19,693	18,809	18,818

In the reclassified consolidated financial statements, the dealing securities portfolio also includes 31 million euro in SAN-PAOLO IMI S.p.A. shares in the portfolios of some subsidiaries.

Gains shown in the table for other quoted debt securities and other quoted equities refer to values quoted on small East European markets characterized by limited liquidity. These gains are not reflected in the statement of income.

*Changes in dealing securities during the year (Table 2.4 B.I.)**(€/mil)*

A. Opening balance	18,809
B. Increases	
B1. purchases	459,007
– debt securities	416,561
– government securities	257,501
– other securities	159,060
– equities	42,446
B2. writebacks and revaluations	187
B3. transfers from investment portfolio	432
B4. other changes	7,990
C. Decreases	
C1. sales and redemptions	463,760
– debt securities	422,616
– government securities	263,639
– other securities	158,977
– equities	41,144
C2. adjustments	180
C3. transfers to investment portfolio	7
C5. other changes	2,815
D. Closing balance	19,663

Subcaption B4. “Increases – other changes” includes 5,738 million euro for the balance relating to the former Cardine Group and Banka Koper as of 1/1/2002.

Other information relating to securities

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

SECTION 3 - EQUITY INVESTMENTS

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

	31/12/02 (€/mil)	31/12/01 (€/mil)	31/12/01 pro forma (€/mil)
Equity investments (caption 70)	3,224	4,054	4,238
Investments in Group companies (caption 80)	840	643	660
Total	4,064	4,697	4,898
– significant investments carried at equity (table 3.1 B.I.)	1,266	982	1,102
– other investments carried at cost	2,798	3,715	3,796

Significant investments

Significant investments held by the Group, being those in subsidiary companies or in companies subject to significant influence, as defined in articles 4 and 19 of D.Lgs. 87/92, are indicated in the table below:

Significant investments (Table 3.1 B.I.)

Significant Investments (Table S.1 B.1.)									
Name	Registered offices	Type of relationship (*)	Shareholders' equity (€/mil) (**)	Net income (loss) (€/mil) (**)	Ownership		Voting rights at shareholders' meeting %	Consolidated book values (€/mil)	
					Held by	%			
A. Companies consolidated on a line-by-line and proportional basis									
SANPAOLO IMI S.p.A. (Parent Bank)		Turin	9,956	764	-	-	-	-	
A1 Companies consolidated on a line-by-line basis									
1	Alcedo S.r.l.	Padua	1	-	-	Cardine Finanziaria	100.00	100.00	XXX (A)
2	Banca Agricola di Cerea S.p.A.	Verona	1	50	1	Cardine Finanziaria	100.00	100.00	XXX (A)
3	Banca Fideuram S.p.A.	Milan	1	934	130	Sanpaolo IMI	64.10	64.10	XXX
						Invesp	9.28	9.28	XXX
							73.38	73.38	
4	Banca d'Intermediazione Mobiliare IMI S.p.A. (Banca IMI)	Milan	1	353	2	Sanpaolo IMI	100.00	100.00	XXX
5	Banca IMI Securities Corp.	United States	1	149	2	IMI Capital Market USA	100.00	100.00	XXX
6	Banca OPI S.p.A.	Rome	1	618	32	Sanpaolo IMI	100.00	100.00	XXX (B)
7	Banca Popolare dell'Adriatico S.p.A.	Teramo	1	266	10	Cardine Finanziaria	70.86	70.86	XXX (A)
8	Banca Sanpaolo Invest S.p.A.	Rome	1	72	5	Banca Fideuram	100.00	100.00	XXX (C)
9	Banco di Napoli Asset Management S.G.R. p.A.	Naples	1	26	2	Sanpaolo IMI WM	100.00	100.00	XXX (D)
10	Banque Privée Fideuram Wargny S.A.	France	1	69	-20	Financiere Fideuram	99.86	99.86	XXX
11	Banque Sanpaolo S.A.	France	1	419	29	Sanpaolo IMI	100.00	100.00	XXX
12	Cardine Finance Plc	Ireland	1	10	-	Sanpaolo IMI	99.97	99.97	XXX
						Cassa di Risparmio Padova e Rovigo	0.01	0.01	XXX
						Cassa di Risparmio Venezia	0.01	0.01	XXX
						Cassa di Risparmio Bologna	0.01	0.01	XXX
							100.00	100.00	(A)

(cont.: Companies consolidated on a line-by-line basis)

Name	Registered offices	Type of relationship (*)	Shareholders' equity (€/mil) (**)	Net income (loss) (€/mil) (**)	Ownership Held by	%	Voting rights at shareholders' meeting %	Consolidated book values (€/mil)
13 Cardine Finanziaria S.p.A.	Padua	1	2,593	193	Sanpaolo IMI	100.00	100.00	XXX (A)(E)
14 Cardine Investimenti S.G.R. S.p.A. (subsequently Sanpaolo IMI Fondi Chiusi SGR S.p.A.)	Padua	1	1	-	Sanpaolo IMI Private Equity	100.00	100.00	XXX (A)(F)
15 Cassa di Risparmio di Gorizia S.p.A.	Gorizia	1	77	1	Cardine Finanziaria	100.00	100.00	XXX (A)
16 Cassa di Risparmio di Padova e Rovigo S.p.A.	Padua	1	706	80	Cardine Finanziaria	100.00	100.00	XXX (A)
17 Cassa di Risparmio di Udine e Pordenone S.p.A.	Udine	1	144	7	Cardine Finanziaria	100.00	100.00	XXX (A)
18 Cassa di Risparmio di Venezia S.p.A.	Venice	1	306	44	Cardine Finanziaria	100.00	100.00	XXX (A)
19 Cassa di Risparmio in Bologna S.p.A.	Bologna	1	590	22	Cardine Finanziaria	100.00	100.00	XXX (A)
20 Esaban S.p.A.	Naples	1	-1	-10	Sanpaolo IMI	100.00	100.00	XXX (G)(H)
21 Farbanca S.p.A.	Bologna	4	11	-	Sanpaolo IMI	15.00	15.00	XXX (A)
22 Fideuram Asset Management (Ireland) Ltd	Ireland	1	186	185	Banca Fideuram	100.00	100.00	XXX (I)
23 Fideuram Bank S.A.	Luxembourg	1	37	9	Banca Fideuram Fideuram Vita	99.99 0.01	99.99 0.01	XXX XXX
						100.00	100.00	
24 Fideuram Bank (Suisse) A.G.	Switzerland	1	22	-	Fideuram Bank	99.95	99.95	XXX
25 Fideuram Capital SIM S.p.A.	Milan	1	17	5	Banca Fideuram	100.00	100.00	XXX
26 Fideuram Fiduciaria S.p.A.	Rome	1	3	-	Banca Fideuram	100.00	100.00	XXX
27 Fideuram Fondi S.p.A.	Rome	1	30	9	Banca Fideuram	99.25	99.25	XXX
28 Fideuram Gestioni Patrimoniali SIM S.p.A.	Milan	1	11	4	Banca Fideuram	100.00	100.00	XXX
29 Fideuram Gestions S.A.	Luxembourg	1	18	3	Banca Fideuram Fideuram Vita	99.94 0.06	99.94 0.06	XXX XXX
						100.00	100.00	(J)
30 Fideuram Wargny Active Broker S.A.	France	1	15	-7	Banque Privée Fideuram Wargny	99.99	99.99	XXX
31 Fideuram Wargny Gestion S.A.	France	1	4	-	Banque Privée Fideuram Wargny	99.85	99.85	XXX
32 Fideuram Wargny Gestion S.A.M. (former Wargny Gestion S.A.M.)	Principality of Monaco	1	5	-	Banque Privée Fideuram Wargny	99.50	99.50	XXX
33 Fin. OPI S.p.A. (former Compagnia di San Paolo Investimenti Patrimoniali S.p.A.)	Turin	1	232	1	Banca OPI	100.00	100.00	XXX (K)
34 Financière Fideuram S.A.	France	1	28	-10	Banca Fideuram	94.95	94.95	XXX
35 Finemiro Banca S.p.A.	Bologna	1	120	7	Sanpaolo IMI	96.68	96.68	XXX (A)
36 Finemiro Leasing S.p.A.	Bologna	1	42	5	Finemiro Banca	100.00	100.00	XXX (A)(L)
37 GE.RI.CO. - Gestione Riscossione Tributi in Concessione S.p.A.	Venice	1	-1	-8	Sanpaolo IMI	100.00	100.00	XXX (A)
38 IDEA S.A.	Luxembourg	1	-	-	IMI Bank (Lux) Sanpaolo IMI International	99.17 0.83	99.17 0.83	XXX XXX
						100.00	100.00	
39 IMI Bank (Lux) S.A.	Luxembourg	1	75	-1	Banca IMI IMI Investments	99.99 0.01	99.99 0.01	XXX XXX
						100.00	100.00	
40 IMI Capital Markets USA Corp.	United States	1	150	-1	IMI Investments	100.00	100.00	XXX
41 IMI Finance Luxembourg S.A. (former Independent Management for Institutional Advisory Co. S.A.)	Luxembourg	1	-3	-9	IMI Investments	100.00	100.00	XXX
42 IMI Investimenti S.p.A. (former NHS-Nuova Holding Sanpaolo IMI S.p.A.)	Turin	1	424	-89	Sanpaolo IMI	100.00	100.00	XXX (M)(N)

(cont.: Companies consolidated on a line-by-line basis)

Name	Registered offices	Type of relationship (*)	Shareholders' equity (€/mil) (**)	Net income (loss) (€/mil) (**)	Ownership Held by	%	Voting rights at shareholders' meeting %	Consolidated book values (€/mil)
43 IMI Investments S.A.	Luxembourg	1	164	21	Banca IMI	99.99	99.99	XXX
					Banca IMI Securities	0.01	0.01	XXX
						100.00	100.00	
44 IMI Real Estate S.A.	Luxembourg	1	4	-	IMI Bank (Lux)	99.99	99.99	XXX
					Sanpaolo IMI International	0.01	0.01	XXX
						100.00	100.00	
45 IMIWeb Bank S.p.A.	Milan	1	15	-22	Banca IMI	100.00	100.00	XXX (O)
46 IMIWeb (UK) Ltd	United Kingdom	1	3	-5	IMIWeb Bank	100.00	100.00	XXX
47 Invesp S.p.A.	Turin	1	428	113	Sanpaolo IMI	100.00	100.00	XXX (P)
48 Lackenstar Ltd	Ireland	1	-	-	Sanpaolo IMI Bank Ireland	100.00	100.00	XXX
49 LDV Holding B.V.	The Netherlands	1	187	-11	Sanpaolo IMI Private Equity	100.00	100.00	XXX (Q)
50 NHS Investments S.A.	Luxembourg	1	132	-17	IMI Investimenti LDV Holding	99.99	99.99	XXX
						0.01	0.01	XXX
						100.00	100.00	
51 NHS Luxembourg S.A.	Luxembourg	1	13	-8	Sanpaolo IMI Private Equity LDV Holding	99.99	99.99	XXX
						0.01	0.01	XXX
						100.00	100.00	(Q)
52 Prospettive 2001 S.p.A.	Turin	1	49	-6	Sanpaolo IMI	100.00	100.00	XXX (P)
53 Sanpaolo Asset Management S.A.	France	1	3	2	Banque Sanpaolo	99.98	99.98	XXX
					Société Foncière d'Investissement	0.01	0.01	XXX
					Société Immobilière d'Investissement	0.01	0.01	XXX
						100.00	100.00	
54 Sanpaolo Bail S.A.	France	1	5	-	Banque Sanpaolo	99.97	99.97	XXX
					Sanpaolo Mur	0.01	0.01	XXX
					Société Foncière d'Investissement	0.01	0.01	XXX
					Société Immobilière d'Investissement	0.01	0.01	XXX
						100.00	100.00	(B)
55 Sanpaolo Bank (Austria) A.G.	Austria	1	10	1	Sanpaolo Bank	100.00	100.00	XXX
56 Sanpaolo Bank S.A.	Luxembourg	1	95	62	Sanpaolo IMI WM	99.99	99.99	XXX
					Sanpaolo IMI WM Luxembourg	0.01	0.01	XXX
						100.00	100.00	
57 Sanpaolo Bank (Suisse) S.A. (former SP Private Banking S.A.)	Switzerland	1	15	-4	Sanpaolo Bank	99.98	99.98	XXX
58 Sanpaolo Fiduciaria S.p.A.	Milan	1	3	1	Sanpaolo IMI	100.00	100.00	XXX (R)
59 Sanpaolo Fonds Gestion S.n.c.	France	1	12	11	Banque Sanpaolo	80.00	80.00	XXX
					Sanpaolo Asset Management S.A.	20.00	20.00	XXX
						100.00	100.00	
60 Sanpaolo IMI Alternative Investments S.G.R. S.p.A.	Milan	1	2	-1	Sanpaolo IMI WM	100.00	100.00	XXX (S)
61 Sanpaolo IMI Asset Management S.G.R. S.p.A.	Turin	1	42	8	Sanpaolo IMI WM	100.00	100.00	XXX
62 Sanpaolo IMI Bank (International) S.A.	Madeira	1	181	5	Sanpaolo IMI	69.01	69.01	XXX
					Sanpaolo IMI International	30.99	30.99	XXX
						100.00	100.00	

(cont.: Companies consolidated on a line-by-line basis)

Name	Registered offices	Type of relationship (*)	Shareholders' equity (€/mil) (**)	Net income (loss) (€/mil) (**)	Ownership Held by	%	Voting rights at shareholders' meeting %	Consolidated book values (€/mil)
63 Sanpaolo IMI Bank Ireland Plc	Ireland	1	516	-8	Sanpaolo IMI	100.00	100.00	XXX
64 Sanpaolo IMI Capital Company I L.L.C.	United States	1	50	-	Sanpaolo IMI	100.00	100.00	XXX
65 Sanpaolo IMI Institutional Asset Management S.G.R. S.p.A.	Monza	1	20	-	Sanpaolo IMI WM	85.00	85.00	XXX (T)
					Banca IMI	11.72	11.72	XXX
					IMI Bank (Lux)	3.28	3.28	XXX
						100.00	100.00	
66 Sanpaolo IMI International S.A.	Luxembourg	1	810	-233	Sanpaolo IMI	100.00	100.00	XXX
67 Sanpaolo IMI Private Equity S.p.A. (former NHS S.p.A.)	Bologna	1	234	-11	Sanpaolo IMI	100.00	100.00	XXX (U)
68 Sanpaolo IMI US Financial Co.	United States	1	-	-	Sanpaolo IMI	100.00	100.00	XXX
69 Sanpaolo IMI Wealth Management S.p.A. (former Wealth Management Sanpaolo IMI S.p.A.)	Milan	1	685	123	Sanpaolo IMI	100.00	100.00	XXX
70 Sanpaolo IMI WM Luxembourg S.A. (former Sanpaolo Gestion Internationale S.A.)	Luxembourg	1	17	42	Sanpaolo IMI WM	88.22	88.22	XXX
					Sanpaolo Bank	11.78	11.78	XXX
						100.00	100.00	(V)
71 Sanpaolo Invest Ireland Ltd	Ireland	1	5	5	Banca Sanpaolo Invest	100.00	100.00	XXX
72 Sanpaolo Leasint S.p.A.	Milan	1	102	17	Sanpaolo IMI	100.00	100.00	XXX (B)(W)
73 Sanpaolo Mur S.A.	France	1	3	-	Banque Sanpaolo	99.99	99.99	XXX
					Sanpaolo Bail	0.01	0.01	XXX
						100.00	100.00	(B)
74 Sanpaolo Riscossioni Genova S.p.A.	Genoa	1	7	1	Sanpaolo IMI	100.00	100.00	XXX
75 Sanpaolo Riscossioni Prato S.p.A.	Prato	1	4	-	Sanpaolo Riscossioni Genova	63.76	63.76	XXX
					Sanpaolo IMI	36.24	36.24	XXX
						100.00	100.00	
76 SEP S.p.A.	Turin	1	3	1	Sanpaolo IMI	100.00	100.00	XXX
77 Sogesmar S.A.	France	1	-	-	Banque Privée Fideuram Wargny	51.09	51.09	XXX
					Fideuram Wargny Gestion	48.19	48.19	XXX
						99.28	99.28	
78 SP Immobiliere S.A.	Luxembourg	1	-	-	Sanpaolo Bank	99.99	99.99	XXX
					Sanpaolo IMI WM Luxembourg	0.01	0.01	XXX
						100.00	100.00	
79 Tobuk Ltd	Ireland	1	-	-	Sanpaolo IMI Bank Ireland	100.00	100.00	XXX
80 Tushingham Ltd	Ireland	1	-	-	Sanpaolo IMI Bank Ireland	100.00	100.00	XXX
81 West Bank S.A.	Romania	1	5	-6	Sanpaolo IMI	72.39	72.39	XXX (A)

A2 Companies consolidated with the proportional method

1 Banka Koper d.d.	Slovenia	7	87	16	Sanpaolo IMI	62.10	32.99	XXX (X)
2 Centradia Group Ltd	United Kingdom	7	6	-7	Sanpaolo IMI	29.03	29.03	XXX
3 Centradia Ltd	United Kingdom	7	1	-1	Centradia Group	100.00	100.00	XXX
4 Centradia Services Ltd	United Kingdom	7	1	-1	Centradia Group	100.00	100.00	XXX
5 Finconsumo Banca S.p.A.	Turin	7	31	6	Sanpaolo IMI	50.00	50.00	XXX (Y)
6 FC Factor S.r.l.	Turin	7	1	-	Finconsumo Banca	100.00	100.00	XXX

Name	Registered offices	Type of relationship (*)	Shareholders' equity (€/mil) (**)	Net income (loss) (€/mil) (**)	Ownership Held by	%	Voting rights at shareholders' meeting %	Consolidated book values (€/mil)	
B. Investments carried at equity									
B1 Investments carried at equity - Subsidiaries (***)									
1	3G Mobile Investments 2 S.A. (former Bernabé Mobile Investments 2 S.A.)	Belgium	1	52	-7	IMI Investimenti	100.00	100.00	52
2	Banca IMI (Nominees) Ltd	United Kingdom	1	-	-	Banca IMI	100.00	100.00	-
3	Bonec Ltd	Ireland	1	-	-	Sanpaolo IMI Bank Ireland	100.00	100.00	-
4	Brokerban S.p.A.	Naples	1	2	1	Sanpaolo IMI	100.00	100.00	2 (H)
5	Cardine Financial Innovation S.p.A.	Padua	1	1	-	Cardine Finanziaria	100.00	100.00	- (A)
6	Cedar Street Securities Corp.	United States	1	-	-	Banca IMI Securities	100.00	100.00	-
7	Consorzio Studi e Ricerche Fiscali	Rome	1	-	-	Sanpaolo IMI	50.00	50.00	-
						Banca Fideuram	10.00	10.00	-
						Banca IMI	5.00	5.00	-
						Banca OPI	5.00	5.00	-
						Cardine Finanziaria	5.00	5.00	-
						Fideuram Vita	5.00	5.00	- (Z)
						Sanpaolo Leasint	5.00	5.00	-
						Sanpaolo IMI Asset Management	5.00	5.00	-
						Sanpaolo IMI WM	5.00	5.00	-
						IMI Investimenti	2.50	2.50	-
						Sanpaolo IMI Private Equity	2.50	2.50	-
							100.00	100.00	
8	CSP Investimenti S.r.l.	Turin	1	2	-13	FIN.OPI	100.00	100.00	2 (AA)
9	Emil Europe '92 S.r.l.	Bologna	1	4	-	Cassa di Risparmio Bologna	90.55	90.55	3 (A)
10	Eptaventure S.p.A.	Milan	1	-	-	Sanpaolo IMI Private Equity	100.00	100.00	- (BB)
11	Fideuram Assicurazioni S.p.A.	Rome	1	13	2	Banca Fideuram	100.00	100.00	13
12	Fideuram Vita S.p.A.	Rome	1	377	46	Banca Fideuram	99.78	100.00	372
13	Immobiliare 21 S.r.l.	Milan	1	-	-1	Invesp	90.00	90.00	-
						RSP	10.00	10.00	- (Z)
							100.00	100.00	
14	Immobiliare Nettuno S.p.A.	Bologna	1	2	1	Cassa di Risparmio Bologna	100.00	100.00	2 (A)
15	ISC Euroservice G.M.B.H.	Germany	1	-	-	Sanpaolo IMI	80.00	80.00	- (A)
16	NHS Mezzogiorno S.G.R. S.p.A.	Naples	1	2	-	Sanpaolo IMI Private Equity	99.50	99.50	2
						NHS Luxembourg	0.50	0.50	-
							100.00	100.00	(Q)(C)
17	Obiettivo Società di Gestione del Risparmio (S.G.R.) S.p.A.	Milan	1	2	-1	Banca IMI	100.00	100.00	2
18	Poseidon - Insurance Brokers - S.p.A.	Bologna	1	1	1	Invesp	100.00	100.00	1 (A)(D)
19	RSP S.r.l.	Turin	1	-	-	Sanpaolo IMI	100.00	100.00	-
20	S.V.I.T. S.p.A.	Padua	1	1	-	Cassa di Risparmio Padova e Rovigo	57.45	57.45	- (A)
21	Sanpaolo IMI Capital Partners Ltd	Guernsey	1	-	-	Sanpaolo IMI Private Equity	99.00	99.00	-
						Sanpaolo IMI Management	1.00	1.00	- (Z)
							100.00	100.00	(O)

(cont.: Investments carried at equity - Subsidiaries)

Name	Registered offices	Type of relationship (*)	Shareholders' equity (€/mil) (**)	Net income (loss) (€/mil) (**)	Ownership		Voting rights at shareholders' meeting %	Consolidated book values (€/mil)
					Held by	%		
22 Sanpaolo IMI Internazionale S.p.A. (former New BPA S.r.l.)	Padua	1	10	-	Sanpaolo IMI	100.00	100.00	10 (A)
23 Sanpaolo IMI Management Ltd	United Kingdom	1	-	-	Sanpaolo IMI Private Equity	100.00	100.00	- (Q)
24 Sanpaolo Leasint G.M.B.H.	Austria	1	-	-	Sanpaolo Leasint	100.00	100.00	-
25 Sanpaolo Life Ltd	Ireland	1	31	15	Sanpaolo Vita	75.00	100.00	- (Z)
					Banca Sanpaolo Invest	25.00	0.00	2
						100.00	100.00	
26 Sanpaolo Vita S.p.A.	Milan	1	331	55	Sanpaolo IMI WM	100.00	100.00	357 (EE)
27 Servizi S.r.l.	Bologna	1	2	1	Finemiro Banca	100.00	100.00	2 (A)
28 Société Civile Les Jardins d'Arcadie	France	1	-	-	Banque Sanpaolo	55.00	55.00	-
29 Socavie S.N.C.	France	1	5	5	Banque Sanpaolo	99.80	99.80	5
					Société Foncière d'Investissement	0.20	0.20	- (Z)
						100.00	100.00	
30 Société Foncière d'Investissement S.A.	France	1	-	-	Banque Sanpaolo	100.00	100.00	-
31 Société Immobilière d'Investissement	France	1	-	-	Banque Sanpaolo	99.98	99.98	-
					Société Foncière d'Investissement	0.02	0.02	- (Z)
						100.00	100.00	
32 UNI Invest S.A.	France	1	-	-	Banque Sanpaolo	100.00	100.00	-
33 W.D.W. S.A.	France	1	-	-	Banque Privée Fideuram Wargny	99.56	99.56	-
34 West Leasing S.A.	Romania	1	1	-	West Bank	88.30	88.30	1 (A)
35 West Trade Center S.A.	Romania	1	-	-	Sanpaolo IMI	75.00	75.00	- (A)
36 BN Finrete S.p.A. (in liq.)	Naples	1	1	-	Sanpaolo IMI	99.00	99.00	1 (H)(FF)
37 Cardine Suisse S.A. (in liq.)	Switzerland	1	1	-	Sanpaolo IMI	99.00	99.00	1 (A)(FF)(GG)
38 Cariparo Ireland Plc (in liq.)	Ireland	1	1	-	Sanpaolo IMI	99.94	99.94	1 (FF)
					Banca Agricola di Cerea	0.01	0.01	-
					Banca Popolare dell'Adriatico	0.01	0.01	-
					Cassa di Risparmio Gorizia	0.01	0.01	-
					Cassa di Risparmio Udine e Pordenone	0.01	0.01	-
					Cassa di Risparmio Venezia	0.01	0.01	-
					Cassa di Risparmio Bologna	0.01	0.01	-
						100.00	100.00	(A)
39 FISPAO S.p.A. (in liq.)	Turin	1	-	-	FIN.OPI	100.00	100.00	- (AA)
40 Imifin S.p.A. (in liq.)	Rome	1	-	-	Sanpaolo IMI	100.00	100.00	-
41 IMI Bank A.G. (in liq.)	Germany	1	1	-	IMI Bank (Lux)	95.24	95.24	1 (FF)
					Sanpaolo IMI International	4.76	4.76	-
						100.00	100.00	
42 Innovare S.r.l. (in liq.)	Naples	1	1	-	Sanpaolo IMI	90.00	90.00	1 (H)(FF)
43 Picus S.p.A. (in liq.)	Bergamo	1	-4	1	LDV Holding	51.61	51.61	-
					Sanpaolo IMI Private Equity	1.29	1.29	-
						52.90	52.90	

(cont.: Investments carried at equity - Subsidiaries)

(cont.: Investments carried at equity - Subsidiaries)								
Name	Registered offices	Type of relation-ship (*)	Share-holders' equity (€/mil) (**)	Net income (loss) (€/mil) (**)	Ownership		Voting rights at shareholders' meeting %	Consoli-dated book values (€/mil)
					Held by	%		
44 S. e P. Servizi e Progetti S.p.A. (in liq.)	Turin	1	-	-	FIN.OPI	100.00	100.00	- (AA)
45 S.A.G.E.T. S.p.A. (in liq.)	Teramo	1	-	-	Banca Popolare dell'Adriatico	99.98	99.98	- (A)
46 Sanpaolo U.S. Holding Co. (in liq.)	United States	1	4	2	Sanpaolo IMI	100.00	100.00	3 (FF)
47 Se.Ri.T. S.p.A. (in liq.)	Teramo	1	-	-	Banca Popolare dell'Adriatico	100.00	100.00	- (A)
48 Scilsud Leasing S.p.A. (in liq.)	Palermo	1	1	-	FIN.OPI	100.00	100.00	1 (AA/FF)
Other equity investments								3 (HH)
Total investments carried at equity - Subsidiaries								840

Name	Registered offices	Type of relationship (*)	Shareholders' equity (€/mil) (**)	Net income (loss) (€/mil) (**)	Ownership		Voting rights at shareholders' meeting %	Consolidated book values (€/mil)
					Held by	%		
<i>B2 Investments carried at equity - Other</i>								
49 Adriavita S.p.A.	Trieste	8	17	3	Cardine Finanziaria	24.50	24.50	4 (A)
50 Aeffe S.p.A.	Rimini	8	49	5	LDV Holding	20.00	20.00	10
51 Banque Michel Inchauspe S.A. (BAMI)	France	8	29	4	Banque Sanpaolo	20.00	20.00	6
52 Beaujon Immobilière	France	7	-	-	Banque Sanpaolo	50.00	50.00	-
53 Cassa dei Risparmi di Forlì S.p.A.	Forlì	8	216	20	Sanpaolo IMI	21.02	21.02	45 (II)
54 Cassa di Risparmio di Firenze S.p.A.	Florence	8	969	71	Sanpaolo IMI	19.53	19.53	183 (JJ)
55 CBE Service S.p.r.l.	Belgium	8	-	-	Sanpaolo IMI	31.70	31.70	-
56 Conservateur Finance S.A.	France	8	33	5	Banque Sanpaolo	20.00	20.00	7
57 CR Firenze Gestion Internationale S.A.	Luxembourg	8	6	5	Sanpaolo IMI	20.00	20.00	1
58 Egida Compagnia di Assicurazioni S.p.A.	Turin	7	10	1	Sanpaolo Vita	50.00	50.00	- (Z)
59 Eptaconsors S.p.A.	Milan	1	82	-6	Invesp	40.48	40.48	32 (A)(KK)
60 Esatri S.p.A.	Milan	8	60	17	Sanpaolo IMI	31.50	31.50	19
61 Eurosic S.A.	France	8	33	3	Banque Sanpaolo	32.77	32.77	11
62 Finnat Investments S.p.A.	Rome	8	1	-	Invesp	20.00	20.00	-
63 HDI Assicurazioni S.p.A.	Rome	8	142	5	Sanpaolo IMI	28.32	28.32	38
64 I.TRE Iniziative Immobiliari Industriali S.p.A.	Rovigo	8	-	-	Cassa di Risparmio Padova e Rovigo	20.00	20.00	- (A)
65 Immobiliare Colonna '92 S.r.l.	Rome	8	5	-	FIN.OPI	33.33	33.33	2 (AA)
66 Integra S.r.l.	Belluno	8	-	-	Cassa di Risparmio Padova e Rovigo	29.65	29.65	-
67 Inter-Europa Bank RT	Hungary	8	53	5	Sanpaolo IMI	32.51	32.51	8 (LL)
68 Lama Dekani d.d.	Slovenia	8	-	-	Banka Koper	78.41	78.41	1 (MM)
69 Liseuro S.p.A.	Udine	8	4	-	Sanpaolo IMI	35.11	35.11	1 (A)
70 Logiasit S.A.	France	8	-	-	Banque Sanpaolo	33.34	33.34	-
71 Noricum Vita S.p.A.	Bologna	8	26	4	Cardine Finanziaria	44.00	44.00	12 (A)
72 Padova 2000 Iniziative Immobiliari S.p.A.	Padua	8	1	1	Cassa di Risparmio Padova e Rovigo	45.01	45.01	- (A)
73 Pivka Perutninarstvo d.d.	Slovenia	8	-	-	Banka Koper	26.36	26.36	1
74 PROGEMA S.r.l.	Turin	8	-	-	Finemiro Banca SEP - Servizi e Progetti	10.00	10.00	- (A)
						10.00	10.00	-
						20.00	20.00	(NN)
75 Sanpaolo IMI Private Equity Scheme B.V.	The Netherlands	8	62	-50	LDV Holding	29.38	29.38	18
76 Sifin S.r.l.	Bologna	8	1	-	Invesp	30.00	30.00	- (A)(DD)
77 Sinloc - Sistemi Iniziative Locali S.p.A.	Turin	8	42	2	FIN.OPI	31.85	31.85	14 (AA)
					Banca OPI	8.15	8.15	3
						40.00	40.00	17 (NN)
78 Società Friulana Esazione Tributi S.p.A.	Udine	8	5	-	Cassa di Risparmio Udine e Pordenone	33.33	33.33	2 (A)
79 Società Gestione per il Realizzo S.p.A.	Rome	8	21	7	Sanpaolo IMI	28.31	28.31	1 (H)
					Banca Fideuram	0.64	0.64	-
						28.95	28.95	
80 Société Civile du 41 Avenue Bouisson Bertrand	France	8	-	-	Banque Sanpaolo	25.00	25.00	-
81 Société Civile le Jardin de Nazareth	France	8	-	-	Banque Sanpaolo	20.00	20.00	-
82 Société Civile Le Maestro	France	8	-	-	Banque Sanpaolo	20.00	20.00	-
83 Société Civile Res Club les Arcades	France	8	-	-	Banque Sanpaolo	25.00	25.00	-
84 Société Civile St. Gratien Village	France	8	-	-	Banque Sanpaolo	30.00	30.00	-
85 Splosna Plovba Portoroz d.d.	Slovenia	8	-	-	Banka Koper	21.00	21.00	-

(cont.: Investments carried at equity - Other)

Name	Registered offices	Type of relationship (*)	Shareholders' equity (€/mil) (**)	Net income (loss) (€/mil) (**)	Ownership		Voting rights at shareholders' meeting %	Consolidated book values (€/mil)
					Held by	%		
86 Stoà S.c.p.a.	Naples	8	1	-	Sanpaolo IMI	20.76	20.76	- (H)
87 Summa Finance S.p.A.	Bologna	8	1	-	Invesp	39.90	39.90	- (A)(D)
88 Trivimm S.p.A.	Verona	8	2	-	Sanpaolo IMI	23.00	23.00	- (A)
89 Wire Industries S.p.A.	Milan	8	19	1	LDV Holding	30.53	30.53	6
90 Aeroporto di Napoli (in liq.)	Naples	8	-	-	Sanpaolo IMI	20.00	20.00	- (H)
91 Chasefin - Chase Finanziaria S.p.A. (in liq.)	Milan	8	-	-	Finemiro Leasing	30.00	30.00	- (A)
92 Consorzio Agrario Prov.le di Rovigo (in liq.)	Rovigo	8	-6	1	Cassa di Risparmio Padova e Rovigo	35.45	35.45	- (A)
93 Consorzio Bancario SIR S.p.A. (in liq.)	Rome	8	1	-	Sanpaolo IMI	32.84	32.84	- (00)
94 Finexpance S.p.A. (in liq.)	Chiavari	8	-9	-	Sanpaolo IMI	30.00	30.00	- (00)
95 G.E.CAP. S.p.A. (in liq.)	Foggia	8	-2	1	Sanpaolo IMI	37.25	37.25	- (H)
96 Galère 28 (in liq.)	France	8	-	-	Banque Sanpaolo	23.44	23.44	-
97 Galileo Holding S.p.A. (in liq.)	Venice	8	-24	-1	Sanpaolo IMI	31.52	31.52	- (00)
98 Italinfra Grandi Progetti S.p.A. (in liq.)	Naples	8	1	-	Sanpaolo IMI	30.00	30.00	- (H)
99 Mega International S.p.A. (in prior agreement)	Ravenna	8	-2	-	Finemiro Banca	48.00	48.00	- (A)
100 Sofimer S.p.A. (in liq.)	Naples	8	3	-	Sanpaolo IMI	20.00	20.00	- (H)
101 Sviluppo di Nuove Iniziative S.p.A. (in liq.)	Genoa	7	2	-	Sanpaolo IMI	50.00	50.00	- (H)
Other investments								1 (HH)
Total investments carried at equity - Other								426
Total investments carried at equity								1,266

Notes to the table significant investments:

(*) Type of relationship:

1 = control pursuant to art. 2359 Italian Civil Code, subsection 1, no. 1: majority of voting rights at an ordinary meeting.

2 = control pursuant to art. 2359 Italian Civil Code, subsection 1, no. 2: dominating influence at an ordinary meeting.

3 = control pursuant to art. 2359 Italian Civil Code, subsection 2, no. 1: agreements with other partners.

4 = other forms of control.

7 = joint control pursuant to art. 35, subsection 1 of D.Lgs. 87/92.

8 = associated company pursuant to art. 36, subsection 1 of D.Lgs. 87/92: company over which "significant influence" is exercised, which is assumed to exist when at least 20% of the voting rights at an ordinary meeting are held.

(**) Shareholders' equity for consolidated companies corresponds to that used for the consolidation procedures. It also includes income for the year before distribution of dividends (net of any interim dividends).

(***) The list does not include investments of the Parent Bank Iseimer S.p.A. (in liquidation) and Società per la gestione di attività S.p.A. (Sga) , given the particular characteristics of the respective interest held (see Part B - Section 5 "Other assets" of these Explanatory notes).

(A) The investment was purchased through the merger with Cardine Banca.

(B) Lease transactions are shown in the financial statements according to the financial lease method.

(C) The company was transferred from the Parent Bank to Banca Fideuram in October 2002.

(D) In April 2002 the company was transferred from Banco di Napoli S.p.A. to Sanpaolo IMI WM S.p.A. On 4 March 2003 the Bank of Italy authorized the merger by incorporation of Banco di Napoli Asset Management S.p.A. into Sanpaolo IMI Asset Management S.p.A., with effect from 1 September 2003.

(E) The benefit to the company from the transfer of the business branch of Cardine Banca principally concerned the control of the seven banks of the former Cardine Group network and other investments instrumental to the business.

(F) In December 2002 the company was sold to Sanpaolo IMI Private Equity S.p.A. by the Parent Bank (90%) and Alcedo S.r.l. (10%).

(G) The company was included in the 2001 consolidated financial statements under the caption "Investments carried at equity – subsidiaries" and is now consolidated on a line-by-line basis as beneficiary of the tax collection business previously owned by Banco di Napoli.

(H) The company is directly held by the Parent Bank following the merger by incorporation of Banco di Napoli.

(I) In the consolidated financial statements for 2001, the company was included among "Investments carried at equity - subsidiaries".

(J) As of 1 January 2002, the company merged Fideuram Multimanager Fund Management Co., Fonditalia Management Co., Interfund Advisory Co., Int. Securities Advisory Co. and Société de Gestion du Fonds commun de Placement Fideuram Fund.

(K) The company became part of the SANPAOLO IMI Group following an exchange of shares between Sanpaolo IMI S.p.A. and Compagnia di San Paolo S.p.A. The company was later transferred to Banca OPI S.p.A. by the Parent Bank.

- (L) In July 2002 the company merged Finemiro Stile S.p.A..
- (M) In March 2002, the company assumed the new name of IMI Investimenti S.p.A. following the spin-off of the private equity businesses into the Sanpaolo IMI Private Equity S.p.A..
- (N) The percentage of interest which, at the prior year end totaled 51%, has increased to 100% following the purchase of minority shares.
- (O) In December 2002 the Sanpaolo IMI Group reached an agreement with Centrobanca to sell them 80% of the company.
- (P) During 2002 the company was the recipient of a business branch following the split of Fincardine S.p.A..
- (Q) The investment was transferred by IMI Investimenti S.p.A. to Sanpaolo IMI Private Equity S.p.A. as part of the split of the private equity businesses.
- (R) This company, which had been sold to the Parent Bank by Sanpaolo IMI WM S.p.A. in August 2002, merged with Cardine Fiduciaria S.p.A. in December 2002.
- (S) In May 2002, the control of the company passed from Sanpaolo IMI Asset Management SGR S.p.A. to Sanpaolo IMI WM S.p.A.
- (T) In June 2002, Sanpaolo IMI WM S.p.A. purchased the 30% interest held by Fideuram Capital SIM S.p.A.
- (U) New company receiving private equity assets. In December 2002 the company merged with Sanpaolo IMI Private Equity S.p.A., assuming the latter company's name.
- (V) In April 2002, the company merged SP Asset Management Luxembourg S.A. and Sanpaolo Services Luxembourg S.A.
- (W) In December 2002 the company merged Cardine Leasing S.p.A..
- (X) The Parent Bank increased its own share on conclusion of the OPA (Public Offer) launched in the first quarter of 2002. In the 2001 consolidated financial statements, the company was included among "Other significant equity investments".
- (Y) In March 2003 the Parent Bank reached an agreement to sell its shareholding to Santander Central Hispano S.A.
- (Z) The value is included in the net equity of the company holding the investment.
- (AA) The investment became part of the Sanpaolo IMI Group following the purchase of control over Fin. OPI S.p.A. (formerly Compagnia di San Paolo Investimenti Patrimoniali S.p.A.).
- (BB) The company was purchased in December 2002.
- (CC) New company.
- (DD) The investment was purchased from Invesp S.p.A. following the split of Fincardine S.p.A..
- (EE) The valuation has been made on the basis of the consolidated financial statements prepared by the company in which the investment is held.
- (FF) The company's book value reflects the estimated realizable value according to the stage of completion of the liquidation process.
- (GG) The company was put into liquidation in December 2002.
- (HH) This represents the total value of equity investments shown in the balance sheet at less than 500,000 euro.
- (II) The share will rise to 29.8% due to the exercising of a sale option by Fondazione Cassa dei Risparmi di Forlì, as provided for by the preliminary agreement stipulated with SANPAOLO IMI on 29 November 2000.
- (JJ) The valuation was made on the basis of the quarterly consolidated financial statements as of 30 September 2002.
- (KK) In January 2003 the share rose to 60.7% following the acquisition of the 20.24% interest held by Cassa di Risparmio di Firenze.
- (LL) The difference between the consolidated book value and the pro quota of net equity of the company reflects the adjustment made by the Parent Bank for the permanent loss in value.
- (MM) The investment controlled by Banka Koper d.d. is not included among "Investments carried at equity - subsidiaries" as the Parent Bank does not control Banka Koper d.d..
- (NN) The company, which was included among "Other significant equity investments" and carried at cost in the 2001 consolidated financial statements, is now carried at net equity, having reached the threshold of "significant influence".
- (OO) Shareholders' equity refers to the financial statements as of 31 December 2001.

Among the remaining investments held by the Group the most significant are listed below by amount invested (book value equal to or higher than 2.5 million euro):

Other significant equity investments

Name	Registered offices	Ownership		Consolidated book values (€/mil)
		Held by	% (*)	
AC.E.GA.S S.p.A.	Trieste	Sanpaolo IMI Private Equity	1.08	2 (A)
		Cassa di Risparmio Udine e Pordenone	1.00	2 (B)
			2.08	4
AEM Torino S.p.A.	Turin	IMI Investimenti	1.47	7
AMPS S.p.A.	Parma	LDV Holding	17.31	38
APS - Azienda Padova Servizi S.p.A.	Padua	Cassa di Risparmio Padova e Rovigo	1.49	5 (B)
Autostrada BS-VR-VI-PD S.p.A.	Verona	Cardine Finanziaria	5.80	6 (B)
Azimut S.p.A.	Viareggio	LDV Holding	9.12	34
		Sanpaolo IMI Private Equity	0.08	-
			9.20	34
Banca d'Italia	Rome	Sanpaolo IMI	8.33	185
		Cassa di Risparmio Bologna	6.20	- (B)
		Cassa di Risparmio Padova e Rovigo	1.20	- (B)
		Cassa di Risparmio Venezia	0.88	- (B)
		Cassa di Risparmio Udine e Pordenone	0.47	- (B)
		Cassa di Risparmio di Gorizia	0.15	- (B)
			17.23	185
Banca Popolare di Lodi S.c.r.l.	Lodi	IMI Investimenti	1.42	19
Banco del Desarrollo S.A.	Chile	Sanpaolo IMI	15.72	19
Banksiel S.p.A.	Milan	Sanpaolo IMI	7.00	3
Banque Esprit Santo et de la Venetie S.A.	France	Prospettive 2001	18.00	10 (D)
Beni Stabili S.p.A.	Rome	Invesp	2.87	17
		Sanpaolo IMI	0.12	1 (B)
			2.99	18
BIAT S.A.	Tunisia	Sanpaolo IMI	5.61	8
Borsa Italiana S.p.A.	Milan	Banca IMI	7.94	22
		Sanpaolo IMI	4.14	40
		IMI Bank (Lux)	0.43	-
			12.51	62
Cassa di Risparmio di Ferrara S.p.A.	Ferrara	Prospettive 2001	1.29	6 (B)(D)
CDC Finance IXIS S.A.	France	Sanpaolo IMI	3.45	323
Centrale dei Bilanci S.r.l.	Turin	Sanpaolo IMI	12.59	6
Centro Agroalimentare di Napoli S.c.p.A.	Naples	Sanpaolo IMI	15.68	3 (E)
Centro Factoring S.p.A.	Florence	Invesp	10.81	3 (B)(F)
Centro Leasing S.p.A.	Florence	Invesp	12.33	15 (B)(F)
Cimos International d.d.	Slovenia	Banka Koper	13.55	7
Compagnia Assicuratrice Unipol S.p.A.	Bologna	Invesp	2.02	41 (B)(F)
Convergenza S.c.a.	Luxembourg	NHS Luxembourg	10.00	8
Dyckerhoff A.G.	Germany	IMI Investments	7.76	28
		IMI Finance	4.36	17
			12.12	45 (G)
Enel S.p.A.	Rome	IMI Investimenti	0.04	13
Engineering Ingegneria Informatica S.p.A.	Rome	Sanpaolo IMI Private Equity	1.60	3 (A)

(cont.: Other significant equity investments)

Name	Registered offices	Ownership		Consolidated book values (€/mil)
		Held by	% (*)	
Eni S.p.A.	Rome	IMI Investimenti	0.20	107
Euromedia Venture Belgique S.A.	Belgium	NHS Luxembourg	9.68	3
FIAT S.p.A.	Turin	IMI Investimenti	1.48	80
Fin.Ser. S.p.A.	Padua	Cassa di Risparmio Padova e Rovigo	15.00	4 (B)
Fincantieri - Cantieri Navali Italiani S.p.A.	Trieste	IMI Investimenti	1.21	4
		Sanpaolo IMI	0.76	3 (E)
			1.97	7
Hutchinson 3G Italia S.p.A.	Milan	NHS Investments	5.58	145
		3G Mobile Investments 2	2.23	- (C)
			7.81	145
Istituto Enciclopedia Italiana S.p.A.	Rome	Sanpaolo IMI	8.00	3
Istituto per il Credito Sportivo	Rome	Sanpaolo IMI	10.81	19
Italenergia Bis S.p.A.	Turin	IMI Investimenti	12.48	431
Kiwi II Ventura Servicos de Consultoria S.A.	Madeira	Sanpaolo IMI Private Equity	1.06	5 (A)
Kredyt Bank S.A.	Poland	Sanpaolo IMI	5.20	28 (B)
Merloni Termosanitari S.p.A.	Ancona	LDV Holding	6.05	22
		Banca Popolare dell'Adriatico	1.37	5 (B)
			7.42	27
Olivetti S.p.A.	Ivrea	Invesp	0.30	28
		IMI Investimenti	0.04	4
			0.34	32
Praxis Calcolo S.p.A.	Milan	LDV Holding	12.50	6
		Sanpaolo IMI Private Equity	0.25	-
			12.75	6
Sagat S.p.A.	Turin	IMI Investimenti	12.40	18
Santander Central Hispano S.A.	Spain	Sanpaolo IMI	1.10	342
		Sanpaolo IMI International	1.77	548
			2.87	890
Serenissima Infracom S.p.A.	Verona	Cardine Finanziaria	7.35	25 (B)
Simest S.p.A.	Rome	Sanpaolo IMI	4.01	6
Spinner Global Technology Fund Ltd	Netherlands Antilles	Sanpaolo IMI Private Equity	2.23	7 (A)
Transdev S.A.	France	FIN.OPI	7.00	9 (H)
Other equity investments				55
Total Other significant equity investments				2,798

Notes to the table "other significant investments":

(*) The percentage refers to the total capital.

(A) The investment was transferred by Sanpaolo IMI Investimenti S.p.A. to Sanpaolo IMI Private Equity S.p.A. as part of the split of the private equity businesses.

(B) The investment was purchased through the merger with Cardine Banca.

(C) The value is included in the net equity of the company holding the investment.

(D) The investment was purchased from Prospettive 2001 S.p.A. following the split of Fincardine S.p.A..

(E) The company is directly held by the Parent Bank following the merger by incorporation of Banco di Napoli.

(F) The investment was purchased from Invesp S.p.A. following the split of Fincardine S.p.A..

(G) Equity investment acquired in the second half of 2002.

(H) The company became part of the Sanpaolo IMI Group holdings following the acquisition of control of Fin.OPI S.p.A. (formerly Compagnia di San Paolo Investimenti Patrimoniali S.p.A.).

Composition of the investment portfolio

Analysis of caption 80 "investments in Group companies" (Table 3.5 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
a) in banks			
1. quoted	-	-	-
2. unquoted	1	1	-
b) in financial institutions			
1. quoted	-	-	-
2. unquoted	23	13	+76.9
c) other			
1. quoted	-	-	-
2. unquoted	816	629	+29.7
Total	840	643	+30.6

Analysis of caption 70 "equity investments" (Table 3.4 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
a) in banks			
1. quoted	1,137	1,740	-34.7
2. unquoted	617	1,118	-44.8
b) in financial institutions			
1. quoted	11	10	+10.0
2. unquoted	124	67	+85.1
c) other			
1. quoted	356	414	-14.0
2. unquoted	979	705	+38.9
Total	3,224	4,054	-20.5

The principle characteristics of the commitments and options on significant investments are provided below:

- the Cassa dei Risparmi di Forlì share purchase agreement of 29 November 2000, between Fondazione CR Forlì (seller) and SANPAOLO IMI and Cassa di Risparmio di Firenze (purchasers), provides that the purchasers shall grant Fondazione an option to sell ordinary shares representing not more than 51.35% of the share capital of CR Forlì, to be exercised in a number of tranches: at a unit price of 8.11 euro per share for the first two tranches and at a price determined according to the "fair market value" for the last tranches. The put option may be exercised by Fondazione at any time between 12 June 2002 and the 15th day before the expiry of the first period for notice of termination of the Consortium Agreement drawn up between the same parties (31 December 2008). This transaction involved the booking of 298 million euro to "commitments for the issue of put options". This value represents the maximum potential outlay if the unit price of 8.11 euro per share were to be applied to the entire shareholding object of the put option. In March 2003 Fondazione CR Forlì notified of its intention to exercise the first tranche of the put option, after which the SANPAOLO IMI shareholding in Cassa dei Risparmi di Forlì will increase from 21.02% to 29.8%.
- the agreement between the Bank and the majority shareholders of Banka Koper, aimed at purchasing a controlling investment in the company, provides that, in the event the public purchase offer in March 2002 for the entire share capital of the company is successful, SANPAOLO IMI guarantees the leading shareholders a put option on their shares which were not contributed in the Public Offer. Such entitlement is also extended to each shareholder which contributed at least one share to the public purchase offer. Each shareholder may exercise the put option during the 30 days after 31

March, 30 June, 30 September and 31 December of each year, commencing from the 30 days after 31 December 2002 and up to the 30th day after 30 June 2006. The price is equal to that of the Public Offer, plus interest calculated on the rate paid by Banka Koper one year one day deposits in Slovenian Tolar, for the period extending from the last effective day of the Public Offer, to the day on which the put option is exercised and is reduced by the dividends collected on such shares. This transaction involved the booking of approximately 88 million euro to “commitments for the issue of put options” ;

- in the context of the purchase agreement for shares in West Bank, the former Cardine Banca granted some shareholders a put option on their shares, for a unit price not lower than that set for the acquisition of the majority shareholding in West Bank by Cardine Banca. With respect to this put option, SANPAOLO IMI booked a commitment for approximately 5 million euro. Considering that the investment was written down to reflect the reduction in equity value from the effect of the losses for the year and that the put options are valued at cost and eventually written down to reflect any permanent losses in value of the investment, the 31 December 2002 financial statements were adjusted to reflect the proportionate value of the put options in respect of the write down of the investment;
- in the context of the agreement concluded on 15 November 1999 between Ente Cassa di Risparmio di Firenze and SANPAOLO IMI for the acquisition of a 15% stake in Cassa di Risparmio di Firenze, a right of pre-emption at “fair price” was granted to SANPAOLO IMI on CARIFI shares transferred by Ente CRF. The agreement also provided that, in the event that SANPAOLO IMI should not exercise its pre-emption right, the shares involved, representing a total of around 10.8% of CRF share capital, may be offered on sale to third parties at the same “fair price” . In the event of an unsuccessful sale to third parties, Ente CRF is entitled to offer the shares on sale to the Bank, who is obliged to purchase them at a price equal to the arithmetical average of the official stockmarket prices over the previous three months, increased by 50%, on the condition that the average daily volume of dealings in the shares is equal to 3 million euro (under this assumption, the amount as at 31 December 2002, is estimated at approximately 210 million euro). If, however, the average daily volume of dealings in the shares is less than 3 million euro, the price will be determined according to the best technical valuation of the sector. Considering that the conditions under which the Bank is obliged to purchase in the event of an unsuccessful sale to third parties by Ente CRF and that the Bank has not yet been called upon to exercise its pre-emption rights, no amount for commitments has been recorded to the financial statements.

Detail of the above commitments, where recorded to the financial statements, is provided in the memorandum accounts (caption 20 Guarantees and Commitments), in the Explanatory Notes, in the table on forward transactions (Table 10.5.B.I. “Other transactions”) and in the supplementary information requested by the Basel Committee on Banking Supervision and the International Organization of Securities Commissions (IOSCO).

Changes during the year in the equity investment portfolio

Investments in Group companies (Table 3.6.1 B.I.)

(€/mil)

A. Opening balance	643
B. Increases	
B1. purchases	159
B2. writebacks	-
B3. revaluations	-
B4. other changes	94
C. Decreases	
C1. sales	11
C2. adjustments	-
of which:	
- long-term writedowns	-
C3. other changes	45
D. Closing balance	840
E. Total revaluations	69
F. Total adjustments	823

Subcaption B1. "Purchases" reflects the increase in share capital of Sanpaolo Vita S.p.A. (70 million euro), of Fideuram Vita S.p.A. (74 million euro) and of Sanpaolo IMI Internazionale (10 million euro). Furthermore, this caption also includes a total of 3 million euro for investments made during the year for the formation of NHS Mezzogiorno SGR S.p.A. (2 million euro) and for the purchase of Eptaventure S.p.A. (1 million euro).

Subcaption B4. "Other changes" includes the entry in portfolio of companies included in consolidation this year for the first time and, especially, the Cardine Group (12 million euro) and FIN.OPI S.p.A. (14 million euro). Also included are increases in subsidiaries valued according to the net equity method (65 million euro) and income from the disposal of Datitalia Processing S.p.A. (3 million euro).

Subcaption C3. "Other changes" reflects the decrease (17 million euro) following the line-by-line consolidation of Prospettive 2001 S.p.A., Esaban S.p.A. and Fideuram Asset Management (Ireland) Ltd. This subcaption is also affected by the decrease in value of subsidiary companies valued according to the equity method (27 million euro).

Other equity investments (Table 3.6.2 B.I.)

(€/mil)

A. Opening balance	4,054
B. Increases	
B1. purchases	331
B2. writebacks	3
B3. revaluations	-
B4. other changes	721
C. Decreases	
C1. sales	820
C2. adjustments	542
<i>of which:</i>	
- long-term writedowns	61
C3. other changes	523
D. Closing balance	3,224
E. Total revaluations	535
F. Total adjustments	1,318

Subcaption B.1 "Purchases" mainly comprises investments made by the Parent Bank and by other Group companies in Italennergia Bis S.p.A. (183 million euro), Borsa Italiana S.p.A. (51 million euro), Dyckerhoff A.G. (45 million euro), Hutchinson 3G Italia S.p.A. (15 million euro) and FIAT S.p.A. (15 million euro).

Subcaption B4. "Other increases" includes:

- the book value of portfolio investments of companies included in consolidation this year for the first time and, especially, the Cardine Group (240 million euro), Fin. OPI S.p.A. (30 million euro) and Banka Koper d.d. (15 million euro);
- also included in this subcaption are profits (143 million euro) realized from the sale of investments, of which 62 million euro refer to the sale by the Parent Bank of shares in Cardine Banca, 24 million euro to the disposal of shares held by certain Group companies in Monte Titoli S.p.A., 12 million euro to the disposal by Banque Privée Fideuram Wargny of shares in Euronext Paris S.A. and 22 million euro to the disposal of other minority shareholdings by Sanpaolo IMI Private Equity and by IMI Investimenti;
- Italennergia Bis S.p.A. shares exchanged with Italennergia S.p.A. shares for the merger operation between Italennergia and Edison (248 million euro);
- furthermore, this subcaption also includes 32 million euro for the increase in value of companies valued using the equity method.

Subcaption C1. “Sales” refers to disposals by the Parent Bank (603 million euro, of which 473 million euro refer to the disposal of Cardine Banca S.p.A. shares and 110 million euro refer to the disposal of Banca Agricola Mantovana), by Sanpaolo IMI Private Equity S.p.A. (83 million euro for the minority shareholding in its own investment portfolio), by IMI Investimenti S.p.A. (43 million euro), by Invesp S.p.A. (25 million euro) and by Banque Privée Fideuram Wargny (17 million euro).

Subcaption C2. “Adjustments” mainly reflects writedowns made by the Parent Bank and Sanpaolo IMI International S.A. in Santander Central Hispano S.A. (399 million euro) and by IMI Investimenti S.p.A. in Fiat S.p.A. (82 million euro). (Detail of other adjustments is provided in Section 5 of the statement of income – Adjustments to financial fixed assets).

Subcaption C3. “Other decreases” includes:

- the cancellation of Cardine Banca shares held in the Parent Bank portfolio following the merger (105 million euro);
- the value of the Italenergia S.p.A. shares exchanged with Italenergia Bis S.p.A. shares for the merger operation between Italenergia and Edison (248 million euro);
- the loss incurred following the disposal of the investment in Banca Agricola Mantovana S.p.A. (96 million euro). This loss has, however, been offset by the profit generated from the disposal of the related options;
- the book value of the Banka Koper d.d. investment (37 million euro), which was consolidated proportionally for the first time this year.

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

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

Amounts due to and from Group companies (Table 3.2 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
a) Assets			
1. due from banks	-	-	-
<i>of which:</i>			
– subordinated	-	-	-
2. due from financial institutions (*)	31	490	-93.7
<i>of which:</i>			
– subordinated	2	-	n.s.
3. due from other customers	106	154	-31.2
<i>of which:</i>			
– subordinated	65	-	n.s.
4. bonds and other debt securities	-	-	-
<i>of which:</i>			
– subordinated	-	-	-
Total assets	137	644	-78.7
b) Liabilities			
1. due to banks	16	31	-48.4
2. due to financial institutions	17	12	+41.7
3. due to other customers	302	219	+37.9
4. securities issued	1,087	151	n.s.
5. subordinated liabilities	-	-	-
Total liabilities	1,422	413	+244.3
c) Guarantees and commitments			
1. guarantees given	5	9	-44.4
2. commitments	-	-	-
Total guarantees and commitments	5	9	-44.4

(*) Excluding 1,285 million euro Parent Bank loans due from Sga given the particular characteristics of the respective interest held (see Part B - Section 5 "Other assets" of these Explanatory Notes).

Amounts due to and from investments (non-Group companies) (Table 3.3 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
a) Assets			
1. due from banks (*)	718	1,105	-35.0
<i>of which:</i>			
– subordinated	30	20	+50.0
2. due from financial institutions	1,824	751	+142.9
<i>of which:</i>			
– subordinated	17	-	n.s.
3. due from other customers	2,585	1,305	+98.1
<i>of which:</i>			
– subordinated	-	5	-100.0
4. bonds and other debt securities	108	9	n.s.
<i>of which:</i>			
– subordinated	4	-	n.s.
Total assets	5,235	3,170	+65.1
b) Liabilities			
1. due to banks (**)	923	1,448	-36.3
2. due to financial institutions	178	173	+2.9
3. due to other customers	484	257	+88.3
4. securities issued	9	-	n.s.
5. subordinated liabilities	8	-	n.s.
Total liabilities	1,602	1,878	-14.7
c) Guarantees and commitments			
1. guarantees given	847	1,142	-25.8
2. commitments	517	384	+34.6
Total guarantees and commitments	1,364	1,526	-10.6

(*) Including the compulsory reserve deposited with the Bank of Italy

(**) Including the repurchase agreements with the Bank of Italy.

To supplement the previous table, amounts due to and from affiliated companies (in which Group companies hold 20% or more, or 10% or more if quoted) are analyzed below:

Amounts due to and from affiliated companies

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
a) Assets			
1. due from banks	21	91	-76.9
<i>of which:</i>			
– subordinated	20	20	-
2. due from financial institutions	448	260	+72.3
<i>of which:</i>			
– subordinated	-	-	-
3. due from other customers	202	13	n.s.
<i>of which:</i>			
– subordinated	-	-	-
4. bonds and other debt securities	80	-	n.s.
<i>of which:</i>			
– subordinated	4	-	n.s.
Total assets	751	364	+106.3
b) Liabilities			
1. due to banks	19	110	-82.7
2. due to financial institutions	23	-	n.s.
3. due to other customers	148	20	n.s.
4. securities issued	9	-	n.s.
5. subordinated liabilities	-	-	-
Total liabilities	199	130	+53.1
c) Guarantees and commitments			
1. guarantees given	189	179	+5.6
2. commitments	3	23	-87.0
Total guarantees and commitments	192	202	-5.0

SECTION 4 - TANGIBLE AND INTANGIBLE FIXED ASSETS

Tangible and intangible fixed assets comprise the following:

	31/12/02 (€/mil)	31/12/01 (€/mil)	31/12/01 pro forma (€/mil)
Tangible fixed assets (caption 120)	2,229	1,726	2,561
Intangible fixed assets (caption 110)	406	367	444
Total	2,635	2,093	3,005

Tangible fixed assets (caption 120)

Tangible fixed assets comprise:

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
Property			
– operating	1,716	1,422	+20.7
– non-operating	256	60	n.s.
Furniture and installation			
– electronic equipment	138	146	-5.5
– general and specific installation	51	54	-5.6
– office furniture and equipment	66	43	+53.5
– vehicles	2	1	+100.0
Total	2,229	1,726	+29.1

Changes in tangible fixed assets during the year (Table 4.1 B.I.)

(€/mil)

A. Opening balance	1,726
B. Increases	
B1. purchases	218
B2. writebacks	-
B3. revaluations	-
B4. other changes	903
C. Decreases	
C1. sales	207
C2. adjustments	
a) amortization	294
b) long-term writedowns	-
C3. other changes	117
D. Closing balance	2,229
E. Total revaluations	1,358
F. Total adjustments	2,786
a) amortization	2,784
b) long-term writedowns	2

Changes in tangible fixed assets during the year are detailed below:

(€/mil)

	Property	Furniture and installation
Opening balance	1,482	244
Increases		
– purchases	30	188
– revaluations	-	-
– other changes	838	65
– incremental costs	12	-
– gains on disposals	27	1
– other	799	64
Decreases		
– sales	200	7
– adjustments	92	202
– amortization	92	202
– long-term writedowns	-	-
– other changes	86	31
Closing balance	1,972	257

Intangible fixed assets (caption 110)

Intangible fixed assets comprise:

	31/12/02 (€ mil)	31/12/01 (€ mil)	Change %
Merger differences from goodwill of merged companies	-	27	-100.0
Goodwill	16	8	+100.0
Software in use	198	183	+8.2
Software not yet in use	112	70	+60.0
Other deferred charges	80	79	+1.3
Total	406	367	+10.6

The differences arising on the mergers of Banca Provinciale Lombarda and Banco Lariano in 1993 are recorded in the financial statements since they represent goodwill relating to merged companies. Such differences are stated net of the amounts allocated to the related assets acquired.

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

Amounts registered under “software not yet in use” refer to modification and procedure changes for the development of application programs mainly ordered from third parties and not yet completed.

The “other deferred charges” include among other:

- 58 million euro for leasehold property improvements;
- 2 million euro for start-up and expansion costs.

*Changes in intangible fixed assets during the year (Table 4.2 B.I.)**(€ mil)*

A. Opening balance	367
B. Increases	
B1. purchases	242
B2. writebacks	-
B3. revaluations	-
B4. other changes	131
C. Decreases	
C1. sales	1
C2. adjustments	
a) amortization	260
b) long-term writedowns	16
C3. other changes	57
D. Closing balance	406
E. Total revaluations	-
F. Total adjustments	1,019
a) amortization	994
b) long-term writedowns	25

Changes in intangible fixed assets during the year are detailed below:

	(€/mil)				
	Merger differences (goodwill of merged companies)	Goodwill	Software in use	Software not yet in use	Other deferred charges
Opening balance	27	8	183	70	79
Increases					
– purchases	-	10	112	92	28
– writebacks	-	-	-	-	-
– revaluations	-	-	-	-	-
– transfer of developed software	-	-	55	-	-
– other changes	-	-	8	46	22
Decreases					
– sales	-	-	-	-	1
– adjustments:					
a) amortization	27	2	156	42	33
b) long-term writedowns	-	-	4	-	12
– transfer of developed software	-	-	-	55	-
– other changes	-	-	-	-	2
Closing balance	-	16	198	111	81

Considerable investments have been made in software during the year, in relation to the start up of important initiatives aimed at strengthening the central data processing systems, modernizing hardware at branches and head offices and at developing new software applications, as well as projects to develop the distribution banking network on the Internet.

SECTION 5 - OTHER ASSETS

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

	31/12/02 (€/mil)	31/12/01 (€/mil)	31/12/01 pro forma (€/mil)
Goodwill arising on consolidation (caption 90)	842	838	1,028
Goodwill arising on application of the equity method (caption 100)	188	215	215
Other assets (caption 150)	20,494	18,585	20,544
Accrued income and prepaid expenses (caption 160)	2,852	2,191	2,676
Total	24,376	21,829	24,463

Goodwill arising on consolidation (caption 90)

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

Analysis of caption 90 "goodwill arising on consolidation"

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
Banco di Napoli	727	764	-4.8
Gruppo Cardine	13	-	n.s.
Banka Koper	72	-	n.s.
Financiere Fideuram	18	69	-73.9
Banque Privee Fideuram Wargny	3	3	-
SANPAOLO IMI Private Equity S.p.A.	9	-	n.s.
SANPAOLO IMI Asset Management S.g.r.	-	1	-100.0
Finconsumo Banca	-	1	-100.0
Total	842	838	+0.5

The goodwill arising on consolidation of Banco di Napoli, net of the portion offset in 2000 on first-time consolidation against pre-existing negative goodwill, saw the following changes during the year:

<i>Changes in goodwill arising on the consolidation of Banco di Napoli</i>		<i>(€/mil)</i>
A. Goodwill arisen as of 1 January 2002		764
B. Increases		62
- Public Offer for savings shares		62
- Other purchases		-
C. Amortization:		91
- of the residual goodwill arising on consolidation at the beginning of the year		85
- of increases for the year		6
D. Other decreases		8
- other (*)		8
E. Goodwill arisen as of 31 December 2002		727

(*) This caption refers to the adjustment following in 2002 the sale of some Banco di Napoli branches.

The first time consolidation of the former Cardine Group shareholdings revealed positive and negative goodwill differences on line-by-line consolidation and on net equity for, respectively, 314 million euro and 299 million euro. The positive differences have been allocated as follows:

- a) 299 million euro have been deducted from negative goodwill, using the faculty provided for by art. 32, subsection 4 of D. Lgs. 87/92, confirmed by subsection 5 of the same article, as well as the relevant application of the Bank of Italy instructions (provision dated 30 July 1992 and subsequent amendments);
- b) the remaining 15 million euro of assets in the consolidated balance sheet to be amortized over 10 years, given the nature of the investment. For the year 2002, amortization charged to the statement of income totaled 1.5 million euro.

The goodwill arising on consolidation of Banka Koper reflects the higher price paid for the purchase of 62.10% of the company compared with the adjusted net equity of the same and is shown net of amortization in the statement of income for 2002 (8 million euro).

The adjustment to the positive consolidation differences of the French group Fideuram Wargny reflects, besides the ordinary amortization attributable to 2002, a writedown of 44 million euro made to take account of the downward trend in financial markets and of a more prudent evaluation of the prospects of future profit for the subsidiaries.

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

This caption expresses positive differences in consolidation applying the equity method remaining after off-setting against negative goodwill on first time consolidation and amortization (see Part B – Section 8).

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

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
Cassa di Risparmio di Firenze	55	63	-12.7
Cassa dei Risparmi di Forlì	108	121	-10.7
Eptaventure	1	-	n.s.
Aeffe	24	31	-22.6
Total	188	215	-12.6

Goodwill arising from a line-by-line and proportional consolidation of companies (caption 90), and relating to Cassa di Risparmio di Firenze and Cassa dei Risparmi di Forlì is amortized over 10 years, given the strategic nature of these investments. The goodwill in the companies Aeffe and Eptaventure, purchased under *private equity*, is amortized over 5 years.

Other assets (caption 150)

Analysis of caption 150 "Other assets" (detail 5.1 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
Valuation of derivatives on interest rates and stockmarket indices	6,084	4,326	+40.6
Effect of currency hedges, forex swap and cross-currency swap	1,012	2,292	-55.8
Unprocessed transactions (*)	1,833	2,097	-12.6
Deferred tax assets (**)	1,697	1,681	+1.0
Tax collection accounts	1,379	1,531	-9.9
Due from tax authorities:	2,212	1,319	+67.7
– prepaid current year direct taxes	574	495	+16.0
– tax credits relating to prior years	558	342	+63.2
– taxes paid in advance on termination indemnities – Law 662/96	79	70	+12.9
– taxes withheld during the year	252	24	n.s.
– other loans	749	388	+93.0
Amounts in transit with branches and subsidiaries (*)	1,444	1,229	+17.5
Banco di Napoli loans to be restored ex Law 588/96	580	840	-31.0
Premiums paid on purchased options	1,066	526	+102.7
Other items derivative contracts	341	271	+25.8
Debt positions in FX to be settled	858	173	n.s.
Checks and other instruments held	87	160	-45.6
Banco di Napoli non interest-bearing deposits with the Bank of Italy	58	58	-
Net effect of translating funds from international agencies using current rates, with the exchange borne by third parties	31	46	-32.6
Items relating to securities transactions	11	30	-63.3
Transactions by foreign branches	8	20	-60.0
Other	1,793	1,986	-9.7
Total	20,494	18,585	+10.3

(*) The amounts were mostly settled at the beginning of the new financial year.

(**) See Part B - Section 7 – "Provisions"

IMI Sir dispute

Other assets include 1.3 million euro which refer to the estimated realizable value of a loan the title to which was definitively judged by the First Civil Section of the Supreme Court through sentence 2469/03, which confirmed, thereby justifying, sentence 2887 passed by the Rome Court of Appeal on 11 September 2001, by which Consorzio Bancario SIR S.p.A. in liquidation is liable to pay the Bank the sum of 506 million euro. Instead, the sentence passed by the Supreme Court sustained the reason for burden raised by Consorzio Sir, stating that Consorzio was not liable to pay the amount of interest matured on the loan from the date on which the appeal was served. The decision on whether or not the total amount owed to the Bank by Consorzio should be reduced by approximately 14.5 million euro was referred by Supreme Court to another section of the Rome Appeal Court: if the trial judge holds the claim amount unjustified, the sentence against the Consorzio to pay the sum of 506 million euro will be reduced accordingly.

The same Supreme Court sentence passed final judgment on the right of Consorzio to be held harmless in respect of Mrs Battistella Primarosa (heir to Mr. Nino Rovelli) and Eurovalori S.p.A..

In respect of its rights and with the aim of defending its prospects of recovering the amount owed, the Bank, by virtue of agreements with Consorzio, has assumed from the latter its arguments against Mrs Battistella Primarosa, by taking appropriate defensive action.

As in the previous year, for the purposes of preparing the financial statements, the book value of the loan subject to the Supreme Court sentence has been calculated in accordance with national and international accounting principles for contingent assets and revenue recognition, on the basis of its estimated realizable value. As a matter of fact, no events have taken place to date which would justify any form of adjustment to the valuation originally calculated for the purposes of the financial statements as of 31 December 2001.

As far as taxation is concerned, it should be noted that on payment of taxes owed for the year 2001, in accordance with the directives of the Tax Authorities, the Bank treated as taxable income the gross income deriving from the sentence of the Court of Appeal of 11 September 2001, which has now become final (approximately 600 million euro, including interest matured to 31 December 2001). This treatment did not have a significant impact on the 2002 financial statements, since the greater amount of tax payable, approximately 213 million euro, has been offset against a deferred tax asset for the same amount, booked on the assumption that there is the likelihood of collection and/or definitive deduction of the gross taxable amount, where legal action is not fully or partially successful within a reasonable period of time.

Banco di Napoli loans to be restored ex Law 588/96

This item, amounting to 580 million euro (840 million euro as of 31 December 2001), represents the residual capital and interest of the interventions made by former Banco di Napoli to cover the liquidation deficit of Isveimer and the losses of Società per la Gestione di Attività S.p.A. (Sga). These interventions form part of the reorganization plan prepared, with the Bank of Italy's approval, on the basis of Law 588/96 containing urgent provisions for the recovery, reorganization and privatization of former Banco di Napoli. Furthermore, the same law establishes to hold the former Banco di Napoli harmless from the economic and financial consequences of the measures taken or to be taken using the mechanism provided by the Treasury Ministry Decree of 27 September 1974. Since 31 December 2002, following the merger by incorporation of Banco di Napoli into SANPAOLO IMI, the latter has, for all legal purposes, taken over from the Banco in the recovery mechanism.

To summarize, the procedure applicable both to Isveimer and to Sga states that the Bank of Italy will grant extraordinary advances at a special low rate of interest (1%) to cover the losses of the subsidiaries concerned. Such advances must be invested in Government securities, so that the differential between the interest income on the securities purchased and the interest expense on the advances received can directly reduce the "loans to be restored" and the related interest accrued, based on the "minimum interest rate offered on the principal refinancing transactions".

From an accounting point of view, the advances received from the Bank of Italy and the Government securities purchased are shown under the memorandum accounts, while the financial flows deriving from collection of coupons on such securities and from the payment of interest on the advances are, respectively, debited and credited directly to the “loans to be restored”, thus allowing them to be reduced gradually. This accounting treatment has been authorized by the Bank of Italy as it places emphasis on the substance of the situation rather than the form, in accordance with Decree Law 87 dated 27 January 1992.

On 27 December 2002, the Bank of Italy granted Banco di Napoli four new advances to replace that expiring in December, for a total of 12,288 million euro, all to expire by the end of 2003.

As of 31 December 2002, there are no accrued expenses maturing at year end.

A summary of the circumstances relating to the investments in Isveimer S.p.A. and in Società per la gestione di attività S.p.A. is provided below.

The liquidation of Isveimer

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

In 1997, Banco di Napoli intervened to reduce the final liquidation deficit estimated to be 917 million euro. The cost of this intervention and the related interest were recovered in accordance with Law 588/96, as mentioned above, and the methods described in the aforementioned Treasury Decree of 1974.

In fact, on the expiry of the advances granted by the Bank of Italy, the recovery process showed a balance in favor of the Central Bank of 58 million euro, lodged as a non interest-bearing deposit with the same Central Bank. This deposit is shown under “other assets” offset by “other liabilities”.

Società per la Gestione di Attività (Sga)

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

The transfer of doubtful loans to Sga began on 1 January 1997; at the same time, Banco di Napoli granted its subsidiary various interest-bearing lines of credit, essential to finance the cost of the factoring agreement, as well as to cover the company's running costs. At the end of 2000, Banco di Napoli reached a settlement with Sga, resolving a number of differences of interpretation and substance that had arisen between the parties; the cost of this settlement, 125 million euro, was deducted from the loans. As of 31 December 2002, loans to Sga totaled 1,285 million euro, of which 1,252 million euro granted for the measures provided by law 588/96 (a reduction of 789 million euro on 31 December 2001) and 33 million euro disbursed for the regular management of the company. The reduction in respect of the previous year is largely connected to the financial intervention in May 2002 to cover losses for 246 million euro registered by the subsidiary in the second half of 2001 and to that in October 2002 to cover the 285 million euro loss recorded in the first half of 2002. As with similar interventions, the amounts in question were deducted from loans granted to the subsidiary, included among customer loans and increasing loans to be restored, recorded to other assets, in accordance with Law 588/96.

The following tables show details of the aforementioned restoration procedure for the year 2002, with comparative figures for 2001.

Advances received and securities purchased ex Law 588/96 ()*

	31/12/02 (€/mil)	31/12/01 (€/mil)
Advances received from the Bank of Italy ex Law 588/96	12,288	15,402
Securities lodged in guarantee for advances ex Law 588/96 (nominal value) (**)	10,841	13,919
- securities purchased with advances received from the Bank of Italy	10,431	13,391
- securities of Banco di Napoli	410	528

(*) The transactions are shown in the memorandum accounts as authorized by the Bank of Italy; the advances totaling 12,288 million euro granted on 27 December 2002 expire as follows: 270.4 million euro on 1 March 2003, 134 million on 1 June 2003; 2,578.6 million euro on 22 December 2003 and 9,304.8 million euro on 27 December 2003.

(**) Securities placed as guarantee on the advance received from the Bank of Italy are included in the dealing portfolio, for 410 million euro (book value as of 31 December 2002).

Change of loans to be restored ex Law 588/96 ()*

	31/12/02 (€/mil)	31/12/01 (€/mil)
a. Opening balance	840	1,376
b. Changes		
1. Coverage of SGA's losses (**)	531	507
2. Interest income on the securities purchased with the funds advanced by the Bank of Italy	-953	-1,226
3. Interest expenses on advances from the Bank of Italy	142	169
4. Interest accrued on the "Loans to be restored" account	20	46
5. Other changes (***)	-	-32
Total	580	840

(*) The statement of income only includes interest accrued on loans to be restored.

(**) Of which 246.3 million euro refer to the loss incurred in the second half of 2001 settled in May 2002, and 284,8 million euro refer to the loss incurred in the first half of 2002 settled in October 2002

(***) This refers to the assignment in 2001, by the Ministry of Economy and Finance, of the net revenues deriving from the sale in 1997 of 60% of Banco's capital to Bn Holding, established by Ina and Bnl, on the basis of the provisions of Law 588/96.

Financial flows maturing on the advances received from the Bank of Italy and on securities put up as guarantee ex Law 588/96 ()*

	31/12/02 (€/mil)	31/12/01 (€/mil)
Interest accrued on advances (**)	-	-2
Coupons falling due on securities purchased with advances received from the Bank of Italy	127	220
Total	127	218

(*) The amounts refer to accruals for the respective years.

(**) The financial flows from the advances, matured between 27 and 31 December 2002, totaling 1.4 million euro, were charged by Bank of Italy on 31 December, therefore they are included in caption b.3 of the previous table.

Accrued income and prepaid expenses (caption 160)

Analysis of caption 160 "accrued income and prepaid expenses" (detail 5.2 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
Accrued income			
– income from derivative contracts	843	744	+13.3
– interest from loans to customers	597	627	-4.8
– interest on securities	346	321	+7.8
– bank interest	125	87	+43.7
– other	152	92	+65.2
Prepaid expenses			
– commission on placement of securities and mortgage loans	276	169	+63.3
– charges on derivative contracts	33	45	-26.7
– discounts on bond issues	236	31	n.s.
– other	244	75	n.s.
Total	2,852	2,191	+30.2

Other information

Distribution of subordinated assets (Table 5.4 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
a) Due from banks	55	40	+37.5
b) Loans to customers	68	9	n.s.
c) Bonds and other debt securities	189	194	-2.6
Total	312	243	+28.4

Subordinated loans to banks and to customers refer mainly to Group companies. Subordinated bonds and other debt securities refer mainly to issues by prime banking institutions.

SECTION 6 - PAYABLES

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

	31/12/02 (€/mil)	31/12/01 (€/mil)	31/12/01 pro forma (€/mil)
Due to banks (caption 10)	24,456	27,922	36,482
Due to customers (caption 20)	85,280	65,845	82,276
Securities issued (caption 30)	51,561	40,839	52,326
Public funds administered (caption 40)	208	100	201
Total	161,505	134,706	171,285

Due to banks (caption 10)

Deposits taken from banks are analyzed as follows:

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
Due to central banks			
– repurchase agreements and securities borrowed	842	1,275	-34.0
– other deposits from the Italian Exchange Office	28	127	-78.0
– other deposits from central banks	905	1,149	-21.2
Due to other banks			
– deposits	9,603	14,105	-31.9
– repurchase agreements and securities borrowed	2,802	4,061	-31.0
– medium and long-term loans from international bodies	5,881	4,621	+27.3
– current accounts	943	1,227	-23.1
– other	3,452	1,357	+154.4
Total	24,456	27,922	-12.4

Detail of caption "due to banks" (Table 6.1 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
a) Repurchase agreements	3,534	5,221	-32.3
b) Securities borrowed	110	115	-4.3

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

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

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

	31/12/02 (€ mil)	31/12/01 (€ mil)	Change %
Due to customers			
– current accounts	52,197	40,330	+29.4
– repurchase agreements and securities borrowed	12,917	9,133	+41.4
– deposits	18,116	13,394	+35.3
– short-term payables relating to special management services carried out for the government	313	663	-52.8
– other (*)	1,737	2,325	-25.3
Securities issued			
– bonds	39,447	27,695	+42.4
– certificates of deposits	7,310	8,346	-12.4
– banker's drafts	648	651	-0.5
– other securities	4,156	4,147	+0.2
Total	136,841	106,684	+28.3

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

Detail of caption "due to customers" (Table 6.2 B.I.)

	31/12/02 (€ mil)	31/12/01 (€ mil)	Change %
a) Repurchase agreements	12,779	9,009	+41.8
b) Securities borrowed	138	124	+11.3

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

Public funds administered (caption 40)

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

	31/12/02 (€ mil)	31/12/01 (€ mil)	Change %
Funds provided by the State	151	42	n.s.
Funds provided by regional public agencies	19	19	-
Other funds	38	39	-2.6
Total	208	100	+108.0
<i>of which: funds with risk borne by the Government under Law 19 of 6/2/87</i>	<i>59</i>	<i>12</i>	<i>n.s.</i>

Other information relating to payables

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

SECTION 7 - PROVISIONS

The Group provisions are analyzed below:

	31/12/02 (€/mil)	31/12/01 (€/mil)	31/12/01 pro forma (€/mil)
Provisions for employee termination indemnities (caption 70)	961	734	955
Provisions for risks and charges (caption 80)			
– pensions and similar (caption 80.a)	343	43	343
– provisions for taxation (caption 80.b)	670	901	1,219
– other reserves (caption 80.c)	1,768	1,527	1,688
Reserve for possible loan losses (caption 90)	71	41	73
Total	3,813	3,246	4,278

Provisions for employee termination indemnities (caption 70)

Changes in "reserve for termination indemnities" during the year (€/mil)

Opening balance	734
Increases	
– provisions	104
– employment contract acquisition	1
– other changes	222
Decreases	
– advances allowed under Law 297/82	19
– indemnities to employees leaving the Group	67
– transfers	1
– other changes	13
Closing balance	961

The increases in other changes refer mainly to the contribution of the former Cardine Group (221 million euro as of 31 December 2001).

Provisions for risks and charges (caption 80)

Pensions and similar commitments (caption 80.a)

<i>Changes in "reserve for pensions and similar commitments" during the year</i>		<i>(€/mil)</i>
Opening balance		43
Increases		
– provisions		24
– other		305
Decreases		
– utilization		27
– other		2
Closing balance		343

As of 31 December 2002, this reserve is made up of 41 million euro from the Parent Bank to cover charges in relation to the integration of the pension paid to former IMI S.p.A. staff (43 million euro as of 31 December 2001) and of 302 million euro from companies of the former Cardine Group (300 million euro as of 31 December 2001 shown under "Increases – other").

Provisions for taxation (caption 80.b)

<i>Changes in reserve for taxation during the year</i>				<i>(€/mil)</i>
	Current tax liabilities	Deferred tax liabilities		Total
Opening balance	630	271		901
Increases				
- provisions for current income taxes	897	143		1,040
- other changes	337	44		381
Decreases				
- payment of income taxes	1,274	136		1,410
- other changes	56	186		242
Closing balance	534	136		670

The taxation reserve is to cover current income taxes and actual and existing or potential fiscal disputes (534 million euro), including local taxes payable by foreign branches and subsidiaries, as well as deferred taxes (136 million euro).

As regards fiscal disputes, we would like to remind you that the subsidiary Fideuram Vita is in dispute with the tax authorities regarding the years from 1985 to 1987. The years 1988, 1989 and 1990 have been settled thanks to the favorable verdict pronounced by the Regional Tax Commission regarding disputed items in those years. The verdict was deposited on 27 July 2000 and the tax authorities did not appeal against it before the legal deadline.

Regarding the years 1985, 1986 and 1987, the company obtained a favorable judgment in the first degree, but substantially unfavorable decisions in the subsequent two degrees. However, Fideuram Vita has appealed to the Supreme Court, as it is still confident that the case can be won. If, on the other hand, the current adverse trend is confirmed, the potential liability for the company would be minimal, but would however become significant (albeit covered by existing reserves) if subsequent open years (from 1997 onwards) were also contested for the same reason. Based on expert opinions, and taking into account the positive evolution of the dispute and the fact that the case involves a practice that is universally applied by the whole of the insurance industry, the subsidiary has not made any specific provision for this risk.

Furthermore, in December 2002, the subsidiary Sanpaolo Life Ltd received notification of a dispute issued by the Tax Police in respect of a tax audit at the Banca Sanpaolo Invest S.p.A..

With respect to the Sanpaolo Life products promoted by Banca Sanpaolo Invest and by other SANPAOLOIMI Group distribution channels on behalf of the insurance broker with which Life has a distribution agreement, the Tax Police claim that Sanpaolo Life is effectively a fixed business in Italy and therefore applicable to taxation on its products.

On the basis of a detailed review performed with the assistance of Group tax experts and qualified external consultants, it has been confirmed that the business model is consistent with the liberal system of supplying services in Italy and therefore the motives for the dispute claimed by the Tax Police are not founded.

For this purpose no accruals have been made to cover the potential liability arising from the notice, as they cannot be calculated with sufficient reliability since the tax authorities have not yet made any appraisal of the situation.

Deferred tax assets and liabilities recorded in the consolidated financial statements refer to temporary differences between the accounting and fiscal value of assets and liabilities accrued in 2002 and in prior years, for which it is deemed likely that a tax liability will be incurred in the future (in the case of deferred tax liabilities) or which will most likely be recovered (in the case of deferred tax assets). Deferred taxation has been calculated by each Group company and also on consolidation in respect of the tax effect of specific consolidation entries. The tax effect relating to provisional differences of each Group subsidiary has been calculated applying different tax rates according to the respective country of residence.

Analysis of deferred tax liabilities

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
Deferred tax liabilities charged to the statement of income:	112	121	-7.4
- on the earnings of subsidiary companies	13	7	+85.7
- other	99	114	-13.2
Deferred tax liabilities charged to shareholders' equity:	24	150	-84.0
- on Parent Bank reserves:	13	139	-90.6
<i>Reserve for general banking risks</i>	-	110	-100.0
<i>Other reserves - Reserve ex Law 169/83</i>	4	4	-
<i>Other reserves - Reserve ex Legislative Decree 213/98</i>	9	25	-64.0
- on reserves of other subsidiaries	11	11	-
Total	136	271	-49.8

Changes in deferred tax liabilities charged to the statement of income

<i>Changes in deferred tax liabilities (Bank of Italy instructions dated 03.08.99)</i>		<i>(€/mil)</i>
1. Opening balance		121
2. Increases		
2.1 Deferred tax liabilities arising during the year		143
2.2 Other increases		44
3. Decreases		
3.1 Deferred tax liabilities reversing during the year		26
3.2 Other decreases		33
4. Closing balance (*)		249

() Where applicable, this refers to the total deferred taxation before compensation with the assets for advance taxation.,*

<i>Compensation between deferred tax liabilities and deferred tax assets</i>		<i>(€/mil)</i>
Deferred tax liabilities before compensation		249
Compensation with deferred tax assets		137
Deferred tax liabilities, net (*)		112

() This refers to the total of caption 80.b of the Balance Sheet, Taxation.*

Changes in deferred tax liabilities charged to shareholders' equity

<i>Changes in deferred tax liabilities (Bank of Italy instructions dated 03.08.99)</i>		<i>(€/mil)</i>
1. Opening balance		150
2. Increases		
2.1 Deferred tax liabilities arising during the year		-
2.2 Other increases		-
3. Decreases		
3.1 Deferred tax liabilities reversing during the year		110
3.2 Other decreases		16
4. Closing balance		24

“Deferred taxation liabilities deferred during the year” refer to the Parent Bank in respect of:

- the write-off of the deferred tax reserve relating to the Reserve for General Banking Risks, after the latter reserve had been fully utilized and charged to the statement of income;
- the utilization of the deferred tax reserve in respect of the reserve ex D.Lgs. 213/98.

Detail of deferred tax assets

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
Deferred tax assets credited to the statement of income	1,447	1,681	-13.9
- adjustments to loans	401	436	-8.0
- provisions for future charges	563	472	+19.3
- adjustments to the value of securities, equity investments and property	163	551	-70.4
- tax losses to be carried forward	100	191	-47.6
- other	220	31	n.s.
Deferred tax assets with contra-entry in shareholders' equity	250	-	n.s.
- deferred tax asset generated by the merger with Banco di Napoli	250	-	n.s.
Total	1,697	1,681	+1.0

Changes in deferred tax assets credited to the statement of income

Changes in deferred tax assets (Bank of Italy instructions dated 03.08.99) (€/mil)

1. Opening balance	1,681
2. Increases	
2.1 Deferred tax assets arising during the year	503
2.2 Other increases	458
3. Decreases	
3.1 Deferred tax assets reversing during the year	1,005
3.2 Other decreases	53
4. Closing balance (*)	1,584

(*) Where applicable, this refers to the total deferred tax assets before compensation with the deferred tax liabilities.

Compensation between deferred tax assets and deferred tax liabilities

Deferred tax assets before compensation	1,584
Compensation with deferred tax liabilities	137
Deferred tax assets, net (*)	1,447

(*) This refers to the total of caption 150 of the Balance Sheet, Other assets.

"Other increases" essentially includes:

- the balance of the former Cardine Group deferred tax assets as of 1/1/2002 (177 million euro);
- the effect of such compensation between deferred tax assets and liabilities, carried out in prior years in the presence of adequate assumptions (26 million euro);
- advance taxation recorded by the Parent Bank in respect of higher income taxes relating to the IMI-SIR sentence (213 million euro);
- the change in tax rate by the Parent Bank in respect of deductible provisional differences for the former Banco di Napoli (25 million euro).

“Other decreases” refer mainly to the Parent Bank in respect of the tax charge for the year 2001 and to the adjustment to tax rates and deductible provisional differences applicable to SANPAOLO IMI (reduction in the Corporate Income Tax rate introduced in the tax legislation).

Changes in deferred tax assets credited in net shareholders' equity

During 2002 tax benefits for 250 million euro were booked for the first time in respect of funds concerning the deferred tax asset generated by the merger of Banco di Napoli into SANPAOLO IMI and in relation to the quota of goodwill on Banco di Napoli, credited in 2000 to offset pre-existing negative differences at first consolidation.

Information as per Consob Communication 1011405 dated 15 February 2001.

Tax benefits under D. Lgs. 153 dated 17/5/99 (Ciampi Law)

Law Decree 153 dated 17 May 1999 - known as the “Ciampi Law” – introduced tax instruments in respect of restructuring operations on banks and, among others, set a reduced tax rate for bank or banking group concentration transactions of 12.50% on profits destined to a special reserve to be composed of the maximum amount, to be broken down on a straight-line basis over five years, at 1.2% of the difference between the receivables and payables of all the banks that took part in the transaction and the aggregate of the major bank participating in the transaction.

Through a statement dated 11 December 2001, the European Commission declared that the tax benefits under the “Ciampi Law” were incompatible with Community principles. In arrangement with the Italian Government who, in February 2002, filed an appeal against the European Court of Justice, ABI (the Italian Bankers Association) and the banks concerned, including SANPAOLO IMI, petitioned the High Court of Luxembourg to cancel the decision of the European Commission. The dispute is still pending and the parties involved are waiting for the Court to decide on whether to suspend the petition of the banks, whilst awaiting the sentence on that brought by the Italian Government, or to declare that it is incompetent and allow the banks to proceed with their petition before the Court of Justice, thus taking up the same arguments as those upheld by the Italian Government.

SANPAOLO IMI and the banks merged with the Cardine Group have benefited from the provisions and other minor facilities of the “Legge Ciampi” in respect of the years 1998, 1999 and 2000; these benefits have been prudently accrued to the tax reserve. The law in question was suspended with effect from year 2001, through decree law 63 of 15 April 2002 (subsequently converted into Law 112 on 15 June 2002). In the meantime, commencing from the last financial year, current income taxes and deferred taxes have been determined without taking into account the benefits in question.

Furthermore, through decree law 282 of 24 December 2002 (subsequently modified and converted into Law 27 on 21 February 2003), the Government implemented the decision of the Commission whereby it enforced the recovery of the relief granted and made available to the banks: this urgent measure provided for the payment, not later than 31 December 2002, of all amounts corresponding to the tax relief enjoyed by the “Ciampi Law”.

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

As far as the effect on the financial statements is concerned, considering that the recovery of the tax relief has been applied in the presence of disputes brought against the European Commission by the Italian Government and the banks concerned and that in any case the amount paid cannot be considered definitive, such amounts have been recorded to other assets and wholly offset by accruals to the tax reserve. The amount paid has not affected the Parent Bank's statement of income other than the interest payable in 2002 (approximately 10 million euro).

Provisions for risks and charges - other reserves (caption 80.c)*Analysis of caption 80.c "provisions for risks and charges: other provisions" (Table 7.3 B.I.)*

(€/mil)

	Guarantees and commitments	Other risks and charges	Other personnel charges	Total
Opening balance	63	1,016	448	1,527
Increases				
– provisions	86	265	54	405
– reclassification	-	-	242 (2)	242
– other	25 (1)	138 (1)	81 (1)	244
Decreases				
– revaluation of guarantees	18	-	-	18
– coverage of charges deriving from legal disputes and other	-	33	-	33
– utilized to cover long-service bonuses to employees, other indemnities and surplus	-	-	248	248
– reclassification	-	242 (2)	-	242
– other	12	83	14	109
Closing balance	144	1,061	563	1,768

*(1) Including the balance of the former Cardine Group and Banka Koper as of 1/1/2002.**(2) This caption refers to the reclassification of a portion of "Provisions for risks and charges" from the former Banco di Napoli to "reserve for other personnel costs" made on the merger by incorporation into SANPAOLO IMI S.p.A., in order to reorganize the accounting books.*

Provisions for "guarantees and commitments", for 144 million euro, cover expected losses in respect of guarantees and, more generally, the contingencies associated with the Group's guarantees and commitments.

Provisions for "other risks and charges" amounting to 1,061 million euro, include:

- 735 million euro from the Parent Bank, of which:
 - 167 million euro, provisions against potential charges deriving from the possible renegotiation of mortgage loans to a specific reserve calculated on the basis of the parameters that are currently available;
 - 380 million euro to cover estimated losses on legal disputes and, more specifically, on claims from bankruptcy liquidators;
 - 188 million euro to cover both potential charges relating to guarantees given on the sale of equity investments and other extraordinary transactions, as well as other potential liabilities;
- bank networks of the Cardine Finanziaria Group for 55 million euro;
- the tax collection services of the Group (24 million euro) to cover specific risks in the sector and restructuring charges;
- other subsidiaries for 247 million euro, mainly due to risks, also of a commercial or operational nature, connected with the distribution of and dealing in financial products.

Provisions for "other personnel costs", of 563 million euro, include:

- 506 million euro from the Parent Bank, of which:
 - 263 million euro provisions made by the former Banco di Napoli for staff leaving incentives;
 - 118 million euro relating to provisions made, on the basis of independent actuarial appraisals, to cover the technical deficit of the Supplementary Pension Fund of the Parent Bank, an independent entity, which integrates the compulsory pension fund;
 - 51 million euro accrued against potential liabilities deriving mainly from employee bonuses and incentives, the payment of which is at the discretion of the Parent Bank and also against stock incentive plans in favor of employees;
 - 45 million euro provisions made by the former Banco di Napoli for supplementary pensions;

- 17 million euro provisions to the technical reserve, determined on the basis of mathematical and actuarial criteria, needed to cover long-service bonuses to employees;
 - 12 million euro provisions made to the technical reserve – Law 336/70, to cover accidents to staff and other minor potential liabilities;
- other subsidiaries for 57 million euro, of which 36 million euro refer to bank networks of the Cardine Finanziaria Group.

Information as per Consob Communication 1011405 dated 15 February 2001.

Low-interest building mortgage loans

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

As no “threshold rate” is set for low-interest mortgages, subsection 62 of art. 145 of Law 388 dated 23 December 2000 (Budget Law 2001) clarifies that the renegotiation rate is to be considered as “the average global rate for building mortgage loans being amortized”, assigning the individuation of the transactions within which to carry out the observations to determine the renegotiation rate to a subsequent regulation. To this end, with the Decree dated 4 April 2001, the Treasury set up the new consistent category of low-interest loans being amortized and the Bank of Italy issued the correlated methodological notes for the observation of average rates for the sector concerned to the whole system.

The observation activity was concluded some time ago, but the regulation has still to be completed with the issue of a Ministerial Decree to establish the renegotiation rate. Subsection 2-sexies of article 3 of Law 265 dated 22 November 2002 (converted from Law Decree 209 dated 24 September 2002) has established 31 March 2003 as the date by which such provision must be adopted, in application of that stated in subsection 62 of article 145 of Law 388/2000.

While the Bank reserves the right to evaluate whether or not to continue the appeals, which were disregarded in the first degree by the Lazio Regional Administration Court, through Ministerial Decree 110/2000, the potential charge deriving from the renegotiation has been determined on the basis of prudent criteria, at 189 million euro (162 million euro refer to the Parent Bank), of which 149 million euro refer to the period 1 July 1999 to 31 December 2001 (127 million euro for the Parent Bank) and 40 million euro refer to the year 2002 (35 million euro for the Parent Bank) and is covered sufficiently by specific accruals to provisions for other risks and charges. In the years following 2002, the negative impacts on the statement of income will be gradually reduced because of the expiry of current mortgage loans.

Low-interest agricultural mortgage loans

The provisions of art. 128 of Law 388/2000 (Budget Law 2001) have introduced the faculty for borrowers to renegotiate the loan installments still to expire at current, more favorable rates fixed for low-interest transactions. Renegotiation is subject to an implementation Ministerial Decree which has still not been issued, but which must be adopted, even in this case, by 31 March 2003, as per the aforementioned provision introduced by aforementioned subsection 2-sexies of art. 3 of Law 265 dated 22 November 2002 (converted from Law Decree 209 dated 24 September 2002). Considering the precise reference to the “loan installments still to expire” contained in Law 388/2000 and the consequent possibility to activate renegotiation exclusively for the future, no provisions have been made.

Fixed-rate unsubsidized mortgage loans (usury):

In compliance with the provisions of Law 24/2001, (converted from Decree Law 394/2000, containing the authentic interpretation of Law 108/1996) and with the subsequent Constitutional Court Sentence 29 dated 25/02/2002, SANPAOLO IMI

concluded adjusting all mortgages covered by these provisions to the “replacement” rate of 9.96%. An interest rate of 8% was applied instead for those borrowers who presented self-certification declaring their right to such reduction (the original capital of the loan not being more than 150 million Italian Lira, granted to first-time buyers of non-luxury homes).

The provisions for other risks and charges still include a residual accrual of 5 million euro (wholly referring to the Parent Bank) to cover further requests to reduce interest rates to 8% not yet received or not yet documented by borrowers possessing the legal requirements to benefit from such rates.

Anatocism

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

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

Therefore, since April 2000, capitalization of half-yearly interest is considered legitimate and the dispute on this matter refers only to those contracts signed before that date: it should be noted that, despite the fact that the Supreme court has repeatedly confirmed the invalidity of the capitalization clauses, many judges of merit have distanced themselves from the sentence, continuing to consider it legitimate, thus the jurisprudence is still being debated.

As of 31 December 2002, the trend in the dispute shows a slight increase and is subject to careful monitoring: the numeric increase on the previous year is mainly because of the integration of the former Banco di Napoli and the problems relating to disputes following the merger with Sanpaolo IMI. The risks relating to the disputes in question correspond to the prudent accruals made to the Provisions for Other Risks and Charges which are proportionate to the total of each legal request. Where the introductory measures do not quantify the demand and until an accounting opinion has been expressed on the issue, the risk involved is covered by an accrual of 35 million euro destined to hedge disputes of an undetermined amount and of an uncertain outcome.

Reserve for possible loan losses (caption 90)

Changes during the year in “reserves for possible loan losses” (Table 7.2 B.I.)

(€/mil)

A. Opening balance	41
B. Increases	
B1. provisions	27
B2. other changes	43
C. Decreases	
C1. utilization	37
C2. other changes	3
D. Closing balance	71

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

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

This section comments on the following balance sheet captions:

	31/12/02 (€/mil)	31/12/01 (€/mil)	31/12/01 pro forma (€/mil)
Shareholders' equity			
– capital (caption 150)	5,144	3,932	n.a.
– additional paid-in capital (caption 160)	708	22	n.a.
– reserves (caption 170)			
– legal reserve	1,029	793	n.a.
– reserve for own shares	31	304	n.a.
– other reserves	2,610	1,739	n.a.
– revaluation reserves (caption 180)	18	9	n.a.
– reserve for general banking risks (caption 100)	14	356	n.a.
– negative goodwill arising on consolidation (caption 120)	-	-	-
– negative goodwill arising on application of the equity method (caption 130)	94	118	118
Total Group capital and reserves	9,648	7,273	9,557
– net income (caption 200)	889	1,203	1,376
Total Group shareholders' equity	10,537	8,476	10,933
Own shares (asset caption 140)	31	304	28
of which: own shares held by the Parent Bank (*)	-	294	-
Minority interest (caption 140)	334	698	793
Subordinated liabilities (caption 110)	6,613	5,607	5,829

(*) In the reclassified consolidated financial statements, the own shares of the Parent Bank are shown as an adjustment to the consolidated shareholders' equity; while the other own shares are included in the dealing securities portfolio.

Group shareholders' equity

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

The capital, additional paid-in capital and the legal reserve coincide with the corresponding captions of the shareholders' equity of the Parent Bank. "Other reserves" includes the Parent Bank's remaining reserves and changes at Group level in the equity of the companies included in the consolidation. In particular, the Parent Bank net equity entries are coherent with the board resolutions made within the scope of the approval of the financial statements, at the extraordinary meeting for the increase in Legal reserve and at the ordinary meeting for the allocation of merger goodwill generated by the merger of Cardine Bank.

As of 31 December 2002, "Share capital" amounts to 5,144,064,800 euro and is composed of 1,448,831,982 ordinary shares and 388,334,018 preference shares, both with a nominal value of 2.8 euro each.

In fact, the merger of Cardine Banca with SANPAOLO IMI, stipulated on 24 May 2002 and with legal effect as of 1 June 2002, involved the exchange of 267,821,000 shares in Cardine Banca against 480,738,695 shares in SANPAOLO IMI. The exchange was made by:

- issuing 432,724,886 ordinary shares with a nominal unitary value of 2.8 euro;
- the use of 48,013,809 own shares held by SANPAOLO IMI as of 1 June 2002.

As a result of the merger, Compagnia di Sanpaolo, Fondazioni di Padova e Rovigo and Fondazione di Bologna availed themselves of the right, in accordance with Law 461/98 and D.Lgs. 153/99, to request conversion of the ordinary shares held by them into preference shares, for the part in excess of 15% of the total ordinary share capital held. As a consequence 388,334,018 ordinary shares were converted into preference shares at par.

The “Reserve for own shares” has been set up by certain subsidiaries to cover the SANPAOLO IMI shares in portfolio and is offset against the balance sheet asset caption 140 “Own shares or quotas”.

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

Reserve for general banking risks (liability caption 100)

After utilization in the year, as described in Part C, Section 5, the “Reserve for general banking risks” reflects the 14 million euro reserve accrued by certain subsidiaries.

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

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

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

	31/12/02 (€/mil)	31/12/01 (€/mil)
Negative goodwill arising on first-time consolidation:		
- line-by-line		
- former IMI Group	952	952
- former Cardine Group	241	-
- using the equity method		
- former IMI Group	75	75
- former Cardine Group	58	-
Total	1,326	1,027
Goodwill arising on first-time consolidation:		
- line-by-line		
- former Banco di Napoli Group	-854	-854
- former Cardine Group	-296	-
- using the equity method		
- Cassa di Risparmio di Firenze	-173	-173
- former Cardine Group	-3	-
Total	-1,326	-1,027

The balance of caption 130 “Negative goodwill arising on application of the equity method”, for 94 million euro, represents the Group's interest in the increase in shareholder's equity of investments valued using the equity method and recorded after first time consolidation. The amount refers mainly to companies operating in the insurance sector.

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

Own shares (asset caption 140)

Own shares held in portfolio are represented by securities of the Parent Bank held by itself and by other Group companies.

Transactions in own shares carried out by the Parent Bank in 2002 involved the individual portfolios in which these shares are classified according to their finalities.

As regards the portfolio valued at cost, being related to shares considered as fixed and used to conclude strategic transactions, in 2002 SANPAOLO IMI purchased 33,652,015 shares (nominal value 94 million euro) for a total cost of 404 million euro. The shares held in portfolio after these acquisitions, totaling 50,732,418 (142 million euro nominal value), were exchanged with the shareholders of the former Cardine Banca (48,013,809 shares) and with the shareholders of the former Banco di Napoli (2,718,608 shares) within the scope of the respective merger operations; as of 31 December 2002 there remains one own share in portfolio with a nominal value of 2.8 euro and a book value of 7.4 euro.

With reference to the portfolio valued at market value and destined for share incentive or stock option plans, in 2002 the Bank implemented a share incentive plan in favor of employees, which assigned to those entitled and who applied, a number of own shares in relation to the bonus due to each employee. On the basis of applications received, in June the Bank purchased 1,926,023 shares (nominal value 5.4 million euro) for a cost of 19.3 million euro and assigned to employees 1,912,373 shares (nominal value 5.4 million euro) for a cost of 18.6 million euro. The remaining 13,650 shares, for a book value of approximately 137,000 euro, were sold on the market at the beginning of July for approximately 135,000 euro.

Lastly, as regards subsidiaries, as of 31 December 2002, these held 4,940,750 SANPAOLO IMI S.p.A. shares for negotiation purposes and were therefore carried at a market value of 31 million euro.

Minority interests (liability caption 140)

As of 31 December 2002, the portion of “Minority interests” amounting to 334 million euro essentially relates to the quota attributable to minority shareholders in Banca Fideuram and Banca Popolare dell'Adriatico.

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

Regulatory capital

In compliance with the instructions issued by the Bank of Italy in respect of clear disclosure, the composition of regulatory capital and an analysis of the prudent supervisory requirements are given in the table below. The final estimates will be submitted to the Bank of Italy following approval of these financial statements.

Category / Value	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
A. Regulatory capital			
A.1 Tier 1 capital	9,765	7,656	+27.5
A.2 Tier 2 capital	4,406	3,552	+24.0
A.3 Items to be deducted	-470	-1,740	-73.0
A.4 Regulatory capital	13,701	9,468	+44.7
B. Minimum regulatory requirements			
B.1 Credit risk	9,886	7,771	+27.2
B.2 Market risk	767	642	+19.5
<i>of which:</i>			
- risks on dealing portfolio	756	595	+27.1
- exchange risks	11	47	-76.6
- concentration risks	-	-	n.s.
B.2.1 Tier 3 subordinated loans	589	610	-3.4
B.3 Other minimum requirements	44	43	+2.3
B.4 Total minimum requirements	10,697	8,456	+26.5
C. Risk assets and capital adequacy-ratios			
C.1 Risk-weighted assets (*)	133,713	105,700	+26.5
C.2 Tier 1 capital / Risk weighted assets	7.3%	7.2%	
C.3 Regulatory capital / Risk weighted assets (**)	10.7%	9.5%	

(*) Total minimum requirements multiplied by the recovery of the minimum compulsory ratio for lending risks (12.5).

(**) On the basis of Bank of Italy letter no. 10155 dated 3 August 2001, in order to compute the Total Risk ratio, Tier 3 subordinated loans are considered a component of total capital.

Subordinated liabilities (liability caption 110)

Loan	Amount in the financial statements as of 31/12/02 (€/mil)	Amount in original currency (millions)	Interest rate	Issue date	Maturity date	Amount in the financial statements as of 31/12/01 (€/mil)
Preferred Securities in euro	1,000	1,000	8.126% (a)	10-11-2000	(b)	1,000
<i>Total innovative capital instruments (Tier 1)</i>	<i>1,000</i>					<i>1,000</i>
Notes in US dollars	158	165	floating	12-07-1993	30-07-2003	188
Notes in US dollars	85	89	floating	24-09-1993	24-09-2003	101
Notes in US dollars	90	94	floating	30-11-1993	30-11-2005	107
Notes in Canadian dollars	91	151	floating	10-11-1993	10-11-2003	107
Notes in euro	356	362	floating	30-06-1994	30-06-2004	356
Notes in euro	-	-	floating	30-12-1996	20-01-2002	27
Subordinated loan in Italian lire	13	25,000	5.10%	1-06-1998	1-06-2003	26
Subordinated loan in Italian lire	31	60,000	5.30%	1-01-1998	1-01-2003	62
Subordinated loan in Italian lire	29	56,000	floating	1-02-1998	1-02-2003	57
Subordinated loan in euro	500	500	6.38%	6-04-2000	6-04-2010	500
Subordinated loan in euro	350	350	floating	6-04-2000	6-04-2010	350
Subordinated loan in euro	997	1,000	floating	27-09-2000	27-09-2010	1,000
Subordinated loan in euro	300	300	5.55%	31-07-2001	31-07-2008	300
Subordinated loan in euro	191	200	5.16%	2-10-2001	2-10-2008	200
Subordinated loan in euro	499	500	floating	28-06-2002	28-06-2012	-
Subordinated loan in euro	53	54	4.90% (c)	15-07-2002	15-07-2012	-
Subordinated loan in euro	147	147	4.32% (d)	4-12-2002	4-12-2012	-
Subordinated loan in euro	297	300	5.38%	13-12-2002	13-12-2012	-
Subordinated loan in US dollars	95	100	floating	15-09-1993	15-09-2003	113
Notes in euro	148	150	5.75%	15-09-1999	15-09-2009	146
Notes in Italian lire	12	25,635	floating	15-10-1993	15-10-2003	25
Notes in Italian lire	6	12,650	floating	15-06-1993	15-06-2003	17
Subordinated loan in Italian lire	209	404,115	floating	30-06-1997	1-08-2004	-
Subordinated loan in euro	199	200	floating	1-10-1999	1-10-2009	200
Subordinated loan in euro	150	150	floating	12-10-1999	12-10-2009	106
Subordinated loan in euro	8	8	floating	22-12-2000	22-12-2010	8
Subordinated loan in euro	9	12	1.00%	27-04-2001	27-04-2006	-
Subordinated loan in euro	1	1	floating	20-09-2001	20-09-2006	1
<i>Total subordinated liabilities (Tier 2)</i>	<i>5,024</i>					<i>3,997</i>
Subordinated loan in euro	440	466	5.55%	3-10-2000	3-04-2003	460
Subordinated loan in euro	149	150	floating	6-11-2000	6-05-2003	150
<i>Total Tier 3 subordinated liabilities</i>	<i>589</i>					<i>610</i>
Total	6,613					5,607

(a) The remuneration of the preferred securities is fixed at 8.126% up to 10 November 2010. After that date, a floating coupon will be paid at 12 months Euribor increased by 350 b.p..

(b) The securities cannot be redeemed. Only SANPAOLO IMI has the right to redeem these Notes, totally or partially, and this right can be exercised after November 10, 2010.

(c) Remuneration is paid on presentation of half-yearly coupons with a fixed rate of 2.45% for the first five years. Then, a floating coupon will be paid.

(d) Remuneration is paid on presentation of half-yearly coupons with a fixed rate of 2.16% for the first five years. Then, a floating coupon will be paid.

During the year, the Parent Bank issued new subordinated loans for 1,001 million euro in the form of Tier 2 subordinated loans to support the Group's investment initiatives.

It should be noted that subordinated liabilities not included in the calculation of regulatory capital amount to 676 million euro, excluding Tier 3 subordinated loans.

Preferred Securities, which are attributable to Tier 1 capital, satisfy the following requirements:

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

Contractually, subordinated loans included in Tier 2 may not be redeemed prior to maturity, nor converted into capital or any other type of liability. In particular, such contracts provide that:

- early redemption can only take place on the issuer's initiative and with Bank of Italy authorization;
- the duration exceeds 5 years;
- in the event that the issuer is put into liquidation, the loan can only be reimbursed once all other creditors, not similarly subordinated, have been satisfied.

Tier 3 subordinated loans, issued to cover market risks, meet the following conditions:

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

Other information on subordinated liabilities

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

SECTION 9 - OTHER LIABILITIES

Liability captions 50 and 60 comprise the following:

	31/12/02 (€/mil)	31/12/01 (€/mil)	31/12/01 pro forma (€/mil)
Other liabilities (caption 50)	18,807	15,590	17,658
Accrued expenses and deferred income (caption 60)	2,164	2,162	2,651
Total	20,971	17,752	20,309

Other liabilities (caption 50)

Analysis of caption 50 "other liabilities" (Table 9.1 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
Valuation of derivatives on interest rates and stockmarket indices	5,941	3,846	+54.5
Unprocessed transactions	2,685	2,266	+18.5
Counterparty of valuations of foreign currency derivative contracts	1,168	1,874	-37.7
Amounts available for third parties	1,878	1,755	+7.0
Tax payments accounts	587	1,019	-42.4
Amounts in transit with branches and subsidiaries	2,373	803	+195.5
Other items derivative contracts	700	700	-
Non-liquid balances from portfolio transactions	606	374	+62.0
Due to tax authorities	375	274	+36.9
Premiums collected on options sold	385	259	+48.6
Amounts due to employees	237	170	+39.4
Deposits guaranteeing agricultural and construction loans	36	33	+9.1
Items relating to securities transactions	2	31	-93.5
Transactions by foreign branches	15	17	-11.8
Amounts payable due to settlement value date	12	9	+33.3
Other	1,807	2,160	-16.3
Total	18,807	15,590	+20.6

Accrued expenses and deferred income (caption 60)*Analysis of caption 60 "accrued expenses and deferred income" (Table 9.2 B.I.)*

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
Accrued expenses			
– interest on securities issued	734	693	+5.9
– charges on derivative contracts	600	681	-11.9
– interest on amounts due to banks	116	162	-28.4
– payroll and other operating costs	35	124	-71.8
– interest on amounts due to customers	104	102	+2.0
– other	33	49	-32.7
Deferred income			
– income from derivative contracts	132	139	-5.0
– interest on discounted notes	51	47	+8.5
– other	359	165	+117.6
Total	2,164	2,162	+0.1

SECTION 10 - GUARANTEES AND COMMITMENTS

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

	31/12/02 (€/mil)	31/12/01 (€/mil)	31/12/01 pro forma (€/mil)
Guarantees (caption 10)	20,483	16,016	17,833
Commitments (caption 20)	27,574	24,839	26,424
Total	48,057	40,855	44,257

“Guarantees granted to third parties” are comprised as follows:

Analysis of caption 10 “guarantees given” (Table 10.1 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
a) Commercial guarantees	13,396	9,907	+35.2
a) Financial guarantees	6,999	5,984	+17.0
c) Assets lodged in guarantee	88	125	-29.6
Total	20,483	16,016	+27.9

“Commitments” at the end of the year are:

Analysis of caption 20 “commitments” (Table 10.2 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
a) Commitments to grant finance (certain to be called on)	7,753	8,794	-11.8
b) Commitments to grant finance (not certain to be called on)	19,821	16,045	+23.5
Total	27,574	24,839	+11.0

The commitments undertaken are detailed below:

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
Purchase of securities not yet settled	4,175	3,631	+15.0
Commitments for derivatives on loans	984	844	+16.6
Other commitments certain to be called on	140	1,999	-93.0
Undrawn lines of credit granted	11,814	11,641	+1.5
Put options issued	1,350	682	+97.9
Mortgage loans and leasing contracts to be disbursed	6,422	3,631	+76.9
Deposits and loans to be made	1,577	1,826	-13.6
Membership of Interbank Deposit Guarantee Fund	142	107	+32.7
Other commitments not certain to be called on	970	478	+102.9
Total	27,574	24,839	+11.0

Assets lodged to guarantee the Group's liabilities

(Table 10.3 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
Portfolio securities lodged with third parties to guarantee repurchase agreements	7,318	7,781	-6.0
Securities lodged with the clearing-house for transactions on the derivatives market	23	30	-23.3
Securities lodged with central banks to guarantee advances	146	534	-72.7
Securities lodged with the Bank of Italy to guarantee bankers' drafts	123	143	-14.0
Other settled securities	545	666	-18.2
Total	8,155	9,154	-10.9

Unused lines of credit

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

(Table 10.4 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
a) Central banks	44	54	-18.5
b) Other banks	250	215	+16.3
Total	294	269	+9.3

Forward transactions

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

(Table 10.5 B.I.)

(€/mil)

	Hedging transactions	Dealing transactions (*)	Other transactions	Total
1. Purchase/sale of				
1.1 Securities				
– purchases	-	4,175	-	4,175
– sales	-	2,311	-	2,311
1.1 Currency				
– currency against currency	1,701	1,556	-	3,257
– purchases against euro	8,340	4,505	-	12,845
– sales against euro	6,165	3,024	-	9,189
2. Deposits and loans				
– to be disbursed	-	-	1,865	1,865
– to be received	-	-	3,290	3,290
3. Derivative contracts				
3.1 With exchange of capital				
a) securities				
– purchases	-	3,611	397	4,008
– sales	-	6,865	8	6,873
b) currency				
– currency against currency	228	227	-	455
– purchases against euro	2,427	1,749	-	4,176
– sales against euro	701	1,856	-	2,557
c) other instruments				
– purchases	-	-	-	-
– sales	-	-	-	-
3.2 Without exchange of capital				
a) currency				
– currency against currency	17	47	-	64
– purchases against euro	23	11	22	56
– sales against euro	-	-	12	12
b) other instruments (**)				
– purchases	42,292	117,393	125	159,810
– sales	19,578	126,708	4,656	150,942
Total	81,472	274,038	10,375	365,885

(*) They also include hedging derivatives belonging to the dealing portfolio for 4,670 million euro.

(**) They include basis swaps for 14,101 million euro and other derivatives with index exchanges for 18 million euro both in purchases and sales.

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

“Hedging” derivatives refer mainly to transactions to cover interest and/or exchange rate risks on funding and/or lending activities. These mainly reflect the activities of the Parent Bank and its subsidiaries operating in the loans sector.

“Other transactions” principally refer to some types of derivative contracts included under structured financial instruments.

Derivative contracts included under structured financial instruments amount to 6,042 million euro, at nominal value.

At year end the potential net loss on the aggregate value of derivative hedging contracts entered into by Group companies and included in the columns “hedging” and “other transactions” was calculated at 566 million euro. In compliance with accounting policies, this amount was not recorded in the financial statements since the purpose of the derivative contracts in question is to hedge interest, market and exchange rate risks with regard to funding activities (particularly collection transactions made through issuing bonds with a structured yield) and/or lending and investment activities. The above-mentioned contracts are, in fact, recorded on a consistent basis with those adopted for hedging transactions, by recording accruals in relation to the differential of the interest and/or exchange rate maturing at the date of the financial statements.

Financial information relating to derivative contracts and forward currency purchase/sale transactions

This section offers supplementary information on operations in derivative contracts according to the standards established by the Basel Committee on Banking Supervision and the International Organization of Securities Commissions (IOSCO).

The table below shows the notional nominal capital, by type, of purchase/sale of currency and derivative contracts on interest rates, exchange rates and stockmarket index.

Notional amounts	(€/mil)				
	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total
OTC trading contracts					
- Forward (a)	2,026	4,005	-	-	6,031
- Swap (b)	192,570	674	-	-	193,244
- Options purchased	15,943	1,399	3,654	-	20,996
- Options sold	15,876	1,491	6,936	-	24,303
- Other	2,040	325	71	-	2,436
Exchange traded contracts					
- Futures purchased	336	-	57	-	393
- Futures sold	1,983	-	122	-	2,105
- Options purchased	385	-	633	-	1,018
- Options sold	1,064	-	549	-	1,613
- Other	-	-	-	-	-
Total trading contracts	232,223	7,894	12,022	-	252,139
Total non-trading contracts	54,880	18,693	8,389	-	81,962
Total contracts (c)	287,103	26,587	20,411	-	334,101
- including OTC contracts	283,336	26,587	19,050	-	328,973

(a) The caption includes the F.R.A. contracts and forward currency purchase/sale transactions.

(b) The caption mainly includes the I.R.S., C.I.R.S. contracts and basis swaps.

(c) Includes basis swaps for 14,101 million euro, and other derivatives with index exchanges for 18 million euro, and does not include forward transactions on currency with an original duration of less than 2 days, amounting on the whole to 6,024 million euro.

The table below shows the residual duration of the above unquoted OTC transactions:

<i>Residual maturity of notional amounts underlying OTC derivative contracts</i>				(€/mil)
	Up to 12 months	Between 1 and 5 years	Beyond 5 years	Total
Interest rate related	104,142	113,354	65,840	283,336
Exchange rate related	22,711	3,651	225	26,587
Stockmarket index related	1,689	15,549	1,812	19,050
Other contracts	-	-	-	-

The table below reports the credit risk equivalent relating to unquoted OTC contracts, broken down into their various components: positive market value and add on.

<i>Notional amounts, market values and similar add on</i>					(€/mil)
	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total
Notional amounts	283,336	26,587	19,050	-	328,973
A. Market value of OTC trading contracts					
A.1 positive market value	5,415	219	329	-	5,963
A.2 negative market value	-5,400	-139	-243	-	-5,782
B. Add on	1,196	82	282	-	1,560
C. Market value of OTC non-trading contracts					
C.1 positive market value	889	348	508	-	1,745
C.2 negative market value	-1,150	-588	-175	-	-1,913
D. Add on	186	323	305	-	814
Credit risk equivalent (A.1+B+C.1+D)	7,686	972	1,424	-	10,082

Market values of hedging and dealing transactions arranged with third parties have been calculated using the criteria established by the Bank of Italy to determine the solvency ratio. The market values identified in the table above derive from the application of the aforementioned criteria which provide for inclusion in the calculation of the market value of accrued income and expenses currently maturing as well as the result deriving from the current rate revaluation of the principal amount of cross-currency interest rate swaps to be exchanged at maturity.

Lastly, the table below shows the breakdown of credit risk equivalent on unquoted contracts by type of counterparty.

<i>Credit quality of OTC derivative contracts, by counterparty</i>			(€/mil)
	Positive market value	Add on	Credit risk equivalent (a) (current value)
Governments and central banks	-	-	-
Banks	6,036	1,969	8,005
Other operators	1,672	405	2,077
Total	7,708	2,374	10,082

(a) The credit risk equivalent reported in this table includes transactions with an original life not exceeding 14 days.

The aforementioned transactions are not normally covered by real nor personal guarantees thus, the exercise of a put option on equity securities, purchased during the year, is guaranteed by top ranking banks (329 million euro). There have been no losses on loans for derivatives during the year, and there are no outstanding derivative contracts waived, but not settled.

The inherent risks of derivative contracts entered into by Group companies, including those “hedging contracts” whose current value is not shown in the financial statements, are subject to monitoring within the context of the complete system of risk management and control set up by the Group.

A description of the organizational model and the results of monitoring the evolution of risks for 2002 is reported in the appropriate section of the Report on Group Operations (“Risk management and control”).

Derivative contracts on loans

Transactions in derivatives on loans carried out by the Group as of 31 December 2002, are analyzed below:

(Table 10.6 B.I.)

Categories of operations	Negotiation	Other transactions	(€/mil) Total
1. Hedging purchases			
1.1 With exchange of capital			
– credit default swap	90	375	465
1.2 Without exchange of capital			
– credit default swap	-	173	173
2. Hedging sales			
2.1 With exchange of capital			
– credit default swap	146	654	800
– credit linked note	-	135	135
2.2 Without exchange of capital			
– credit default swap	-	49	49
Total	236	1,386	1,622

Other information relating to guarantees

The classification of guarantees given by category of counterparty is provided in Part B - Section 11 of these notes, while forward transactions related to dealing on behalf of third parties are described in Part B - Section 12.

SECTION 11 - CONCENTRATION AND DISTRIBUTION OF ASSETS AND LIABILITIES

Significant exposures

The table below shows the positions defined as “Significant exposures” by the Bank of Italy in compliance with EC guidelines. For this purpose, positions are considered significant if the total exposure to a single client (or group of companies) on a consolidated basis is equal to or greater than 10% of the Group's regulatory capital. Exposure is calculated using a system of weighting positions exposed to lending risk, which takes into account the nature of the counterparty and the guarantees received.

(Table 11.1 B.I.)

	31/12/02
a) Amount (€/mil)	11,448
b) Number	6

Distribution of loans to customers, by category of borrower

Loans to customers are distributed by main category of borrower as follows:

(Table 11.2 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
a) Governments	7,237	5,342	+35.5
b) Other public entities	6,244	7,193	-13.2
c) Non-financial businesses	68,214	51,737	+31.8
d) Financial institutions	13,985	13,669	+2.3
e) Family businesses	5,466	3,240	+68.7
f) Other operators	25,555	15,875	+61.0
Total	126,701	97,056	+30.5

Distribution of loans to resident non-financial and family businesses

The distribution of loans to non-financial and family businesses resident in Italy is detailed below, by sector to which the borrower belongs:

(Table 11.3 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
a) Other services for sale	10,535	6,583	+60.0
b) Commerce, salvage and repairs	9,553	6,099	+56.6
c) Construction and public works	6,558	3,832	+71.1
d) Energy products	5,642	4,768	+18.3
e) Transport	3,102	2,682	+15.7
f) Other sectors	29,280	20,062	+45.9
Total	64,670	44,026	+46.9

Distribution of guarantees issued, by category of counterparty

Guarantees given by the Group are classified by category of counterparty as follows:

(Table 11.4 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
a) Governments	1	23	-95.7
b) Other public entities	84	27	n.s.
c) Banks	812	975	-16.7
d) Non-financial businesses	17,217	13,090	+31.5
e) Financial institutions	1,307	1,421	-8.0
f) Family businesses	163	114	+43.0
g) Other operators	899	366	+145.6
Total	20,483	16,016	+27.9

Geographical distribution of assets and liabilities

The geographical distribution of the Group's assets and liabilities is detailed below, by reference to the countries of residence of the counterparties concerned:

(Table 11.5 B.I.)

	31/12/02 (€/mil)				31/12/01 (€/mil)			
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total
1. Assets								
1.1 due from banks	5,129	14,562	2,309	22,000	8,717	11,207	1,647	21,571
1.2 loans to customers	111,808	9,488	5,405	126,701	80,618	10,122	6,316	97,056
1.3 securities	14,368	5,053	3,139	22,560	15,105	3,834	3,178	22,117
Total	131,305	29,103	10,853	171,261	104,440	25,163	11,141	140,744
2. Liabilities								
2.1 due to banks	5,989	9,509	8,958	24,456	6,774	12,645	8,503	27,922
2.2 due to customers	72,667	8,318	4,295	85,280	53,312	8,886	3,647	65,845
2.3 securities issued	36,872	10,923	3,766	51,561	25,151	10,529	5,159	40,839
2.4 other accounts	4,937	884	1,000	6,821	3,699	1,008	1,000	5,707
Total	120,465	29,634	18,019	168,118	88,936	33,068	18,309	140,313
3. Guarantees and commitments	31,109	8,195	8,753	48,057	21,201	8,078	11,576	40,855

Maturities of assets and liabilities

The residual maturities of assets and liabilities are detailed in the following table:

(Table 11.6 B.I.)

(Table 11.6 B.I.)									(€/mil)	
			Specified duration						Unspecified duration	Total
	On demand	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years		Beyond 5 years				
				Fixed rate	Indexed rate	Fixed rate	Indexed rate			
1. Assets										
1.1	Treasury bonds eligible for refinancing	3	310	1,091	737	494	328	180	-	3,143
1.2	due from banks	5,000	14,214	1,405	274	497	89	49	472	22,000
1.3	loans to customers	23,104	19,476	19,141	12,079	23,956	9,727	17,235	1,983	126,701
1.4	bonds and other debt securities	153	1,015	3,110	3,966	4,392	1,802	2,384	-	16,822
1.5	off-balance sheet transactions	27,523	93,430	79,508	65,489	3,340	33,786	966	-	304,042
Total assets		55,783	128,445	104,255	82,545	32,679	45,732	20,814	2,455	472,708
2. Liabilities										
2.1	due to banks	3,036	10,021	3,386	1,051	3,286	564	3,112	-	24,456
2.2	due to customers	61,357	19,231	3,086	742	137	458	269	-	85,280
2.3	securities issued:									
	– bonds	481	1,319	5,277	13,972	14,106	2,367	1,925	-	39,447
	– certificates of deposit	1,702	2,470	1,510	299	1,133	1	195	-	7,310
	– other	665	4,023	116	-	-	-	-	-	4,804
2.4	subordinated liabilities	-	60	1,050	9	656	2,435	2,403	-	6,613
2.5	off-balance sheet transactions	18,523	102,068	82,577	59,749	4,062	36,784	279	-	304,042
Total liabilities		85,764	139,192	97,002	75,822	23,380	42,609	8,183	-	471,952

Assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in currencies other than those of the euro-zone are broken down as follows.

(Table 11.7 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
a) Assets			
1. due from banks	3,936	3,094	+27.2
2. loans to customers	8,833	10,349	-14.6
3. securities	2,931	3,397	-13.7
4. equity investments	90	92	-2.2
5. other accounts	203	33	n.s.
Total assets	15,993	16,965	-5.7
b) Liabilities			
1. due to banks	7,658	10,551	-27.4
2. due to customers	6,543	7,310	-10.5
3. securities issued	6,551	9,573	-31.6
4. other accounts	519	616	-15.7
Total liabilities	21,271	28,050	-24.2

The “liquidity”, “rates” and “exchange” risks inherent in the distribution by expiry, type of rate and currency of Group assets, liabilities and forward transactions (of which the two tables above supply a simplified representation with reference to the precise situation at the end of the year), are subject to monitoring within the context of the complete system of risk management and control set up by the Group.

A description of the organizational model and the results of monitoring the evolution of risks for 2002 is reported in the appropriate section of the Report on Group Operations (“Risk management and control”).

Securitization transactions

Group securitization transactions

As of 31 December 2002 the SANPAOLO IMI Group has carried out the following securitization transactions:

- Sanpaolo Leasing S.p.A.* - In 1997 the subsidiary made a non-recourse assignment of performing loans under leasing contracts as per Law 52/91 for a total book value of 504 million euro. In 2002 revolving assignments were made against a securitization transaction for 33 million euro, in order to ensure the equivalence of the initial securitized assets to the securities issued up to the contract date set for repayment of the securities. This transaction was carried out in order to free part of the loan portfolio, generating sources of additional liquidity and, at the same time, helping to contain credit risk exposure. Junior securities are included in the investment securities portfolio at their original value of 50 million euro. Furthermore, these securities represent the financial tool for recognizing, during the transaction, the spread differential between cash flows generated by the portfolio of assigned loans and the securities issued (excess spread). The assigned portfolio is subject to continuous monitoring which consists of preparing a quarterly settlement report for the various entities involved (rating agencies, factoring companies, vehicle companies and trustees) with a detailed explanation of the state of the loans and of collections during the period. The servicer activity commits the company to the separate administration, management and collection of the portfolio originally assigned and of the loans subsequently due, as well as handling any recovery procedures. As of 31 December 2002 loans to be collected amounted to 59 million euro.
- Finconsumo Banca SpA.*¹ - The bank has two separate securitization programmes (Golden Bar I and Golden Bar II), represented by non-recourse assignments of performing consumer loans to families resident in Italy in accordance with Law 130/99 and through the Golden Bar (Securitization) s.r.l. vehicle, which is not at all connected to Finconsumo Banca. These transactions satisfy the need on the one hand to increase and diversify the access to loans, to support the growth in size and, on the other hand, to improve management of own capital from a regulatory point of view. The two programmes which involve the initial assignment of loans and subsequent revolving of assignments in order to ensure the equivalence of the securitized assets with the securities issued until the contract date set for amortization of the securities, provide the following:

 - a) for Golden Bar I the bank booked 362 million euro in 2000 by way of initial assignment and 388 million euro by way of revolving assignment (of which 196 million euro in 2002);
 - b) for Golden Bar II the bank booked 258 million euro in 2001 by way of initial assignment and 186 million euro by way of revolving assignment (of which 134 million euro in 2002).

The investment securities portfolio includes Junior securities arising from the two securitization transactions for 2 million euro and 1 million euro, respectively. These securities represent the financial tool for recognizing, during the transaction, the spread differential between cash flows generated by the loans assigned portfolio and the securities issued (excess spread). The securitization portfolios are subject to continuous monitoring which consists of preparing a quarterly settlement report for the various entities involved (rating agencies, vehicle companies and trustees). As of 31 December 2002 these two transactions still had loans to be collected for 317 million euro and 240 million euro, respectively. Furthermore, in 2002 Finconsumo Banca concluded a synthetic securitization transaction through the subscription of three derivative contracts on loans (*Credit Default Swaps*). In detail, the bank securitized an initial portfolio of performing loans for approximately 350 million euro, which will be later reintegrated quarterly, on the basis of receivables collected. The characteristics of this transaction, which has a duration of seven years and does not foresee any final period of amortization, ensure that on payment of a quarterly premium, Finconsumo Banca purchases protection in the form of an indemnity, in the event that there should be an extraordinary increase in the number of defaults on the securitization portfolio.
- Finemiro Banca S.p.A.* - The "Venere 1" securitization transaction, which involved the transfer in 1999 of receivables represented by installment loans for the purchase of consumer goods with at least 5 unpaid installments (problem loan) for a nominal value of 154 million euro, was concluded in December 2002 following the subsidiary's re-acquisition of the residual portion of the loan totaling 93 million euro, for the sum of 2 million euro.

¹ The company is subject to joint control (SANPAOLO IMI 50%). The information relating to the securitization transactions carried out by the company is provided for the whole amount, even if the impact on the consolidated financial statements of the SANPAOLO IMI Group is in proportion to its holding (50%).

Portfolio securities representing third party securitization transactions

The Group holds investment and dealing securities from third party securitizations, as shown in the following table:

Type of underlying activities	Credit quality				(€/mil)
		"Senior" securities	"Mezzanine" securities	"Junior" securities	Total
		book values			
Investment securities portfolio					
Building mortgage loans	Performing	2			2
Credit cards	Performing	47			47
Leasing	Performing	29			29
Securities	Performing			6	6
SACE loans to foreign public sector debtors	Performing	6			6
Health care receivable	Performing	3			3
Other loans	Performing	57	5		62
	Non-performing loans	3			3
		147	5	6	158
Dealing securities portfolio					
Building mortgage loans	Performing	6	4	1	11
	Non-performing loans	1	1		2
Commercial / industrial / agricultural mortgage loans	Performing	1			1
	Non-performing loans	2	4		6
Leasing	Performing	6			6
Health care receivable	Performing	6			6
Public real estate	Performing	126			126
Social security contributions	Performing	25			25
	Problem loans	6			6
Other loans	Performing	29	23		52
	Non-performing loans	2			2
		210	32	1	243
		357	37	7	401

The investment securities portfolio is shown net of adjustments in value totaling 30 million euro, of which 21 million euro were booked during the year.

SECTION 12 - ADMINISTRATION AND DEALING ON BEHALF OF THIRD PARTIES

Dealing in securities

Purchases and sales made during the year on behalf of third parties were as follows:

(Table 12.1 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
a) Purchases			
1. settled	118,222	113,763	+3.9
2. not settled	124	473	-73.8
Total purchases	118,346	114,236	+3.6
b) Sales			
1. settled	109,844	112,594	-2.4
2. not settled	122	542	-77.5
Total sales	109,966	113,136	-2.8

Purchase and sale transactions performed on behalf of third parties include, respectively, 334 million euro and 372 million euro for dealings in derivative contracts.

Portfolio management

The total market value of portfolios managed on behalf of customers is detailed below:

(Table 12.2 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
Portfolio management (1)	34,283	34,942	-1.9

(1) In accordance with specific Bank of Italy instructions, this information refers solely to personalized portfolio management on behalf of customers, excluding those offered by third parties and distributed by the Group.

Custody and administration of securities

The nominal value of securities held in custody and for administration, including those received as guarantees, is detailed below:

(Table 12.3 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
a) Third-party securities held on deposit	257,594	240,440	+7.1
b) Third-party securities deposited with third parties	175,659	156,178	+12.5
c) Portfolio securities deposited with third-parties (a)	21,703	21,304	+1.9

(a) Excluding securities deposited with third parties to secure repurchase agreements, already included in table "10.3 B.I. – Assets lodged to guarantee the Group's liabilities".

Collection of loans on behalf of third parties: debit and credit adjustments

The notes portfolio has been reclassified on the basis of the related settlement date, by recording the following adjustments:

(Table 12.4 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
a) Debit adjustments			
1. current accounts	681	588	+15.8
2. central portfolio	3,658	31	n.s.
3. cash	1,395	-	n.s.
4. other accounts	1,448	37	n.s.
b) Credit adjustments			
1. current accounts	616	40	n.s.
2. transferors of notes and documents	6,556	606	n.s.
3. other accounts	296	15	n.s.

Other transactions

Research and Development

Applied Research Reserve

Sanpaolo Imi manages transactions arising from applications received by 31 December 1999 out of the Applied Research Reserve. As of 31 December 2002, there are resolutions to be stipulated for 217.4 million euro, disbursements to be made for 827.2 million euro and loans for 708.7 million euro.

Reserve for Research Grants

Sanpaolo Imi continues to operate, in its capacity as authorized bank, for the evaluation and control of industrial research projects and researcher training schemes using the Reserve for Research Grants managed by the Ministry of Education, Universities and Research (MIUR). During 2002, 559 applications were received for research investment for 1,001.0 million euro and MIUR deliberated on financing of 457.5 million euro.

Reserve for Technological Innovation

As of November 2001, Sanpaolo Imi activated a co-operation with the Ministry for Productive Activities (MAP) for the management of development projects out of the Reserve for Technological Innovation. During 2002, 452 applications were received for development investment for 1,354.0 million euro and MAP deliberated on financing of 122.0 million euro.

During the year activities connected to the three reserves generated a total of 17.9 million euro commission from the Public Administration.

Guarantee Fund for small and medium-sized enterprises in Southern Italy Law 341/95

With the Convention stipulated between the Italian Treasury and the Bank on 21 December 1995, as approved and activated by Decree of the Director-General of the Treasury dated 5 January 1996, SANPAOLO IMI, in its capacity as Managing Body, has been granted the concession to this Fund established under Law 341/1995.

The purpose of Law 341/1995 is to promote rationalization of the financial situation of small and medium-sized enterprises in Southern Italy, as defined by EU parameters. This involves measures of various types, from interest-relief grants on loans designed to convert short-term bank borrowing into medium and long-term loans, to the granting of supplementary guarantees on investment loans, for the purchase of equity investments and for the debt consolidation described above.

As of 31 December 2002, there are 3,150 applications for 1,184 million euro, broken down as follows:

- 1,157 million euro relating to the consolidation of short-term debt (of which 1,156 million euro already being paid and 1 million euro waiting for the final documentation);
- 27 million euro for investment loans.

The management activities for this Ministry generated a total of 0.5 million euro commission.

Notes accepted after collection and taxation

The Group has received instructions to collect third-party receivables as part of its portfolio transactions. The nominal value of such receivables is 31,170 million euro.

Furthermore, through the subsidiaries ESABAN, Ge.ri.co., Sanpaolo Riscossioni Genova and Sanpaolo Riscossioni Prato, the Group manages the collection of tax rolls for 22,289 million euro.

Third-party portion of syndicated loans

The portion of syndicated loans arranged by the Parent Bank for third parties without a representation mandate totaled 671 million euro at year end (795 million euro as of 31 December 2001).

Portfolio management services rendered by third parties

The amount of portfolio management services rendered by third parties and offered to customers through Group companies as of 31 December 2002 amounted to 12,444 million euro broken down as follows: 5,883 million euro of mutual funds, 2,147 million euro of portfolio management funds, 387 million euro of stock portfolio management schemes and 4,027 million euro in insurance policies.

Part C - Information on the consolidated statement of income

SECTION 1 - INTEREST

Interest income and expense and similar revenues and charges, detailed below, are reported in captions 10 and 20 of the consolidated statement of income:

	31/12/02 (€/mil)	31/12/01 (€/mil)	31/12/01 pro forma (€/mil)
Interest income and similar revenues (caption 10)	8,693	8,016	10,451
Interest expenses and similar charges (caption 20)	4,955	5,326	6,590

Interest income and similar revenues (caption 10)

Analysis of caption 10 "interest income and similar revenues" (Table 1.1 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)
a) On amounts due from banks of which: – deposits with central banks	691 60	900 63
b) On loans to customers of which: – loans using public funds	6,936 -	5,999 -
c) On debt securities	995	1,026
d) Other interest income	71	91
e) Net differential on hedging transactions (*)	-	-
Total	8,693	8,016

(*) They represent the net effect of differentials on derivative hedging contracts.

Detail of caption 10 "interest income and similar revenues" (Table 1.3 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)
a) On assets denominated in foreign currency	309	506

"Interest income and similar revenues" on assets denominated in foreign currency relate to transactions denominated in currencies not included in the euro-zone.

Interest expense and similar charges (caption 20)*Analysis of caption 20 "interest expenses and similar charges" (Table 1.2 B.I.)*

	31/12/02 (€/mil)	31/12/01 (€/mil)
a) On amounts due to banks	1,029	1,428
b) On amounts due to customers	1,445	1,600
c) On securities issued (*)	1,945	1,961
<i>of which:</i>		
– certificates of deposit	221	336
d) On public funds administered	-	-
e) On subordinated liabilities	320	241
f) Net differential on hedging transactions (**)	216	96
Total	4,955	5,326

() Excluding interest on subordinated securities included at caption e).**(**) They represent the net effect of differentials on derivative hedging contracts.**Detail of caption 20 "interest expenses and similar charges" (Table 1.4 B.I.)*

	31/12/02 (€/mil)	31/12/01 (€/mil)
a) On liabilities denominated in foreign currency	403	921

"Interest expense and similar charges" on liabilities denominated in foreign currency relate to transactions denominated in currencies not included in the euro-zone.

SECTION 2 - COMMISSION

Commission income and expense, as detailed below, are reported in captions 40 and 50 of the consolidated statement of income:

	31/12/02 (€/mil)	31/12/01 (€/mil)	31/12/01 pro forma (€/mil)
Commission income (caption 40)	3,467	3,312	3,849
Commission expense (caption 50)	671	714	803

Commission income (caption 40)

Analysis of caption 40 "commission income" (Table 2.1 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)
a) Guarantees given	77	68
b) Derivative contracts on loans	10	3
c) Management, dealing and advisory services		
1. dealing in securities	129	131
2. dealing in currency	35	35
3. portfolio management:		
3.1 individual	229	196
3.2 collective	1,129	1,476
4. custody and administration of securities	66	60
5. custodian bank	121	138
6. placement of securities	13	59
7. acceptance of instructions	83	84
8. advisory services	23	38
9. third party service distribution:		
9.1 portfolio management:		
a) individual	23	12
b) collective	110	12
9.2 insurance products	159	137
9.3 other products	7	4
d) Collection and payment services	325	239
e) Servicing for securitization transactions	2	1
f) Tax collection services	122	83
g) Other services	804	536
Total	3,467	3,312

Subcaption “g) Other services” comprises, in particular:

	31/12/02 (€/mil)	31/12/01 (€/mil)
Loans granted	243	175
Deposits and current account overdrafts	297	215
Current accounts	141	82
Loan-arrangement activities	6	7
Other services	117	57
Total	804	536

Commission income by distribution channels is organized as follows:

Detail of caption 40 “commission income”: “Products and services distribution channels” Table 2.2 B.I.

	31/12/02 (€/mil)	31/12/01 (€/mil)
a) with own branches:		
1. portfolio management	933	1,028
2. placement of securities	1	43
3. other products and services	192	77
b) outside supply:		
1. portfolio management	425	644
2. placement of securities	12	16
3. other products and services	107	88

Commission expense (caption 50)*Analysis of caption 50 "commission expense" (Table 2.3 B.I.)*

	31/12/02 (€/mil)	31/12/01 (€/mil)
a) Guarantees received	14	7
b) Derivative contracts on loans	1	-
c) Management and dealing services:		
1. dealing in securities	36	34
2. dealing in currency	2	2
3. portfolio management:		
3.1 own portfolio	-	-
3.2 third party portfolio	71	102
4. custody and administration of securities	24	28
5. placement of securities	2	12
6. door-to-door sales of securities, financial products and services	319	430
d) Collection and payment services	98	65
e) Other services	104	34
Total	671	714

Subcaption "e) Other services" comprises, in particular:

	31/12/02 (€/mil)	31/12/01 (€/mil)
Loan-arrangement activities	65	12
Loans obtained	3	2
Intermediation on financing transactions	10	3
Other services	26	17
Total	104	34

SECTION 3 - PROFITS AND LOSSES FROM FINANCIAL TRANSACTIONS

Profits and losses from financial transactions, detailed below, are reported in caption 60 of the consolidated statement of income:

	31/12/02 (€/mil)	31/12/01 (€/mil)	31/12/01 pro forma (€/mil)
Profits (losses) on financial transactions (caption 60)	-98	105	121

Profits (losses) on financial transactions (caption 60)

Profits and losses in respect of the “official schedules” are analyzed as follows:

<i>Analysis of caption 60 “profits (losses) on financial transactions” (Table 3.1 B.I.)</i>				(€/mil)
	Security transactions	Currency transactions	Other transactions	Total
A1. Revaluations	414		1,796	2,210
A2. Writedowns	-243		-2,695	-2,938
B. Other profits and losses	-382	69	943	630
Total	-211	69	44	-98
<i>of which:</i>				
1. on government securities	74			
2. on other debt securities	70			
3. on equities	-544			
4. on security derivatives	189			

This mainly reflects one component of the brokerage activity normally carried out by the Group, the results of which are also reflected in the captions relating to interest and dividends. The main result is outlined in the net interest and other banking income of the Wealth Management and Financial Markets business sector – Banca Imi in the Report on Operations.

The reconciliation with the “Profits and losses from financial transactions and dividends on shares” caption of the reclassified statement of income, reported in the Report on Operations, is detailed below:

<i>Reconciliation of caption 60 “Profits (losses) on financial transactions” with the reclassified statement of income</i>		(€/mil)
Profits (losses) on financial transactions (caption 60)		-98
Reclassification from interest income and expense of the negative margin of Investment Banking (1)		-35
Reclassification to “Provisions and net adjustments to loans and financial fixed assets” of the losses on securities arising from loan recovery transactions		9
Reclassification from the dividends on dealing shares caption		410
Caption of the reclassified statement of income “Profits and losses from financial transactions and dividends on shares”		286

(1) The reclassification refers to the interest income relating to the Banca IMI Group which, in the interest of a better representation of Group results, is shown under the “profits and losses from financial transactions and dividends on shares” caption, being closely connected, from an operating point of view, with the result of the stock broking activities.

SECTION 4 - ADMINISTRATIVE COSTS

Administrative costs, detailed below, are reported in caption 80 of the consolidated statement of income:

	31/12/02 (€/mil)	31/12/01 (€/mil)	31/12/01 pro forma (€/mil)
Personnel costs (caption 80.a)	2,856	2,221	2,862
Other administrative costs (caption 80.b)	1,792	1,379	1,785
Total	4,648	3,600	4,647

Personnel costs (caption 80.a)

	31/12/02 (€/mil)	31/12/01 (€/mil)
Wages and salaries	2,061	1,600
Social security charges	618	471
Termination indemnities	140	109
Pensions and similar	37	41
Total	2,856	2,221

Average number of employees by category (Table 4.1 B.I.)

	31/12/02	31/12/01 pro forma	31/12/01
a) Executives	857	835	673
b) Managers	6,114	6,269	11,638
c) Other employees	39,132	39,523	23,172
Total	46,103	46,627	35,483
<i>of which: of companies consolidated under the proportional method</i>	<i>698</i>	<i>655</i>	<i>182</i>

The division between Executives and Managers as of 31/12/2002 reflects the changes provided for by the collective national employment contract. The average pro forma data as of 31 December 2001 also includes the effect of the merger of Cardine and the purchase of Banka Koper.

Other administrative costs (caption 80.b)

	31/12/02 (€/mil)	31/12/01 (€/mil)
IT costs	404	340
Software maintenance and upgrades	110	118
Maintenance of operating assets	67	66
Data transmission charges	62	52
External data processing	93	54
Database access charges	53	34
Equipment leasing charges	19	16
Property management expenses	294	237
Rented property:	187	152
- rental of premises	172	142
- maintenance of leasehold premises	15	10
Property owned:	34	23
- maintenance of property owned by the Bank	34	23
Security services	39	34
Cleaning of premises	34	28
General expenses	279	202
Postage and telegraph charges	62	51
Office supplies	37	28
Transport and counting of valuables	31	14
Courier and transport services	18	10
Personnel on secondment	5	1
Other expenses	126	98
Professional and insurance fees	287	203
Consultancy services	185	128
Legal and judiciary expenses	43	40
Investigation/commercial information costs	19	17
Insurance premiums – banks and customers	40	18
Utilities	93	69
Energy	49	35
Telephone	44	34
Promotion, advertising and marketing expenses	96	65
Advertising and entertainment	82	58
Contributions and membership fees to trade unions and business associations	14	7
Indirect personnel costs	75	64
Indirect personnel expenses	75	64
Total	1,528	1,180
Indirect duties and taxes		
– stamp duties	190	145
– substitute tax (Pres. Decree 601/73)	26	15
– local property taxes	14	10
– tax on stock exchange contracts	8	7
– non-recoverable VAT on purchases	4	4
– other	22	18
Total	264	199
Total other administrative costs	1,792	1,379

SECTION 5 - ADJUSTMENTS, WRITEBACKS AND PROVISIONS

Adjustments and provisions, reported in captions 90, 100, 120, 140 and 150 of the statement of income, and the write-backs, reported in captions 130 and 160, are detailed below:

	31/12/02 (€/mil)	31/12/01 (€/mil)	31/12/01 pro forma (€/mil)
Adjustments to intangible and tangible fixed assets (caption 90)	753	543	651
Provisions for risks and charges (caption 100)	261	136	214
Adjustments to loans and provisions for guarantees and commitments (caption 120)	889	636	892
Writebacks of adjustments to loans and provisions for guarantees and commitments (caption 130)	320	278	374
Provisions to reserves for possible loan losses (caption 140)	27	11	23
Adjustments to financial fixed assets (caption 150)	569	235	255
Writebacks of adjustments to financial fixed assets (caption 160)	8	2	2

Adjustments to intangible and tangible fixed assets (caption 90)

	31/12/02 (€/mil)	31/12/01 (€/mil)
Adjustments to intangible fixed assets		
– amortization of start-up and capital increase expenses	1	2
– amortization of goodwill	2	1
– amortization of merger differences	27	27
– amortization of software costs	198	125
– long-term writedowns of software costs	4	8
– amortization of other deferred charges	32	45
– long-term writedowns of other deferred charges	12	-
– amortization of goodwill arising on consolidation	154	96
– amortization of goodwill arising on application of the equity method	29	25
Adjustments to tangible fixed assets		
– depreciation of property	92	66
– depreciation of furniture and installation	202	148
Total	753	543

Individual assets have been written down with reference to their remaining useful lives using, in most cases, the maximum fiscally-allowed rates, including the provisions for accelerated depreciation.

The permanent nature of the writedowns in other long-term charges refers to adjustments made by the subsidiary IMIWEB Bank, following the operating scenario after the disposal of the subsidiary.

Amortization of goodwill from consolidation includes, for the French group Fideuram Wargny, besides the ordinary amortization for the year 2002, a writedown (as described in Part B, Section 5), made to take account of the downward trend in financial markets and of a more prudent evaluation of prospects of future profit for the subsidiaries.

Provisions for risks and charges (caption 100)

Provisions for risks and charges, for 261 million euro, made during the year, reflect the consolidation of the corresponding provisions of the Parent Bank for 149 million euro and 18 million euro for provisions made by during the year by “Network Banks” held by Cardine Finanziaria. The remainder refers to provisions of 68 million euro made by subsidiaries operating in the placement and management of financial products against the risks involved in such activities and 26 million euro accrued by other subsidiaries.

The provisions made by the Parent Bank are allocated as follows:

- 79 million euro for potential charges deriving from any renegotiation of mortgage loans, premium transactions and other potential liabilities;
- 48 million euro to strengthen the fund against losses on legal disputes;
- 22 million euro to increase the coverage of the reserve for other personnel costs, of which 6 million euro to cover long-service bonuses to employees and 6 million euro to integrate the provisions established to balance the technical deficit of the Bank's employee pension fund.

The provisions made by the “Network Banks” are allocated as follows:

- 5 million euro against potential costs deriving from the renegotiation of mortgage loans;
- 8 million euro to increase the reserve for other risks and charges against losses on legal disputes, especially claims from bankruptcy liquidators;
- 5 million euro for other risks and charges.

The provisions made by the other subsidiaries operating in financial services for families are made up of prudent provisions against risks connected with the distribution and management of financial products.

Adjustments to loans and provisions for guarantees and commitments (caption 120)

Analysis of caption 120 “adjustments to loans and provisions for guarantees and commitments” (Table 5.1 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)
a) Adjustments to loans	803	622
<i>of which:</i>		
– general adjustments for country risk	7	13
– other general adjustments	189	184
b) Provisions for guarantees and commitments	86	14
<i>of which:</i>		
– general provisions for country risk	-	-
– other general provisions	67	3
Total	889	636

Writebacks of adjustments to loans and provisions for guarantees and commitments (caption 130)

	31/12/02 (€/mil)	31/12/01 (€/mil)
Revaluation of loans previously written down	95	132
Revaluation of loans previously written off	1	2
Revaluation of provisions for guarantees and commitments	18	2
Collection of loan principal previously written down	116	72
Collection of loan principal and interest previously written off	39	35
Collection of default interest previously written down	51	35
Total	320	278

Provisions to reserves for possible loan losses (caption 140)

Provisions to reserves for possible loan losses represent accruals made by certain subsidiary companies without requiring adjustments for risks which are only potential.

Adjustments to financial fixed assets (caption 150)

	31/12/02 (€/mil)	31/12/01 (€/mil)
Adjustments to equity investments	542	224
Adjustments to other investment securities	27	11
Total	569	235

Adjustments to equity investments for 542 million euro relate to the writedown of holdings in the following companies:

	31/12/02 (€/mil)	31/12/01 (€/mil)
Santander Central Hispano	399	80
Fiat S.p.A.	82	72
Hutchinson 3G Italia S.p.A.	16	19
Olivetti S.p.A.	10	19
Idra Partecipazioni S.p.A.	6	-
Enel S.p.A.	4	4
AEM Torino S.p.A.	4	3
Convergenza S.C.A.	4	1
Euromedia Venture Belgique S.A.	2	3
Engineering Ingegneria Informatica S.p.A.	3	1
Praxis Calcolo S.p.A.	2	-
Kiwi II Ventura - Serviços de Consultoria S.A.	2	1
Banca Popolare di Lodi S.c.r.l.	1	6
Metzler International A.G.	1	-
AC.E.GA.S S.p.A.	1	2
ACEA S.p.A.	1	1
Blixer S.p.A.	-	4
Cartiere Fedrigoni S.p.A.	-	2
Davide Campari S.p.A.	-	2
Banca Mediocredito S.p.A.	-	1
Giraglia Immobiliare S.p.A.	-	1
Other adjustments	4	2
Total	542	224

In the context of the purchase agreement for shares in West Bank S.A., the former Cardine Banca granted some shareholders a put option on their shares, for a unit price not lower than that set for the acquisition of the majority shareholding in West Bank by Cardine Banca. With respect to this put option, SANPAOLO IMI booked a commitment for approximately 5 million euro.

Considering that the investment in West Bank S.A. was written down to reflect the reduction in equity value from the effect of the losses for the year and that the put options are valued at cost and eventually written down to reflect any permanent losses in value, the 31 December 2002 financial statements were adjusted by 5 million euro to reflect the proportionate value of the put options in respect of the write down of the investment.

Writebacks of fixed financial assets for 8 million euro refer to writebacks of equity investments for 3 million euro and writebacks of investment securities for 5 million euro.

Change in the reserve for general banking risks (caption 230)

As already indicated in Part B – Section 8 of the Explanatory Notes, the Reserve for General Banking Risks has been fully used by the Parent Bank, amounting to 358 million euro (including the allocation of the merger goodwill from the incorporation of Cardine Banca). Residual use at consolidated level (6 million euro) reflects the movements of the subsidiaries.

This use has been made to cover the negative impact on net income of the devaluations of the listed investment portfolio, also taking account of the need to optimize the Group's tax position.

SECTION 6 - OTHER STATEMENT OF INCOME CAPTIONS

	31/12/02 (€/mil)	31/12/01 (€/mil)	31/12/01 pro forma (€/mil)
Dividends and other revenues (caption 30)	565	397	425
Other operating income (caption 70)	422	280	419
Other operating expenses (caption 110)	50	36	56
Extraordinary income (caption 190)	575	660	701
Extraordinary expense (caption 200)	248	269	288
Income taxes for the year (caption 240)	450	318	517

Dividends and other revenues (caption 30)

	31/12/02 (€/mil)	31/12/01 (€/mil)
On shares, quotas and other equities		
– dividends	268	172
– tax credits	142	91
On equity investments, other than those consolidated on a line-by-line basis or carried at equity		
– dividends	118	102
– tax credits	37	32
Total	565	397

Other operating income (caption 70)

Analysis of caption 70 "other operating income" (Table 6.1 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)
Expenses recovered		
– stamp duties	180	112
– other taxes	32	44
– legal costs	25	7
– other recoveries	78	43
Income from merchant banking activities	13	14
Income from IT companies	3	14
Reimbursement of services rendered to third parties	11	7
Rent and other income from property	17	4
Other income from leasing activities	5	3
Other income	58	32
Total	422	280

Other operating expenses (caption 110)

Analysis of caption 110 "other operating expenses" (Table 6.2 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)
Leasing charges	1	3
Other charges on leasing transactions	24	16
IT companies expenses	1	8
Losses on merchant banking activities	1	3
Other expenses	23	6
Total	50	36

Extraordinary income (caption 190)

Analysis of caption 190 "Extraordinary income"

	31/12/02 (€/mil)	31/12/01 (€/mil)
Out-of-period income		
– use of reserves in excess	106	16
– disposal of derivative contracts connected with shareholdings (1)	96	-
– other out-of-period income	107	59
Reimbursement of prior years direct taxes	21	-
Amounts not payable	6	28
Out-of-court settlements	10	66
Price revision on property and investment transactions	10	7
Reimbursement of damages for natural disasters	5	-
Incorporation of former Banco di Napoli saving deposits	22	-
Closure of branches	12	-
Gains on:		
– equity investments (2)	133	280
– investments in line-by-line consolidated companies	16	152
– investment securities	5	12
– own shares	-	30
– tangible and intangible fixed assets	26	10
Total	575	660

(1) This caption refers to the disposal of derivative contracts connected with the shareholding in Banca Agricola Mantovana, disposed of simultaneously with the booking of losses for the same amount.

(2) The detail of gains on investments is shown in Part B - Section 3 of the Consolidated Explanatory Notes.

Extraordinary expense (caption 200)*Analysis of caption 200 "Extraordinary expense"*

	31/12/02 (€/mil)	31/12/01 (€/mil)
Provisions for supplementary pensions made by Banco di Napoli	-	114
Amounts not collectible	7	18
Transactions for legal disputes	15	6
Restructuring	25	10
Registration tax on the IMI – SIR sentence	-	17
Severance bonus incentive for voluntary redundancy	31	31
Losses on:		
– investment securities	3	-
– equity investments (a)	96	6
– other financial fixed assets	4	9
– tangible fixed assets	1	-
Other out-of-period expenses	66	58
Total	248	269

(a) This caption refers to the disposal of the shareholding in Banca Agricola Mantovana, disposed of simultaneously with the derivative contracts connected with this shareholding with the booking of contingent assets for the same amount.

Restructuring costs include mainly provisions made for the restructuring of the tax collection sector (13 million euro) and for the charges expensed to the statement of income for the announced disposal of IMIWEB Bank (9 million euro).

Income taxes for the year (caption 240)

Analysis of caption 240 "Income taxes for the year" (Bank of Italy instructions dated 03.08.99)

	31/12/02 (€/mil)	31/12/01 (€/mil)
1. Current income taxes	932	691
2. Change in deferred tax assets	368	-409
3. Change in deferred tax liabilities	-850	36
4. Income taxes for the year	450	318

The consolidated tax rate for 2002 (calculated on the ratio between gross income and income taxes from the reclassified statement of income, therefore without considering the change in the Reserve for general banking risks and minority interest) was 44.2%, with an increase in respect of the pro forma statement of income for the year 2001 (25.8%). It is reminded that the tax rate for the year 2001 was particularly moderate for the following reasons:

- tax savings following the reorganization of the Group structure;
- recovery of prior tax losses on some subsidiaries for which the corresponding prepaid taxation was not booked, owing to the inability to restore capital income.

Net of these components, the consolidated tax rate at year end would have been in the region of 38% (standard tax rate). The lower rate when compared to the sum of Corporate Income Tax and the Regional Tax on Businesses (41%), was determined on the lower taxable income generated abroad, which exceeded the negative influence of the non-deductibility of personnel costs to Italian companies in respect of the Regional Tax on Businesses.

The negative trend in respect of 2001 standard rates is mainly determined by the following events:

- partial non-deductibility of adjustments to investments made by certain subsidiaries (with a negative tax influence estimated at 5 points on the tax rate);
- incomplete booking of prepaid taxation on losses by certain subsidiaries for precautionary measures (with a missed benefit of 2 points on the tax rate);

SECTION 7 - OTHER INFORMATION ON THE STATEMENT OF INCOME

Geographical distribution of revenues

The geographical distribution of revenues, based on the location of Group's companies and their branches, is as follows:

Analysis (Table 7.1 B.I.)

	31/12/02 (€/mil)				31/12/01 (€/mil)			
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total
Interest income and similar revenues	7,779	557	357	8,693	6,658	729	629	8,016
Dividends and other revenues	539	9	17	565	368	29	-	397
Commission income	2,671	764	32	3,467	2,209	1,072	31	3,312
Profits (losses) on financial transactions	-142	42	2	-98	19	84	2	105
Other operating income	398	18	6	422	258	21	1	280
Total revenues	11,245	1,390	414	13,049	9,512	1,935	663	12,110

Part D - Other information

SECTION 1 - DIRECTORS AND STATUTORY AUDITORS

Remuneration

The remuneration of Directors, including the variable component, and Statutory Auditors for the performance of their duties on behalf of the Parent Bank and subsidiary companies is as follows:

Remuneration (Table 1.1 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
Directors (*)	8	5	+60.0
Statutory Auditors	1	1	-

(*) This caption does not include 0.8 million euro received by the Directors for similar activities performed at other Group companies which they paid back to the Parent Bank.

The figures in the table include the remuneration toward the Directors and Statutory Auditors of Cardine Banca S.p.A. for the period before its merger by incorporation with SANPAOLO IMI S.p.A. (1.1.02-31.5.02).

In compliance with art. 78 of CONSOB resolution no. 11971 dated 14 May 1999, detail of the remuneration toward the Directors, Statutory Auditors and General Managers is provided in the Explanatory Notes to the Parent Bank financial statements (Part D – Other Information).

Loans and guarantees given

Loans and guarantees given (Table 1.2 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
Directors	39	44	-11.4
Statutory Auditors	-	-	n.s.

The amounts indicated above include loans granted to and guarantees given by the Group to the Directors and Statutory Auditors of the Parent Bank, for 0.1 million euro, and to companies and banks identified pursuant to art. 136 of the Consolidated Banking Act, for 38.7 million euro, including the drawdown against credit lines granted to the latter.

Attachments

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

STATEMENT OF CONSOLIDATED CASH FLOWS

RECONCILIATION BETWEEN THE BANK'S FINANCIAL STATEMENTS
AND THE CONSOLIDATED FINANCIAL STATEMENTS

LIST OF EQUITY INVESTMENTS HIGHER THAN 10% IN UNLISTED COMPANIES
AND IN LIMITED LIABILITY COMPANIES

METHODOLOGICAL NOTES TO DETERMINE THE PRO FORMA CONSOLIDATED
STATEMENTS OF INCOME AND BALANCE SHEETS FOR 2001
AND FOR THE FIRST QUARTER OF 2002

STATEMENTS OF PRO FORMA CONSOLIDATED STATEMENTS OF INCOME
AND BALANCE SHEETS FOR 2001 AND FOR THE FIRST QUARTER OF 2002

Statement of changes in consolidated shareholders' equity

SHAREHOLDERS' EQUITY AS PER FINANCIAL STATEMENTS

	Capital	Reserves and retained earnings	Reserve for general banking risks	Goodwill arising on consolidation and on application of the equity method	Net income	Shareholders' equity as per financial statements	Own shares in the Parent Bank's portfolio	Shareholders' equity as per reclassified
	(€/mil)							
Shareholders' equity as of 31/12/2001	3,932	2,867	356	118	1,203	8,476	-294	8,182
Allocation of 2001 net income								
- to reserves	-	430	-	-	-430	-	-	-
- to shareholders	-	-	-	-	-773	-773	-	-773
Changes in the Parent Bank's own shares								
- increases	-	-	-	-	-	-	-403	-403
- use for merger with Cardine	-	-	-	-	-	-	678	678
- other decreases	-	-	-	-	-	-	19	19
Reclassification between reserves	-	24	-	-24	-	-	-	-
Merger with Cardine Banca								
- increase of capital	1,212	-	-	-	-	1,212	-	1,212
- change in reserves	-	829	22	-	-	851	-	851
Portion of tax benefits from the Banco Napoli merger	-	250	-	-	-	250	-	250
Change in Reserve for general banking risks	-	-	-364	-	-	-364	-	-364
Differences arising on the translation of foreign currency financial statements and other adjustments	-	-4	-	-	-	-4	-	-4
Net income	-	-	-	-	889	889	-	889
Shareholders' equity as of 31/12/2002	5,144	4,396	14	94	889	10,537	-	10,537

STATEMENT OF CONSOLIDATED CASH FLOWS

(€/mil)

APPLICATION OF FUNDS

Use of funds generated by operations	2,391
Dividends paid	773
Use of reserve for general banking risks	364
Use of reserve for termination indemnities	97
Use of provisions for risks and charges	730
Use of reserve for possible loan losses	29
Movement of the shareholders' equity following the merger	394
Exchange differences on translating the net equity of consolidated companies and other adjustments	4

Increase in funds applied	2,961
Cash and deposits with central banks	234
Loans to customers	2,360
Own shares	3
Intangible fixed assets	238
Other assets	126

Decrease in funds taken	12,485
Due to banks	12,026
Minority interests	459

Total	17,837
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(€/mil)

SOURCES OF FUNDS

Funds generated by operations	3,413
Net income	889
Portion of tax benefits from the Banco di Napoli merger	250
Provision for termination indemnities	103
Net adjustments to loans and provisions for guarantees and commitments	569
Provisions for risks and charges	261
Provisions to the reserve for possible loan losses	27
Adjustments to tangible fixed assets	294
Adjustments to intangible fixed assets	276
Net adjustments to financial fixed assets	561
Adjustments to goodwill arising on consolidation and on application of the equity method	183
Increase in funds taken	3,692
Due to customers and securities issued	2,246
Subordinated liabilities	784
Other liabilities	662
Decrease in funds applied	10,732
Due from banks	4,436
Dealing securities	4,866
Equity investments	295
Investment securities	1,067
Tangible fixed assets	38
Goodwill arising on consolidation and on application of the equity method	30
Total	17,837

RECONCILIATION BETWEEN THE BANK'S FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS

	(€/mil)				
	Net income	Capital and reserves	Shareholders' equity	Reserve for possible loan losses	Total
FINANCIAL STATEMENTS OF THE PARENT BANK	764	9,192	9,956	-	9,956
Balance of subsidiary companies consolidated line-by-line	730	12,035	12,765	194	12,959
Consolidation adjustments:					
- book value of line-by-line consolidated investments	-	-9,139	-9,139	-	-9,139
- dividends of consolidated companies	-1,149	298	-851	-	-851
- amortization of goodwill arising on consolidation and on application of the equity method	-183	-298	-481	-	-481
- elimination of goodwill arising on consolidation and on application of the equity method	-	-1,326	-1,326	-	-1,326
- elimination of gains on sale of investments	23	-1,427	-1,404	-	-1,404
- valuation of investments at net equity	137	94	231	-	231
- writedowns of equity investments	353	-	353	-	353
- minority interests	-43	-291	-334	-	-334
- elimination of reserve for possible loan losses	59	64	123	-123	-
- adjustment to Group accounting policies	53	-53	-	-	-
- elimination of amortization of Banco di Napoli merger deficit	155	-	155	-	155
- portion of tax benefits from the Banco di Napoli merger	-	250	250	-	-
- elimination of prior year writedowns in investments made for fiscal purposes	-	229	229	-	229
- other adjustments	-10	20	10	-	10
CONSOLIDATED FINANCIAL STATEMENTS	889	9,648	10,537	71	10,608

**LIST OF EQUITY INVESTMENTS AS OF 31 DECEMBER 2002, HIGHER THAN 10%
IN UNLISTED COMPANIES REPRESENTED BY SHARES WITH VOTING RIGHTS
AND IN LIMITED LIABILITY COMPANIES (CONSOB RESOLUTION 11715
OF 24 NOVEMBER 1998) (1)**

Name	Held by	%
Abruzzo Capital S.p.A.	Banca Popolare dell'Adriatico	16.90
Agricola del Varano S.r.l.	Banca Agricola di Cerea	26.58
Agricola Favorita S.r.l.	Banca Agricola di Cerea	99.32
Alilaguna S.r.l.	Cassa di Risparmio Venezia	80.00
Banque Galliere S.A. (in liq.)	Cassa di Risparmio Bologna	17.50
Beato Edoardo Materiali Ferrosi S.r.l.	Cassa di Risparmio Padova e Rovigo	50.00
Biessefin S.p.A. (in liq.)	Sanpaolo IMI	36.10
Calitri Denim Industries S.p.A.	Isveimer (in liq.)	14.29
Calzaturificio Novella	Cassa di Risparmio Venezia	45.00
Calzaturificio Zampieri	Cassa di Risparmio Venezia	25.00
Celeasing S.r.l.	Sanpaolo IMI	100.00
Cen. Ser. Centro Servizi S.p.A.	Cassa di Risparmio Padova e Rovigo	11.60
Centro S.r.l.	Cassa di Risparmio Padova e Rovigo	100.00
Chateau Bolides S. a r.l.	Immobiliare 21	49.00
Cifrali 8 (in liq.)	Banque Sanpaolo	18.30
Cifrali 9	Banque Sanpaolo	14.09
Cive S.p.A.	Sanpaolo IMI	68.97
Crif S.p.A.	Invesp	5.05
	Sanpaolo IMI	5.05
		10.10
Dulevo S.p.A. (bankrupt)	Sanpaolo IMI	16.30
Efrem S.r.l.	Servizi	20.00
Elvetia Edile S.r.l.	Sanpaolo IMI	100.00
Emporium S.r.l.	Cassa di Risparmio Padova e Rovigo	51.27
Esped Spedizioni S.r.l.	Banca Agricola di Cerea	29.80
Evoluzione 94 S.p.A.	Sanpaolo IMI	5.99
	Cassa di Risparmio Bologna	2.55
	Cassa di Risparmio Gorizia	1.67
	Cassa di Risparmio Udine e Pordenone	0.30
		10.51
Fata Group S.r.l.	IMI Investimenti	13.17
Fides S.p.A. (bankrupt)	Isveimer (in liq.)	20.00
Fin. Tess. S.p.A.	Cassa di Risparmio Padova e Rovigo	98.00
Finlombarda Leasing S.p.A. (in liq.)	Sanpaolo IMI	14.00
Finplozner S.p.A.	Cassa di Risparmio Udine e Pordenone	25.00
Fly United Spedizioni Internazionali S.r.l.	Banca Agricola di Cerea	20.22
Fonti di Gaverina	Sanpaolo IMI	66.62
Four C S.r.l.	Cassa di Risparmio Venezia	100.00

Name	Held by	%
Fratelli Comunello S.p.A.	Cassa di Risparmio Padova e Rovigo	50.00
Gerard H Polderman S.r.l.	Banca Agricola di Cerea	100.00
Giraglia Immobiliare S.p.A.	Sanpaolo IMI	17.15
Guinness Peat Aviation ATR Ltd	Sanpaolo IMI Bank Ireland	12.50
I Guardì	Cassa di Risparmio Venezia	56.00
IAM Piaggio S.p.A.	Sanpaolo IMI	9.68
	Banca Fideuram	3.74
		13.42
Idra Partecipazioni S.p.A.	Ldv Holding	11.56
Immobiliare dell'Isola Cattaneo S.p.A.	Sanpaolo IMI	48.57
Immobiliare Femar S.p.A.	Banca Agricola di Cerea	38.57
Immobiliare Meduna S.r.l.	Cassa di Risparmio Venezia	40.00
Immobiliare Peonia Rosa S.r.l.	Sanpaolo IMI	47.00
Immobiliare San Giuliano S.r.l.	Cassa di Risparmio Venezia	50.00
Immobiliare Santa Caterina S.r.l.	Sanpaolo IMI	100.00
Impianti S.r.l. (in liq.)	Sanpaolo IMI	14.16
Integrated Shipping Company S.p.A.	Sanpaolo IMI	100.00
Istituto per l'Enciclopedia della Banca e della Borsa S.p.A.	Sanpaolo IMI	12.12
	Banca Fideuram	0.34
		12.46
Isveimer S.p.A. (in liq.)	Sanpaolo IMI	65.22
	Banca Popolare dell'Adriatico	0.17
		65.39
Itaipower S.p.A. (in liq.)	IMI Investimenti	15.00
Ittica Ugento S.p.A.	Sanpaolo IMI	26.96
Kall Kwik Italia S.p.A. (in liq.)	Sanpaolo Leasint	15.00
Kish Receivables Co.	Tobuk	20.83
Kyle Receivables Co.	Tushingham	11.11
La Compagnia Finanziaria S.p.A.	Sanpaolo IMI	12.09
La Promessa S.r.l.	Cassa di Risparmio Padova e Rovigo	100.00
Lillo S.p.A.	Sanpaolo IMI	50.00
Lima - Lto S.p.A.	Cassa di Risparmio Gorizia	95.50
Lingotto S.p.A.	CSP Investimenti	15.65
Loseri S.p.A.	Sanpaolo IMI	18.40
Loop S.p.A.	Sanpaolo Leasint	19.79
Marche Capital S.p.A.	Banca Popolare dell'Adriatico	11.99
Metalgalante S.r.l.	Cassa di Risparmio Venezia	40.00
Mirano Costruzioni	Cassa di Risparmio Venezia	100.00
Pantecna S.p.A. (bankrupt)	Sanpaolo IMI	15.50
Pharmacom S.r.l.	Farbanca	17.00
Pila 2000 S.p.A.	Cassa di Risparmio Padova e Rovigo	37.19
Pragma S.r.l.	Sanpaolo IMI	100.00
Print S.r.l.	Banca Popolare dell'Adriatico	100.00

Name	Held by	%
Raco S.p.A.	Ldv Holding	12.30
S.A. Imm. De Construction de Monteclin (in liq.)	Banque Sanpaolo	11.30
S.T.C. Servizio Trasporti Combinati S.p.A.	Sanpaolo IMI	100.00
Sago S.p.A. (2)	Sanpaolo IMI	26.67
Sazic S. a r.l.	Société Fonciere d'Investissement	99.00
	Société Immobiliere d'Investissement	1.00
		100.00
SCI Balcons Sainte Marie	Banque Sanpaolo	17.95
SCI Boissy Griselle 7	Société Fonciere d'Investissement	99.00
	Société Immobiliere d'Investissement	1.00
		100.00
SCI Boissy RER 5	Société Fonciere d'Investissement	90.00
SCI Boissy RER 8	Société Fonciere d'Investissement	99.00
	Société Immobiliere d'Investissement	1.00
		100.00
SCI Boissy Saint Leger 94	Société Fonciere d'Investissement	99.00
	Société Immobiliere d'Investissement	1.00
		100.00
SCI La Source de Saint Hilarie (in liq.)	Société Immobiliere d'Investissement	98.00
SCI Le Chevalier	Société Immobiliere d'Investissement	99.00
	Société Fonciere d'Investissement	1.00
		100.00
SCI Le Clos de Noyer (in liq.)	Banque Sanpaolo	15.00
Serit S.p.A. - Servizi Riscoss. Imposte e Tesoreria (in liq.)	Sanpaolo IMI	18.64
Servizi Interbancari S.p.A.	Sanpaolo IMI	11.16
Soa Nordest S.p.A.	Cassa di Risparmio Padova e Rovigo	15.00
Società Capua Group Imbottigliamento Bevande Gassate S.p.A.	Sanpaolo IMI	100.00
Società Manifattura del Piave S.r.l.	Cassa di Risparmio Padova e Rovigo	38.52
Società per la Gestione di Attività S.p.A. - S.g.a.	Sanpaolo IMI	100.00
Sofimer S.p.A.	Isveimer (in liq.)	20.00
Sosib Industriale e Commerciale S.r.l.	Sanpaolo IMI	60.00
SSB - Società per i Servizi Bancari S.p.A.	Sanpaolo IMI	15.54
	Banca Fideuram	0.02
		15.56
Società Trasporto Telematico S.p.A.	Cardine Finanziaria	15.73
Société Fonciere Joseph Vallot S.A.	Société Fonciere d'Investissement	100.00
Sogepi et Cie Le Fournas S.n.c. (in liq.)	Banque Sanpaolo	12.50
Sviluppo Finanza Mobiliare S.p.A.	Sanpaolo IMI	10.87
Tecnoalimenti S.c.p.A. (2)	Sanpaolo IMI	20.00
Tecnobiomedica S.p.A. (2)	Sanpaolo IMI	26.22
Tecnocittà S.r.l.	Sanpaolo IMI	12.00
Tecnofarmaci S.p.A. (2)	Sanpaolo IMI	20.50
Tecnogen	Sanpaolo IMI	29.96

Name	Held by	%
Tecnotessile S.r.l. (2)	Sanpaolo IMI	40.00
Torsyl S.A. (in liq.)	Sanpaolo IMI International	15.79
Zwalen & Mayr S.A.	Sanpaolo IMI International	12.96

(1) This excludes equity investments already listed in Part B - Section 3 of the Consolidated Explanatory Notes.
(2) Equity investments originating from transactions as per Law 1089 of 25 October 1968 (Applied Research Fund).

METHODOLOGICAL NOTES TO DETERMINE THE CONSOLIDATED PRO FORMA STATEMENTS OF INCOME AND BALANCE SHEETS FOR 2001 AND FOR THE FIRST QUARTER OF 2002.

Given the impact on the balance sheet and statement of income of consolidating the former Cardine Group, carried out for the first time in the accounts as of 30 June 2002, in order to ensure comparability of the accounting results on a consistent basis, the accounts of the previous period are also presented in a pro forma version that conventionally assumes the merger with Cardine Banca as of 1 January 2001. The same pro forma accounts also assume the proportional consolidation as of 1 January 2001 of the Slovenian company Banka Koper. Furthermore, as the Consolidated Quarterly Statement of the SANPAOLO IMI Group as of 31 March 2002 was published with reference to the SANPAOLO IMI Group stand alone accounts, here the pro forma reconstruction of the results of the first quarter of 2002 has been made to include the former Cardine Group.

In methodological terms, the preparation of the 2001 pro forma statements was based on the use of the consolidated stand alone accounts of the SANPAOLO IMI Group (column "a" of the attachments) and the former Cardine Group (column "b" of the attachments) at their respective dates. In particular, the figures of the former Cardine Group for the first three quarters of 2001 have been properly adjusted in accordance with criteria which are consistent with those used by the same Group for the year end financial statements with regard to the effects of the tax benefits provided for by D.Lgs. 153 dated 17.5.99 (Legge Ciampi). In particular, taxes have been restated without taking account of the incentive in question and further provisions have been made to neutralize the prior benefits envisaged by that law. Furthermore, the figures for the former Cardine Group have been adjusted to take account of the elimination of the extraordinary component, net of the related tax effect, as a result of the change of valuation principles of the dealing securities portfolio made in the previous year and attributable on an accrual basis to 2000.

To prepare the pro forma totals, the following adjustments were made to take account of, as by convention:

- the purchase by SANPAOLO IMI of own shares as of 1.1.2001 (column "c" of the attached reclassified schedules and "c" of the official versions), to reach the amount used for exchange. It has been conventionally simulated that the acquisition is posted against borrowings, with the related economic effects booked accordingly;
- the effects of the merger (column "d" of the attached reclassified schedules and "c" of the official versions). In particular, the shareholding in Cardine Banca held by SANPAOLO IMI was conventionally cancelled on the basis of the percentage stake and book value effectively cancelled on the merger. This cancellation was made on the various dates as a contra-entry to the corresponding portion of the net shareholders' equity of Cardine Banca, excluding current income. As effectively occurred in the merger, the goodwill has been posted to "equity investments", thus generating a positive difference on consolidation whose related quota of amortization is reflected in the statement of income;
- other adjustments (column "e" of the attached reclassified schedules and "c" of the official versions) aimed at eliminating the receivables and payables between the two Groups and the alignment to consistent accounting policies, anticipating: 1) the determination by the former Cardine Group of the actualization reserve for doubtful loans and latent capital losses on the investment portfolio which, net of related tax effects, have been posted to adjust equity at first consolidation; 2) the compensation, by the values present in the quarterly financial statements for 2001 of the former Cardine Group, of the positive differences of consolidation with the negative differences; consequently the related share of amortization posted to the statement of income has been adjusted;
- the contribution for 2001 of the proportional consolidation of Banka Koper (column "f" of the attached reclassified schedules and "d" of the official versions).

The amounts of the adjustments made in preparing the pro forma statements are explained in the detailed notes reported in the attachments.

Lastly, as far as the preparation of the pro forma as of 31 March 2002 is concerned, the aggregate of the SANPAOLO IMI and Cardine Groups' stand alone has been adjusted to take into account: 1) the elimination of the intercompany accounts (column "c" of the attached statements), 2) the alignment to consistent accounting policies (column "d" of the attached statements) with regard to the discounting of doubtful loans and to the evaluation of the investment securities portfolio, net of the rated tax effects; 3) the adjustments needed to reflect the accounting effects of the merger becoming retroactive (1.1.2002) on the shareholders' equity and on the goodwill arising on consolidation (column "e" of the attached statements).

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

Statements of consolidated pro forma
statements of income and balance sheets
for 2001 and for the first quarter of 2002

FIRST QUARTER OF 2001: STATEMENT OF RECLASSIFIED CONSOLIDATED PRO FORMA STATEMENT OF INCOME

	(€/million)						
	SANPAOLO IMI Group (a)	Cardine Group (1) (b)	SANPAOLO IMI purchase of own shares (c)	Effects of the merger (d)	Other adjustments (e)	Banka Koper pro forma contribution (f)	SANPAOLO IMI Group pro forma (g)=(a+b+c+d+e+f)
NET INTEREST INCOME	726	275	-6 (2)	-	-	2	997
Net commissions and other net dealing revenues	653	101	-	-	-	2	756
Profits and losses from financial transactions and dividends on shares	65	7	-	-	-	-	72
Profits of companies carried at equity and dividends on equity investments	59	1	-	-	-	-	60
NET INTERESTS AND OTHER BANKING INCOME	1,503	384	-6	-	-	4	1,885
Administrative costs	-873	-253	-	-	-	-4	-1,130
- personnel	-555	-150	-	-	-	-3	-708
- other administrative costs	-268	-90	-	-	-	-1	-359
- indirect duties and taxes	-50	-13	-	-	-	-	-63
Other operating income, net	54	27	-	-	-	3	84
Adjustments to intangible and tangible fixed assets	-80	-21	-	-	-	-1	-102
OPERATING INCOME	604	137	-6	-	-	2	737
Adjustments to goodwill, merger and consolidation differences	-33	-7	-	-1 (3)	4 (4)	-2	-39
Provisions and net adjustments to loans and financial fixed assets	-101	-42	-	-	-	-1	-144
INCOME BEFORE EXTRAORDINARY ITEMS	470	88	-6	-1	4	-1	554
Net extraordinary income	73	6	-	-	-	-	79
INCOME BEFORE TAXES	543	94	-6	-1	4	-1	633
Income taxes for the period	-195	-49	2 (2)	-	-	-	-242
Change in the reserve for general banking risks	2	-2	-	-	-	-	-
Income attributable to minority interests	-23	-1	-	-	-	-	-24
NET INCOME	327	42	-4	-1	4	-1	367

(1) The figures for the first quarter of 2001 of the Cardine Group have been reconstructed using criteria that are coherent with those used for the 2001 Financial Statements.

(2) The adjustment reflects the cost of the funding needed to finance the purchase of SANPAOLO IMI shares to reach the amount of own shares used in the exchange and the related tax effect.

(3) The adjustment reflects the amortization of the goodwill arising on consolidation generated by the allocation of the merger deficit.

(4) The adjustment reflects the change in the amortization of the goodwill arising on consolidation by the Cardine Group due to the new differences in goodwill (following offsetting).

31/3/2001: STATEMENT OF RECLASSIFIED CONSOLIDATED PRO FORMA BALANCE SHEET

	(€/million)						
	SANPAOLO IMI Group (a)	Cardine Group (1) (b)	SANPAOLO IMI purchase of own shares (c)	Effects of the merger (d)	Other adjustments (e)	Banka Koper pro forma contribution (f)	SANPAOLO IMI Group pro forma (g)=(a+b+c+d+e+f)
ASSETS							
Cash and deposits with central banks and post offices	507	179	-	-	-	23	709
Loans	117,966	27,096	-	-	-170	377	145,269
- due from banks	21,382	2,032	-	-	-55 (4)	75	23,434
- loans to customers	96,584	25,064	-	-	-115 (4)(5)	302	121,835
Dealing securities	19,283	5,283	-	-	-	146	24,712
Fixed assets	12,197	2,484	-	-105	-36	34	14,574
- investment securities	5,746	1,318	-	-	-36 (6)	-	7,028
- equity investments	4,313	289	-	-105 (3)	-	14	4,511
- intangible fixed assets	356	68	-	-	-	2	426
- tangible fixed assets	1,782	809	-	-	-	18	2,609
Differences arising on consolidation and on application of the equity method	966	227	-	41 (3)	-145 (7)	78	1,167
Other assets	23,452	2,089	-	-	48 (5)(6)	22	25,611
Total assets	174,371	37,358	-	-64	-303	680	212,042
LIABILITIES							
Payables	135,464	30,033	450	-	-76	633	166,504
- due to banks	30,679	6,265	-	-	-76 (4)	20	36,888
- due to customers and securities issued	104,785	23,768	450 (2)	-	-	613	129,616
Provisions	4,857	970	-2	-	-	15	5,840
- for taxation	1,432	298	-2 (2)	-	-	2	1,730
- for employee termination indemnities	753	216	-	-	-	-	969
- for risks and charges	1,553	165	-	-	-	13	1,731
- for pensions and similar obligations	1,119	291	-	-	-	-	1,410
Other liabilities	20,077	2,555	6 (2)	-	-	33	22,671
Subordinated liabilities	5,148	217	-	-	-	-	5,365
Minority interests	736	105	-	-	-	-	841
Shareholders' equity	8,089	3,478	-454 (2)	-64 (3)	-227 (5)(6)(7)	-1	10,821
Total liabilities	174,371	37,358	-	-64	-303	680	212,042

(1) The figures as of 31 March 2001 of the Cardine Group have been reconstructed using criteria that are coherent with those used for the 2001 Financial Statements.

(2) The adjustment reflects the purchase (and related debt) of SANPAOLO IMI own shares needed to reach the amount used in the exchange.

(3) The adjustment reflects the cancellation of the book value (105 million Euro) of Cardine Banca shares in the SANPAOLO IMI portfolio at the time of the merger, against the corresponding fraction of the incorporated company's equity (63 million Euro). The merger difference (41 million Euro) net of amortization attributable to the period, is registered in the "equity investments" caption, establishing goodwill arising on consolidation of the same amount.

(4) The adjustment reflects the elimination of the most significant reciprocal accounts between the two Groups as of 31 March 2001 (55 million Euro of loans to banks, 21 million Euro loans to customers and 76 million Euro due to banks).

(5) The adjustment reflects the discounting of doubtful loans of the Cardine Group to take into account the adoption of the SANPAOLO IMI accounting policy. The adjustment of loans is estimated at 94 million Euro, with a positive tax effect of 35 million Euro which is included in "other assets".

(6) This involves adjustment of shareholders' equity of newly consolidated companies to reflect losses on investment securities for 36 million Euro, with a positive tax effect of 13 million Euro which is included in "other assets".

(7) This reflects offsetting, in accordance with current banking standards, of goodwill arising on consolidation with the negative goodwill of the Cardine Group as of 31 March 2001.

FIRST HALF 2001: STATEMENT OF RECLASSIFIED CONSOLIDATED PRO FORMA STATEMENT OF INCOME

	(€/million)						
	SANPAOLO IMI Group (a)	Cardine Group (1) (b)	SANPAOLO IMI purchase of own shares (c)	Effects of the merger (d)	Other adjustments (e)	Banka Koper pro forma contribution (f)	SANPAOLO IMI Group pro forma (g)=(a+b+c+d+e+f)
NET INTEREST INCOME	1,423	586	-11 (5)	-	-	4	2,002
Net commissions and other net dealing revenues	1,329	221	-	-	-	4	1,554
Profits and losses from financial transactions and dividends on shares	138	15	-	-	-	-	153
Profits of companies carried at equity and dividends on equity investments	144	17	-	-	-	-	161
NET INTERESTS AND OTHER BANKING INCOME	3,034	839	-11	-	-	8	3,870
Administrative costs	-1,784	-516	-	-	-	-8	-2,308
- personnel	-1,116	-331	-	-	-	-5	-1,452
- other administrative costs	-563	-151	-	-	-	-3	-717
- indirect duties and taxes	-105	-34	-	-	-	-	-139
Other operating income, net	123	57	-	-	-	6	186
Adjustments to intangible and tangible fixed assets	-173	-38	-	-	-	-2	-213
OPERATING INCOME	1,200	342	-11	-	-	4	1,535
Adjustments to goodwill, merger and consolidation differences	-69	-14	-	-2 (6)	9 (7)	-4	-80
Provisions and net adjustments to loans and financial fixed assets	-251	-118 (2)	-	-	-	-3	-372
INCOME BEFORE EXTRAORDINARY ITEMS	880	210	-11	-2	9	-3	1,083
Net extraordinary income	177	32 (3)	-	-	-	-	209
INCOME BEFORE TAXES	1,057	242	-11	-2	9	-3	1,292
Income taxes for the period	-315	-120 (4)	4 (5)	-	-	1	-430
Change in the reserve for general banking risks	4	-3	-	-	-	-	1
Income attributable to minority interests	-58	-2	-	-	-	-	-60
NET INCOME	688	117	-7	-2	9	-2	803

(1) The figures for the first half of 2001 approved by the Board of Cardine Banca have been adjusted as specified in the subsequent notes.

(2) The caption has been increased by 18 million Euro to reflect the pro quota (1/2) of the end of year reserves due to the previous effects of Legge Ciampi.

(3) The caption has been reduced to reflect the reversal of the extraordinary component due to the change in the evaluation policy of dealing securities attributable to the previous financial year (12 million Euro).

(4) The caption has been increased to take into account the tax effect (5 million Euro) related to note (3) and the elimination of the benefit provided for by Legge Ciampi (15 million Euro).

(5) The adjustment reflects the cost of the funding needed to finance the purchase of SANPAOLO IMI shares to reach the amount of own shares used in the exchange and the related tax effect.

(6) The adjustment reflects the amortization of the goodwill arising on consolidation generated by the allocation of the merger deficit.

(7) The adjustment reflects the change in the amortization of the goodwill arising on consolidation by the Cardine Group due to the new differences in goodwill (following offsetting).

30/6/2001: STATEMENT OF RECLASSIFIED CONSOLIDATED PRO FORMA BALANCE SHEET

	(€/million)						
	SANPAOLO IMI Group (a)	Cardine Group (1) (b)	SANPAOLO IMI purchase of own shares (c)	Effects of the merger (d)	Other adjustments (e)	Banka Koper pro forma contribution (f)	SANPAOLO IMI Group pro forma (g)=(a+b+c+d+e+f)
ASSETS							
Cash and deposits with central banks and post offices	478	192	-	-	-	18	688
Loans	117,097	28,702	-	-	-238	396	145,957
- due from banks	18,717	2,650	-	-	-118 (7)	91	21,340
- loans to customers	98,380	26,052	-	-	-120 (7)(8)	305	124,617
Dealing securities	21,777	6,091	-	-	-	161	28,029
Fixed assets	11,000	1,857	-	-105	-36	34	12,750
- investment securities	4,615	707	-	-	-36 (9)	-	5,286
- equity investments	4,240	284	-	-105 (6)	-	14	4,433
- intangible fixed assets	377	70	-	-	-	2	449
- tangible fixed assets	1,768	796	-	-	-	18	2,582
Differences arising on consolidation and on application of the equity method	1,064	221	-	40 (6)	-141 (10)	76	1,260
Other assets	22,626	2,174	-	-	48 (8)(9)	23	24,871
Total assets	174,042	39,237	-	-65	-367	708	213,555
LIABILITIES							
Payables	136,156	32,335	450	-	-144	659	169,456
- due to banks	31,032	7,714	-	-	-144 (7)	27	38,629
- due to customers and securities issued	105,124	24,621	450 (5)	-	-	632	130,827
Provisions	4,241	856	-4	-	-	15	5,108
- for taxation	864	168 (2)	-4 (5)	-	-	1	1,029
- for employee termination indemnities	758	221	-	-	-	-	979
- for risks and charges	1,509	177 (3)	-	-	-	14	1,700
- for pensions and similar obligations	1,110	290	-	-	-	-	1,400
Other liabilities	20,062	2,305	11 (5)	-	-	36	22,414
Subordinated liabilities	5,178	223	-	-	-	-	5,401
Minority interests	737	94	-	-	-	-	831
Shareholders' equity	7,668	3,424 (4)	-457 (5)	-65 (6)	-223 (8)(9)(10)	-2	10,345
Total liabilities	174,042	39,237	-	-65	-367	708	213,555

(1) The figures as of 30 June 2001 approved by the Board of Cardine Banca have been adjusted as specified in the subsequent notes.

(2) The caption has been increased to take into account the elimination of the benefit provided for by Legge Ciampi (15 million Euro).

(3) The caption has been increased by 18 million Euro to reflect the pro quota (1/2) of the end of year reserves due to the previous effects of Legge Ciampi.

(4) The shareholders' equity have been reduced due to the effect of the adjustments to the statement of income.

(5) The adjustment reflects the purchase (and related debt) of SANPAOLO IMI own shares needed to reach the amount used in the exchange.

(6) The adjustment reflects the cancellation of the book value (105 million Euro) of Cardine Banca shares in the SANPAOLO IMI portfolio at the time of the merger, against the corresponding fraction of the incorporated company's equity (63 million Euro). The merger difference (40 million Euro) net of amortization attributable to the period, is registered in the "equity investments" caption, establishing goodwill arising on consolidation of the same amount.

(7) The adjustment reflects the elimination of the most significant reciprocal accounts between the two Groups as at 30 June 2001 (118 million Euro of loans to banks, 26 million Euro loans to customers and 144 million Euro due to banks).

(8) The adjustment reflects the discounting of doubtful loans of the Cardine Group to take into account the adoption of the SANPAOLO IMI accounting policy. The adjustment of loans is estimated at 94 million Euro, with a positive tax effect of 35 million Euro which is included in "other assets".

(9) This involves adjustment of shareholders' equity of newly consolidated companies to reflect losses on investment securities for 36 million Euro, with a positive tax effect of 13 million Euro which is included in "other assets".

(10) This reflects offsetting, in accordance with current banking standards, of goodwill arising on consolidation with the negative goodwill of the Cardine Group as of 30 June 2001.

FIRST NINE MONTHS OF 2001: STATEMENT OF RECLASSIFIED CONSOLIDATED PRO FORMA STATEMENT OF INCOME

	(€/million)						
	SANPAOLO IMI Group (a)	Cardine Group (1) (b)	SANPAOLO IMI purchase of own shares (c)	Effects of the merger (d)	Other adjustments (e)	Banka Koper pro forma contribution (f)	SANPAOLO IMI Group pro forma (g)=(a+b+c+d+e+f)
NET INTEREST INCOME	2,091	878	-17 (2)	-	-	6	2,958
Net commissions and other net dealing revenues	1,952	321	-	-	-	7	2,280
Profits and losses from financial transactions and dividends on shares	173	-15	-	-	-	1	159
Profits of companies carried at equity and dividends on equity investments	153	15	-	-	-	-	168
NET INTERESTS AND OTHER BANKING INCOME	4,369	1,199	-17	-	-	14	5,565
Administrative costs	-2,655	-745	-	-	-	-13	-3,413
- personnel	-1,654	-473	-	-	-	-8	-2,135
- other administrative costs	-847	-223	-	-	-	-5	-1,075
- indirect duties and taxes	-154	-49	-	-	-	-	-203
Other operating income, net	179	86	-	-	-	10	275
Adjustments to intangible and tangible fixed assets	-273	-58	-	-	-	-2	-333
OPERATING INCOME	1,620	482	-17	-	-	9	2,094
Adjustments to goodwill, merger and consolidation differences	-105	-21	-	-3 (3)	13 (4)	-6	-122
Provisions and net adjustments to loans and financial fixed assets	-390	-168	-	-	-	-6	-564
INCOME BEFORE EXTRAORDINARY ITEMS	1,125	293	-17	-3	13	-3	1,408
Net extraordinary income	348	28	-	-	-	-	376
INCOME BEFORE TAXES	1,473	321	-17	-3	13	-3	1,784
Income taxes for the period	-369	-161	7 (2)	-	-	-	-523
Change in the reserve for general banking risks	3	-3	-	-	-	-	-
Income attributable to minority interests	-114	-4	-	-	-	-	-118
NET INCOME	993	153	-10	-3	13	-3	1,143

(1) The figures for the first 9 months of 2001 of the Cardine Group have been reconstructed using criteria that are coherent with those used for the 2001 Financial Statements.

(2) The adjustment reflects the cost of the funding needed to finance the purchase of SANPAOLO IMI shares to reach the amount of own shares used in the exchange and the related tax effect.

(3) The adjustment reflects the amortization of the goodwill arising on consolidation generated by the allocation of the merger deficit.

(4) The adjustment reflects the change in the amortization of the goodwill arising on consolidation by the Cardine Group due to the new differences in goodwill (following offsetting).

30/9/2001: STATEMENT OF RECLASSIFIED CONSOLIDATED PRO FORMA BALANCE SHEET

	(€/million)						
	SANPAOLO IMI Group (a)	Cardine Group (1) (b)	SANPAOLO IMI purchase of own shares (c)	Effects of the merger (d)	Other adjust- ments (e)	Banka Koper pro forma contribution (f)	SANPAOLO IMI Group pro forma (g)=(a+b+c+d+e+f)
ASSETS							
Cash and deposits with central banks and post offices	505	187	-	-	-	18	710
Loans	114,999	29,597	-	-	-317	395	144,674
- due from banks	19,261	3,539	-	-	-202 (4)	83	22,681
- loans to customers	95,738	26,058	-	-	-115 (4)(5)	312	121,993
Dealing securities	17,869	5,682	-	-	-	173	23,724
Fixed assets	10,813	1,913	-	-105	-36	35	12,620
- investment securities	4,321	710	-	-	-36 (6)	-	4,995
- equity investments	4,383	328	-	-105 (3)	-	15	4,621
- intangible fixed assets	368	72	-	-	-	2	442
- tangible fixed assets	1,741	803	-	-	-	18	2,562
Differences arising on consolidation and on application of the equity method	1,068	216	-	39 (3)	-137 (7)	74	1,260
Other assets	21,665	2,029	-	-	48 (5)(6)	21	23,763
Total assets	166,919	39,624	-	-66	-442	716	206,751
LIABILITIES							
Payables	130,537	32,726	450	-	-223	672	164,162
- due to banks	27,359	7,625	-	-	-223 (4)	28	34,789
- due to customers and securities issued	103,178	25,101	450 (2)	-	-	644	129,373
Provisions	3,012	924	-7	-	-	16	3,945
- for taxation	793	240	-7 (2)	-	-	1	1,027
- for employee termination indemnities	745	221	-	-	-	-	966
- for risks and charges	1,433	168	-	-	-	15	1,616
- for pensions and similar obligations	41	295	-	-	-	-	336
Other liabilities	19,213	2,208	17 (2)	-	-	31	21,469
Subordinated liabilities	5,400	221	-	-	-	-	5,621
Minority interests	787	95	-	-	-	-	882
Shareholders' equity	7,970	3,450	-460 (2)	-66 (3)	-219 (5)(6)(7)	-3	10,672
Total liabilities	166,919	39,624	-	-66	-442	716	206,751

(1) The figures as of 30 September 2001 of the Cardine Group have been reconstructed using criteria that are coherent with those used for the 2001 Financial Statements.

(2) The adjustment reflects the purchase (and related debt) of SANPAOLO IMI own shares needed to reach the amount used in the exchange.

(3) The adjustment reflects the cancellation of the book value (105 million Euro) of Cardine Banca shares in the SANPAOLO IMI portfolio at the time of the merger, against the corresponding fraction of the incorporated company's equity (63 million Euro). The merger difference (39 million Euro) net of amortization attributable to the period, is registered in the "equity investments" caption, establishing goodwill arising on consolidation of the same amount.

(4) The adjustment reflects the elimination of the most significant reciprocal accounts between the two Groups as at 30.09.01 (202 million Euro of loans to banks, 21 million Euro loans to customers and 223 million Euro due to banks).

(5) The adjustment reflects the discounting of doubtful loans of the Cardine Group to take into account the adoption of the SANPAOLO IMI accounting policy. The adjustment of loans is estimated at 94 million Euro, with a positive tax effect of 35 million Euro which is included in "other assets".

(6) This involves adjustment of the shareholders' equity of newly consolidated companies to reflect losses on investment securities for 36 million Euro, with a positive tax effect of 13 million Euro which is included in "other assets".

(7) This reflects offsetting, in accordance with current banking standards, of goodwill arising on consolidation with the negative goodwill of the Cardine Group as of 30 September 2001.

2001: STATEMENT OF RECLASSIFIED CONSOLIDATED PRO FORMA STATEMENT OF INCOME

	(€/million)						
	SANPAOLO IMI Group (a)	Cardine Group (1) (b)	SANPAOLO IMI purchase of own shares (c)	Effects of the merger (d)	Other adjust- ments (e)	Banka Koper pro forma contribution (f)	SANPAOLO IMI Group pro forma (g)=(a+b+c+d+e+f)
NET INTEREST INCOME	2,788	1,186	-22 (4)	-	-	7	3,959
Net commissions and other net dealing revenues	2,608	439	-	-	-	9	3,056
Profits and losses from financial transactions and dividends on shares	274	25	-	-	-	1	300
Profits of companies carried at equity and dividends on equity investments	207	21	-	-	-	-	228
NET INTERESTS AND OTHER BANKING INCOME	5,877	1,671	-22	-	-	17	7,543
Administrative costs	-3,600	-1,029	-	-	-	-18	-4,647
- personnel	-2,221	-630	-	-	-	-11	-2,862
- other administrative costs	-1,180	-332	-	-	-	-7	-1,519
- indirect duties and taxes	-199	-67	-	-	-	-	-266
Other operating income, net	234	107	-	-	-	12	353
Adjustments to intangible and tangible fixed assets	-393	-83	-	-	-	-3	-479
OPERATING INCOME	2,118	666	-22	-	-	8	2,770
Adjustments to goodwill, merger and consolidation differences	-150	-28	-	-4 (5)	18 (6)	-8	-172
Provisions and net adjustments to loans and financial fixed assets	-737	-263	-	-	-	-7	-1,007
INCOME BEFORE EXTRAORDINARY ITEMS	1,231	375	-22	-4	18	-7	1,591
Net extraordinary income	392	22 (2)	-	-	-	-	414
INCOME BEFORE TAXES	1,623	397	-22	-4	18	-7	2,005
Income taxes for the period	-318	-209 (3)	9 (4)	-	-	1	-517
Change in the reserve for general banking risks	-1	-5	-	-	-	-	-6
Income attributable to minority interests	-101	-5	-	-	-	-	-106
NET INCOME	1,203	178	-13	-4	18	-6	1,376

(1) The figures for 2001 approved by the Board of Cardine Banca have been adjusted as specified in the subsequent notes.

(2) The caption has been reduced to reflect the reversal of the extraordinary component due to the change in the evaluation policy of dealing securities attributable to the previous financial year (12 million Euro).

(3) The caption has been reduced to reflect the tax effect (5 million Euro) related to note (2).

(4) The adjustment reflects the cost of the funding needed to finance the purchase of SANPAOLO IMI shares to reach the amount of own shares used in the exchange and the related tax effect.

(5) The adjustment reflects the amortization of the goodwill arising on consolidation generated by the allocation of the merger deficit.

(6) The adjustment reflects the change in the amortization of the goodwill arising on consolidation by the Cardine Group due to the new differences in goodwill (following offsetting).

31/12/2001: STATEMENT OF RECLASSIFIED CONSOLIDATED PRO FORMA BALANCE SHEET

	(€/million)						
	SANPAOLO IMI Group (a)	Cardine Group (b)	SANPAOLO IMI purchase of own shares (c)	Effects of the merger (d)	Other adjust- ments (e)	Banka Koper pro forma contribution (f)	SANPAOLO IMI Group pro forma (g)=(a+b+c+d+e+f)
ASSETS							
Cash and deposits with central banks and post offices	818	331	-	-	-	23	1,172
Loans	118,627	32,686	-	-	-397	430	151,346
- due from banks	21,571	5,053	-	-	-282 (3)	94	26,436
- loans to customers	97,056	27,633	-	-	-115 (3)(4)	336	124,910
Dealing securities	18,819	5,561	-	-	-	177	24,557
Fixed assets	10,098	1,932	-	-105	-36	-	11,889
- investment securities	3,308	714	-	-	-36 (5)	-	3,986
- equity investments	4,697	327	-	-105 (2)	-	-21	4,898
- intangible fixed assets	367	75	-	-	-	2	444
- tangible fixed assets	1,726	816	-	-	-	19	2,561
Differences arising on consolidation and on application of the equity method	1,053	212	-	38 (2)	-132 (6)	72	1,243
Other assets	20,776	2,334	-	-	48 (4)(5)	62	23,220
Total assets	170,191	43,056	-	-67	-517	764	213,427
LIABILITIES							
Payables	134,706	35,717	445	-	-303	720	171,285
- due to banks	27,922	8,834	-	-	-303 (3)	29	36,482
- due to customers and securities issued	106,784	26,883	445 (1)	-	-	691	134,803
Provisions	3,246	1,024	-9	-	-	17	4,278
- for taxation	901	326	-9 (1)	-	-	1	1,219
- for employee termination indemnities	734	221	-	-	-	-	955
- for risks and charges	1,568	177	-	-	-	16	1,761
- for pensions and similar obligations	43	300	-	-	-	-	343
Other liabilities	17,752	2,502	22 (1)	-	-	33	20,309
Subordinated liabilities	5,607	222	-	-	-	-	5,829
Minority interests	698	95	-	-	-	-	793
Shareholders' equity	8,182	3,496	-458 (1)	-67 (2)	-214 (4)(5)(6)	-6	10,933
Total liabilities	170,191	43,056	-	-67	-517	764	213,427

- (1) The adjustment reflects the purchase (and related debt) of SANPAOLO IMI own shares needed to reach the amount used in the exchange.
- (2) The adjustment reflects the cancellation of the book value (105 million Euro) of Cardine Banca shares in the SANPAOLO IMI portfolio at the time of the merger, against the corresponding fraction of the incorporated company's equity (63 million Euro). The merger difference (38 million Euro) net of amortization attributable to the period, is registered in the "equity investments" caption, establishing goodwill arising on consolidation of the same amount.
- (3) The adjustment reflects the elimination of the most significant reciprocal accounts between the two Groups as of 31 December 2001 (282 million Euro of loans to banks, 21 million Euro loans to customers and 303 million Euro due to banks).
- (4) The adjustment reflects the discounting of doubtful loans of the Cardine Group to take into account the adoption of the SANPAOLO IMI accounting policy. The adjustment of loans is estimated at 94 million Euro, with a positive tax effect of 35 million Euro which is included in "other assets".
- (5) This involves adjustment of the shareholders' equity of newly consolidated companies to reflect losses on investment securities for 36 million Euro, with a positive tax effect of 13 million Euro which is included in "other assets".
- (6) This reflects offsetting, in accordance with current banking standards, of goodwill arising on consolidation with the negative goodwill of the Cardine Group as of 31 December 2001.

FIRST QUARTER OF 2002: STATEMENT OF RECLASSIFIED CONSOLIDATED PRO FORMA STATEMENT OF INCOME

	(€/million)					
	SANPAOLO IMI Group (a)	Cardine Group (b)	Intra-Group eliminations (c)	Alignment with consistent accounting policies (d)	Other adjustments (e)	SANPAOLO IMI Group pro forma (f)=(a+b+c+d+e)
NET INTEREST INCOME	632	295	-	-	-	927
Net commissions and other net dealing revenues	591	106	-	-	-	697
Profits and losses from financial transactions and dividends on shares	89	-5	-	-	-	84
Profits of companies carried at equity and dividends on equity investments	44	5	-	-	-	49
NET INTERESTS AND OTHER BANKING INCOME	1,356	401	-	-	-	1,757
Administrative costs	-870	-250	-	-	-	-1,120
- <i>personnel</i>	-544	-155	-	-	-	-699
- <i>other administrative costs</i>	-279	-80	-	-	-	-359
- <i>indirect duties and taxes</i>	-47	-15	-	-	-	-62
Other operating income, net	57	21	-	-	-	78
Adjustments to intangible and tangible fixed assets	-92	-19	-	-	-	-111
OPERATING INCOME	451	153	-	-	-	604
Adjustments to goodwill, merger and consolidation differences	-41	-7	-	-	7 (3)	-41
Provisions and net adjustments to loans and financial fixed assets	-123	-39	-	6 (1)	-	-156
INCOME BEFORE EXTRAORDINARY ITEMS	287	107	-	6	7	407
Net extraordinary income	55	1	-	-	-	56
INCOME BEFORE TAXES	342	108	-	6	7	463
Income taxes for the period	-119	-51	-	-2 (2)	-	-172
Change in the reserve for general banking risks	-	-	-	-	-	-
Income attributable to minority interests	-12	-2	-	-	-	-14
NET INCOME	211	55	-	4	7	277

(1) The adjustment reflects the writeback of doubtful loans following the application of the discounting criteria.

(2) This is the tax effect of the aforementioned writeback.

(3) The adjustment reflects the reversal of the amortization of goodwill arising on consolidation compared with that recalculated following the merger.

31/3/2002: STATEMENT OF RECLASSIFIED CONSOLIDATED PRO FORMA BALANCE SHEET

	(€/million)					
	SANPAOLO IMI Group (a)	Cardine Group (b)	Intra-Group eliminations (c)	Alignment with consistent accounting policies (d)	Other adjustments (e)	SANPAOLO IMI Group pro forma (f)=(a+b+c+d+e)
ASSETS						
Cash and deposits with central banks and post offices	998	456	-	-	-	1,454
Loans	115,858	32,155	-648 (1)	-92	-	147,273
- due from banks	17,669	3,952	-432	-	-	21,189
- loans to customers	98,189	28,203	-216	-92 (2)	-	126,084
Dealing securities	20,183	5,474	-	-	-	25,657
Fixed assets	9,937	1,936	-	-36	-105	11,732
- investment securities	3,250	717	-	-36 (3)	-	3,931
- equity investments	4,616	326	-	-	-105 (4)	4,837
- intangible fixed assets	351	75	-	-	-	426
- tangible fixed assets	1,720	818	-	-	-	2,538
Differences arising on consolidation and on application of the equity method	1,105	204	-	-	-189 (5)	1,120
Other assets	19,652	3,418	-	46 (2)(3)	-	23,116
Total assets	167,733	43,643	-648	-82	-294	210,352
LIABILITIES						
Payables	133,842	35,166	-648	-	-	168,360
- due to banks	24,881	8,710	-648 (1)	-	-	32,943
- due to customers and securities issued	108,961	26,456	-	-	-	135,417
Provisions	3,399	1,166	-	-	-	4,565
- for taxation	1,011	381	-	-	-	1,392
- for employee termination indemnities	751	242	-	-	-	993
- for risks and charges	1,595	215	-	-	-	1,810
- for pensions and similar obligations	42	328	-	-	-	370
Other liabilities	16,077	3,463	-	-	71 (6)	19,611
Subordinated liabilities	5,569	224	-	-	-	5,793
Minority interests	708	89	-	-	-	797
Shareholders' equity	8,138	3,535	-	-82 (2)(3)	-365 (7)	11,226
Total liabilities	167,733	43,643	-648	-82	-294	210,352

(1) The adjustment reflects the elimination of the most significant reciprocal accounts between the two Groups as of 31 March 2002 (432 million Euro of loans to banks, 216 million Euro loans to customers and 648 million Euro due to banks).

(2) The adjustment reflects: a) the discounting of doubtful loans of the Cardine Group for 88 million Euro in alignment with SANPAOLO IMI accounting policies, with a positive tax effect of 33 million Euro, included in "other assets"; b) the adjustment of the value of West Bank loans for 4 million Euro in adaptation to Bank of Italy instructions concerning country risk.

(3) This involves adjustment of the portfolios of Cardine Group companies to reflect losses on investment securities for 36 million Euro, with a positive tax effect of 13 million Euro which is included in "other assets".

(4) The adjustment reflects the cancellation of the book value (105 million Euro) of Cardine Banca shares in the SANPAOLO IMI portfolio at the time of the merger, against the corresponding fraction of the incorporated company's equity (66 million Euro).

(5) This is the amount needed for alignment of goodwill arising on consolidation of the two Groups and that remaining at 31 March 2002 due to the effect of the merger.

(6) This is the technical account for squaring the adjustments made to equity.

(7) The caption reflects: a) the pro quota of shareholder's equity of the incorporated company for 66 million Euro, cancelled in offset against the Cardine Banca shares in the SANPAOLO IMI portfolio; b) full offsetting of the negative goodwill arising on consolidation against positive goodwill for 299 million Euro (204 million Euro of which already existing in the Cardine Group, with the remaining 95 million generated by the first consolidation after the merger).

30/6/2001: STATEMENT OF CONSOLIDATED PRO FORMA BALANCE SHEET - OFFICIAL FORMAT

	(€/million)				
	SANPAOLO IMI Group	Cardine Group	Effects of the merger	Banka Koper pro forma contribution	SANPAOLO IMI Group pro forma
	(a)	(b)	(c)	(d)	(e) = (a+b+c+d)
ASSETS					
10. Cash and deposits with central banks and post offices	478	192	-	18	688
20. Treasury bills and similar bills eligible for refinancing with central banks	10,796	667	-	88	11,551
30. Due from banks	18,717	2,650	-118 (1)	91	21,340
a) repayable on demand	3,063	446	-31	-	3,478
b) other deposits	15,654	2,204	-87	91	17,862
40. Loans to customers	98,380	26,052	-120 (1)(2)	305	124,617
of which:					
- loans using public funds	102	94	-	-	196
50. Bonds and other debt securities	12,420	5,453	-36 (3)	62	17,899
a) public entities	5,122	2,641	-	44	7,807
b) banks	3,647	1,959	-	-	5,606
of which:					
- own bonds	1,101	4	-	-	1,105
c) financial institutions	1,159	480	-	-	1,639
of which:					
- own bonds	-	-	-	-	-
d) other issuers	2,492	373	-36	18	2,847
60. Shares, quotas and other equities	3,159	660	-	11	3,830
70. Equity investments	3,654	269	-105 (4)	14	3,832
a) carried at equity	347	101	-	-	448
b) other	3,307	168	-105	14	3,384
80. Investments in Group companies	586	15	-	-	601
a) carried at equity	586	5	-	-	591
b) other	-	10	-	-	10
90. Goodwill arising on consolidation	901	220	-100 (4)(5)	76	1,097
100. Goodwill arising on application of the equity method	163	1	-1 (5)	-	163
110. Intangible fixed assets	377	70	-	2	449
of which:					
- start-up costs	5	1	-	-	6
- goodwill	10	-	-	-	10
120. Tangible fixed assets	1,768	796	-	18	2,582
140. Own shares or quotas	306	28	-299 (6)	-	35
150. Other assets	20,292	1,772	48 (2)(3)	22	22,134
160. Accrued income and prepaid expenses	2,334	402	-	1	2,737
a) accrued income	2,115	320	-	1	2,436
b) prepaid expenses	219	82	-	-	301
of which:					
- discounts on bond issues	18	6	-	-	24
Total assets	174,331	39,247	-731	708	213,555

(1) The adjustment reflects the elimination of the most significant reciprocal accounts between the two Groups as of 30 June 2001 (26 million Euro of loans to customers, 118 million Euro loans to banks and 144 million Euro due to banks).

(2) The adjustment reflects the discounting of doubtful loans of the Cardine Group to take into account the adoption of the SANPAOLO IMI accounting policy. The adjustment of loans offset against shareholder's equity reserves, is estimated at 94 million Euro, with a positive tax effect of 35 million Euro which is included in caption 150 - Other Assets.

(3) This involves adjustment of the portfolios of newly consolidated companies to reflect losses on investment securities for 36 million Euro, with a positive tax effect of 13 million Euro which is included in caption 150 - Other Assets.

(4) The adjustment reflects the cancellation of the book value (105 million Euro) of Cardine Banca shares in the SANPAOLO IMI portfolio at the time of the merger, against the corresponding fraction of the incorporated company's equity (63 million Euro). The merger difference (40 million Euro) net of amortization attributable to the period (2 million Euro), is registered in the "equity investments" caption, establishing goodwill arising on consolidation of the same amount.

(5) This reflects offsetting, in accordance with current banking standards, of goodwill arising on consolidation with the negative goodwill of the Cardine Group as of 30 June 2001, and the recalculation of amortization for the period (see note 5 to the statement of income).

(6) The adjustment reflects the use of SANPAOLO IMI own shares (289 million Euro) during the exchange, as well as the cancellation of Cardine Banca own shares in the merger (10 million Euro).

	(€/million)				
	SANPAOLO IMI Group	Cardine Group	Effects of the merger	Banka Koper pro forma contribution	SANPAOLO IMI Group pro forma
	(a)	(b)	(c)	(d)	(e) = (a+b+c+d)
LIABILITIES					
10. Due to banks	31,032	7,714	-144 (1)	27	38,629
a) repayable on demand	6,817	1,871	-31	-	8,657
b) time deposits or with notice period	24,215	5,843	-113	27	29,972
20. Due to customers	65,052	14,183	450 (10)	620	80,305
a) repayable on demand	45,973	11,478	-	173	57,624
b) time deposits or with notice period	19,079	2,705	450	447	22,681
30. Securities issued	39,963	10,341	-	12	50,316
a) bonds	27,286	8,514	-	12	35,812
b) certificates of deposits	7,803	1,742	-	-	9,545
c) other	4,874	85	-	-	4,959
40. Public funds administered	109	97	-	-	206
50. Other liabilities	17,847	1,950	-	12	19,809
60. Accrued expense and deferred income	2,215	355	11 (10)	24	2,605
a) accrued expense	1,877	233	11	14	2,135
b) deferred income	338	122	-	10	470
70. Provisions for employee termination indemnities	758	221	-	-	979
80. Provisions for risks and charges	3,449	598	-4 (10)	15	4,058
a) pensions and similar commitments	1,110	290	-	-	1,400
b) taxation	864	168	(7) -4	1	1,029
c) other	1,475	140	(8) -	14	1,629
90. Reserve for possible loan losses	34	37	-	-	71
110. Subordinated liabilities	5,178	223	-	-	5,401
120. Negative goodwill arising on consolidation	-	142	-142 (5)	-	-
130. Negative goodwill arising on application of the equity method	135	8	-8 (5)	-	135
140. Minority interests	737	94	-	-	831
Capital and reserves (caption 100, 150, 160, 170, 180)	7,134	3,167 (9)	-894 (2)(3)(4)(6)(10)	-	9,407
200. Net income	688	117 (9)	-	-2	803
Total liabilities	174,331	39,247	-731	708	213,555

GUARANTEES AND COMMITMENTS

10. Guarantees given	15,250	1,623	-	45	16,918
of which:					
- acceptances	153	25	-	-	178
- other guarantees	15,097	1,598	-	45	16,740
20. Commitments	31,059	1,295	-	55	32,409

(1) The adjustment reflects the elimination of the most significant reciprocal accounts between the two Groups as of 30 June 2001 (26 million Euro of loans to customers, 118 million Euro loans to banks and 144 million Euro due to banks).

(2) The adjustment reflects the discounting of doubtful loans of the Cardine Group to take into account the adoption of the SANPAOLO IMI accounting policy. The adjustment of loans offset against shareholder's equity reserves, is estimated at 94 million Euro, with a positive tax effect of 35 million Euro which is included in caption 150 - Other Assets.

(3) This involves adjustment of the portfolios of newly consolidated companies to reflect losses on investment securities for 36 million Euro, with a positive tax effect of 13 million Euro which is included in caption 150 - Other Assets.

(4) The adjustment reflects the cancellation of the book value (105 million Euro) of Cardine Banca shares in the SANPAOLO IMI portfolio at the time of the merger, against the corresponding fraction of the incorporated company's equity (63 million Euro). The merger difference (40 million Euro) net of amortization attributable to the period (2 million Euro), is registered in the "equity investments" caption, establishing goodwill arising on consolidation of the same amount.

(5) This reflects offsetting, in accordance with current banking standards, of goodwill arising on consolidation with the negative goodwill of the Cardine Group as of 30 June 2001.

(6) The adjustment reflects the use of SANPAOLO IMI own shares (289 million Euro) during the exchange, as well as the cancellation of Cardine Banca own shares in the merger (10 million Euro).

(7) Compared with the original figure, the caption has been increased to take into account the elimination of the benefit provided for by Legge Ciampi (15 million Euro).

(8) Compared with the original figure, the caption has been increased by 18 million Euro to reflect the pro quota (1/2) of the end of year reserves due to the previous effects of Legge Ciampi.

(9) Compared with the original figure, the shareholders' equity and income have been reduced due to the effect of the adjustments to the statement of income.

(10) The adjustment reflects the purchase (and related debt) of SANPAOLO IMI own shares needed to reach the amount used in the exchange.

FIRST HALF 2001: STATEMENT OF CONSOLIDATED PRO FORMA STATEMENT OF INCOME - OFFICIAL FORMAT

	(€/million)				
	SANPAOLO IMI Group	Cardine Group	Effects of the merger	Banka Koper pro forma contribution	SANPAOLO IMI Group pro forma
	(a)	(b)	(c)	(d)	(e) = (a+b+c+d)
10. Interest income and similar revenues	4,246	1,180	-	14	5,440
of which:					
– loans to customers	3,134	932	-	10	4,076
– securities	550	170	-	3	723
20. Interest expense and similar charges	-2,905	-594	-11 (4)	-10	-3,520
of which:					
– due to customers	-862	-171	-11	-10	-1,054
– securities issued	-1,159	-227	-	-	-1,386
30. Dividends and other revenues	370	18	-	-	388
a) from shares, quotas and other equities	267	2	-	-	269
b) from equity investments	103	16	-	-	119
40. Commission income	1,689	264	-	5	1,958
50. Commission expense	-371	-43	-	-1	-415
60. Profits (losses) on financial transactions	-52	13	-	-	-39
70. Other operating income	156	70	-	6	232
80. Administrative costs	-1,784	-516	-	-8	-2,308
a) personnel	-1,116	-330	-	-5	-1,451
of which:					
– wages and salaries	-788	-237	-	-5	-1,030
– social security charges	-242	-61	-	-	-303
– termination indemnities	-53	-16	-	-	-69
– pensions and similar commitments	-33	-16	-	-	-49
b) other administrative costs	-668	-186	-	-3	-857
90. Adjustments to intangible and tangible fixed assets	-242	-52	7 (5)	-6	-293
100. Provisions for risks and charges	-101	-40 (1)	-	-	-141
110. Other operating expenses	-21	-13	-	-	-34
120. Adjustments to loans and provisions for guarantees and commitments	-272	-95	-	-12	-379
130. Writebacks of adjustments to loans and provisions for guarantees and commitments	140	29	-	9	178
140. Provisions to the reserve for possible loan losses	-4	-1	-	-	-5
150. Adjustments to financial fixed assets	-15	-11	-	-	-26
160. Writebacks of adjustments to financial fixed assets	1	-	-	-	1
170. Income (losses) on investments carried at equity	47	1	-	-	48
180. Income from operating activities	882	210	-4	-3	1,085
190. Extraordinary income	275	45 (2)	-	-	320
200. Extraordinary expenses	-100	-13	-	-	-113
210. Extraordinary net income	175	32	-	-	207
230. Changes in reserve for banking risks	4	-3	-	-	1
240. Income taxes	-315	-120 (3)	4 (4)	1	-430
250. Income (loss) attributable to minority interests	-58	-2	-	-	-60
260. Net income	688	117	-	-2	803

(1) Compared with the original figure, the caption has been increased by 18 million Euro to offset the "other reserves" to reflect the pro quota (1/2) of the end of year reserves due to the previous effects of Legge Ciampi.

(2) Compared with the original figure, the caption has been reduced to offset the equity reserves to reflect the reversal of the extraordinary component due to the change in the evaluation policy of dealing securities attributable to the previous financial year (12 million Euro).

(3) Compared with the original figure, the caption has been adjusted to reflect the elimination of the advantage provided for by Legge Ciampi (15 million Euro), offsetting the taxation reserves, the tax effect (5 million Euro) related to note (2) and offsetting the equity reserves.

(4) The adjustment reflects the cost of the funding needed to finance the purchase of SANPAOLO IMI shares to reach the amount of own shares used in the exchange and the related tax effect.

(5) The adjustment concerns amortization of the goodwill arising on consolidation generated by the allocation of the merger deficit (-2 million Euro), as well as the alteration of the amortization of goodwill arising on consolidation of the Cardine Group due to the new positive difference (following off-setting) (9 million Euro).

31/12/2001: STATEMENT OF CONSOLIDATED PRO FORMA BALANCE SHEET - OFFICIAL FORMAT

	(€/million)				
	SANPAOLO IMI Group	Cardine Group	Effects of the merger	Banka Koper pro forma contribution	SANPAOLO IMI Group pro forma
	(a)	(b)	(c)	(d)	(e) = (a+b+c+d)
ASSETS					
10. Cash and deposits with central banks and post offices	818	331	-	23	1,172
20. Treasury bills and similar bills eligible for refinancing with central banks	9,373	711	-	97	10,181
30. Due from banks	21,571	5,053	-282 (1)	94	26,436
a) repayable on demand	3,191	1,541	-74	-	4,658
b) other credits	18,380	3,512	-208	94	21,778
40. Loans to customers	97,056	27,633	-115 (1) (2)	336	124,910
<i>of which:</i>					
- <i>loans using public funds</i>	99	101	-	-	200
50. Bonds and other debt securities	11,216	5,032	-36 (3)	68	16,280
a) public entities	4,352	2,239	-	48	6,639
b) banks	3,433	1,821	-	-	5,254
<i>of which:</i>					
- <i>own bonds</i>	1,074	6	-	-	1,080
c) financial institutions	1,120	568	-	-	1,688
<i>of which:</i>					
- <i>own bonds</i>	-	-	-	-	-
d) other issuers	2,311	404	-36	20	2,699
60. Shares, quotas and other equities	1,528	514	-	12	2,054
70. Equity investments	4,054	310	-105 (4)	-21	4,238
a) carried at equity	339	112	-	-	451
b) other	3,715	198	-105	-21	3,787
80. Investments in Group companies	643	17	-	-	660
a) carried at equity	643	8	-	-	651
b) other	-	9	-	-	9
90. Goodwill arising on consolidation	838	211	-93 (4) (5)	72	1,028
100. Goodwill arising on application of the equity method	215	1	-1 (5)	-	215
110. Intangible fixed assets	367	75	-	2	444
<i>of which:</i>					
- <i>start-up costs</i>	3	-	-	-	3
- <i>goodwill</i>	8	-	-	-	8
120. Tangible fixed assets	1,726	816	-	19	2,561
140. Own shares or quotas	304	24	-300 (6)	-	28
150. Other assets	18,585	1,869	48 (2) (3)	42	20,544
160. Accrued income and prepaid expenses	2,191	465	-	20	2,676
a) accrued income	1,871	380	-	20	2,271
b) prepaid expenses	320	85	-	-	405
<i>of which:</i>					
- <i>discounts on bond issues</i>	31	10	-	-	41
Total assets	170,485	43,062	-884	764	213,427

(1) The adjustment reflects the elimination of the most significant reciprocal accounts between the two Groups as of 31 December 2001 (21 million Euro of loans to customers, 282 million Euro loans to banks and 303 million Euro due to banks).

(2) The adjustment reflects the discounting of doubtful loans of the Cardine Group to take into account the adoption of the SANPAOLO IMI accounting policy. The adjustment of loans offset against shareholder's equity reserves, is estimated at 94 million Euro, with a positive tax effect of 35 million Euro which is included in caption 150 - Other Assets.

(3) This involves adjustment of the portfolios of newly consolidated companies to reflect losses on investment securities for 36 million Euro, with a positive tax effect of 13 million Euro which is included in caption 150 - Other Assets.

(4) The adjustment reflects the cancellation of the book value (105 million Euro) of Cardine Banca shares in the SANPAOLO IMI portfolio at the time of the merger, against the corresponding fraction of the incorporated company's equity (63 million Euro). The merger difference (38 million Euro) net of amortization attributable to the period (4 million Euro), is registered in the "equity investments" caption, establishing goodwill arising on consolidation of the same amount.

(5) This reflects offsetting, in accordance with current banking standards, of goodwill arising on consolidation with the negative goodwill of the Cardine Group as of 31 December 2001, and the recalculation of amortization for the period (see note 4 to the statement of income).

(6) The adjustment reflects the use of SANPAOLO IMI own shares (294 million Euro) during the exchange, as well as the cancellation of Cardine Banca own shares in the merger (6 million Euro).

	(€/million)				
	SANPAOLO IMI Group	Cardine Group	Effects of the merger	Banka Koper pro forma contribution	SANPAOLO IMI Group pro forma (e) = (a+b+c+d)
LIABILITIES	(a)	(b)	(c)	(d)	
10. Due to banks	27,922	8,834	-303 (1)	29	36,482
a) repayable on demand	3,378	1,673	-65	-	4,986
b) time deposits or with notice period	24,544	7,161	-238	29	31,496
20. Due to customers	65,845	15,311	445 (7)	675	82,276
a) repayable on demand	48,463	12,606	-	194	61,263
b) time deposits or with notice period	17,382	2,705	445	481	21,013
30. Securities issued	40,839	11,471	-	16	52,326
a) bonds	27,695	8,825	-	9	36,529
b) certificates of deposits	8,346	2,424	-	7	10,777
c) other	4,798	222	-	-	5,020
40. Public funds administered	100	101	-	-	201
50. Other liabilities	15,590	2,066	-	2	17,658
60. Accrued expense and deferred income	2,162	436	22 (7)	31	2,651
a) accrued expense	1,811	305	22	19	2,157
b) deferred income	351	131	-	12	494
70. Provisions for employee termination indemnities	734	221	-	-	955
80. Provisions for risks and charges	2,471	771	-9 (7)	17	3,250
a) pensions and similar commitments	43	300	-	-	343
b) taxation	901	326	-9	1	1,219
c) other	1,527	145	-	16	1,688
90. Reserve for possible loan losses	41	32	-	-	73
110. Subordinated liabilities	5,607	222	-	-	5,829
120. Negative goodwill arising on consolidation	-	141	-141 (5)	-	-
130. Negative goodwill arising on application of the equity method	118	9	-9 (5)	-	118
140. Minority interests	698	95	-	-	793
Capital and reserves (caption 100, 150, 160, 170, 180)	7,155	3,174	-890 (2)(3)(4)(6)(7)	-	9,439
200. Net income	1,203	178	1	-6	1,376
Total liabilities	170,485	43,062	-884	764	213,427

GUARANTEES AND COMMITMENTS

10. Guarantees given	16,016	1,711	-	106	17,833
of which:					
- acceptances	128	30	-	-	158
- other guarantees	15,888	1,681	-	106	17,675
20. Commitments	24,839	1,453	-	132	26,424

(1) The adjustment reflects the elimination of the most significant reciprocal accounts between the two Groups as of 31 December 2001 (21 million Euro of loans to customers, 282 million Euro loans to banks and 303 million Euro due to banks).

(2) The adjustment reflects the discounting of doubtful loans of the Cardine Group to take into account the adoption of the SANPAOLO IMI accounting policy. The adjustment of loans offset against shareholder's equity reserves, is estimated at 94 million Euro, with a positive tax effect of 35 million Euro which is included in caption 150 - Other Assets.

(3) This involves adjustment of the portfolios of newly consolidated companies to reflect losses on investment securities for 36 million Euro, with a positive tax effect of 13 million Euro which is included in caption 150 - Other Assets.

(4) The adjustment reflects the cancellation of the book value (105 million Euro) of Cardine Banca shares in the SANPAOLO IMI portfolio at the time of the merger, against the corresponding fraction of the incorporated company's equity (63 million Euro). The merger difference (38 million Euro) net of amortization attributable to the period (4 million Euro), is registered in the "equity investments" caption, establishing goodwill arising on consolidation of the same amount.

(5) This reflects offsetting, in accordance with current banking standards, of goodwill arising on consolidation with the negative goodwill of the Cardine Group as of 31 December 2001.

(6) The adjustment reflects the use of SANPAOLO IMI own shares (294 million Euro) during the exchange, as well as the cancellation of Cardine Banca own shares in the merger (6 million Euro).

(7) The adjustment reflects the purchase (and related debt) of SANPAOLO IMI own shares needed to reach the amount used in the exchange.

2001: STATEMENT OF CONSOLIDATED PRO FORMA STATEMENT OF INCOME - OFFICIAL FORMAT

	(€/million)				
	SANPAOLO IMI Group	Cardine Group	Effects of the merger	Banka Koper pro forma contribution	SANPAOLO IMI Group pro forma
	(a)	(b)	(c)	(d)	(e) = (a+b+c+d)
10. Interest income and similar revenues	8,016	2,407	-	28	10,451
of which:					
– loans to customers	5,999	1,854	-	20	7,873
– securities	1,026	311	-	6	1,343
20. Interest expense and similar charges	-5,326	-1,221	-22 (3)	-21	-6,590
of which:					
– due to customers	-1,600	-320	-22	-20	-1,962
– securities issued	-2,112	-458	-	-1	-2,571
30. Dividends and other revenues	397	28	-	-	425
a) from shares, quotas and other equities	263	10	-	-	273
b) from equity investments	134	18	-	-	152
40. Commission income	3,312	526	-	11	3,849
50. Commission expense	-714	-87	-	-2	-803
60. Profits (losses) on financial transactions	105	15	-	1	121
70. Other operating income	280	127	-	12	419
80. Administrative costs	-3,600	-1,029	-	-18	-4,647
a) personnel	-2,221	-630	-	-11	-2,862
of which:					
– wages and salaries	-1,600	-443	-	-11	-2,054
– social security charges	-471	-118	-	-	-589
– termination indemnities	-109	-31	-	-	-140
– pensions and similar commitments	-41	-38	-	-	-79
b) other administrative costs	-1,379	-399	-	-7	-1,785
90. Adjustments to intangible and tangible fixed assets	-543	-111	14 (4)	-11	-651
100. Provisions for risks and charges	-136	-78	-	-	-214
110. Other operating expenses	-36	-20	-	-	-56
120. Adjustments to loans and provisions for guarantees and commitments	-636	-228	-	-28	-892
130. Writebacks of adjustments to loans and provisions for guarantees and commitments	278	75	-	21	374
140. Provisions to the reserve for possible loan losses	-11	-12	-	-	-23
150. Adjustments to financial fixed assets	-235	-20	-	-	-255
160. Writebacks of adjustments to financial fixed assets	2	-	-	-	2
170. Income (loss) on investments carried at equity	79	3	-	-	82
180. Income from operating activities	1,232	375	-8	-7	1,592
190. Extraordinary income	660	41 (1)	-	-	701
200. Extraordinary expenses	-269	-19	-	-	-288
210. Extraordinary net income	391	22	-	-	413
230. Changes in the reserve for banking risks	-1	-5	-	-	-6
240. Income taxes	-318	-209 (2)	9 (3)	1	-517
250. Income (loss) attributable to minority interests	-101	-5	-	-	-106
260. Net income	1,203	178	1	-6	1,376

(1) Compared with the original figure, the caption has been reduced to offset the equity reserves to reflect the reversal of the extraordinary component due to the change in the evaluation policy of dealing securities attributable to the previous financial year (12 million Euro).

(2) Compared with the original figure, the caption has been reduced to reflect, in offset against the equity reserves the tax effect (5 million Euro) related to note (1).

(3) The adjustment reflects the cost of the funding needed to finance the purchase of SANPAOLO IMI shares to reach the amount of own shares used in the exchange and the related tax effect.

(4) The adjustment concerns amortization of the goodwill arising on consolidation generated by the allocation of the merger deficit (-4 million Euro), as well as the alteration of the amortization of goodwill arising on consolidation of the Cardine Group due to the new positive difference (following off-setting) (18 million Euro).

Parent Bank financial statements and reports

PARENT BANK RECLASSIFIED FINANCIAL STATEMENTS

REPORT ON OPERATIONS

PROPOSAL FOR THE APPROVAL OF THE FINANCIAL STATEMENTS
AND ALLOCATION OF NET INCOME FOR THE YEAR

REPORT OF THE BOARD OF STATUTORY AUDITORS

INDEPENDENT AUDITORS' REPORT

PARENT BANK FINANCIAL STATEMENTS

ATTACHMENTS

Parent Bank reclassified financial statements

PARENT BANK RECLASSIFIED STATEMENT OF INCOME

PARENT BANK RECLASSIFIED BALANCE SHEET

Parent Bank reclassified statement of income

	2002 (€/mil)	2001 SANPAOLO IMI (€/mil)	2001 pro forma (1) (€/mil)	Change 2002 / 2001 pro forma (%)
NET INTEREST INCOME	2,103	1,583	2,346	-10.4
Net commissions and other net dealing revenues	1,512	1,271	1,573	-3.9
Profits and losses from financial transactions and dividends on shares	62	72	86	-27.9
Profits from companies carried at equity and dividends from shareholdings	700	946	1,253	-44.1
NET INTEREST AND OTHER BANKING INCOME	4,377	3,872	5,258	-16.8
Administrative costs	-2,866	-2,004	-2,889	-0.8
- <i>personnel</i>	-1,823	-1,295	-1,848	-1.4
- <i>other administrative costs</i>	-885	-582	-879	+0.7
- <i>indirect duties and taxes</i>	-158	-127	-162	-2.5
Other operating income, net	252	153	254	-0.8
Adjustments to tangible and intangible fixed assets	-330	-183	-298	+10.7
OPERATING INCOME	1,433	1,838	2,325	-38.4
Adjustments to goodwill and merger differences	-185	-28	-196	-5.6
Provisions and net adjustments to loans and financial fixed assets	-748	-521	-463	+61.6
INCOME BEFORE EXTRAORDINARY ITEMS	500	1,289	1,666	-70.0
Net extraordinary income	316	801	378	-16.4
INCOME BEFORE TAXES	816	2,090	2,044	-60.1
Income taxes for the period	358	-	-	n.s.
Change in reserves for general banking risks	1,174	2,090	2,044	-42.6
Income attributable to minority interests	-410	-906	-979	-58.1
NET INCOME	764	1,184	1,065	-28.3

(1) The criteria for the preparation of the pro forma reclassified accounts are detailed in the Explanatory Notes.
The pro forma statement of income for 2001 is unaudited.

Parent Bank reclassified balance sheet

	31/12/2002 (€/mil)	31/12/2001 SANPAOLO IMI (€/mil)	31/12/2001 pro forma (1) (€/mil)	Change 31/12/02-31/12/01 pro forma (%)
ASSETS				
Cash and deposits with central banks and post offices	986	570	779	+26.6
Loans	97,110	72,220	99,656	-2.6
- due from banks	20,951	12,648	20,402	+2.7
- loans to customers	76,159	59,572	79,254	-3.9
Dealing securities	12,658	8,508	15,444	-18.0
Fixed assets	13,381	10,448	15,362	-12.9
- investment securities	2,039	725	3,256	-37.4
- equity investments	8,313	8,687	8,646	-3.9
- intangible fixed assets	1,613	177	1,903	-15.2
- tangible fixed assets	1,416	859	1,557	-9.1
Other assets	10,872	8,881	14,480	-24.9
Total assets	135,007	100,627	145,721	-7.4
LIABILITIES				
Payables	106,233	79,263	116,606	-8.9
- due to banks	31,020	23,254	36,386	-14.7
- due to customers and securities issued	75,213	56,009	80,220	-6.2
Provisions	3,115	1,649	2,927	+6.4
- for taxation	1,038	696	793	+30.9
- for termination indemnities	687	417	687	-
- for risks and charges	1,349	493	1,404	-3.9
- for pensions and similar	41	43	43	-4.7
Other liabilities	9,613	6,904	10,191	-5.7
Subordinated liabilities	6,090	5,004	5,311	+14.7
Shareholders' equity	9,956	7,807	10,686	-6.8
- capital	5,144	3,932	5,144	-
- reserves (2)	4,048	2,691	3,943	+2.7
- net income	764	1,184	1,065	-28.3
- adjustment for alignment with net income			534	
Total liabilities	135,007	100,627	145,721	-7.4
GUARANTEES AND COMMITMENTS				
Guarantees given	30,142	24,720	26,696	+12.9
Commitments	14,181	12,315	16,575	-14.4

(1) The criteria for the preparation of the pro forma reclassified accounts are detailed in the Explanatory Notes.

(2) Reserves related to the pro forma statement as of 31/12/2001 are net of own shares in portfolio.

The pro forma balance sheet as of 31/12/2001 is unaudited.

Report on Operations

PARENT BANK'S RESULTS

OPERATING VOLUMES AND ORGANIZATION

CAPITAL AND RESERVES

SUPPLEMENTARY INFORMATION

DEVELOPMENTS AFTER THE END OF THE YEAR

Parent Bank's results

The Bank's results in 2002 were conditioned by the difficult market context; revenues presented a general reduction compared with the levels registered, within the same operational setting, in 2001.

To counter the drop in revenues and the increase in adjustments to the investment portfolio, the strict cost containment actions implemented in 2001 continued.

After the use of the reserve for general banking risks, net income reached 764 million euro, falling by 28.3% compared with the previous year.

To allow a consistent comparison of the 2002 profit results, a pro forma balance sheet and statement of income for 2001 were prepared, taking account of:

- the merger by incorporation of Cardine Banca, legally effective as of 1 June 2002 and effective for accounting and tax purposes as of 1 January 2002;
- the transfer, from Cardine Banca to Cardine Finanziaria, of the company branch mainly comprising the controlling shares in the Cardine Group bank networks, effective as of 1 June 2002;
- the merger by incorporation of Banco di Napoli, completed on 31 December 2002, effective for accounting and tax purposes as of 1 January 2002;
- the changes, as of the 2001 financial statements, to the accounting criteria regarding the booking of dividends from subsidiaries, during the period in which the profits mature as opposed to the year in which they are collected.

The criteria observed for the preparation of the pro forma statement are fully illustrated in the Explanatory Notes.

Net interest income

The net interest income for 2002 amounted to 2,103 million euro, 10.4% less than the previous year; the reduction is mainly attributable to the prolonged decline in interest rates, which reflected in a closure of customer spreads, joined by a decline in fund imbalance volumes and returns.

In 2002, the spread related to short-term transactions with customers carried out by the Italian network fell as a result of the decline in the mark down, against a mark up which was largely unchanged.

Net interest and other banking income

Net interest and other banking income came to 4,377 million euro, down 16.8% compared with 2001.

Net commissions amounted to 1,512 million euro, down 3.9%. The development in the year was conditioned by the progressive worsening of the financial markets' trend, which squeezed revenues from asset management, dealing and advisory (-7.2%); this reduction was only partially compensated by the increase in commissions from deposits and current accounts (+9.5%).

Profits from financial transactions and dividends on shares reached 62 million euro compared with 86 million of 2001 (-27.9%); the trend was determined by the reduction of profits from transactions in securities, against a positive growth trend in revenues from exchange transactions.

Dividends from shareholdings presented a considerable decline, falling from 1,253 million euro in 2001 to 700 million in 2002 (-44.1%).

Net interest income

	2002 (€/mil)	2001 pro forma (€/mil)	Change 2002 / 2001 pro forma (%)
Interest income and similar revenues	5,364	6,802	-21.1
Interest expense and similar charges	-3,261	-4,456	-26.8
Net interest income	2,103	2,346	-10.4

Operating income

Operating income for 2002 amounted to 1,433 million euro, 38.4% less compared with 2001.

The structural cost containment actions taken in 2001 allowed the Bank to strictly control the trend of administrative costs, despite the importance taken on by the rationalization and integration of the banking networks.

Administrative costs came to 2,866 million euro, down by 0.8% compared with 2001. In particular personnel

costs were 1.4% lower, thanks to the continuing of personnel containment actions, especially the former Banco di Napoli voluntary incentive retirement scheme. The reduction in these costs was made despite the contractual increases occurred during the year, following the renewal of the national labor contract, and part of the contractual adjustments attributable to the year for the personnel of the former Banco di Napoli. The personnel costs of 2001 include the charge of 38 million euro for the 831 tax collection sector employees transferred from the former Banco di Napoli to the subsidiary Esaban in October 2002; on the other hand personnel

Net interest and other banking income

	2002 (€/mil)	2001 pro forma (€/mil)	Change 2002 / 2001 pro forma (%)
Net interest income	2,103	2,346	-10.4
Net commissions and other net dealing revenues	1,512	1,573	-3.9
- management, dealing and advisory services	779	839	-7.2
- <i>asset management</i>	679	756	-10.2
- <i>brokerage/custody of securities and currencies</i>	100	83	+20.5
- loans and guarantees	199	210	-5.2
- collection and payment services	165	164	+0.6
- deposits and current accounts	301	275	+9.5
- other services and net dealing revenues	68	85	-20.0
Profits and losses from financial transactions and dividends on shares	62	86	-27.9
Dividends from shareholdings	700	1,253	-44.1
Net interest and other banking income	4,377	5,258	-16.8

Operating income

	2002 (€/mil)	2001 pro forma (€/mil)	Change 2002 / 2001 pro forma (%)
Net interest and other banking income	4,377	5,258	-16.8
Operating costs	-2,944	-2,933	+0.4
- administrative costs	-2,866	-2,889	-0.8
- <i>personnel</i>	-1,823	-1,848	-1.4
- <i>other administrative costs</i>	-885	-879	+0.7
- <i>indirect duties and taxes</i>	-158	-162	-2.5
- other operating income, net	252	254	-0.8
- adjustments to tangible fixed assets	-189	-159	+18.9
- adjustments to intangible fixed assets	-141	-139	+1.4
Operating income	1,433	2,325	-38.4

costs for 2002 exclusively consist of the pro quota charge (26 million euro).

Other administrative costs rose by 0.7% mainly following promotional initiatives for the development of products and advisory costs connected with the Group's expansion and reorganization.

Amortization of tangible and intangible fixed assets was 330 million euro, 10.7% higher than 2001; the growing trend was influenced by investments destined to strengthen and specialize the commercial network as well as to enhance the central data processing systems.

Income before extraordinary items

Income before extraordinary items reached 500 million euro, down by 70%.

Adjustments to goodwill and merger differences, 185 million euro, were down by 5.6% compared with 2001.

Provisions and net adjustments to loans and financial fixed assets amounted to a total of 748 million euro (463 million in 2001), registering an increase of 61.6%, mainly due to adjustments to the investment portfolio. The net flow for the year includes, in particular:

- 151 million euro of provisions for risks and charges; these provisions were made to cover losses on legal disputes and claims from bankruptcy liquidators, potential charges for the renegotiation of mortgage loans and other charges for personnel, premium transactions and other potential liabilities;
- 260 million euro of provisions and adjustments for credit risks; in a scenario which is still characterized by a high degree of uncertainty, these provisions are destined both to adjusting the estimated realizable value of specific accounts included in doubtful loans, and strengthening the coverage of the physiological risk of the performing loan portfolio, which came to more than 0.9% of the total performing loans at the end of December (excluding intragroup loans and loans to SGA). This level of coverage represents an adequate balance between the high quality reached by the loan portfolio and the worsening of the economic scenario;
- 337 million euro of adjustments to financial fixed assets, 287 million of which related to the investment portfolio and 50 million for investment securities; the main writedowns concerned the stake held directly in Santander Central Hispano (115 million) and indirectly through Sanpaolo IMI International (134 million). In both cases the book value was aligned to the average of the share prices in the second half year (6.5 euro per share).

Income before extraordinary items

	2002 (€/mil)	2001 pro forma (€/mil)	Change 2002 / 2001 pro forma (%)
Operating income	1,433	2,325	-38.4
Adjustments to goodwill and merger differences	-185	-196	-5.6
Provisions and net adjustments to loans and financial fixed assets	-748	-463	+61.6
- provisions for risks and charges	-151	-108	+39.8
- adjustments to loans and provisions for guarantees and commitments	-260	-315	-17.5
- <i>net writedowns</i>	-325	-447	-27.3
- <i>net provisions for guarantees and commitments</i>	-59	-7	n.s.
- <i>recoveries</i>	124	139	-10.8
- net adjustments to financial fixed assets	-337	-40	n.s.
- <i>net writedowns of equity investments</i>	-287	-31	n.s.
- <i>net writedowns of investment securities</i>	-50	-9	n.s.
Income before extraordinary items	500	1,666	-70.0

Net income

Net income, 764 million euro, includes 316 million euro of net extraordinary income deriving from capital gains from dealing in shareholdings and the sale of real estate, tax recoveries and other contingent assets.

In order to face the extraordinary economic impact of the writedowns, and also to optimize the tax position, the

whole amount of the reserve for general banking risks existing in the net shareholders' equity (358 million euro) was used.

The Bank's tax rate, before the above-mentioned use of the reserve for general banking risks, was 50.2%, higher than the previous year's 47.9%, mainly because of the higher growth of the IRAP taxable amount compared with that of the IRPEG.

Net income

	2002 (€/mil)	2001 pro forma (€/mil)	Change 2002 / 2001 pro forma (%)
Income before extraordinary items	500	1,666	-70.0
Net extraordinary income	316	378	-16.4
- net gains on disposal and transfer of equity investments	121	15	n.s.
- other net extraordinary items	195	363	-46.3
Income before taxes	816	2,044	-60.1
Use of reserve for general banking risks	358	-	n.s.
Income taxes for the period	-410	-979	-58.1
Net income	764	1,065	-28.3

Operating volumes and organization

Customer financial assets

At the end of 2002, customer financial assets reached 207.7 billion euro, falling by 2.4% compared with the end of December 2001. This trend can be attributed to the decline in direct deposits and asset management, only partially offset by the growth in asset administration.

In greater detail, direct customer deposits amounted at the end of December to 75.2 billion euro, presenting a reduction of 6.2% compared with the end of 2001, mainly

attributable to the downsizing of operations of the former Banco di Napoli and to the presence, in the Parent Bank's accounts as of 31 December 2001, of liquidity deposited temporarily by Group companies.

Within the total aggregate, the flow of the Italian branches reached 67.1 billion euro, falling by 1.1 billion compared with the end of December 2001 (-1.6%); this trend is largely attributable to the reduction of certificates of deposit (0.6 billion euro) and by other deposits (1 billion euro), only partially compensated for by the growth of repurchase agreements (+1.9%), bonds (+1.6%) and current accounts and deposits (+0.4%).

Direct customer deposits taken by the foreign network, 8.2 billion euro, registered a decline of 32.3%, attributable to

Customer financial assets

	31/12/2002		31/12/2001 pro forma		Change 31/12/02-31/12/01 pro forma (%)
	Amount (€/mil)	%	Amount (€/mil)	%	
Asset management	71,087	34.2	73,344	34.5	-3.1
Asset administration	61,352	29.6	59,096	27.8	+3.8
Direct deposits	75,213	36.2	80,220	37.7	-6.2
Customer financial assets	207,652	100.0	212,660	100.0	-2.4

Direct customer deposits

	31/12/2002		31/12/2001 pro forma		Change 31/12/02-31/12/01 pro forma (%)
	Amount (€/mil)	%	Amount (€/mil)	%	
Italian branches' deposits	67,054	89.2	68,160	85.0	-1.6
- current accounts and deposits	41,754	55.6	41,599	51.8	+0.4
- certificates of deposit	1,981	2.6	2,618	3.3	-24.3
- bonds	16,025	21.2	15,774	19.7	+1.6
- repurchase agreements and securities lending	6,215	8.4	6,100	7.6	+1.9
- other deposits	1,079	1.4	2,069	2.6	-47.8
Foreign branches' deposits	8,159	10.8	12,060	15.0	-32.3
Direct customer deposits	75,213	100.0	80,220	100.0	-6.2

Asset management

	31/12/2002		31/12/2001 pro forma		Change 31/12/02-31/12/01 pro forma (%)
	Amount (€/mil)	%	Amount (€/mil)	%	
Mutual funds and fund-based portfolio management	52,923	74.4	58,565	79.8	-9.6
Portfolio management	4,764	6.7	5,486	7.5	-13.2
Life technical reserves	13,400	18.9	9,293	12.7	+44.2
Asset management	71,087	100.0	73,344	100.0	-3.1

the downsizing of the provision through the issue of securities and to the effect of exchange rates linked with the devaluation of the dollar and the pound sterling.

The Bank's assets under management reached 71.1 billion euro at the end of December, falling by 3.1% compared with the end of 2001. The decline, 2.3 billion euro, is entirely attributable to the devaluation of stocks; the positive net flow for the year was 1.9 billion euro.

Mutual funds and fund-based portfolio management fell by 5.6 billion euro during the year, down 9.6% since the end of 2001; the weight of equity funds fell to 14.3%, compared with 20.4% at the end of December 2001. The share held by the Bank on the domestic market of mutual funds was 11.6% at the end of the year.

The difficult trend of mutual funds was countered by positive trend in life policies: the net inflow realized by the distribution network during the year, 4.3 billion euro, took the amount of the technical reserves to 13.4 billion euro, rising by 44.2% since the end of 2001.

Asset administration rose at the end of the year to 61.4 billion euro, with an increase of 2.3 billion (+3.8%) since the end of December 2001.

Loans to customers

Net loans to customers, excluding non-performing loans and loans to SGA, reached 74.1 billion euro, registering a drop of 3% since the end of December 2001,

Change in assets under management

	2002 (€/mil)	2001 pro forma (€/mil)
Net inflow for the period	1,869	5,398
- Mutual funds and fund-based portfolio management	-1,709	2,219
- Portfolio management	-701	292
- Life policies	4,279	2,887
Performance effect	-4,126	-4,156
Change in assets under management	-2,257	1,242

Mutual funds by type

	31/12/2002 %	31/12/2001 pro forma %
Equity	14.3	20.4
Balanced	17.7	23.2
Bond	34.5	35.0
Liquidity	33.5	21.4
Total mutual funds	100.0	100.0

Loans to customers

	31/12/2002		31/12/2001 pro forma		Change 31/12/02-31/12/01 pro forma (%)
	Amount (€/mil)	%	Amount (€/mil)	%	
Short-term loans	35,350	46.4	36,955	46.6	-4.3
Medium- and long-term loans	38,769	50.9	39,428	49.8	-1.7
Loans to customers excluding NPLs	74,119	97.3	76,383	96.4	-3.0
Non-performing loans	788	1.0	830	1.0	-5.1
SGA loans	1,252	1.7	2,041	2.6	-38.7
Loans to customers	76,159	100.0	79,254	100.0	-3.9

mainly attributable to the downsizing in the operations of the former Banco di Napoli mentioned earlier. Within the total aggregate, medium- and long-term loans showed a decline of 1.7%, while short-term loans fell by 4.3%.

In medium- and long-term loans, good progress in financings directed to the retail sector continued: during the year net mortgage disbursements to households reached 1.9 billion euro for the Sanpaolo Network and 0.4 billion for the former Banco di Napoli network.

Altogether the loans issued in Italy to households, representing almost 20% of the total, registered an increase on an annual basis of 7.3% compared with the decline in loans to other types of counterparty.

Doubtful loans

Net doubtful loans reached 1,731 million euro, compared with the 1,839 million at the end of 2001, showing a drop of 5.9%. More specifically, in loans to customers:

- net non-performing loans, 788 million euro, amounted to 42 million euro less than the figure for the end of December 2001 (-5.1%); at the end of 2002 they accounted for 1% of the Bank's net loans and presented a coverage ratio of 73%;
- problem, restructured and in course of restructuring loans reached 854 million euro, down by 68 million compared with the end of 2001; the coverage ratio was 27%;
- non-guaranteed loans to customers in countries subject to country risk rose from 26 million euro at the end of 2001 to 34 million euro as of 31 December 2002.

Loans to customers by counterparty

	31/12/2002		31/12/2001 pro forma		Change 31/12/02-31/12/01 pro forma (%)
	Amount (€/mil)	%	Amount (€/mil)	%	
Loans to households	14,599	19.2	13,600	17.2	+7.3
Loans to family businesses and non-financial businesses	43,368	56.9	46,102	58.2	-5.9
Loans to financial companies	14,914	19.6	15,800	19.9	-5.6
Loans to governments and public bodies	3,089	4.1	3,267	4.1	-5.4
Other	189	0.2	485	0.6	-61.0
Loans to customers	76,159	100.0	79,254	100.0	-3.9

Loans to customers by type of lending

	31/12/2002		31/12/2001 pro forma		Change 31/12/02-31/12/01 pro forma (%)
	Amount (€/mil)	%	Amount (€/mil)	%	
Loans to households	14,599	19.2	13,600	17.2	+7.3
- Domestic network	14,592	19.2	13,591	17.2	+7.4
- overdraft	764	1.0	886	1.1	-13.8
- personal loans	693	0.9	598	0.8	+15.9
- mortgage loans	12,539	16.5	11,509	14.5	+8.9
- other	596	0.8	598	0.8	-0.3
- Foreign network	7	0.0	9	0.0	-22.2
Loans to family businesses, companies, governments, public bodies and others	61,560	80.8	65,654	82.8	-6.2
- Domestic network	54,663	71.8	54,669	69.0	-0.0
- overdraft	9,666	12.7	9,253	11.7	+4.5
- repurchase agreements	289	0.4	1,984	2.5	-85.4
- import/export financing	1,991	2.6	2,178	2.7	-8.6
- mortgage loans	20,571	27.0	20,809	26.3	-1.1
- other	22,146	29.1	20,445	25.8	+8.3
- Foreign network	6,897	9.0	10,985	13.8	-37.2
Loans to customers	76,159	100.0	79,254	100.0	-3.9

Activities on financial markets

After the establishment of the integrated Treasury, following the reorganization of Group Finance implemented during 2002, interbank transactions for the domestic Network Banks and all the Group Companies in general, for which direct access to the monetary markets was considered inefficient, were progressively centralized at the Parent Bank. On the interbank market, approximately 50% of the volumes negotiated by the Bank regarded collection transactions in euro; a significant portion of the total amount (265 billion euro), was channeled through the e-Mid circuit, on which the Bank maintained a market share of about 3%.

At the end of the year the Bank's securities portfolio amounted to 14.7 billion euro, with an annual reduction of 21.4%; investment securities, 2 billion euro, accounted for 13.9% of the total, down compared with the 17.4% of the end of 2001.

The bond portfolio, comprising the portfolios of Cardine Banca and Banco di Napoli acquired during the merger,

amounted to 14.4 billion euro. In the context of the dealing portfolio, Government bonds accounted for 40%; bonds from financial and banking issuers represented 56%, while the remaining 4% share comprised corporate bonds and securitization-related issues. Approximately 70% of the investment component was represented by Government and bank bonds, with the remaining 30% made up of corporate issues related to securitization transactions. The volume of the securities negotiated by the Bank was 25 billion euro, while transactions in repurchase agreements, entered into for retail and corporate customers and to support activity on the monetary markets, amounted to 296 billion euro, 197 billion of which were handled by the MTS/PCT platform.

Equity investments

The equity portfolio reached 8.3 billion euro, with a net reduction of 0.3 billion euro compared with the pro forma value at the end of December 2001. The most significant transactions during the year, described in detail in the

Analysis of loan portfolio

	31/12/2002		31/12/2001 pro forma		Change 31/12/02-31/12/01 pro forma (%)
	Amount (€/mil)	%	Amount (€/mil)	%	
Non-performing loans	788	1.0	830	1.0	-5.1
Problem, restructured and in course of restructuring loans	854	1.1	922	1.2	-7.4
Loans to countries at risk - customers	34	0.1	26	0.0	+30.8
Performing loans	74,483	97.8	77,476	97.8	-3.9
Total loans to customers	76,159	100.0	79,254	100.0	-3.9
Non-performing and problem loans - banks	1		1		-
Loans to countries at risk - banks	54		60		-10.0

Securities, interbank position and derivatives

	31/12/2002		31/12/2001 pro forma		Change 31/12/02-31/12/01 pro forma (%)
	Amount (€/mil)	%	Amount (€/mil)	%	
Investment securities	2,039	13.9	3,256	17.4	-37.4
Dealing securities	12,658	86.1	15,444	82.6	-18.0
Total portfolio	14,697	100.0	18,700	100.0	-21.4
Loans to banks	20,951		20,402		+2.7
Funding from international banking organizations	2,484		2,712		-8.4
Funding from other banks	28,536		33,672		-15.3
Derivatives and forward transactions in foreign currencies (at nominal value)	125,627		131,344		-4.4

Group Report on Operations, concerned:

- the sale to Compagnia di San Paolo, before the merger with Cardine, of an 8% holding in Cardine Banca, at the price of 440 million euro, and the simultaneous acquisition by Compagnia di San Paolo of shareholdings in FIN.OPI (100%), in Sanpaolo IMI Private Equity (27.02%) and IMI Investimenti (39.77%). SANPAOLO IMI also acquired the minority interest in IMI Investimenti using a further 0.61% share in Cardine Banca. These transactions involved the booking of gross capital gains of 62 million euro;
- the re-sale of the 8.49% held in Banca Agricola Mantovana for a cost of 206 million euro (corresponding to the relative book value) through the exercising of a put option with Monte dei Paschi di Siena;
- the sale by Banco di Napoli, before the merger, of the 70% share held in Datitalia Processing, at a price of 11 million euro, realizing capital gains of 3 million euro.

Also worth mentioning is the acquisition by Banca Intesa of 3.33% of the capital of Borsa Italiana for an outlay of 32 million euro, and the acquisition by means of a Public Offer of a 62.1% share of Banka Koper for a total outlay of 116 million euro.

For details of the other transactions within the context of the rationalization of the portfolio, see Section 3 of the Explanatory Notes.

The distribution network

With the merger by incorporation of Banco di Napoli, the Bank consistently strengthened its distribution network, controlling, at the end of December, a total of 2,115 banking branches in Italy as well as 11 branches and 17 representative offices abroad.

A policy for the reorganization of distribution aimed at obtaining a more widespread presence throughout the country also led to the opening of 24 new operating points during the year, taking the total number of Sanpaolo branches to 1,390. At the same time, the integration of the 725 retail branches of Banco di Napoli continued. The strengthening of the branch networks has also been realized via the specialization of branches to deal with their reference customer segments: in particular, the project presented last year led to the creation of 129 “company branches” within the Sanpaolo Network. Similar specialization initiatives were carried out by the Banco di Napoli network. The year was also characterized by a reorganization of the activities linked with property loans, with the opening of centralized, specialized units.

The Bank also confirmed its commitment towards innovative channels. The Sanpaolo Network in particular continued the commercial development activities with regard to the services offered through direct channels, expanding their functionality and strengthening the customer service

Equity investments

	31/12/2002		31/12/2001 pro forma		Change 31/12/02-31/12/01 pro forma (%)
	Amount (€/mil)	%	Amount (€/mil)	%	
Equity investments	8,313	100.0	8,646	100.0	-3.9
- in Group companies	6,693	80.5	6,847	79.2	-2.2
- others	1,620	19.5	1,799	20.8	-9.9

Distribution network

	31/12/2002	31/12/2001 pro forma	Change 31/12/02-31/12/01 pro forma (%)
Banking branches and area offices	2,126	2,120	+0.3
- Italy	2,115	2,107	+0.4
- Abroad	11	13	-15.4
Representative offices	17	17	-

instruments. With reference to direct channels, the retail customer service is carried out through the network of automatic Bancomat tellers which, at the end of the year, included 1,899 Sanpaolo and 895 Banco di Napoli ATMs, and through the POS terminals of the Sanpaolo Network (27,064) and Banco di Napoli (10,100).

Personnel

As of 31 December 2002, the Parent Bank's staff was made up of 28,036 employees, down 973 in comparison to the previous year (reconstructed pro forma to include

the staff of the former Banco di Napoli net of the spin off of the tax collection sector and 24 employees of the former Cardine foreign branches in London and Luxembourg, acquired by the Parent Bank in June 2002).

The staff reduction, realized via 1,546 resignations and 573 new hires, can be attributed to a management strategy which, while adopting voluntary redundancy plans on the one hand, continues development actions on the other, with the introduction of new resources into its structures, simultaneously ensuring a gradual generational change. In particular, the voluntary redundancy initiatives resulted in the resignation of over 1,100 people.

Personnel

	31/12/2002		31/12/2001 pro forma (1)		Change 31/12/02-31/12/01 pro forma (%)
	%		%		
Period-end headcount	28,036	100.0	29,009	100.0	-3.4
- executives (2)	457	1.6	432	1.5	+5.8
- third and fourth level managers (2)	3,901	13.9	4,192	14.4	-6.9
- other employees	23,678	84.5	24,385	84.1	-2.9

(1) Includes 24 employees of the former Cardine foreign branches in London and Luxembourg acquired by the Parent Bank in June 2002 and the staff of the former Banco di Napoli, net of the spin off of the tax collection sector.

(2) The distinction between executives and third and fourth level managers as of 31/12/2002 follows the changes in the staff organization introduced by the National Collective Labour Contract for the banking sector with the constitution of the "extended management" in the context of the former Banco di Napoli. The comparison with 2001 is therefore inconsistent.

Capital and reserves

Net shareholders' equity

The Bank's shareholders' equity, 9,956 million euro as of 31 December 2002, showed in the year the following movements:

<i>Movements in the Bank shareholders' equity</i>	<i>€/mil</i>
Shareholders' equity as of 1 January 2002	7,807
Decreases	-1,409
- Dividends	-773
- Acquisition of own shares by exchange by shareholders of Cardine Banca	-250
- Use of reserve for general banking risks	-358
- Sanpaolo Imi International S.A. pro quota devaluation with use of reserve D.Lgs.213/98	-28
Increases	3,558
- Merger with Cardine Banca	2,794
- capital	1,212
- reserves	1,582
- Net income for the period	764
Shareholders' equity as of 31 December 2002	9,956

The increase in the share capital and in the reserves followed the incorporation of Cardine Banca. Purchases of own shares also refer to the Cardine merger, in which the former shareholders of the incorporated bank received in exchange SANPAOLO IMI shares held in the Bank's portfolio on the date of effectiveness of the merger. For more details on transactions during the year and all the Bank's equity accounts, see Section 8.

Own shares

As of 31 December 2001, the Bank held 17,080,403 own shares in its portfolio (48 million euro nominal value), for a book value at cost of 294 million euro. During 2002 it purchased 35,578,038 shares (100 million euro nominal value) for a total cost of 423 million euro. The shares were destined as follows:

- 48,013,809 shares (134 million euro nominal value) were used to serve the exchange in the context of the merger with Cardine Banca;
- 2,718,608 shares (8 million euro nominal value) were assigned for exchange with Banco di Napoli saving

shares in the context of the merger by incorporation of the Banco di Napoli into SANPAOLO IMI;

- 1,912,373 shares (5 million euro nominal value), for a cost of 19 million euro, were assigned to employees in June in relation to the extended employee stock plan;
- 13,650 shares (38,220 euro nominal value), for a book value of 137,000 euro, were sold on the market for a cost of about 135,000 euro.

At the end of 2002 the Bank held just one own share in its portfolio, with 2.8 euro nominal value, for a book value of 7.41 euro.

For completeness it is noted that during the period from 1 January to 31 May 2002, Cardine Banca purchased 807,653 own shares (4.2 million euro nominal value) for a cost of 18 million euro and sold 17,590 own shares for a cost of about 0.3 million euro. Cardine Banca own shares as of 1 June 2002, 1,054,253 (5.5 million euro nominal value), booked for 23.5 million euro, were cancelled to offset the shareholders' equity of the incorporated company.

Regulatory capital and solvency ratios

At the end of 2002 the ratio of the Bank's regulatory capital to total weighted assets against credit and market risks showed a total solvency ratio of 12.9%. The ratio of the primary capital to total weighted assets was 9.1%.

Regulatory capital and capital adequacy

	31/12/2002	31/12/2001
Regulatory capital (€/mil)		
Tier 1 capital	8,793	7,829
Tier 2 capital	3,883	2,957
less: prescribed deductions	-485	-1,010
Regulatory capital	12,191	9,776
Tier 3 subordinated loans	211	107
Total regulatory capital	12,402	9,883
Weighted assets (€/mil)		
Credit risk	93,086	77,065
Market risk	3,016	1,529
Other requirements	2	-
Total assets	96,104	78,594
Solvency ratios (%)		
Total capital ratio	12.9	12.6
Tier 1 ratio	9.1	10.0

Supplementary information

Committees and management

In compliance with the recommendation issued by the Consob with Communication 1574/1997, in accordance with Art. 15 of the Articles of Association, the Board of Directors has elected among its members the Executive Committee (comprising the Chairman, the Deputy Chairmen and the Managing Directors) and has a set number of components, powers of attorney, duration, operating standards and powers. The Board has also elected the Managing Directors, establishing their attributions.

The Board has attributed to the Executive Committee powers to be exercised within the context of the strategies, the addresses and plans laid out by the same Board, with faculty of sub-power of attorney and the obligation to report quarterly to the Board on the activity performed, the decision made and the powers of attorney conferred. In particular, the Executive Committee has been conferred operational powers for the recovery of loans, other economic sacrifices, assets and liabilities in dispute and pre-litigation, not involving recoveries, administrative procedures and equity investments – subject to the exclusive competence of the Board of Directors in the cases provided for by Art. 16 of the Articles of Association – as well as matters regarding personnel and expenditure and, generally, the faculty to make any urgent provisions in the Bank's interest, informing the Board at the first meeting.

Powers concerning the granting of loans have also been attributed to special Committees composed of the Managing Directors and the Managers of the competent company structures.

The Board of Directors has conferred to the Managing Directors, considered individually, powers to be exercised within the context of the respective competencies, strategies, addresses and plans laid out by the same Board, with faculty of sub-power of attorney and the obligation to report quarterly to the Board on the activities performed, the decisions made and the powers of attorney conferred.

In order to identify operating and market contexts with consistent characteristics and to exploit the respective specializations and competencies, the areas of responsibility have been divided between the Managing Directors as follows:

- the Managing Director Pio Bussolotto has been assigned responsibility for Cardine Finanziaria and the banking networks controlled by it, of equity investments in other domestic banks and of the tax collection companies, as well as the centralized supervision of the Group's strategic planning and of Purchases and Logistics.
- the Managing Director Alfonso Iozzo has been assigned responsibility for the supervision of banking and lending activities with households, companies and public bodies as well as the Group's commercial coordination and strategic marketing; the Managing Director in question has also been assigned the centralized supervision of Group loans and responsibility for the Macchina Operativa Integrata.
- the Managing Director Luigi Maranzana has been assigned responsibility for the specialist businesses, with particular reference to the Group's financial planner networks, asset management, the financial markets and foreign and international banking activities. The financial statements, as well as other central functions of the Group near to the above-mentioned markets, such as Group Finance, Risk Management and relations with Correspondent Banks, refer to the Managing Director in question.

Taking account of the aforementioned competencies – the Managing Directors have been assigned particularly by the Board of Directors powers concerning operations, the Group system for granting credit limits to financial institutions, country risk, financial risk control and management, loan recovery, other economic sacrifices, assets and liabilities in dispute and pre-litigation, not involving recoveries, administrative procedures, equity investments, personnel and structures and expenditure as well as – in general and within the context of their attributions, i.e. while executing decisions made by the Executive board – all powers necessary to the ordinary management of the Bank, as long as they are not specifically reserved to other Boards, as assigned in the Articles of Association or by exclusive delegation of the Board of Directors.

The Board of Directors, in accordance with Art. 20 of the Articles of Association, has elected a Central Management, establishing the number of members and providing for attribution of the competencies as well as the allocation of the functions among them.

The Central Management – which answers to the Managing Directors – implements the decisions made by the Board of Directors, the Executive Committee, the

Chairman and the Managing Directors; it manages all current affairs; it supervises the structure and operation of services; it organizes the assignments and destinations of personnel, excluding Executives. It can also delegate, with internal and continuing provisions, certain powers to Executives and other Head Office personnel, area and branch managers.

Transactions with related parties

The transactions entered into with “related parties” of a typical or usual nature, as governed and established by the Consob (Communications dated 20 February 1997, 27 February 1998, 6 April 2001 and 30 September 2002) lie within the scope of the normal operations of the Parent Bank and are usually entered into under market conditions, on the basis of valuations made for mutual economic convenience, also in observance of the internal procedure provided for this purpose.

The balances and transactions between the Bank and the other companies in the SANPAOLO IMI Banking Group, which occurred during the year, are detailed in the Explanatory Notes.

Further information is given in the Group Report on Operations, to which reference must be made.

As regards transactions with subjects who fulfill administrative, managerial, and executive duties for the Bank, or for banking Group companies, these are governed by the provisions of Article 136 of D. Lgs. 385/93 (Testo Unico Bancario). Accordingly, any such transactions are the subject of unanimous decisions by the Board of Directors, with the favorable vote of all of the Statutory Auditors, subject to the abstention obligations provided by said law. The same procedure also applies to the parties who carry out the administrative, managerial, and executive duties within a bank or a company belonging to the Group, for actions taken in connection with the company itself or for

financing transactions entered into with other companies or banks within the Group. In such cases, the transactions are decided upon by the boards of the contracting company or bank, with the prior consent of the Parent Bank.

Section D of the Explanatory Notes highlights the loans and guarantees issued to Directors and Auditors of the Bank.

The same Section D of the Explanatory Notes also reports, in accordance with art. 78 of Consob Resolution 11971 of 14/5/99, the remuneration of the Directors and Auditors of the Parent Bank.

The shares of the Parent Bank and subsidiaries, held by Administrators and Auditors of the Parent Bank and by others, as provided for by art. 79 of Consob Resolution 11971 of 14/5/99, are detailed in the Group Report on Operations.

Offices held by Directors in other companies

In accordance with the recommendations of the Code of Conduct for Listed Companies issued by Borsa Italiana S.p.A., Section D of the Explanatory Notes to the Parent Bank financial statements reports the list of the offices of Director or Auditor held by the Directors of SANPAOLO IMI in other companies listed in regulated markets (also foreign), in financial, banking, insurance and other significant-sized companies.

Stock incentive plans

The Bank has set up four stock option plans reserved for executives, as well as a plan reserved for the Chairman and the Managing Directors. In 2002 there was a free assignment of SANPAOLO IMI shares reserved for all Parent Bank personnel. The details of these initiatives are illustrated in the Group Report on Operations, to which reference must be made.

Developments after the end of the year

In the first two months of 2003, the Bank registered an increase of 1.4% in the volumes of customer financial assets compared with the end of 2002, mainly because of the 3.1% growth in asset administration. Asset management, in progress by 0.7% compared with the end of last year, benefited from a net inflow of 1.7 billion euro which more than offset the devaluation of the stocks; with regard to the total amount, noteworthy is the lively trend

of insurance policies, which registered net inflow of 1 billion euro in the first two months of the year. The net inflow increased by 0.6%.

As regards the economic results of the first two months of 2003, as well as the prospects for the evolution of the operating volumes and economic margins, the considerations made for the Group are confirmed.

Turin, 25 March 2003

The Board of Directors

Proposal for the approval of the financial statements and allocation of net income for the year

Shareholders,

Before going ahead with the approval of the financial statements for 2002, we submit to your approval the attribution of the merger goodwill originating from the incorporation of Cardine Banca S.p.A., as remaining, for 1,441,282,077 euro, after the resolutions proposed at the extraordinary shareholders' meeting held today to discuss the increase of the Legal reserve. The attribution of the goodwill, performed in compliance with tax regulations, which imposes the reconstitution to the appropriate caption of the incorporated company's reserves subject to taxation, and applying a principle of continuity in the statutory classification of the reserves, would occur as follows:

- 218,048 euro, for the reconstitution of the Reserve pursuant to Law Decree 429/82 of the incorporated Bank;
- 71,956 euro, for the constitution of a specific deferred tax reserve, referred to the Reserve pursuant to Law Decree 429/82;
- 213,281,978 euro, for the reconstitution of the Reserve pursuant to D.Lgs. 153/99;
- 22,672.458 euro, for the reconstitution of the Reserve for General Banking Risks;
- 516,084,843 euro increase to the Extraordinary reserve;
- 688,952,794 euro increase to the Additional paid-in capital.

Taking account of the use of the Reserve for General Banking Risks and the Reserve pursuant to D.Lgs. 213/98, on the date of the financial statements, as well as the transactions on the net equity proposed at the extraordinary shareholders' meeting, the net equity of SANPAOLO IMI S.p.A. at 31 December 2002, before allocation of net income, would be composed as follows:

	Capital and reserves as of 31/12/02	Increase of the legal reserve to the maximum limit set by law (20% of the capital)	Allocation of the residual merger surplus (a)	Use of equity accounts in the financial statements	Composition of shareholders' equity of SANPAOLO IMI before allocation of 2002 net income
Capital	5,144,064,800				5,144,064,800
Legal reserve	792,561,421	236,251,539			1,028,812,960
Additional paid-in capital	21,650,169	-2,835,604	688,952,794		707,767,359
Other Reserves	3,284,342,912	-233,415,935	-711,697,208	-27,506,896	2,311,722,873
Reserve D. Lgs. 153/99	641,000,000		213,281,978		854,281,978
Reserve art. 7 c.3, Law 218/90	80,359,537	-80,359,537			-
Reserve Law 169/83	11,514,113	-11,514,113			-
Reserve art. 21, D. Lgs. 213/98	41,859,975			-27,506,896	14,353,079
Reserve art. 13 c.6 D. Lgs. 124/93	3,626,950				3,626,950
Merger surplus of Cardine Banca	1,582,824,362	-141,542,285	-1,441,282,077		-
Reserve for purchase of own shares	456,362,094				456,362,094
Extraordinary reserve	466,795,881		516,084,843		982,880,724
Reserve D. L. 429/82			218,048		218,048
Reserve for general banking risks	335,696,984		22,672,458	-358,369,442	-
Income for the period to be distributed	764,079,416				764,079,416
	10,342,395,702	0	-71,956	-385,876,338	9,956,447,408

(a) For € 71,956, the merger surplus was utilized for the deferred tax reserve in respect of the Reserve ex D. L. 429/82.

Following the proposed resolution at the extraordinary shareholders' meeting, the Legal reserve would reach the maximum limit provided for by the first subsection of Art. 2430 of the Italian Civil Code (20% of the share capital); therefore it would not be necessary, in accordance with the law and with Art. 22 of the Articles of Association, to allocate a 10% share of the net income to the Legal reserve. Consistently with this assumption, and taking account of the fact that Art. 22 of the Articles of Association provides for the attribution to the preference shares of 5% of their nominal value, we propose the following allocation of net income for the year, 764,079,416 euro, to be distributed:

- 551,149,800 euro to the Shareholders, with recognition of a dividend of 0.30 euro (10.7% of the nominal value) for each of the 1,448,831,982 ordinary shares and 388,334,018 preference shares in which the share capital is divided, to be distributed to the shares in circulation, allocating to the extraordinary reserve the undistributed share against any own shares held by the Bank as of 19 May 2003, the dividend detachment date;
- 917,484 euro to the Reserve provided for by subsection 6 of art. 13 of D.Lgs. 124/93, to make use of the tax deduction deriving from the possibility for setting up this reserve subject to taxation, for 3% of the share for termination indemnities for employees' supplementary pensions;
- 212,012,132 euro to the extraordinary reserve.

The dividends against which, in accordance with D.Lgs. 467/97, "full" tax credit of 56.25% will be attributed, will be paid on 22 May 2003.

The proposal for the distribution of net income is consistent with the positive trend registered by the Bank in the early months of 2003 and with the levels of adequacy of the Bank's and the Group's regulatory capital and solvency ratio. In the case of approval of the proposal in question, SANPAOLO IMI's net equity, after allocation of the net income for the year, calculated on the basis of the shares currently in circulation and therefore without considering the possible change in the own shares held by the Bank, will be formed as follows:

Composition of shareholders' equity of SANPAOLO IMI after allocation of 2002 net income		€
Capital		5,144,064,800
Legal reserve		1,028,812,960
Additional paid-in capital		707,767,359
Other Reserves		2,524,652,489
Reserve D. Lgs. 153/99		854,281,978
Reserve art. 21, D. Lgs. 213/98		14,353,079
Reserve art. 13 c.6, D. Lgs. 124/93		4,544,434
Reserve for purchase of own shares		456,362,094
Extraordinary reserve		1,194,892,856
Reserve D. L. 429/82		218,048
		9,405,297,608

Turin, 25 March 2003

The Board of Directors

Report of the Board of Statutory Auditors in accordance with art. 153 of Decree Law 58 dated 24 February 1998 and with art. 2429, subsection 3 of the Civil Code.

Shareholders,

the 2002 financial statements submitted for your examination and approval, as well as the consolidated financial statements for the year 2002 which are at your disposal, have been submitted by us in compliance with legislation and have been prepared in accordance with D.Lgs. 87 of 27 January 1992 and with the Bank of Italy regulation of 30 July 1992 and subsequent amendments.

Both the Parent Bank and the consolidated Report on Operations, prepared by the Board of Directors, fully and exhaustively illustrate the financial position and results of operations and the performance of the Parent Bank and of the Group during 2002, as well as the developments after the end of the year.

The financial statements also comprise the Report on Corporate Governance and the compliance with the Code of Conduct for Listed Companies issued by Borsa Italiana S.p.A.. This Report, prepared on the basis of guidelines established by Borsa Italiana S.p.A., amended in July 2002, reveals that the Parent Bank has confirmed its compliance with such Codes and that it has, among others, formed Technical Committees for issues regarding consultation and preliminary enquiries, composed of executive and non-executive directors, whose task is to monitor issues of specific interest to manage the Bank efficiently in respect of matters such as internal control, remuneration of directors and high level executives, completeness of information submitted to the Board of Directors.

For the purposes of greater benefit and transparency in management and in addition to the aforementioned Committees expressly required by the Code of Conduct, the Bank has also established another two technical committees: the Group Risks Technical Committee and the Ethical Committee.

In compliance with the recommendations set forth in the amendment to the Self Regulatory Code, acknowledged in the new Regulations for markets organized and managed by Borsa Italiana S.p.A. and approved by Consob in the resolution 13655 of 9 July 2002, the Bank approved the Code for Conduct in respect of insider dealing, aimed at regulating, with effect from 1 January 2003, the flow of informa-

tion from “significant persons” toward the company, in respect of transactions made on Group listed stocks. This Code was compiled on the basis of prevailing trends revealed by the associate bodies (ABI – Italian Bankers’ Association and Assonime) and was submitted for approval to the Audit Technical Committee and the Group Risks Technical Committee.

Considering the amendments made in 2002 to the framework of legislation in respect of operations with related parties, on matters concerning rulings for resolutions (amendments to the Code of Conduct), fulfillment of information both internally and externally (amendments to Consob Regulation 11971/99 introduced in Consob Resolution 13616 of 12 June 2002) and of a defining nature (Consob Communication n. 2064231 dated 30 September 2002), the Bank approved a specific organizational procedure for the Group which identifies the perimeter of the related parties, defines the duties and responsibilities and indicates the flow of information between the Banks and the directly and indirectly controlled subsidiaries. Within the scope of the specific organizational procedure and in line with the regulations of the Code of Conduct, it is expected that the operations with significant related parties (defined on the basis of threshold analyses according to the type of operations and counterparts) referring to the Parent Bank shall be reserved to the resolution and approval of the Board of Directors, after close examination by the Audit Technical Committee. Significant operations performed by subsidiary companies with parties related to the Parent Bank shall be resolved and approved by the Board of Directors of the subsidiary, after duly submitting its proposal for the approval of the Parent Bank.

Commencing from the year 2002, the Bank has also complied with the recommendations of the Code of Conduct by registering and revealing in the financial statements the positions held by Directors of the Parent Bank on Boards of Directors or Statutory Auditors in listed companies, financial institutions, banks, insurance companies or other significant businesses.

In compliance with the recommendations of the Code of Conduct, the Bank has adopted an internal procedure, which reaffirms the principle of discretion to which, in respect of withholding confidential information in the interests of the Bank, its Directors and Statutory Auditors are bound. This procedure is based on the principles and recommendations issued by the Supervisory Authorities.

As far as the performance of the company bodies is concerned, commencing from last year, the Bank established Regulations for meetings, compiled considering the scheme-type prepared jointly by ABI and Assonime.

With respect to the adequacy of the organization, the Board of Statutory Auditors also highlights that on 26 March 2002, the Board of Directors of the Bank approved the Group Regulations which define the entire organizational structure, the basic principles on which it operates, the areas of competency and the responsibilities of the central offices, as well as the mechanisms and instruments used to coordinate the entire Group. These Regulations are aimed at providing the regulatory framework of reference which, together with the definitions of procedures, directives and preven-

tive authorizations, will characterize the Group by its common entrepreneurial design, a strong internal cohesiveness and a single leadership, consistent with the Bank of Italy directives and with the needs of a good and prudent management of the Group itself.

The Parent Bank and consolidated Reports on Operations, and the relevant Explanatory Notes, contain the information required by the regulations issued by the Bank of Italy and by Consob in respect of financial reporting. The Board of Statutory Auditors has especially noted that the Explanatory Notes to the Parent Bank and consolidated financial statements include the information requested by Consob through Communication no. 1011405 dated 15 February 2001, addressed to banks listed on regulated markets, in respect of tax benefits provided by the Legge Ciampi and of the renegotiation of subsidized loans and included in the usury and anatocism phenomena. With reference to the latter, the Board of Statutory Auditors has taken note of the information contained in the Explanatory Notes to the Parent Bank and consolidated financial statements on the basis of which, in light of existing jurisprudence and in consideration of the current status of the legal proceedings, the Bank estimates the potential risks in relation to the dispute to be covered by the prudent accruals made to the provisions for other risks and charges, in proportion to each case, where quantifiable, whereby they are covered by 35 million euro of the provision accrued for disputes whose amount cannot be determined.

During 2002 the Board of Statutory Auditors, also in consideration of the principles of conduct issued by the Consiglio Nazionale dei Dottori Commercialisti (National Board of Professional Accountants) on the occasion of the merger of Cardine Banca S.p.A. and Banco di Napoli S.p.A., supervised the compliance with current regulations in respect of fulfilling requirements for merger operations, verifying: the compliance with law and completeness of the merger project; the observance of regulations regarding the delivery and publication of deeds; the completeness of the merger deeds and of their consistency with the merger projects and the relevant shareholders' resolutions; the correctness of the performance of the merger transactions, such as the assignment of shares of the incorporating company.

Considering the requirements for comparability of the 2002 financial statements with the prior year, the Board of Statutory Auditors verified that the Explanatory Notes provide all information necessary to illustrate the criteria used to prepare the pro forma schedules for 2001, which were prepared taking into account the indications provided by Consob through Communication no. 1052803 of 5 July 2001.

In respect of the utilization of the Reserve for Banking Risks, the Board of Statutory Auditors verified that the Parent Bank and the Group Report on Operations and the Explanatory Notes provide adequate commentary on the motives for such utilization.

In relation to transactions with Group companies and related companies, the global framework is fully illustrated in the relevant paragraphs in the Report on Operations and in the Explanatory Notes. As far as significant transactions are concerned, it is highlighted that these are encompassed in the ordinary operating activi-

ties of the Group and are normally executed under market conditions and are, in any case, valued on the basis of reciprocal economic convenience. The Report on Operations in the consolidated financial statements also reveals, in addition to transactions with particularly significant related companies in respect of the organizational-corporate arrangement and/or the relation to shareholders of the Parent Bank made on the basis of valuations and appraisals performed by independent experts, the balance sheet and statement of income data in relation to transactions as of 31 December 2002 between the principal Group companies of the SANPAOLO IMI Group. The Explanatory Notes to the Parent Bank financial statements also reveal similar reporting data in respect of relations between the Parent Bank and subsidiary companies or companies in which it holds significant influence.

As regards transactions with subjects who fulfill administrative, managerial, and executive duties for the Bank, or for Group companies, the Board of Statutory Auditors is assured that these have been recorded in compliance with art. 136 of D.Lgs. 385/93 (Testo Unico Bancario). Accordingly, any such transactions were the subject of unanimous decisions by the Board of Directors, with the favorable vote of all of the Statutory Auditors, subject to the abstention obligations provided by said law. The same procedure also applies to the parties who carry out the administrative, managerial, and executive duties within a bank or a company belonging to the Group, for actions taken in connection with the Bank itself or with other banks or companies within the Group. In such cases, the transactions are discussed and resolved by the Boards of the Bank or contracting party, with the prior consent of the Parent Bank. The appropriate Section of the Explanatory Notes highlights, in addition to emoluments, the loans and guarantees issued to directors and statutory auditors of the Parent Bank.

The information required according to art. 10 of Law 72/83 is provided in the sections of the Explanatory Notes relating to the revaluated assets.

The Reports on Operations to the Parent Bank and consolidated financial statements for the first half of 2002, received by us from the Board of Directors within the terms of law, were prepared and published in compliance with Consob recommendations. The quarterly reports were published within the terms established.

Shareholders, during the year ended at 31 December 2002, we performed our supervisory activities required by law, taking into account, among others, the principles of conduct of the Board of Statutory Auditors as recommended by the Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri.

In particular:

- we attended the 19 meetings of the Board of Directors and the 20 meetings of the Executive Committee held during 2002. During the same period the Board of Statutory Auditors met 21 times to perform its examinations and received from the Directors, in accordance with art. 150 of D.Lgs. 58/98, information on a quarterly basis on the activities performed during the year, on the delegated powers within the Parent Bank and on the most significant economic, financial and capital transactions

carried out by the Bank (and by its subsidiaries). We also assured ourselves that all activities deliberated and carried out were done so in compliance with the law and with the company Articles of Association and that they were not openly imprudent, hazardous or incompatible with the resolutions of Shareholders' meetings;

- we gained knowledge of and supervised, in respect of our duties, the adequacy of the organizational structure of the Bank and the observance of the principles of correct management, by directly monitoring, gathering information from the heads of departments and through meetings with the independent auditors in order to exchange information on reporting data and significant issues;
- we valued and supervised the adequacy of the system of internal control and of the administration-accounting system of the Bank, as well as the reliability of the latter to correctly represent the operations, through obtaining information from the heads of the respective departments, by examining company documents and by analyzing the results of the work performed by the independent auditors. With reference to the organizational structure of the Bank, it should be noted that the Audit Management verifies that the entire system is suitable to guarantee against all risks and that business is carried out in accordance with internal and external procedures and regulations; the department is also responsible for evaluating the effectiveness of the entire system of internal control and for revealing any irregularities. The Audit Management provides quarterly reports to the Board of Directors on the business performed by the Parent Bank, the foreign Branches and Group companies and reports to the Board of Statutory Auditors, the Managing Directors and the Audit Technical Committee on any problems in relation to their respective areas of concern. In particular, during 2002 we received detailed information on the controls performed by the Audit Management through the examination of the aforementioned quarterly reports, illustrated during the periodical Board meetings and of the analytical reports made available to us on conclusion of each intervention. In this context, specific attention was paid to the activities carried out by the Audit Management on the foreign Branches and on Group companies.
The reciprocal and timely reporting between the Audit Technical Committee and the Board of Statutory Auditors on significant issues relating to internal control is assured by the participation of the Chairman of the Board at Committee meetings, after which all aspects relating to the areas of concern are disclosed to the members of the Board during the periodical meetings;
- we verified, by checking directly and reviewing information provided by the Independent auditors, the compliance with laws concerning the preparation and layout of the financial statements and the report on operations, as well as the adequacy of the provisions imparted by the Bank to the subsidiary companies in accordance with art. 114, subsection 2 of D.Lgs. 58/98. Our controls revealed that the administration/accounting system is adequate and reliable to correctly represent the operations.

The work performed did not reveal any significant issues which might require reporting to Supervisory Authorities or specific mention in this report.

You are hereby informed that on 25 October 2002, the shareholder Mr. Marco Bava addressed a complaint to the Chairman of the Board of Statutory Auditors ex art. 2408 of the Italian Civil Code, referring to the familiar question of the financing converting shares issued by the principal Italian banks, to support the strategic and industrial plan of Fiat S.p.A. and claiming that such action increases the risk of the loans issued to the Agnelli Group. In this respect, the Board of Statutory Auditors prepared a reply to the aforementioned complaint, which was read by the Chairman to the Shareholders' meeting of 25 November 2002, during which assurances were given in relation to the constant monitoring of the Bank's exposure toward the Agnelli Group, which in fact was recently limited and of the prudent criteria used by the same for the loan granted through the conversion as well as for the valuation of the shareholding held in the Fiat Group. Since, during the reply, reference was made to a re-examination of the exposure at year end, the Board brings to your notice that the financial statements provide adequate information relating to the transactions carried out and the criteria used for the valuation of the shareholding in Fiat and confirms that the criteria adopted are consistent with the company's position and the situation of the market in which it operates.

We also inform you that on 27 November 2002, the Chairman of the Board of Statutory Auditors received notification from the shareholder Mr. Salvatore De Luna concerning the presumed unlawful conduct of a SANPAOLO IMI S.p.A. employee at the Catanzaro branch toward the aforementioned Mr. De Luna and Mrs Elvira Caselli. In this respect, the Board informs you that the event was reported to the Bank's Audit Management, which carried out an investigation and examination of the claims against the employee, against whom appropriate disciplinary action has been taken.

Having reported the above, and having examined the contents of the report issued by the Independent Auditors PriceWaterhouseCoopers S.p.A. and considering that the information provided therein does not reveal any critical issues, we express an opinion in favor of approving the financial statements for the year 2002, formally acknowledging that the proposal for distribution of dividends expressed by the Board of Directors is in compliance with current legislation and the company articles of association and is adequately motivated in relation to the economic and financial position of the Bank.

The Board of Statutory Auditors also expresses a favorable opinion in respect of the criteria used to allocate the merger goodwill arising from the incorporation of Cardine Banca S.p.A., which is accurately illustrated in the Report issued to the meeting of the Shareholders' prior to the proposal to approve the financial statements for the year 2002, as well as in the relevant Sections of the Explanatory Notes to the financial statements of SANPAOLO IMI S.p.A..

As far as the extraordinary part of this meeting is concerned, the Board of Statutory Auditors reveals that the Directors propose to increase the Legal reserve to the limit according to art. 2430, subsection 1 of the Italian Civil Code, by allocating a portion of the merger goodwill, of the Reserve for art. 7, subsection 3 of Law 218/90, of the Reserve for Law 169/83 and of residual portion of the issue premium; such proposal, in compliance with the Articles of Association and is presented in the extraor-

dinary meeting in observance of the provisions of special laws which regulate the utilization of some of the aforementioned reserves.

In respect of the request for authorization to purchase own shares, we express that the resolution is in accordance with the provisions of articles 2357 and 2357-ter of the Italian Civil Code, art. 132 of D. Lgs. 58 of 24 February 1998 and with the regulations issued by Consob. The Reports prepared by the Directors in respect of all the items on the agenda for the Shareholders' meeting called to approve the financial statements are complete and have been prepared in accordance with the law and the Articles of Association.

In compliance with Consob Recommendation 1025564 of 6 April 2001, you are informed that, after receiving approval from the Board of Statutory Auditors and for total fees ranging from a minimum of 1,456,489 euro and a maximum of 1,606,489 euro, during 2002 your Bank instructed PriceWaterhouseCoopers S.p.A. to perform, over and above the audit of the financial statements, additional activities required by law in respect of the IAS 2004 project as illustrated hereinafter:

- consultancy and assistance for the review and implementation of procedures for the preparation of Annual Report Form 20-F, for presentation on a consolidated basis, to the Securities and Exchange Commission in relation to the listing of SANPAOLO IMI S.p.A. on the New York Stock Exchange: of the total agreed charge of 195,000 euro for such consultancy work, fees billed in 2002 amounted to 113,200 euro;
- specialized professional assistance for performing preliminary phases of analyses, detailed analyses and an estimate of the impact on the financial statements of the introduction of IAS international accounting principles, for which the Bank established a "Group Project for IAS 2004": of the total agreed charge of between 1,000,000 euro and 1,150,000 euro for this engagement, fees billed in 2002 amounted to 50,000 euro;
- release of appropriate Comfort Letters in connection with the Offering Circular relating to the long-term program for the placing of *Euro Medium Term Notes* (fees billed in 2002 for this work totaled 132,000 euro) and to the *Synthetic Securitization* operation known as *Green* (fees billed in 2002 for this work totaled 76,989 euro);
- *due diligence* performed on Banca Sanpaolo Invest S.p.A., in relation to the transfer of the shareholding to Banca Fideuram S.p.A. (fees billed in 2002 for this engagement totaled 52,500 euro).

Lastly, the Board of Statutory Auditors reports that in 2002 the Bank assigned new engagements to subjects connected by continuative collaboration to the Independent auditors appointed to audit the financial statements for fees totaling 1,894 euro (inc. VAT). Total fees paid to these subjects in 2002 for engagements assigned in prior years amounted to 3,160 euro.

Turin, 8 April 2003

The Board of Statutory Auditors

**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW
DECREE N° 58 DATED 24 FEBRUARY 1998**

To the Shareholders of
Sanpaolo IMI SpA

- 1 We have audited the financial statements of Sanpaolo IMI SpA (the "Bank") as of 31 December 2002. These financial statements are the responsibility of Sanpaolo IMI's directors. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the Auditing Standards and criteria recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of certain subsidiaries have been audited by other auditors, who have provided us with their related reports. Our opinion expressed on this report, insofar as it relates to the amounts included for such subsidiaries, representing 5 per cent of the caption "Investment in Group companies" and 0.2 per cent of "Total assets", is also based upon the audit of other auditors.

For the opinion on the financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to our report dated 9 April 2002.

- 3 In our opinion, the financial statements present fairly the financial position of Sanpaolo IMI SpA as of 31 December 2002 and the results of its operations for the year then ended, in accordance with the Italian regulations governing financial statements.

- 4 For a more immediate understanding of the financial statements, we draw your attention to the following circumstances, more widely described in the Report on Operation and in the Explanatory Notes to the financial statements:
- (a) Cardine Banca SpA and Banco di Napoli SpA merged into Sanpaolo IMI SpA during the current financial year; both the mergers became effective, for accounting and tax purposes, starting from 1 January 2002;
 - (b) the Bank's net income for the current year includes a credit of 358 million euro due to the release of the whole reserve for general banking risk to the Statement of Income.

Turin, 10 April 2003

PricewaterhouseCoopers SpA

Signed by
Sergio Duca
(Partner)

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

Parent Bank financial statements

PARENT BANK BALANCE SHEET

PARENT BANK STATEMENT OF INCOME

PARENT BANK EXPLANATORY NOTES

Parent Bank balance sheet

(in Euro)

ASSETS	31/12/02	31/12/01 Sanpaolo Imi	31/12/01 pro forma
10. Cash and deposits with central banks and post offices	985,719,740	569,593,198	809,020,369
20. Treasury bills and similar bills eligible for refinancing with central banks	1,553,698,471	2,493,463,658	3,908,756,096
30. Due from banks:	20,951,323,060	12,648,050,686	20,401,456,804
a) repayable on demand	4,921,480,358	1,176,452,625	2,852,398,420
b) other deposits	16,029,842,702	11,471,598,061	17,549,058,384
40. Loans to customers	76,158,636,358	59,571,670,316	79,254,062,113
of which:			
- loans using public funds	90,404,572	63,948,432	99,342,720
50. Bonds and other debt securities	12,813,913,081	6,738,624,834	14,278,645,571
a) public entities	4,563,621,199	1,972,878,856	5,551,393,004
b) banks	6,434,321,388	3,455,335,761	5,696,578,296
of which:			
- own bonds	986,187,745	252,288,291	576,713,478
c) financial institutions	487,524,975	488,132,178	1,153,912,085
of which:			
- own bonds	-	-	-
d) other issuers	1,328,445,519	822,278,039	1,876,762,186
60. Shares, quotas and other equities	329,736,031	1,022,554	511,985,210
70. Equity investments	1,619,592,372	2,103,693,615	1,799,712,272
80. Investments in Group companies	6,693,119,740	6,583,616,365	6,846,875,325
90. Intangible fixed assets	1,612,606,208	176,882,931	1,904,290,060
of which:			
- start-up costs	-	-	-
- goodwill	1,411,283,306	4,574,580	4,574,580
100. Tangible fixed assets	1,416,269,773	859,046,098	1,556,974,157
120. Own shares or quotas (nominal value € 2.8)	7	293,861,409	293,861,409
130. Other assets	9,044,329,784	7,423,537,246	12,667,423,880
140. Accrued income and prepaid expenses:	1,828,037,680	1,456,331,786	1,779,733,470
a) accrued income	1,451,080,451	1,246,940,053	1,555,451,001
b) prepaid expenses	376,957,229	209,391,733	224,282,469
of which:			
- discounts on bond issues	-	6,420,992	15,091,905
Total assets	135,006,982,305	100,919,394,696	146,012,796,736

The pro forma balance sheet as of 31/12/2001, unaudited, has been prepared in order to enable comparability with the balance sheet as of 31/12/2002.

(in Euro)			
LIABILITIES	31/12/02	31/12/01 Sanpaolo Imi	31/12/01 pro forma
10. Due to banks:	31,020,049,520	23,254,045,034	36,384,193,029
a) repayable on demand	2,661,073,661	1,895,644,707	6,020,097,669
b) time deposits or with notice period	28,358,975,859	21,358,400,327	30,364,095,360
20. Due to customers:	55,741,833,510	40,147,114,980	57,414,073,335
a) repayable on demand	40,490,341,035	28,433,023,026	41,414,428,322
b) time deposits or with notice period	15,251,492,476	11,714,091,954	15,999,645,013
30. Securities issued:	19,375,280,452	15,774,967,965	22,680,587,228
a) bonds	16,024,777,812	11,706,247,136	15,763,655,034
b) certificates of deposit	2,845,383,004	3,644,956,254	5,686,511,496
c) other	505,119,636	423,764,575	1,230,420,698
40. Public funds administered	90,528,461	60,764,152	99,970,292
50. Other liabilities	8,279,336,152	5,579,327,982	8,472,153,682
60. Accrued expenses and deferred income:	1,338,243,873	1,350,514,069	1,743,700,343
a) accrued expenses	1,092,277,336	1,115,238,787	1,488,722,110
b) deferred income	245,966,537	235,275,282	254,978,233
70. Provisions for termination indemnities	686,918,780	416,819,673	687,306,250
80. Provisions for risks and charges:	2,427,868,887	1,232,035,666	2,240,270,921
a) pensions and similar	41,237,000	42,834,590	42,834,590
b) taxation	1,037,458,900	695,997,407	793,002,634
c) other	1,349,172,987	493,203,669	1,404,433,697
100. Reserve for general banking risks	-	335,696,984	335,696,984
110. Subordinated liabilities	6,090,475,262	5,003,172,161	5,310,420,952
120. Capital	5,144,064,800	3,932,435,119	5,143,971,716
130. Additional paid-in capital	707,767,359	21,650,169	21,650,169
140. Reserves:	3,340,535,833	2,627,124,986	3,879,867,020
a) legal reserve	1,028,812,960	792,561,422	792,561,422
b) reserve for own shares or quotas	7	293,861,409	293,861,409
c) statutory reserves	-	-	-
d) other reserves	2,311,722,866	1,540,702,155	2,793,444,189
170. Net income for the year	764,079,416	1,183,725,756	1,065,497,803
Adjustment for alignment with net income	-	-	533,437,012
Total liabilities	135,006,982,305	100,919,394,696	146,012,796,736

GUARANTEES AND COMMITMENTS	31/12/02	31/12/01 Sanpaolo Imi	31/12/01 pro forma
10. Guarantees given	30,142,155,929	24,720,013,291	26,695,773,536
<i>of which:</i>			
- acceptances	129,978,307	113,488,197	124,632,429
- other guarantees	30,012,177,622	24,606,525,094	26,571,141,107
20. Commitments	14,180,832,609	12,315,412,246	16,575,552,987
<i>of which:</i>			
- for derivatives on loans	789,098,156	-	903,641,266
- for sales with obligation to repurchase	-	-	-

The pro forma balance sheet as of 31/12/2001, unaudited, has been prepared in order to enable comparability with the balance sheet as of 31/12/2002.

Parent Bank statement of income

(in Euro)

CAPTIONS	2002	2001 Sanpaolo Imi	2001 pro forma
10. Interest income and similar revenues	5,363,502,175	4,658,406,673	6,801,689,808
<i>of which:</i>			
– loans to customers	4,003,533,530	3,678,244,499	4,891,058,120
– debt securities	644,111,676	341,642,894	881,029,203
20. Interest expense and similar charges	-3,260,552,884	-3,078,886,204	-4,458,922,890
<i>of which:</i>			
– due to customers	-996,073,132	-1,043,414,166	-1,460,620,563
– securities issued	-1,081,949,799	-946,260,103	-1,265,099,053
30. Dividends and other revenues	709,742,039	2,752,727,185	3,060,183,535
a) shares, quotas and other equities	9,533,702	361,475	10,601,670
b) equity investments	171,259,198	82,838,978	102,452,372
c) investments in Group companies	528,949,139	2,669,526,732	2,947,129,493
40. Commission income	1,629,952,170	1,349,051,713	1,679,093,830
50. Commission expense	-117,600,220	-78,233,586	-106,882,336
60. Profits (losses) on financial transactions	43,917,660	72,045,877	85,994,513
70. Other operating income	257,529,983	160,831,159	264,825,680
80. Administrative costs	-2,866,395,942	-2,004,002,151	-2,888,771,797
a) personnel	-1,823,065,521	-1,294,679,085	-1,847,310,848
<i>of which:</i>			
– wages and salaries	-1,311,896,430	-929,217,538	-1,318,836,410
– social security charges	-415,616,600	-298,815,734	-399,310,106
– termination indemnities	-95,552,491	-66,645,813	-94,057,424
– pensions and similar	-	-	-35,025,197
b) other administrative costs	-1,043,330,421	-709,323,066	-1,041,460,949
90. Adjustments to tangible and intangible fixed assets	-534,010,971	-211,192,010	-493,730,296
100. Provisions for risks and charges	-151,077,607	-30,223,770	-108,292,729
110. Other operating expenses	-5,934,964	-8,106,706	-10,990,652
120. Adjustments to loans and provisions for guarantees and commitments	-424,571,182	-449,077,566	-542,502,189
130. Writebacks of adjustments to loans and provisions for guarantees and commitments	173,210,939	192,160,127	225,636,008
140. Provisions for possible loan losses	-	-	-
150. Adjustments to financial fixed assets	-338,475,902	-1,666,577,938	-1,471,387,426
160. Writebacks of adjustments to financial fixed assets	861,243	1,054,490	1,062,707
170. Income from ordinary activities	480,096,538	1,659,977,293	2,037,005,766
180. Extraordinary income	496,084,660	492,696,260	240,211,822
190. Extraordinary expense	-160,241,059	-62,616,454	-232,603,077
200. Net extraordinary income	335,843,602	430,079,806	7,608,745
210. Change in reserve for general banking risks	358,369,442	-	-
220. Income taxes for the period	-410,230,167	-906,331,343	-979,116,709
230. Net income for the year	764,079,416	1,183,725,756	1,065,497,803
Adjustment for alignment with net income			533,437,012
Aggregate net income (Sanpaolo Imi + Cardine Banca + Banco di Napoli)			1,598,934,815

The statement of income for the year 2001, unaudited, has been prepared in order to enable comparability with the statement of income for the year 2002.

Parent Bank explanatory notes

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Extraordinary transactions executed during 2002

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Half year report

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Introduction – Background information on the financial statements

Form and content of the financial statements

The financial statements of the Bank have been prepared pursuant to D. Lgs. 87 dated 27 January 1992, which implemented EEC Directive 86/635. They also take into account the requirements contained in the Bank of Italy instructions dated 30 July 1992 and subsequent amendments. For all matters not governed by special regulations, reference has been made to the Italian Civil Code and to national accounting standards.

The financial statements comprise the balance sheet, statement of income, these explanatory notes and also include the Board of Directors report on operations.

The financial statements correspond to the company accounts, which fully reflect the transactions executed during the year.

In accordance with Bank of Italy and Consob regulations, the financial statements are stated in euro. The Explanatory notes are stated in millions of euro.

These explanatory notes to the financial statements are presented with comparative figures taken from the financial statements for the year ended 31 December 2001 and have been reclassified in consideration of the merger operations performed during 2002. They provide all the information required by law, including any supplementary information considered necessary to give a true and fair view of the company's financial position. The tables provided for by law and the details required by the Bank of Italy are numbered in accordance with the Bank of Italy instructions, or based on the relevant Instructions.

The following schedules are attached to the financial statements:

- Statement of changes in shareholders' equity;
- Statement of cash flows;
- List of property owned.

In accordance with legislation, the Bank's financial statements will be deposited at the company's registered offices, together with a complete set of the latest approved financial statements of the subsidiary companies and a summary sheet of essential data relating to the 2002 financial statements of the subsidiary companies which are subject to the approval of the respective Shareholders' meetings after the financial statements of the Bank.

In compliance with Consob regulations (art. 77, Resolution n. 11971 of 14 May 1999 and subsequent modifications), the consolidated financial statements shall also be deposited at the registered offices, together with the independent auditors' report and the summary sheet of essential data relating to the latest financial statements of the subsidiary companies.

Extraordinary transactions executed during 2002

Merger by incorporation of Cardine Banca S.p.A.

SANPAOLO IMI merged with Cardine Banca S.p.A. by deed on 24 May 2002. The merger became legally effective as of 1 June 2002, while the booking and tax effects were backdated to 1 January 2002.

Prior to the merger with SANPAOLO IMI, Cardine Banca S.p.A. transferred to Cardine Finanziaria S.p.A. (subsidiary of the same Cardine Banca) the entire company represented by the controlling interests in the bank networks of the former Cardine Group, other business and local investments, other assets and liabilities linked with the corporate activity and, in particular, the performance of operating and supporting services for the aforementioned bank networks. This transaction

became legally effective as of 1 June 2002. The company branch was disposed of at a book value of 2,400 million euro, following an appraisal ex art. 2343 of the Italian Civil Code of 4,037 million euro.

The SANPAOLO IMI balance sheet includes the assets and liabilities of the former Cardine Banca S.p.A., as resulting after the transfer of the company to Cardine Finanziaria, net of reciprocal receivables and payables. Considering the assumption of legal effectiveness of the merger, the reciprocal economic items referring to the period from 01/01/2002 to 31/05/2002, have not been eliminated.

As regards the legal/balance sheet effects of the merger on SANPAOLO IMI, the transaction involved:

- the cancellation of the shareholding held by SANPAOLO IMI in Cardine Banca as of 1 June 2002, amounting to 104.9 million euro and corresponding to 2.2% of the capital of the merged bank; as the corresponding portion of shareholder's equity of the merged company amounted to 66 million euro, the cancellation of the shareholding highlighted a deficit of 38.9 million euro. This deficit was added to the investment in Cardine Finanziaria, on the basis of the appraisals of the company branch transferred, for which there were unexpressed gains of approximately 1,637 million euro;
- the exchange of shares in Cardine Banca, on the basis of a ratio of 1.795 SANPAOLO IMI shares for every Cardine share. In particular, 267,821,000 Cardine Banca shares were exchanged with 480,738,695 SANPAOLO IMI shares via:
 - the issue of 432,724,886 ordinary shares with a nominal unitary value of 2.8 euro;
 - the use of 48,013,809 of SANPAOLO IMI's own shares as of 1 June 2002.

As part of the merger, Compagnia di Sanpaolo, Fondazioni di Padova e Rovigo and Fondazione di Bologna availed themselves of the right, in accordance with Law 461/98 and D.Lgs. 153/99, to request conversion of the ordinary shares held by them into preference shares, for the part in excess of 15% of the total ordinary share capital held. As a consequence 388,334,018 ordinary shares were directly converted into preference shares.

The equity exchange determined a merger surplus of approximately 1,582.8 million euro which, taking into account the tax restrictions related to the reconstitution of the incorporated bank's reserves subject to taxation and allocating any deferred tax liabilities, was allocated to specific accounts in the balance sheet. Detail of the allocation of entries is provided in section 8, Part B of these Explanatory Notes.

The assignment of own shares to the portfolio as part of the exchange involved the cancellation of the restricted reserve for the purchase of own shares for approximately 543.6 million euro.

Following the merger, the Share Capital of the Bank increased by 1,211,629,680.8 euro, to a total of 5,144,064,800 euro, made up of 1,448,831,982 ordinary shares and 388,334,018 preference shares with a nominal value of 2.8 euro each.

Merger by incorporation of Banco di Napoli S.p.A.

On 25 November the respective extraordinary Shareholders' Meetings approved the merger by incorporation of Banco di Napoli with SANPAOLO IMI, becoming legally effective from 31 December 2002 and effective for accounting and tax purposes from 1 January 2002.

In accordance with art. 2504 ter of the Italian Civil Code, the 1,864,097,491 Banco di Napoli ordinary shares wholly owned by SANPAOLO IMI were cancelled without any exchange. Also, 2,718,608 SANPAOLO IMI ordinary shares were exchanged with 16,311,650 Banco di Napoli savings shares held by third parties, at an exchange ratio set at one SANPAOLO IMI ordinary share to six Banco di Napoli savings shares. The assignment took place by using own shares held in portfolio by the incorporating company, without an increase in capital by the same.

The cancellation of the shareholding resulted in a cancellation deficit of 1,555 million euro, whilst the exchange of savings shares created a deficit of 9 million euro.

Being attributable to the valuation of goodwill of the incorporated bank (higher price paid in respect of the pro quota of the former Banco di Napoli adjusted net shareholder's equity), the cancellation deficit and the deficit from the exchange of

savings shares have been classified as such in the financial statements. Goodwill is subject to amortization on a ten year basis commencing from the year 2002 (the portion for the year is equal to approximately 157 million euro). This is in line with the period adopted by the advisors for the purpose of the valuation of the companies involved in the merger, within the scope of determining exchange ratios. Amortization of goodwill over a ten year period also allows goodwill to be written off over the same period as that adopted for the purposes of the Group financial statements for amortization of goodwill arising from consolidation, in a number of stages, following the acquisition of controlling interest in Banco di Napoli.

Pro forma balance sheet and income schedules

The completion of the aforementioned extraordinary transactions rendered it necessary to prepare both reclassified and official pro forma balance sheets and statements of income for the year 2001, in order to enable comparability of the balance sheet and income schedules. Such schedules take into consideration:

- the merger by incorporation of Cardine Banca (effective for accounting purposes as of 1 January 2002);
- the transfer of the company branch of Cardine Banca to Cardine Finanziaria (effective as of 1 June 2002);
- the merger by incorporation of Banco di Napoli (effective for accounting purposes as of 1 January 2002);
- the changes in the accounting policies, as of the 2001 financial statements, regarding the observation of subsidiary dividends, during the period in which the profits mature as opposed to the year in which they are collected.

The above mentioned pro forma schedules, which are unaudited, have been utilized as term of comparison for the analysis and the notes of the Report on Operations.

Considering that, for both of the merged companies, a simulation has been prepared of the effect of the merger as of 31/12/2001, the principles adopted for the preparation of the pro-forma schedules and detail of the adjustments made to the official performances are provided below.

Merger by incorporation of Cardine Banca

Adjustments made to the Balance Sheet as of 31 December 2001

Assets

Adjustments connected to the entries transferred from Cardine Banca to Cardine Finanziaria as of 1 June 2002

- 189 million euro – increase in the caption “equity investments”, to account for the difference between the book value of interest transferred to Cardine Finanziaria and the book value of the same Cardine Finanziaria corresponding to the shareholders’ equity of the company following the transfer;
- 97 million euro – decrease in the caption “other assets”;
- 67 million euro – decrease in the caption “tangible fixed assets”;
- 46 million euro – decrease in the caption “intangible fixed assets”;

Adjustments connected to the simulation of effects of the merger of Cardine Banca as of 31 December 2001

- 88 million euro – decrease in the caption “due from banks” for the elimination of intra-Group transactions between Cardine Banca and Banco di Napoli;
- 66 million euro – decrease in the caption “equity investments” to account for the difference between the cancellation of the book value of the investment in Cardine Banca (being the result after the assignments and exchanges in the first half of 2002) equal to 105 million euro and the allocation to equity investments of the cancellation deficit, equal to 39 million euro (the same as that shown in the balance sheet as of 31 December 2002);
- 6 million euro – decrease in the caption “own shares”, following the cancellation of the book value of Sanpaolo Imi portfolio shares held by Cardine Banca offset against other reserves;
- 4 million euro – decrease in the caption “other assets”;

In the official financial statements, bonds issued by Sanpaolo Imi and by Banca di Napoli in portfolio to Cardine Banca for approximately 43 million euro have been reclassified to the subcaption “own shares”.

Liabilities

Adjustments connected to the entries transferred from Cardine Banca to Cardine Finanziaria as of 1 June 2002

- 35 million euro – increase in the caption “due to customers” in relation to the deposit opened by Sanpaolo Imi in favor of Cardine Finanziaria at the time of transfer of the company branch from Cardine Banca;
- 22 million euro – increase in “provision for taxation” in relation to the pro forma adjustments to income;
- 77 million euro – decrease in the caption “other liabilities”;
- 1 million euro – decrease in “provisions for employee termination indemnities”.

Adjustments connected to the simulation of effects of the merger of Cardine Banca as of 31 December 2001

- 445 million euro – increase in the caption “due to customers” offset against the decrease in the caption “reserves – other reserves”, because it is in line with the hypotheses assumed for the preparation of the consolidated pro forma schedules, whereby an exchange of shares in the former Banca Cardine has been simulated, assuming the purchase of non-portfolio own shares as of 31 December 2001 (for an estimated cost of approximately 445 million euro) as if financed by customer deposits;
- 88 million euro – decrease in the caption “due to banks” for the elimination of intra-Group transactions between Cardine Banca and Banco di Napoli;
- 4 million euro – decrease in “provision for taxation” in relation to the pro forma adjustments to income.
- 517 million euro - decrease in the caption “other reserves” as it is offset against the aforementioned adjustments of 445 million euro – increase in the caption “due to customers”; 66 million euro – cancellation of the shareholding in Cardine Banca; 6 million euro – cancellation of Sanpaolo Imi portfolio shares held by Cardine Banca.

185 million euro – Pro forma reduction of total assets for 2001

Adjustments made to statement of income as of 31 December 2001

Given that in consideration of the effectiveness of the transfer of the company branch to Cardine Finanziaria as of 1 June 2002, other administrative costs, net operating income and amortization influenced the Sanpaolo Imi 2002 statement of income for just five months, these captions have been adjusted to the ratio of 7/12 with the following results:

- 7 million euro – decrease in “personnel costs”
- 98 million euro – decrease in “other administrative costs”
- 73 million euro – decrease in “other operating income”
- 22 million euro – decrease in “adjustments to fixed assets”

The following additional adjustments were made to take into account the effect connected to the simulation of the merger of Cardine Banca as of 31 December 2001 and to the changes in the accounting policies, as of the 2001 financial statements, regarding the observation of subsidiary dividends, during the period in which the profits mature as opposed to the year in which they are collected:

- 22 million euro – increase in “interest expenses” in relation to the aforementioned 445 million euro due to customers ;
- 12 million euro – increase in “extraordinary results” to take into account the effect connected to the changes in accounting policies for the valuation of securities portfolio, adopted by the Cardine Group after the merger (in line with the hypotheses assumed for the preparation of the consolidated pro forma schedules);
- 18 million euro – increase in “income taxes for the period” compared with the recalculation of taxation following the adjustments.

26 million euro – Pro forma increase in net income for 2001.

Merger by incorporation of Banco di Napoli

Adjustments made to the balance sheet as of 31 December 2001

Assets

- 2,944 million euro – decrease in the caption “equity investments” following the cancellation of the book value of the percentage stake in Banco di Napoli, after the reversal of the write down from the statement of income as of 31 December 2001, equal to 206 million euro;
- 1,674 million euro – increase in the caption “intangible fixed assets” following the booking of the cancellation deficit.
- 520 million euro – decrease in the caption “loans to banks” as a result of the effect of the elimination of the balances relating to deposits, current accounts and loans as of 31 December 2001, between Banco di Napoli and Sanpaolo Imi and between Banco di Napoli and Cardine Banca;
- 14 million euro – increase in the caption “other assets”

In the official financial statements, bonds issued by Sanpaolo Imi in portfolio to Banco di Napoli for approximately 34 million euro and bonds issued by Banco di Napoli in portfolio to Sanpaolo Imi for approximately 2 million euro, have been reclassified to the caption “own shares”.

Liabilities

- 1,270 million euro – decrease in “net equity” following the merger operation, by allocating to “other reserves” the portion attributable to third parties equal to 66 million euro.
- 520 million euro – decrease in the caption “due to banks” as a result of the effect of the elimination of the balances relating to deposits, current accounts and loans as of 31 December 2001, between Banco di Napoli and Sanpaolo Imi and between Banco di Napoli and Cardine Banca;
- 14 million euro – increase in “provision for taxation” against the recalculation of taxation following the adjustments to the statement of income (see following paragraph).

1,776 million euro – Pro forma reduction of total assets for 2001

Adjustments made to statement of income as of 31 December 2001

- 206 million euro – decrease in “adjustments to financial fixed assets” following the reversal of the write down recorded in 2001 to the Banco di Napoli investment;
- 168 million euro – increase in “adjustments to tangible and intangible fixed assets” as a result of the effect of booking the share of amortization attributable for 2001 for the cancellation deficit;
- 14 million euro – increase in income taxes following the adjustments.

24 million euro – Pro forma increase in net income for 2001

Changes in the accounting policies regarding the booking of subsidiary dividends

In consideration that for both Sanpaolo Imi Spa and Cardine Banca the statement of income for the year 2001 (the first year of implementing the booking of subsidiary dividends, during the period in which the profits mature as opposed to the year in which they are collected) was affected by two portions of subsidiary dividends: profits for the year 2000, collected in 2001 (booked to extraordinary income) and profit matured in 2001, the portion booked to extraordinary income was eliminated by 866 million euro (of which 433 million euro referred to Sanpaolo Imi and 433 million euro to Cardine Banca). Net of taxation, recalculated at 282 million euro, thus reducing the “provision for taxation”, the adjustment reduces the pro forma net profit as of 31 December 2001 by 584 million euro and the total assets by 282 million euro.

As a whole, the adjustments made to the performance for the year 2001 have reduced the combined pro forma net profit and the combined pro forma total assets in the “official” financial statements by 534 million euro and 2,243 million euro, respectively. (2,236 million in the reclassified balance sheet)

The diagrams determining the pro forma schedules, in reclassified and “official” versions are shown below. The pro forma schedules are unaudited.

Reclassified pro forma balance sheet as of 31/12/2001

	31/12/01 Sanpaolo Imi (€/mil)	31/12/01 Cardine Banca (€/mil)	31/12/01 Banco di Napoli (€/mil)	31/12/01 Pro forma adjustments (€/mil)	31/12/01 TOTAL (€/mil)
ASSETS					
Cash and deposits with central banks and post offices	570	-	209	-	779
Loans	72,220	6,745	21,299	-608	99,656
- due from banks	12,648	5,098	3,264	-608	20,402
- loans to customers	59,572	1,647	18,035	-	79,254
Dealing securities	8,508	5,085	1,851	-	15,444
Fixed assets	10,448	3,340	2,834	-1,260	15,362
- investment securities	725	558	1,973	-	3,256
- equity investments	8,687	2,591	189	-2,821	8,646
- intangible fixed assets	177	48	50	+1,628	1,903
- tangible fixed assets	859	143	622	-67	1,557
Other assets	8,881	1,128	4,839	-368	14,480
Total assets	100,627	16,298	31,032	-2,236	145,721
LIABILITIES					
Payables	79,263	12,245	25,225	-127	116,606
- due to banks	23,254	11,273	2,466	-607	36,386
- due to customers and securities issued	56,009	972	22,759	+480	80,220
Provisions	1,649	365	1,164	-251	2,927
- for taxation	696	305	42	-250	793
- for termination indemnities	417	1	270	-1	687
- provisions for other risks and charges	493	59	852	-	1,404
- for pensions and similar	43	-	-	-	43
Other liabilities	6,904	387	2,977	-77	10,191
Subordinated liabilities	5,004	-	307	-	5,311
Shareholders' equity	7,807	3,301	1,359	-1,781	10,686
of which:					
- capital	3,932	1,430	1,036	-1,254	5,144
- reserves (a)	2,691	1,459	320	-527	3,943
- net income for the period	1,184	412	3	-534	1,065
- adjustment for alignment with net income	-	-	-	+534	534
Total liabilities	100,627	16,298	31,032	-2,236	145,721
GUARANTEES AND COMMITMENTS					
Guarantees given	24,720	550	1,426	-	26,696
Commitments	12,315	485	3,775	-	16,575

(a) Reserves are net of own shares in portfolio, at a book value of € 294 million.

The pro forma balance sheet as of 31/12/2001 is unaudited.

Reclassified pro forma statement of income as of 31/12/01

	2001 Sanpaolo Imi (€/mil)	2001 Cardine Banca (€/mil)	2001 Banco di Napoli (€/mil)	2001 Pro forma adjustments (€/mil)	2001 TOTAL (€/mil)
NET INTEREST INCOME	1,583	30	755	-22	2,346
Net commissions and other net dealing revenues	1,271	-4	306	-	1,573
Profits and losses from financial transactions and dividends on shares	72	-9	23	-	86
Dividends from shareholdings	946	297	10	-	1,253
NET INTEREST AND OTHER BANKING INCOME	3,872	314	1,094	-22	5,258
Administrative costs	-2,004	-163	-827	+105	-2,889
<i>of which:</i>					
- <i>personnel</i>	-1,295	-10	-550	+7	-1,848
- <i>other administrative costs</i>	-582	-153	-242	+98	-879
- <i>indirect duties and taxes</i>	-127	-	-35	-	-162
Other operating income, net	153	125	49	-73	254
Adjustments to tangible and intangible fixed assets	-183	-34	-103	+22	-298
OPERATING INCOME	1,838	242	213	+32	2,325
Adjustments to goodwill and merger differences	-28	-	-	-168	-196
Provisions for risks and charges	-30	-44	-34	-	-108
Net adjustments to loans and provisions for guarantees and commitments	-256	3	-62	-	-315
Net adjustments to financial fixed assets	-235	-10	-1	+206	-40
INCOME BEFORE EXTRAORDINARY ITEMS	1,289	191	116	+70	1,666
Net extraordinary income	801	469	-38	-854	378
INCOME BEFORE TAXES	2,090	660	78	-784	2,044
Income taxes for the period	-906	-248	-75	+250	-979
NET INCOME	1,184	412	3	-534	1,065
Adjustment for alignment with net income					534
Aggregate net income (Sanpaolo Imi + Cardine Banca + Banco di Napoli)					1,599

The pro forma statement of income for the year 2001 is unaudited.

Pro forma balance sheet as of 31/12/01

(in Euro)

	31/12/01 Sanpaolo Imi	31/12/01 Cardine Banca	31/12/01 Banco di Napoli	31/12/01 Pro forma adjustments	31/12/01 TOTAL
ASSETS					
10 Cash and deposits with central banks and post offices	569,593,198	30,387,453	209,039,718	-	809,020,369
20. Treasury bills and similar bills eligible for refinancing with central banks	2,493,463,658	674,263,959	741,028,479	-	3,908,756,096
30. Due from banks	12,648,050,686	5,098,059,427	3,263,567,691	-608,221,000	20,401,456,804
a) repayable on demand	1,176,452,625	1,213,283,239	465,865,556	-3,203,000	2,852,398,420
b) other deposits	11,471,598,061	3,884,776,188	2,797,702,135	-605,018,000	17,549,058,384
40. Loans to customers	59,571,670,316	1,646,708,651	18,035,683,146	-	79,254,062,113
of which:					
- loans using public funds	63,948,432	-	35,394,288	-	99,342,720
50. Bonds and other debt securities	6,738,624,834	4,458,158,303	3,081,862,434	-	14,278,645,571
a) public entities	1,972,878,856	1,934,692,363	1,643,821,785	-	5,551,393,004
b) banks	3,455,335,761	1,777,369,905	463,872,630	-	5,696,578,296
of which:					
- own bonds	252,288,291	-	245,600,187	+78,825,000	576,713,478
c) financial institutions	488,132,178	426,758,716	239,021,191	-	1,153,912,085
of which:					
- own bonds	-	-	-	-	-
d) other issuers	822,278,039	319,337,319	735,146,828	-	1,876,762,186
60. Shares, quotas and other equities	1,022,554	510,102,947	859,709	-	511,985,210
70. Equity investments	2,103,693,615	97,635,273	164,990,981	-566,607,597	1,799,712,272
80. Investments in Group companies	6,583,616,365	2,493,624,198	24,191,597	-2,254,556,835	6,846,875,325
90. Intangible fixed assets	176,882,931	48,455,109	49,951,884	+1,629,000,136	1,904,290,060
of which:					
- start-up costs	-	-	-	-	-
- goodwill	4,574,580	-	-	-	4,574,580
100. Tangible fixed assets	859,046,098	143,130,041	622,197,598	-67,399,580	1,556,974,157
120. Own shares or quotas	293,861,409	5,817,006	-	-5,817,006	293,861,409
130. Other assets	7,423,537,246	938,223,545	4,675,104,115	-369,441,026	12,667,423,880
140. Accrued income and prepaid expenses	1,456,331,786	159,135,821	164,265,863	-	1,779,733,470
a) accrued income	1,246,940,053	157,972,165	150,538,783	-	1,555,451,001
b) prepaid expenses	209,391,733	1,163,656	13,727,080	-	224,282,469
of which:					
- discounts on bond issues	6,420,992	-	8,670,913	-	15,091,905
Total assets	100,919,394,696	16,303,701,733	31,032,743,215	-2,243,042,908	146,012,796,736

The pro forma balance sheet as of 31/12/2001 is unaudited.

(in Euro)

	31/12/01 Sanpaolo Imi	31/12/01 Cardine Banca	31/12/01 Banco di Napoli	31/12/01 Pro forma adjustments	31/12/01 TOTAL
LIABILITIES					
10. Due to banks	23,254,045,034	11,272,593,100	2,465,775,895	-608,221,000	36,384,193,029
a) repayable on demand	1,895,644,707	3,669,492,472	458,163,490	-3,203,000	6,020,097,669
b) time deposits or with notice period	21,358,400,327	7,603,100,628	2,007,612,405	-605,018,000	30,364,095,360
20. Due to customers	40,147,114,980	236,973,962	16,550,358,648	+479,625,745	57,414,073,335
a) repayable on demand	28,433,023,026	71,832,663	12,874,946,888	+34,625,745	41,414,428,322
b) time deposits or with notice period	11,714,091,954	165,141,299	3,675,411,760	+445,000,000	15,999,645,013
30. Securities issued	15,774,967,965	735,610,396	6,170,008,867	-	22,680,587,228
a) bonds	11,706,247,136	-	4,057,407,898	-	15,763,655,034
b) certificates of deposit	3,644,956,254	735,610,396	1,305,944,846	-	5,686,511,496
c) other	423,764,575	-	806,656,123	-	1,230,420,698
40. Public funds administered	60,764,152	-	39,206,140	-	99,970,292
50. Other liabilities	5,579,327,982	276,517,002	2,693,762,809	-77,454,111	8,472,153,682
60. Accrued expenses and deferred income	1,350,514,069	110,296,002	282,890,272	-	1,743,700,343
a) accrued expenses	1,115,238,787	108,967,083	264,516,240	-	1,488,722,110
b) deferred income	235,275,282	1,328,919	18,374,032	-	254,978,233
70. Provisions for termination indemnities	416,819,673	522,553	270,476,176	-512,152	687,306,250
80. Provisions for risks and charges	1,232,035,666	364,361,046	894,057,528	-250,183,319	2,240,270,921
a) pensions and similar	42,834,590	-	-	-	42,834,590
b) taxation	695,997,407	304,789,161	42,399,385	-250,183,319	793,002,634
c) other	493,203,669	59,571,885	851,658,143	-	1,404,433,697
100. Reserve for general banking risks	335,696,984	22,672,458	-	-22,672,458	335,696,984
110. Subordinated liabilities	5,003,172,161	-	307,248,791	-	5,310,420,952
120. Capital	3,932,435,119	1,429,536,597	1,035,930,922	-1,253,930,922	5,143,971,716
130. Additional paid-in capital	21,650,169	695,078,481	7,220,968	-702,299,449	21,650,169
140. Reserves	2,627,124,986	747,446,644	312,690,632	+192,604,758	3,879,867,020
a) legal reserve	792,561,422	38,244,023	20,322,871	-58,566,894	792,561,422
b) reserve for own shares or quotas	293,861,409	5,817,006	-	-5,817,006	293,861,409
c) statutory reserves	-	-	277,734,816	-277,734,816	-
d) other reserves	1,540,702,155	703,385,615	14,632,945	+534,723,474	2,793,444,189
170. Income for the period to be distributed	1,183,725,756	412,093,492	3,115,567	-533,437,012	1,065,497,803
Adjustment for alignment with net income	-	-	-	+533,437,012	533,437,012
Total liabilities	100,919,394,696	16,303,701,733	31,032,743,215	-2,243,042,908	146,012,796,736
GUARANTEES AND COMMITMENTS					
10. Guarantees given	24,720,013,291	549,996,820	1,425,763,425	-	26,695,773,536
of which:					
- acceptances	113,488,197	-	11,144,232	-	124,632,429
- other guarantees	24,606,525,094	549,996,820	1,414,619,193	-	26,571,141,107
20. Commitments	12,315,412,246	484,934,689	3,775,206,052	-	16,575,552,987
of which:					
- for derivatives on loans	400,539,652	162,695,492	340,406,122	-	903,641,266
- for sales with obligation to repurchase	-	-	-	-	-

The pro forma balance sheet as of 31/12/2001 is unaudited.

Pro forma statement of income as of 31/12/2001

(in Euro)

CAPTIONS	2001 Sanpaolo Imi	2001 Cardine Banca	2001 Banco di Napoli	2001 Pro forma adjustments	2001 TOTAL
10. Interest income and similar revenues	4,658,406,673	517,763,527	1,625,519,608	-	6,801,689,808
<i>of which:</i>					
– loans to customers	3,678,244,499	42,536,736	1,170,276,885	-	4,891,058,120
– debt securities	341,642,894	276,262,297	263,124,012	-	881,029,203
20. Interest expense and similar charges	-3,078,886,204	-487,206,585	-870,830,101	-22,000,000	-4,458,922,890
<i>of which:</i>					
– due to customers	-1,043,414,166	-10,844,316	-384,362,081	-22,000,000	-1,460,620,563
– securities issued	-946,260,103	-12,160,847	-306,678,103	-	-1,265,099,053
30. Dividends and other revenues	2,752,727,185	296,728,757	10,727,593	-	3,060,183,535
a) shares, quotas and other equities	361,475	10,202,913	37,282	-	10,601,670
b) equity investments	82,838,978	14,082,999	5,530,395	-	102,452,372
c) investments in Group companies	2,669,526,732	272,442,845	5,159,916	-	2,947,129,493
40. Commission income	1,349,051,713	5,515,807	324,526,310	-	1,679,093,830
50. Commission expense	-78,233,586	-9,972,580	-18,676,170	-	-106,882,336
60. Profits (losses) on financial transactions	72,045,877	-8,977,183	22,925,819	-	85,994,513
70. Other operating income	160,831,159	127,457,068	49,537,453	-73,000,000	264,825,680
80. Administrative costs	-2,004,002,151	-162,274,003	-827,495,643	+105,000,000	-2,888,771,797
a) personnel	-1,294,679,085	-9,599,546	-550,032,217	+7,000,000	-1,847,310,848
<i>of which:</i>					
– wages and salaries	-929,217,538	-7,582,383	-389,036,489	+7,000,000	-1,318,836,410
– social security charges	-298,815,734	-1,669,463	-98,824,909	-	-399,310,106
– termination indemnities	-66,645,813	-265,989	-27,145,622	-	-94,057,424
– pensions and similar	-	-	-35,025,197	-	-35,025,197
b) other administrative costs	-709,323,066	-152,674,457	-277,463,426	+98,000,000	-1,041,460,949
90. Adjustments to tangible and intangible fixed assets	-211,192,010	-34,041,456	-103,034,710	-145,462,120	-493,730,296
100. Provisions for risks and charges	-30,223,770	-44,129,144	-33,939,815	-	-108,292,729
110. Other operating expenses	-8,106,706	-2,602,477	-281,469	-	-10,990,652
120. Adjustments to loans and provisions for guarantees and commitments	-449,077,566	-904,588	-92,520,035	-	-542,502,189
130. Writebacks of adjustments to loans and provisions for guarantees and commitments	192,160,127	3,541,765	29,934,116	-	225,636,008
150. Adjustments to financial fixed assets	-1,666,577,938	-9,928,865	-722,411	+205,841,788	-1,471,387,426
160. Writebacks of adjustments to financial fixed assets	1,054,490	8,217	-	-	1,062,707
170. Income from ordinary activities	1,659,977,293	190,978,260	115,670,545	+70,379,668	2,037,005,766
180. Extraordinary income	492,696,260	470,298,245	131,217,317	-854,000,000	240,211,822
190. Extraordinary expense	-62,616,454	-1,258,013	-168,728,610	-	-232,603,077
200. Net extraordinary income	430,079,806	469,040,232	-37,511,293	-854,000,000	7,608,745
220. Income taxes for the period	-906,331,343	-247,925,000	-75,043,685	+250,183,319	-979,116,709
230. Net income for the year	1,183,725,756	412,093,492	3,115,567	-533,437,012	1,065,497,803
Adjustment for alignment with net income					533,437,012
Aggregate net income (Sanpaolo Imi + Cardine Banca + Banco di Napoli)					1,598,934,815

The pro forma statement of income for the year 2001 is unaudited.

Audit of the financial statements

The financial statements of the Bank have been audited by PricewaterhouseCoopers S.p.A., in accordance with the shareholders' resolution of 28 April 2000, which appointed them as auditors of the year end, half year financial statements and of Form 20-F for the 2001/2003 three-year period.

Half year report

In accordance with legislation and with the methods established by Consob, SANPAOLO IMI prepared and published the report on operations for the first six months of 2002.

The aforementioned half year report was subjected to a limited audit by PricewaterhouseCoopers S.p.A., in accordance with CONSOB Recommendations 97001574 of 20 February 1997 and 10867 of 31 July 1997, and with the aforementioned shareholders' resolution of 28 April 2000.

Part A - Accounting policies

SECTION 1 - DESCRIPTION OF ACCOUNTING POLICIES

The Bank's financial statements as of 31 December 2002 have been prepared using the same accounting policies as those adopted for the financial statements as of 31 December 2001.

1. Loans, guarantees and commitments

Loans

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

In detail:

- non-performing loans: loans to borrowers in a state of insolvency or similar, are valued on a case-by-case basis;
- problem loans: loans to borrowers suffering temporary difficulties which are likely to be overcome in an acceptable period of time, are valued on a case-by-case basis;
- restructured loans: loans for which a syndicate of banks (or a single bank) reschedules the repayment of principal or renegotiates the applicable terms at lower-than-market rates, are valued on a case-by-case basis;
- loans being restructured: loans for which the borrower has applied for consolidation to a variety of banks within the past 12 months, are valued on a case-by-case basis;
- loans exposed to "country risk": loans to borrowers resident in countries with debt-servicing difficulties; these are normally adjusted on a general basis, from country to country, by applying writedown percentages that are not lower than those specified by the Banking association. Exceptions are made for certain positions which are valued separately as they are backed by specific guarantees. These loans do not include specific positions which, on the basis of an objective state of insolvency, are classified in the previous risk categories;
- performing loans: loans to borrowers who, at this time, do not present specific insolvency risks, are valued on a general basis, except for the positions of certain companies under observation, which are assessed on a case-by-case basis. Loans acquired from third parties for the purpose of investment, or rather with the intent of holding them in portfolio up to their expiry in order to maximize the financial profit of the investment, are classified at purchase cost; any difference between the price paid for the investment and the nominal value or reimbursement is reflected in the statement of income to adjust the interest relating to the loans acquired, according to the residual duration of the loans and on the basis of the accruals principle. With reference to trading on the secondary loans market by the New York and London

branches, performing loans acquired within this activity form a separate consistent portfolio which is valued on the basis of the lower between cost and market value. General adjustments to other performing loans are calculated using the historical/statistical method and are flanked by a portfolio model based on the risk management methodologies used to monitor and control credit risks.

The “historical/statistical” method, which essentially provides an historical valuation of the portfolio risk level, is organized as follows:

1. at the end of the period an estimate is made of the performing loans which, based on the movements over the last five years, are expected to become doubtful loans during the next year;
2. the calculation of the potential losses likely to be incurred on the aggregate of point 1, is determined assuming that the loss percentage on performing loans transferred to doubtful loans is the same as the average loss observed over the last five years.

The portfolio model which, characterized by valuation tables, provides the extent of loss the Bank might suffer the following year, is based essentially on the following elements:

1. the rating attributed to every counterparty assigned by the Bank, which is used to calculate the likelihood of insolvency in the next year (i.e. movements in doubtful loans), aligned to the average level of the economic cycle;
2. the loss given default which measures the average percentage of loss expected in the case of insolvency.

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

For the purpose of classifying loans as non-performing, problem, restructured or exposed to country-risk, the Bank refers to current Bank of Italy regulations on the subject, integrating them with internal instructions establishing automatic rules and criteria for the transfer of loans to the various risk categories. Doubtful loans are classified to the various risk categories (non-performing, problem, restructured and being restructured) by the operating structures coordinated by the central departments responsible for the supervision of credit control.

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

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

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

As regards the method used to calculate the “discounting adjustments”, they are determined to reflect the difference between the:

- estimated realizable value;
- and the net present value of future financial flows (principal and interest).

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

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

With regard to the discounting rate at 31 December 2002, the Bank used the average reference rate of 5.5%, determined as the appropriate approximate average performance at the date of inception of the doubtful loan portfolio and calculated on the basis of the contractual rates actually applied by the Bank on medium-long term loans (fixed and floating rate) and on short term loans (floating rate). Considering the need to simplify and reduce data processing costs, it is deemed that such average rate is sufficiently approximate to the result which would have been obtained had current contractual rates been applied to transactions now classified as doubtful loans.

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

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

Loans deriving from financing and deposit contracts

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

Repurchase agreements on securities

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

Lending of securities

Transactions involving the loan of securities guaranteed by funds freely available to the lender, are treated in the same way as repurchase agreements on securities. Securities loaned, not guaranteed by sums of money, are reported in the financial statements as a combination of two functionally-linked transactions: a loan to and a deposit from a third party (or vice versa). These transactions are essentially the same as repurchase agreements, which means that the securities loaned remain in the portfolio of the lender.

Guarantees and commitments

Guarantees and commitments acquired by the Bank and which give rise to lending risks are recorded at the total value of the exposure, while the related risk is assessed on the basis described in relation to loans. Expected losses in relation to guarantees and commitments are covered by the related reserve. Commitments include exposures to underlying borrowers for derivatives on loans for which the Bank has taken over the lending risk ("seller protection").

Derivative contracts on loans

As highlighted above, derivative contracts on loans which involve hedging sales are booked to caption 20 "commitments" at their theoretical value, while those which involve hedging purchases are booked to the underlying asset among loans secured by personal guarantees.

Derivative contracts on loans are classified as belonging to the dealing portfolio (“trading book”) when the bank is holding them for trading. Derivatives on loans not included in the trading book are classified to the banking book.

Derivative contracts on loans belonging to the trading book are valued individually, taking into consideration the credit and financial risk inherent in those contracts.

Derivative contracts on loans belonging to the banking book are valued:

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

The premium paid or collected on contracts belonging to trading book is recorded among premiums for options (caption 130 under assets and caption 50 under liabilities of the balance sheet).

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

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

2.1 Investment securities

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

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

2.2 Dealing securities

Securities held for dealing and treasury purposes are stated at their “average daily cost”, adjusted to reflect accrued issue discounts. They are determined as follows:

- securities quoted in organized markets: the official price quoted on the last trading day of the period;
- securities not quoted in organized markets: at the lower between cost and market value. The latter value is estimated by discounting future financial flows, applying market rates applicable at the time of valuation for similar type of instruments and the creditworthiness of the issuer. Where possible, the estimates are compared with quoted securities with similar financial characteristics. The original value of dealing securities is reinstated when the reasons for any writedowns cease to apply. Unquoted securities which are economically linked to derivative contracts are valued at market price, consistent with the accounting treatment of the contracts concerned.

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

Commitments to buy or sell for security transactions to be settled

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

3. Equity investments

Equity investments are stated at cost, as revalued in the past at the time of transformation into a limited company or as a result of mergers, determined on a LIFO basis with annual increments. Cost is written down to reflect any permanent losses in value, taking into account any reductions in the equity value of the companies concerned and in the trend in exchange rates for those investments held at historical rates. The original value of equity investments is reinstated if the reasons for any writedowns cease to apply.

Equity investments may also be written down in consideration of the market trend, in accordance with the first subsection of art. 18 of D. Lgs. 87/92, or rather exclusively for tax purposes as allowed by subsection three of art. 15 of D. Lgs 87/92.

With reference to investments held in Isveimer and in Sga, any charges which the Bank may be called on to bear to cover losses incurred by companies will be covered through measures taken in accordance with Law 588/96, accomplished with the procedures provided by the Ministerial Decree of 27 September 1974, as revealed in Part B, section 5 of these notes.

The differences between the carrying value of “significant investments” and the lower value of the corresponding portion of net equity from the latest financial statements of subsidiary companies, are normally justified by the goodwill and greater market value of the assets held by those subsidiaries.

Dividends of directly controlled investments are recorded on the basis of their maturity, together with related tax credits, on the condition that the Boards of Directors of the directly controlled investments approve the proposals for the distribution of profit which are submitted before the respective Shareholders’ Meetings held before the Board of Directors of the Bank approve the financial statements.

Dividends from other investments are recorded, together with the related tax credits, to the year in which the tax credit becomes collectible, usually the year in which the dividends are collected.

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

Assets and liabilities denominated in foreign currency

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

Foreign currency costs and revenues are stated using the exchange rates applying at the time they arose.

Unsettled spot and forward currency transactions

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

Transactions not carried out for hedging purposes are valued:

- at period-end spot exchange rates, in the case of spot transactions still to be settled;
- at period-end forward exchange rates for maturity dates corresponding with that of the transactions being valued, in the case of forward transactions.

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

5. Tangible fixed assets

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

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

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

6. Intangible fixed assets

Intangible fixed assets are stated at purchase or production cost, including related charges, and amortized over the period they are expected to benefit, as described below:

- start-up costs and costs for increases in share capital and other deferred charges are generally amortized on a straight-line basis, over five years;
- costs incurred for the purchase of software or for its development using external resources are generally amortized on a straight-line basis, over three years, taking into account the expected residual period of utilization. Costs incurred for the development of software before the year in which the development project was completed, are capitalized when a positive outcome of the development/creation of software is expected and the benefits of the products under completion will spread over the long term. On this assumption, the costs are amortized over not more than 5 years. During the year in which software is completed, costs incurred and not yet amortized are recorded to assets and the relevant cost is amortized over three years
- as revealed in the “Introduction – Background information on the financial statements”, the merger deficit deriving from the merger with Banco di Napoli which was concluded in 2002, is amortized on a straight-line basis. Amortization is provided over a period of ten years in relation to the duration of the goodwill inherent to the merged bank and is in line with the period adopted by the advisors within the scope of determining exchange ratios, for the purpose of the valuation of the companies.

7. Other aspects

Own shares

Own shares purchased by the Bank are valued at cost, determined using the “average daily cost” method, as they are classed as long-term investments. The main reason for buying own shares is to use them to complete strategic deals

(e.g. share exchanges as part of the acquisition of equity investments, co-operation agreements and other corporate finance deals).

Should own shares be destined for stock incentive plans or stock option plans, they are classified at market value in special separate portfolios, in the same manner as dealing securities.

Stock option plans

Stock incentive plans approved by the Bank, which do not include the assignment of own shares, consist in the assignment of rights to subscribe to increases in share capital against payment. Considering that neither Italian regulations nor Italian accounting policies provide specific instructions in this respect, the booking of these plans is made by registering the increase in capital and the related additional paid in capital at the time of subscription.

Payables

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

Provisions for employee termination indemnities

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

Provisions for risks and charges

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

Pensions and similar

The pension fund, qualifiable as an “internal” pension fund, is set up to cover charges linked with integration of the pension paid to the former IMI S.p.A. employees entitled to such payment integration. The contingency arising in this connection is assessed at year end on the basis of independent actuarial appraisals, in order to determine the provisions to technical reserves needed to cover future pensions.

Taxation

The taxation reserve is to cover corporate income taxes (IRPEG) and the regional tax on business activities (IRAP), including local taxes payable by foreign branches, as well as deferred taxes and existing or potential fiscal disputes.

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

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

Deferred tax liabilities are calculated by applying the average tax rate determined taking into account the effect of nominal and subsidized tax rates established by legislation, on taxable provisional differences likely to generate a tax burden. Deferred tax assets are calculated on deductible provisional differences if these are likely to be recovered. Deferred tax assets and liabilities relating to the same tax and expiring in the same period are offset against each other.

In relation to the years in which deductible provisional differences are higher than taxable provisional differences, the relevant deferred tax assets are recorded to caption 130 – other assets- as an asset item of the balance sheet and offset against income tax.

In the years in which taxable provisional differences are higher than deductible provisional differences, the relevant deferred tax liabilities are recorded to caption 80.b – provisions for taxation - and offset against income tax. With reference to dividends recorded on the basis of their maturity, the tax credits are offset against the relevant provisions for tax liabilities: for the purpose of applying accounting principle 25 “The treatment of income taxes” Paragraph C.II and in line with the provision of IAS 12 in respect of the compensation of reverse deferred and prepaid taxation entries in the same year. Any excess in provisions for deferred taxation on matured dividends is equal to the estimated portion of limited tax credits considered non-recoverable.

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

The deferred taxation on equity reserves that will become taxable “however used” is charged against shareholders’ equity. Deferred taxation relating to revaluations arising on conversion to the euro, credited to a specific reserve that will become taxable pursuant to art. 21 of D. Lgs. 213/98, is charged directly against this reserve.

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

Other provisions

Provisions for guarantees and commitments cover losses on guarantees given and, more generally, the contingencies associated with guarantees and commitments and exposures to derivative contracts on loans for which the Bank has taken over the lending risk (seller protection).

Provisions for other risks and charges cover estimated losses arising from legal action and, in particular, from repayments claimed by the receivers of bankrupt customers. They also cover possible charges in connection with guarantees given on the sale of equity investments, possible charges in connection with the Group’s commitment to support the Interbank Deposit Guarantee Fund, possible charges in connection with the renegotiation of subsidized home mortgage loans (Law 133/99 and that dictated by Budget Law 2001) and unsubsidized fixed rate mortgages (Law Decree 394 dated 29 December 2000, converted to Law 24 dated 28 February 2001) and possible charges in connection with other potential liabilities.

The “provisions for other personnel charges” mainly comprise:

- provisions recorded on the basis of an independent actuarial report, in order to cover the technical deficit of the independent supplementary pension fund for Istituto Bancario San Paolo di Torino employees (an independent entity which integrates the compulsory pension fund) as well as provisions for other welfare and social contributions.
- provisions made to set up a reserve to provide cover for employee seniority bonuses payable after completion of 25 and 35 years service;
- provisions to cover discretionary employee bonuses, commitments for staff leaving incentives offered during the year and in prior years and other potential liabilities.

Reserve for general banking risks

This reserve covers general business risks and, as such, forms part of shareholders' equity in compliance with international supervisory standards and Bank of Italy instructions.

Accruals and deferrals

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

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

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

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

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

Hedging contracts

These are entered into with the aim of protecting the value of individual assets or liabilities, as well as any groups of assets or liabilities, on or off the balance sheet, from the risk of market fluctuations. In the case of off-balance sheet items, the hedging objective is achieved via the use of *asset and liability management* techniques. A transaction is considered to be a hedge in the presence of the following documented conditions:

- a) intent to enter into a hedge;
- b) high degree of correlation between the technical and financial characteristics of the assets or liabilities hedged and those inherent in the hedging contract.

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

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

Balance sheet: the period element of differentials or net interest on contracts hedging the interest arising from interest-earning/bearing assets and liabilities is classified among “Accrued income” and/or “Accrued expenses”. The period element of differentials on forward rate agreements hedging the interest arising from interest-earning/bearing assets and liabilities is classified among “Prepaid expenses” and/or “Deferred income”. The market value of contracts hedging the risk of price fluctuations, and the effect of valuing contracts hedging the exchange risk on lending and funding activities (principal portion) using year-end spot exchange rates, are classified among “Other assets” and/or “Other liabilities”. Contracts hedging investment securities or total loans and deposits are valued at cost.

Statement of income: where derivative contracts are intended to hedge the interest arising from interest-earning/bearing assets and liabilities, the related economic effect will form part of net interest income on an accruals basis. In this case, the related differentials and margins are allocated either to interest income or to interest expense, depending on their nature. If, on the other hand, the derivative contract hedges the risk of market price or exchange fluctuations (principal portion), then the revenues or costs generated are treated as “Profits/losses on financial transactions”. More specifically, differentials and margins earned on derivative contracts hedging dealing securities are treated as interest, if they relate to multiple-flow contracts (e.g. IRS) or to single-flow contracts where the duration of the underlying asset is less than one year (e.g. FRA); but as profits and losses from financial transactions, if they relate to single-flow contracts where the duration of the underlying asset is more than one year (e.g. futures and options).

Non-hedging contracts

These are valued as follows:

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

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

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

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

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

Internal deals

The Bank has adopted an organizational structure based on specialized trading desks that have exclusive authorization to deal in specific derivatives. The arrangement is inspired mainly by the goals of efficiency (lower transaction costs), improved management of market and counterparty risks, and the optimal allocation of specialized human resources.

These desks manage portfolios consisting of various types of derivatives (and sometimes securities) and operate within defined net risk limits.

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

With regard to the accounting treatment of internal deals and their effect on income, it should be noted that:

- internal deals involving derivatives held in specialized desk portfolios are stated at market value when entered into for trading/dealing purposes;
- internal deals involving derivatives held in non-specialized desk portfolios are treated on a basis consistent with the assets or liabilities being hedged (for example, at market value if they hedge listed dealing securities and at cost if they hedge investment securities and/or deposits).

Settlement date

Currency and security transactions, interbank deposits and loans and the bills portfolio are recorded with reference to their settlement dates.

SECTION 2 - ADJUSTMENTS AND PROVISIONS RECORDED FOR FISCAL PURPOSES

2.1 Adjustments to value recorded solely for fiscal purposes

No adjustments solely for fiscal purposes have been recorded during the year.

2.2 Provisions recorded solely for fiscal purposes

No provisions solely for fiscal purposes have been recorded during the year.

Part B - Information on the balance sheet

SECTION 1 - LOANS

Due from banks (caption 30)

Amounts due from banks are analyzed below by type of counterparty and technical form of the transaction:

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Due from central banks			
– compulsory reserve	143	612	-76.6
– other	14	999	-98.6
Due from other banks			
– repurchase agreements and securities lending	4,871	2,937	+65.8
– current accounts	657	876	-25.0
– deposits	14,060	12,904	+9.0
– loans	1,008	1,400	-28.0
– subordinated loans	194	184	+5.4
– other	4	489	-99.2
Total	20,951	20,401	+2.7

The compulsory reserve with the Bank of Italy identified above reflects the year-end precise position.

Detail of caption 30 "due from banks" (Table 1.1 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
a) Deposits with central banks	157	1,611	-90.3
b) Bills eligible for refinancing with central banks	-	-	n.s.
c) Repurchase agreements	4,871	2,937	+65.8
d) Securities loaned	-	-	n.s.

Degree of risk in loan portfolio to banks

Analysis of loans to banks (Table 1.2 B.I.)

€/mil

Category / Value	31/12/02			31/12/01 pro forma		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
A. Doubtful loans	79	24	55	88	27	61
A.1 Non-performing loans	9	8	1	10	9	1
A.2 Problem loans	-	-	-	-	-	-
A.3 Loans in course of restructuring	-	-	-	-	-	-
A.4 Restructured loans	-	-	-	-	-	-
A.5 Unsecured loans exposed to country risk	70	16	54	78	18	60
B. Performing loans	20,896	-	20,896	20,340	-	20,340
Total loans to banks	20,975	24	20,951	20,428	27	20,401

Non-performing loans are essentially unsecured loans to residents in nations exposed to country risk.

Movements in doubtful amounts due from banks (Table 1.3 B.I.)

€/mil

Description / Categories	Non-performing loans	Problem loans	Loans in course of restructuring	Restructured loans	Unsecured loans exposed to country risk
A. Pro forma gross exposure as of 1/1/02	10	-	-	-	78
A.1 of which: for default interest	1	-	-	-	-
B. Increases	-	-	-	-	4
B.1 inflows from performing loans	-	-	-	-	-
B.2 default interest	-	-	-	-	-
B.3 transfer from other categories of doubtful loans	-	-	-	-	-
B.4 other increases	-	-	-	-	4
C. Decreases	1	-	-	-	12
C.1 outflows to performing loans	-	-	-	-	-
C.2 write-offs	-	-	-	-	-
C.3 collections	-	-	-	-	12
C.4 disposals	-	-	-	-	-
C.5 transfer to other categories of doubtful loans	-	-	-	-	-
C.6 other decreases	1	-	-	-	-
D. Gross exposure as of 31/12/02	9	-	-	-	70
D.1 of which: for default interest	1	-	-	-	-

Movements in total adjustments to loans granted to banks (Table 1.4 B.I.)

€/mil

Description / Categories	Non-performing loans	Problem loans	Loans in course of restructuring	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A. Total pro forma adjustments as of 1/1/02	9	-	-	-	18	-
<i>A.1 of which: for default interest</i>	1	-	-	-	-	-
B. Increases	-	-	-	-	-	-
B.1 adjustments	-	-	-	-	-	-
<i>B.1.1 of which: for default interest</i>	-	-	-	-	-	-
B.2 use of reserves for possible loan losses	-	-	-	-	-	-
B.3 transfer from other categories of loans	-	-	-	-	-	-
B.4 other increases	-	-	-	-	-	-
C. Decreases	1	-	-	-	2	-
C.1 writebacks from valuations	-	-	-	-	-	-
<i>C.1.1 of which: for default interest</i>	-	-	-	-	-	-
C.2 writebacks of collections	-	-	-	-	-	-
<i>C.2.1 of which: for default interest</i>	-	-	-	-	-	-
C.3 write-offs	-	-	-	-	-	-
C.4 transfer to other categories of doubtful loans	-	-	-	-	-	-
C.5 other decreases	1	-	-	-	2	-
D. Total adjustments as of 31/12/02	8	-	-	-	16	-
<i>D.1 of which: for default interest</i>	1	-	-	-	-	-

Loans to customers (caption 40)

Loans to customers are analyzed below, by technical form:

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Mortgage loans	33,155	32,269	+2.7
Other forms of finance not flowing through current accounts – Italian branches	17,171	17,076	+0.6
Current accounts	10,569	10,622	-0.5
Other forms of finance not flowing through current accounts – foreign branches	5,706	7,448	-23.4
Import-export loans	1,997	2,224	-10.2
Advances with recourse	2,642	2,589	+2.0
Repurchase agreements and securities loaned	957	2,835	-66.2
Risk on portfolio	803	968	-17.0
Loans repurchased by third parties	839	798	+5.1
Non-performing loans	788	830	-5.1
Personal loans	735	665	+10.5
Other loans to customers	797	930	-14.3
Total (a)	76,159	79,254	-3.9

(a) This includes Società per la gestione delle attività (Sga Spa) loans totaling 1,285 million euro, of which 1,252 million euro (2,041 million euro at 31 December 2001) refer to "Other forms of finance not flowing through current accounts - Italian branches" granted within the scope of measures provided by Law 588/96 and 33 million euro refer to overdrafts on "current accounts" agreed for the regular management of the company.

Detail of caption 40 "loans to customers" (Table 1.5 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
a) Bills eligible for refinancing with central banks	18	15	+20.0
b) Repurchase agreements	957	2,835	-66.2
c) Securities loaned	-	-	n.s.

The detail of "secured loans to customers" excluding those granted directly to Governments or other public bodies for 3,089 million euro (3,267 million euro as of 31 December 2001), is the following:

Secured loans to customers (Table 1.6 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
a) Mortgages	20,505	20,330	+0.9
b) Pledged assets:			
1. cash deposits	238	24	n.s.
2. securities (a)	2,543	4,456	-42.9
3. other instruments	317	423	-25.1
c) Guarantees given by:			
1. governments (b)	3,153	3,767	-16.3
2. other public entities	44	13	n.s.
3. banks	854	1,221	-30.1
4. other operators	9,873	9,546	+3.4
Total	37,527	39,780	-5.7

(a) These include 957 million euro as of 31/12/02 and 2,835 million euro as of 31/12/01 of repurchase and similar agreements guaranteed by underlying securities.

(b) Including 1,285 million euro as of 31/12/02 referred to loans to Società per la gestione delle attività (Sga Spa).

Loans to customers guaranteed by banks and other operators include 113 million euro of positions for which the Bank purchased buyer protection against the risk of non-performance, by means of derivative contracts.

"Secured loans to customers" and those granted directly to Governments or other public bodies represent 53% of total loans to customers (54% at the end of 2001).

Degree of risk in loan portfolio to customers

The principal and interest elements of loans are stated at their estimated realizable value by applying the policies described in detail in Part A, Section 1 of these notes; the related writedowns are effected via direct reduction of the balance sheet asset value of the loans concerned.

The estimated realizable value of doubtful loans takes into account not only the likelihood of recovery, but also their total or partial lack of income generation and late repayment. Total adjustments for discounting purposes as of 31 December 2002 total 173 million euro (185 million euro as of 31 December 2001).

Analysis of loans to customers (Table 1.7 B.I.)

Category / Value	31/12/02			31/12/01 pro forma		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
A. Doubtful loans	4,154	2,478	1,676	4,080	2,302	1,778
A.1 Non-performing loans	2,933	2,145	788	2,779	1,949	830
A.2 Problem loans	1,012	287	725	1,076	285	791
A.3 Loans in course of restructuring	19	1	18	66	21	45
A.4 Restructured loans	139	28	111	121	35	86
A.5 Unsecured loans exposed to country risk	51	17	34	38	12	26
B. Performing loans	75,145	662	74,483	78,119	643	77,476
Total loans to customers	79,299	3,140	76,159	82,199	2,945	79,254

Problem and non-performing loans include unsecured loans to residents of nations exposed to risk for a gross exposure of 4 million euro, of which 2 million euro on problem loans, written down by 1 million euro and 2 million euro on non-performing loans written down in full.

Coverage of loans

Categories	31/12/02 (%)	31/12/01 pro forma (%)
Non-performing loans	73.13	70.13
Problem, restructured and in course of restructuring loans	27.01	27.00
Unsecured loans exposed to country risk	33.33	31.58
Performing loans (a)	0.97	0.90

(a) The amount of performing loans does not include loans to SGA of 1,285 million euro and loans to Group companies of 5,567 million euro (respectively 2,041 million euro and 4,352 million euro as of 31 December 2001).

As regards the various types of loans, the highest levels of coverage are for ordinary loans, while the percentages on construction loans are lower given the existence of mortgage guarantees on these positions

Movements in doubtful loans to customers (Table 1.8 B.I.)

Description / Categories	Non-performing loans	Problem loans	Loans in course of restructuring	Restructured loans	Unsecured loans exposed to country risk
A. Pro forma gross exposure as of 1/1/02	2,779	1,076	66	121	38
A.1 of which: for default interest	524	35	-	-	-
B. Increases	588	845	38	52	13
B.1 inflows from performing loans	53	636	-	7	-
B.2 default interest	104	11	-	-	-
B.3 transfer from other categories of doubtful loans	295	92	33	39	-
B.4 other increases	136	106	5	6	13
C. Decreases	434	909	85	34	-
C.1 outflows to performing loans	9	102	-	-	-
C.2 write-offs	99	40	-	5	-
C.3 collections	269	413	8	15	-
C.4 disposals	1	-	-	-	-
C.5 transfer to other categories of doubtful loans	30	340	76	13	-
C.6 other decreases	26	14	1	1	-
D. Gross exposure as of 31/12/02	2,933	1,012	19	139	51
D.1 of which: for default interest	594	32	-	-	-

€/mil

Movements in total adjustments made to loans to customers (Table 1.9 B.I.)

€/mil

Description / Categories	Non-performing loans	Problem loans	Loans in course of restructuring	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A. Total pro forma adjustments as of 1/1/02	1,949	285	21	35	12	643
<i>A.1 of which: for default interest</i>	524	35	-	-	-	6
B. Increases	410	196	4	5	7	51
B.1 adjustments	271	145	3	1	6	49
<i>B.1.1 of which: for default interest</i>	104	11	-	-	-	2
B.2 use of reserves for possible loan losses	-	-	-	-	-	-
B.3 transfer from other categories of loans	97	50	1	4	-	-
B.4 other increases	42	1	-	-	1	2
C. Decreases	214	194	24	12	2	32
C.1 writebacks from valuations	20	15	1	1	-	5
<i>C.1.1 of which: for default interest</i>	-	-	-	-	-	-
C.2 writebacks of collections	60	38	1	-	-	3
<i>C.2.1 of which: for default interest</i>	23	8	-	-	-	2
C.3 write-offs	100	40	-	5	-	10
C.4 transfer to other categories of doubtful loans	19	97	22	5	-	9
C.5 other decreases	15	4	-	1	2	5
D. Total adjustments as of 31/12/02	2,145	287	1	28	17	662
<i>D.1 of which: for default interest</i>	594	32	-	-	-	4

As already discussed, total adjustments include 173 million euro relating to the adoption of a policy for discounting doubtful loans. More specifically, writedowns for discounting purposes total 136 million euro on non-performing loans, 30 million euro on problem loans, 6 million euro on restructured loans and 1 million euro on loans in course of restructuring.

Performing loans include watchlist positions for a gross exposure of 201 million euro, covered by writedowns totalling 9 million euro.

Default interest accrued on performing loans and written-down in full amount to 4 million euro.

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

Country	€/mil		
	Total	Gross exposure	
		of which: unsecured	
		book value	weighted value
Brazil	55	39	39
Egypt	54	26	26
Morocco	22	15	15
Venezuela	14	11	11
Romania	12	8	8
Argentina	77	7	7
Tunisia	7	6	1
Cameroon	2	2	2
Costa Rica	2	2	-
Russia	363	1	1
Iran	60	1	1
Philippines	11	1	1
Algeria	5	1	1
Yugoslavia	1	1	1
Pakistan	21	-	-
Other countries	35	-	-
Total gross exposure	741	121	114
Total adjustments	33	33	
Net exposure as of 31/12/2002	708	88	

For the purposes of the report on the "country risk", the countries considered are those listed by the Italian Banking Association, for which, in the absence of specific guarantees, general adjustments have to be made. Adjustments have been made, normally, by applying the weighting criteria and the writedown percentages agreed industry-wide by the Italian Bankers' Association, as mentioned above. Such writedowns are to cover all of the losses that might arise from those events that are typical to "country risk".

Secured loans amount to 620 million euro, of which 462 million euro are insured by SACE or by sureties from banking operators in the OECD area. The remaining 158 million euro refer to loans granted to a prime customer resident in Russia that are guaranteed by receivables deriving from supply contracts with leading West European companies. This collateral is deemed adequate to cover the lending risk. In compliance with Bank of Italy regulations, these loans are included in the calculation of "country risk", which is deducted from the Bank's capital for supervisory purposes.

Other information relating to loans

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

SECTION 2 - SECURITIES

Securities owned by the Bank are analyzed as follows:

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Treasury bills and similar bills eligible for refinancing with central banks (caption 20)	1,554	3,909	-60.2
Bonds and other debt securities (caption 50)	12,813	14,279	-10.3
Shares, quotas and other equities (caption 60)	330	512	-35.5
Total	14,697	18,700	-21.4
<i>of which:</i>			
– investment securities	2,039	3,256	-37.4
– dealing securities	12,658	15,444	-18.0

“Treasury bills and similar bills eligible for refinancing with central banks” represent securities which may be used for refinancing purposes, but may not be used for this purpose as of the date of the financial statements.

Investment securities

Investment securities, totaling 2,039 million euro, are held for the long term as a stable investment and, as such, are generally held through to redemption. The allocation to the investment portfolio is made on the basis of criteria defined in a specific framework resolution approved by the Board of Directors in the following circumstances:

- in the case of related forms of funding;
- in the case of specific control regulations;
- in the case of not readily marketable securities.

Investment securities (Table 2.1 B.I.)

Caption / Value	31/12/02		31/12/01 pro forma	
	Book value	Market value	Book value	Market value
1. Debt securities				
1.1 Government securities				
– quoted	996	1,050	1,514	1,534
– unquoted	-	-	6	6
1.2 Other securities				
– quoted	135	141	627	634
– unquoted	908	919	1,109	1,089
2. Equities				
– quoted	-	-	-	-
– unquoted	-	-	-	-
Total	2,039	2,110	3,256	3,263

The portfolio as at 31 December 2002, consisting of 49% Italian Government bonds and 51% other securities, shows a net unrealized gain of 11 million euro on the portion not covered by hedging contracts and an unrealized gain of 60 million euro on the portion hedged by derivative contracts. The valuation of these contracts reveals an unrealized loss of 64 million euro.

A positive difference between the market value and book value reveals a profit of 59 million euro which will be recorded in the statement of income on an accrual basis.

Changes in investment securities during the year (Table 2.2 B.I.)

	€/mil
A. Pro forma opening balance	3,256
B. Increases	
B1. purchases	756
B2. writebacks	1
B3. transfers from dealing portfolio	-
B4. other changes	41
C. Decreases	
C1. sales	277
C2. redemptions	694
C3. adjustments	51
<i>of which:</i>	
<i>long-term writedowns</i>	30
C4. transfers to dealing portfolio	827
C5. other changes	166
D. Closing balance	2,039

Transfers to the dealing portfolio refer to 810 million euro for the former Banco di Napoli (415 million euro of which Government bonds and 395 million euro of which securities issued by Banco di Napoli and Sanpaolo Imi) and to 17 million euro for Sanpaolo Imi securities previously held by the London branch of the former Cardine Banca. The transfers were stipulated at book value, on the basis of the valuation policies for the portfolio of origin.

Subcaption B4. "Increases - other changes" includes exchange rate differences on securities denominated in foreign currencies for 18 million euro, issue and dealing discounts and capitalization of interest on zero coupon bonds recorded to the statement of income for 18 million euro and gains on disposal of 5 million euro.

Subcaption C5. "Decreases - other changes" includes exchange rate differences on securities denominated in foreign currencies for 158 million euro, issue and dealing discounts recorded to the statement of income for 5 million euro and losses on disposal of 3 million euro.

The adjustments in subcaption C3., of 51 million euro, refer to losses in value of a long-term nature of approximately 30 million euro. The residual optional adjustments were made, in accordance with article 18, subsection 1 of D.Lgs 87/92, to take into account market trends. The adjustments recorded to the statement of income were mainly determined by the worsening conditions of solvency of borrowers in relation to securities or collateral. When determining the adjustments, the prices supplied by the arrangers of the issues were also prudently considered.

It is worth remembering that by resolution of the Board of Directors of the Bank, the maximum size of the investment securities portfolio has been established as the lower of:

- 25% of the total securities owned;
- the Bank's regulatory capital.

Dealing securities

Dealing securities, held for treasury and negotiation purposes, amount to 12,658 million euro and comprise:

- 3,266 million euro linked to derivative contracts;
- 9,392 million euro not linked to derivative contracts.

Dealing securities (Table 2.3 B.I.)

Caption / Value	31/12/02		31/12/01 pro forma	
	Book value	Market value	Book value	Market value
1. Debt securities				
1.1 Government securities				
– quoted	4,673	4,673	7,485	7,485
– unquoted	40	40	-	-
1.2 Other securities			-	-
– quoted	789	789	1,543	1,543
– unquoted	6,827	6,851	5,904	5,923
2. Equities				
– quoted	299	299	36	36
– unquoted	30	30	476	477
Total	12,658	12,682	15,444	15,464

Unquoted dealing securities not linked to derivative contracts, valued at the lower of cost and market value, have led to write-downs of 9 million euro, net.

The book value of other unquoted securities includes the own issues for 891 million euro and Group company issues for 2,897 million euro.

Changes in dealing securities during the year (Table 2.4 B.I.)

€/mil

A. Pro forma opening balance	15,444
B. Increases	
B1. purchases	
– debt securities	
– government securities	53,603
– other securities	11,523
– equities	193
B2. writebacks and revaluations	37
B3. transfers from investment portfolio	827
B4. other changes	219
C. Decreases	
C1. sales and redemptions	
– debt securities	
– government securities	56,815
– other securities	11,550
– equities	318
C2. adjustments	46
C3. transfers to investment portfolio	-
C5. other changes	459
D. Closing balance	12,658

Subcaption B4. "Increases - other changes" is detailed as follows:

B4. "Increases - other changes"

€/mil

Exchange differences	55
Capitalization of accrued interest on treasury bills (BOT) and zero coupon bond (BTZ)	63
Gains on disposals	66
Accrued issue discounts	3
Other	32
Total other changes	219

Subcaption C5. "Decreases - other changes" is detailed as follows:

C5. "Decreases - other changes"

€/mil

Exchange differences	360
Losses on disposals	70
Other	29
Total other changes	459

Other information relating to securities

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

SECTION 3 - EQUITY INVESTMENTS

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

	31/12/02 (€ mil)	31/12/01 pro forma (a) (€ mil)	Change %
Equity investments (caption 70)	1,620	2,364	-31.5
Investments in Group companies (caption 80)	6,693	9,104	-26.5
Total	8,313	11,468	-27.5
<i>of which:</i>			
– significant investments	7,313	9,596	-23.8
– other shareholdings	1,000	1,872	-46.6

(a) The difference between the corresponding information recorded to the “official” and “reclassified” balance sheet pro forma schedules, as of 31 December 2001 of 2,822 million euro, is mainly due to the cancellation of the investment in Banco di Napoli (2,944 million euro), the inclusion of the investment in Group companies acquired following the exchange with the Cardine Banca shares (409 million euro), the difference between the book value of Group shareholdings transferred to Cardine Finanziaria and the greater book value of Cardine Finanziaria in the financial statements of the Bank, resulting from the transaction (278 million euro), the book value of the investment in Cardine Banca cancelled as a result of the merger (516 million euro) and the book value of “other investments” transferred to Cardine Finanziaria (48 million euro).

Significant investments

Significant investments held by the Bank, being those in subsidiary companies or in companies subject to significant influence, as defined in articles 4 and 19 of D.Lgs.87/92, are indicated in the table below:

Significant investments (Table 3.1 B.I.)

Name	Registered offices	Activity	Shareholders' equity (a)	Net income (loss)	Percentage ownership	Book value
<i>A. Subsidiary companies</i>						
<i>A.1 Group companies</i>						
Banca Fideuram S.p.A.	Milan	banking	710	130	64.10	94
Banca Imi S.p.A.	Milan	banking	349	2	100.00	304
Banca OPI S.p.A.	Rome	banking	588	33	100.00	469
Banque Sanpaolo S.A.	Paris	banking	389	29	100.00	386
Brokerban S.p.A.	Naples	insurance brokerage	2	1	100.00	1
Cardine Finance Plc	Dublin	finance	10	-	99.98	10
Cardine Finanziaria S.p.A.	Padua	holding company	2,555	193	100.00	2,439
Consorzio Studi e Ricerche Fiscali	Rome	tax consultancy	-	-	50.00	-
Esaban S.p.A.	Naples	tax collection	-1	-10	100.00	-
FARBANCA S.p.A. (c)	Bologna	banking	11	-	15.00	2
Finemiro Banca S.p.A.	Bologna	banking	114	7	96.98	73
Ge.Ri.Co. - Gest.Riscoss.Tributi in Concessione S.p.A.	Venice	tax collection	-1	-8	100.00	-
IMI Investimenti S.p.A.	Turin	finance	424	-89	100.00	432
INVESP S.p.A.	Turin	finance	408	113	100.00	248
ISC Euroservice GmbH	Frankfurt	operating	-	-	80.00	-
Prospettive 2001 S.p.A.	Turin	finance	49	-6	100.00	40
RSP S.r.l.	Turin	non-finance	-	-	100.00	-
Sanpaolo Fiduciaria S.p.A.	Turin	finance	3	1	100.00	2
Sanpaolo Imi Bank (International) S.A.	Madeira	banking	176	5	69.01	95
Sanpaolo Imi Bank Ireland Plc	Dublin	banking	516	-8	100.00	515
Sanpaolo Imi Capital Company I LLC (b)	Wilmington	finance	1,050	-	4.31	45
Sanpaolo Imi International S.A.	Luxembourg	finance	810	-232	100.00	810
Sanpaolo Imi Internazionale S.p.A.	Padova	finance	10	-	100.00	10
Sanpaolo IMI Private Equity S.p.A.	Bologna	finance	234	-11	100.00	248
Sanpaolo Imi Us Financial Co.	Wilmington	finance	-	-	100.00	-
Sanpaolo Imi Wealth Management S.p.A.	Milan	finance	545	123	100.00	367
Sanpaolo Leasint S.p.A.	Milan	leasing	86	13	100.00	82
Sanpaolo Riscossioni Genova S.p.A.	Genoa	tax collection	7	1	100.00	6
Sanpaolo Riscossioni Prato S.p.A. (c)	Prato	tax collection	4	-	36.24	1
Sep - Servizi e Progetti S.p.A.	Turin	operating	3	1	100.00	2
Sga S.p.A. (d)	Naples	finance	-284	-285	100.00	1
West Bank S.A.	Arad	banking	7	-7	72.39	5
West Trade Center S.A.	Arad	operating	-	-	75.00	-
Bn Finrete S.p.A. - in liquidation	Naples	finance	1	-	99.00	1
Cardine Suisse S.A. - in liquidation	Lugano	finance	1	-	99.00	-

Significant investments (Table 3.1 B.I.)

Name	Registered offices	Activity	Shareholders' equity (a)	Net income (loss)	Percentage ownership	Book value
Cariparo Ireland Plc - in liquidation (f)	Dublino	finance	1	-	99.94	1
Imifin S.p.A. - in liquidation	Rome	finance	-	-	100.00	-
Innovare S.r.l. - in liquidation	Naples	non-finance	1	-	90.00	1
Isveimer S.p.A. - in liquidation (e)	Naples	banking	46	8	65.22	-
Sanpaolo Us Holding Co. - in liquidation	Wilmington	finance	4	2	100.00	3
Total						6,693

(a) Excluding share of net income and reserves due for distribution

(b) The percentage ownership refers to the total capital. The percentage ownership on ordinary capital amounts to 100%.

(c) Company included as significant investment in that globally the Group holds the controlling portion of shares.

(d) Financial statements as of 30 June 2002 – Voting rights on 100% of share capital is exercised by the Treasury Ministry.

(e) Financial statements as of 31 December 2001.

(f) Balance sheet as of 30/09/2002.

Significant investments (Table 3.1 B.I.)

Name	Registered offices	Activity	Shareholders' equity (a)	Net income (loss)	Percentage ownership	Book value
A.2 Jointly held companies						
Banka Koper D.D.	Koper	banking	135	14	62.10	151
Centradia Group Ltd (d)	London	finance	16	-22	29.03	5
Finconsumo Banca S.p.A.	Turin	banking	63	12	50.00	17
Total						173

B. Companies subject to significant influence

Cassa dei Risparmi di Forlì S.p.A.	Forlì	banking	203	20	21.02	169
Cassa di Risparmio di Firenze S.p.A.	Florence	banking	905	90	19.53	227
Cbe Service S.p.r.l.	Bruxelles	non-finance	-	-	31.70	-
CR Firenze Gestion Internationale S.A.	Luxembourg	finance	1	5	20.00	-
Esatri S.p.A.	Milan	tax collection	44	17	31.50	4
HDI Assicurazioni S.p.A.	Rome	insurance	142	5	28.32	38
Inter-Europa Bank Rt	Budapest	banking	52	5	32.51	8
Liseuro S.p.A.	Udine	leasing	3	-	35.11	-
Società Gestione per il Realizzo S.p.A. (b)	Rome	non-finance	21	7	28.31	1
Stoà - Istituto di studi per la direzione di impresa (b)	Ercolano	non-finance	1	-	20.76	-
Trivimm S.p.A.	Verona	non-finance	2	-	23.00	-
Aeroporto di Napoli S.p.A. - in liquidation (b)	Naples	non-finance	-	-	20.00	-
Consorzio Bancario Sir S.p.A. - in liquidation (b)	Rome	finance	1	-	32.84	-
Finexpanse S.p.A. - in liquidation (b)	Chiavari	non-finance	-9	-	30.00	-
Galileo Holding S.p.A. - in liquidation (b)	Venice	holding company	-24	1	31.52	-
G.E.Cap - Gestioni Esattoriali della Campania S.p.A. - in liquidation (b)	Foggia	tax collection	-2	1	37.25	-
Italinfra Grandi Progetti S.p.A. - in liquidation (b)	Naples	non-finance	1	-	30.00	-
Sofimer S.p.A. - in liquidation (c)	Naples	finance	3	-	20.00	-
Sviluppo Nuove Iniziative S.p.A. - in liquidation (c)	Genoa	non-finance	2	-	50.00	-
Total						447

(a) Excluding share of net income and reserves due for distribution

(b) Financial statements as of 31 December 2001.

(c) Balance sheet as of 20 December 2002.

(d) Consolidated financial statements as of 31 December 2002.

As described in Part A, Section 1 of these Notes, the differences between book value of significant investments and the lower value of the corresponding portion of net equity reported in the latest available financial statements of the subsidiaries, is generally justified in the goodwill and higher market value of the assets owned by the subsidiaries. In particular:

- in respect of the investment in Sga S.p.A. - Società per la gestione di attività – the loss of 285 million euro recorded in the first half of 2002 was made up in October 2002 with the procedures provided by the Ministerial Decree of 27 September 1974, as revealed in Part B, section 5 of these notes;
- the differences of 126 million euro for Cassa dei Risparmi di Forlì S.p.A., 67 million euro for Banka Koper and 50 million euro for Cassa di Risparmio di Firenze S.p.A., reflect purchased goodwill representing the income-earning potential of these companies;
- the difference of 14 million euro relating to Sanpaolo IMI Private Equity S.p.A. originates from the devaluations of the investment portfolio of the subsidiary. The book value of the investment was not subject to adjustment considering the recovery in profitability of the company expected in future years;
- with reference to IMI Investimenti S.p.A., no adjustments have been made in view of the fact that the difference of 8 million euro between the book value and net equity is determined principally by the adjustment to the company's investment portfolio and not by the long-term loss in value in the investments held;
- as regards the investment in Galileo Holding S.p.A., acquired as part of the restructuring of that group, the company's equity deficit should be offset on completion of the debt restructuring, which entails the shareholder banks waiving their receivables.
- as far as the investment in Finexpanse S.p.A. is concerned, considering the approval of the "transfer of assets agreement" in 1993, and on the basis of available information, with respect to the negative shareholders' equity of the company there are no prospective risks of outlays;
- in relation to the tax collection companies, the equity deficits of Esaban S.p.A. and Ge.Ri.Co S.p.A. are covered by the accrual to the provisions for risks and charges of 2 million euro, while for G.E.Cap S.p.A. the equity deficit is re-balancing in light of the favorable conclusion of the liquidation.

The principle characteristics of the commitments and options on significant investments are provided below:

- the Cassa dei Risparmi di Forlì S.p.A. share purchase agreement of 29 November 2000, between Fondazione CR Forlì (seller) and SANPAOLO IMI and Cassa di Risparmio di Firenze (purchasers), provides that the purchasers shall grant Fondazione an option to sell ordinary shares representing not more than 51.35% of the share capital of CR Forlì, to be exercised in a number of tranches: at a unit price of 8.11 euro per share, for the first two tranches and at a price determined according to the "fair market value" for the last tranches. The put option may be exercised by Fondazione at any time between 12 June 2002 and the 15th day before the expiry of the first period for notice of termination of the Consortium Agreement drawn up between the same parties (31 December 2008). This transaction involved the booking of 298 million euro to "commitments for the issue of put options". This value represents the maximum potential outlay if the unit price of 8.11 euro per share were to be applied to the entire shareholding object of the put option. It should be noted that on 12 March 2003 the Fondazione CR Forlì exercised the first tranche of the put option on 8,335,370 ordinary shares for a total price of 68 million euro; bringing the percentage of the share capital owned by SANPAOLO IMI to 29.77%.
- the agreement between the Bank and the majority shareholders of Banka Koper, aimed at purchasing a controlling investment in the company, provides that, in the event the Public Offer in March 2002 for the entire share capital of the company is successful, SANPAOLO IMI guarantees the leading shareholders a put option on their shares which were not contributed in the Public Offer. Such entitlement is also extended to each shareholder which contributed at least one share to the Public Offer. Each shareholder may exercise the put option during the 30 days after 31 March, 30 June, 30 September and 31 December of each year, commencing from the 30 days after 31 December 2002 and up to the 30th day after 30 June 2006. The price is equal to that of the Public Offer, plus interest calculated on the rate paid by Banka Koper one 'year and one day' deposits in Slovenian Tolar, for the period extending from the last effective day of the Public Offer, to the day on which the put option is exercised and is reduced by the dividends collected on such shares. This transaction involved the booking of 88 million euro to "commitments for put options issued";

- in the context of the purchase agreement for shares in West Bank, the former Cardine Banca granted some shareholders a put option on their shares, for a unit price not lower than that set for the acquisition of the majority shareholding in West Bank by Cardine Banca. With respect to this put option, SANPAOLO IMI booked a commitment for approximately 5 million euro. Considering that the investment was written down to reflect the reduction in equity value from the effect of the losses for the year and that the put options are valued at cost and eventually written down to reflect any permanent losses in value of the investment, the 31 December 2002 financial statements were adjusted to reflect the proportionate value of the put options in respect of the write down of the investment;
- in the context of the agreement concluded on 15 November 1999 between Ente Cassa di Risparmio di Firenze and SANPAOLO IMI for the acquisition of a 15% stake in Cassa di Risparmio di Firenze, a right of pre-emption at "fair price" was granted to SANPAOLO IMI on CARIFI shares transferred by Ente CRF. The agreement also provided that, in the event that SANPAOLO IMI should not exercise its pre-emption right, the shares involved, representing a total of around 10.8% of CRF share capital, may be offered on sale to third parties at the same "fair price". In the event of an unsuccessful sale to third parties, Ente CRF is entitled to offer the shares on sale to the Bank, who is obliged to purchase them at a price equal to the arithmetical average of the official stockmarket prices over the previous three months, increased by 50%, on the condition that the average daily volume of dealings in the shares is equal to 3 million euro (under this assumption, the amount as at 31 December 2002, is estimated at approximately 210 million euro). If, however, the average daily volume of dealings in the shares is less than 3 million euro, the price will be determined according to the best technical valuation of the sector. Considering that the conditions under which the Bank is obliged to purchase in the event of an unsuccessful sale to third parties by Ente CRF and that the Bank has not yet been called upon to exercise its pre-emption rights, no amount for commitments has been recorded to the financial statements.

Detail of the above commitments, where recorded to the financial statements, is provided in the memorandum accounts (caption 20 Guarantees and Commitments), in the Explanatory Notes, in the table on forward transactions (Table 10.5.B.I. "Other transactions") and in the supplementary information requested by the Basel Committee on Banking Supervision and the International Organization of Securities Commissions (IOSCO).

Other shareholdings

The remaining major equity investments of the Bank, are:

			€/mil
Name and location of registered offices	Activity	Percentage ownership	Book value
SCH S.A.	banking	1.10	342
CDC Finance - CDC Ixis	banking	3.45	323
Banca d'Italia	banking	8.33	185
Borsa Italiana S.p.A.	non-finance	4.14	40
Kredyt Bank S.A.	banking	5.20	28
Istituto per il credito sportivo	banking	10.81	19
Banco del Desarrollo S.A.	banking	15.72	19
Biat S.A.	banking	5.61	8
Other			36
Total			1,000

Composition of the investment portfolio

Analysis of caption 80 "investments in Group companies" (Table 3.5 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
a) in banks			
1. quoted	94	372	-74.7
2. unquoted	1,849	6,180	-70.1
b) in financial institutions			
1. quoted	-	-	-
2. unquoted	4,746	2,526	+87.9
c) other			
1. quoted	-	-	-
2. unquoted	4	26	-84.6
Total	6,693	9,104	-26.5

Analysis of caption 70 "equity investments" (Table 3.4 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
a) in banks			
1. quoted	767	981	-21.8
2. unquoted	731	1,247	-41.4
b) in financial institutions			
1. quoted	-	-	-
2. unquoted	20	42	-52.4
c) other			
1. quoted	2	2	-
2. unquoted	100	92	+8.7
Total	1,620	2,364	-31.5

Changes during the year in the equity investment portfolio

Investments in Group companies (Table 3.6.1 B.I.)

€/mil

A. Pro forma opening balance (a)	9,104
B. Increases	
B1. purchases	1,150
B2. writebacks	-
B3. revaluations	-
B4. other changes	2,720
C. Decreases	
C1. sales	17
C2. adjustments	204
of which:	
- long-term writedowns	26
C3. other changes	6,060
D. Closing balance	6,693
E. Total revaluations	117
F. Total adjustments	729

(a) The difference between the corresponding information recorded to the "official" and "reclassified" balance sheet pro forma schedules, as of 31 December 2001 of 2,257 million euro, is mainly due to the cancellation of the investment in Banco di Napoli (2,944 million euro), the inclusion of the investment in Group companies acquired following the exchange with the Cardine Banca shares (409 million euro) and the difference between the book value of Group shareholdings transferred to Cardine Finanziaria and the greater book value of Cardine Finanziaria in the financial statements of the Bank, resulting from the transaction (278 million euro).

Subcaption B.1 "Purchases" is made up of the following transactions:

- acquisition from Compagnia di San Paolo of 30,000,000 Compagnia di San Paolo Investimenti Patrimoniali S.p.A. shares (equal to the entire share capital), 30,710,772 Imi Investimenti shares (39.77% of the share capital) and 10,431,475 Sanpaolo IMI Private Equity S.p.A. shares (27.02% of the share capital) for a total outlay of 440 million euro;
- subscription of an increase in capital of Banca OPI S.p.A. for 230 million euro, by transferring to it the entire book value of Compagnia di San Paolo Investimenti Patrimoniali S.p.A. (now Fin Opi S.p.A.);
- acquisition of 110,680,209 Banco di Napoli saving shares (5.6% of the total capital) by means of a Public Offer for an outlay of 144 million euro;
- increase in the shareholding of Banca Fideuram S.p.A., following the transfer to it of the entire investment in Banca Sanpaolo Invest S.p.A. for a total of 71 million euro (including a cash adjustment of 10 million euro) and with a capital gain of approximately 2 million euro;
- acquisition of 8,488,525 NHS S.p.A. shares from the minority shareholders, in order to achieve total control of the private equity company which, following the merger with Sanpaolo IMI Private Equity Spa, changed its name to the latter. This transaction involved a total outlay of 63 million euro.
- Capital increase of the subsidiary Sanpaolo Imi Bank Ireland Plc by way of payment in "capital contribution" of 55 million euro;
- Capital increase of the subsidiary Cardine Finance Plc by way of payment in "capital contribution" of 41 million euro;
- acquisition from the minority shareholders of IMI Investimenti S.p.A. of the portion of share capital necessary to reach full control of that company, through an outlay of 34 million euro;
- subscription of an increase in Sanpaolo IMI Wealth Management S.p.A. capital, following the transfer of the entire investment in Banco di Napoli Asset Management Sgr S.p.A. for a total of 29 million euro and with a capital gain of 13 million euro;
- subscription of an increase in Invesp S.p.A. capital through the transfer of the book value of the 20.24% investment in Eptaconsors S.p.A. (13 million euro);
- subscription of an increase in Sanpaolo Imi Internazionale S.p.A. capital for approximately 10 million euro;

- transfer to Esaban S.p.A. of the tax collection branch of the former Banco di Napoli, for a book value of 6 million euro;
- proportional subscription of an increase in West Bank S.p.A. capital for 5 million euro.

Subcaption C.1 "Sales" refers mainly to the sale of Datitalia Processing for 11 million euro, making a capital gain of 6 million euro.

Subcaption C.2 "adjustment" reflects:

- the investment in Sanpaolo Imi International S.A. was written down for 177 million euro in order to align the book value to the company's net equity as of 31 December 2002, after the writedown in value of its shareholding in SCH S.A. applied using the same principles as the Parent Bank (of the total writedown, 28 million euro was booked to reduce the equity reserve for D.Lgs 213/98 accrued in 1998 for the fixed rate conversion to euro, and 15 million euro was booked to reduce the specific provision for deferred taxation);
- the writedown of the investment in West Bank S.A. for 10 million euro, in order to align the pro quota of net shareholders' equity of the company as of 31 December 2002, taking into account the current reduction in value following the devaluation in the Romanian currency, being that of the investment;
- the writedown of investments in tax collection companies for 17 million euro (9 million euro adjustment to Esaban S.p.A. and 8 million euro adjustment to Ge.Ri.Co. S.p.A.), made in order to write off the book values of those companies in light of the loss in the entire net equity (as of 31 December 2002), determined by the charges for reorganization of the Group's tax collection business. Furthermore, 2 million euro was accrued to the provisions for risks and charges in order to cover the effects of any losses greater than net equity.

Subcaptions B4. "Increases - other changes" and C3. "Decreases - other changes" are detailed as follows:

<i>B4. "Increases - other changes"</i>	<i>€/mil</i>
Transfer of business from former Cardine Banca S.p.A. to Cardine Finanziaria S.p.A. (a)	2,400
SPLIT of NHS - Nuova Holding SANPAOLO IMI S.p.A. (renamed IMI Investimenti S.p.A.) in favour of the newco NHS S.p.A. (now Sanpaolo IMI Private Equity S.p.A.)	121
SPLIT of Fincardine in favor of Invesp S.p.A.	83
Cancellation deficit of the shareholding in Cardine Banca S.p.A. following the merger	39
SPLIT of Fincardine in favor of Prospettive 2001 S.p.A.	27
Merger of Cardine Leasing S.p.A. with Sanpaolo Leasing S.p.A.	28
Goodwill from the transfer of Banco di Napoli Asset Management Sgr S.p.A. to Sanpaolo Imi Wealth Management S.p.A.	13
Gains on disposal of Datitalia	6
Goodwill from the transfer of Banca Sanpaolo Invest S.p.A. to Banca Fideuram	2
Exchange rate effect	1
Total	2,720

(a) Book value, following the transfer, of the shareholding in Cardine Finanziaria.

C3. "Decreases - other changes"	€/mil
Transfer of shares to Cardine Finanziaria S.p.A. (a)	2,161
Cancellation deficit of the shareholding in Banco di Napoli S.p.A. (b)	1,555
Cancellation of the shareholding in Banco di Napoli S.p.A. (b)	1,327
Liquidation of excess capital of BNH S.p.A.	302
Conferral of Compagnia di San Paolo Investimenti patrimoniali S.p.A. to Banca OPI S.p.A.	230
SPLIT of NHS - Nuova Holding SANPAOLO IMI S.p.A.	121
SPLIT of Fincardine S.p.A.	110
Reimbursement of capital contribution in Cardine Finance Plc	93
Conferral of Banca Sanpaolo Invest S.p.A. to Banca Fideuram S.p.A.	61
Reimbursement of capital contribution in Cariparo Ireland	36
Conferral of Banco di Napoli Asset Management Sgr S.p.A. to Sanpaolo Imi Wealth Management S.p.A.	29
Merger of Cardine Leasing S.p.A. with Sanpaolo Leasint S.p.A.	28
Liquidation Caer Servizi S.c.p.a.	4
Distribution of Banca Sanpaolo Invest capital reserve	2
Exchange rate effect	1
Total	6,060

(a) Transfer of former Cardine Banca S.p.A. subsidiary shares to Cardine Finanziaria S.p.A.

(b) As a result of the merger of Banco di Napoli Spa legally effective from 31/12/2002.

Other equity investments (Table 3.6.2 B.I.)	€/mil
A. Pro forma opening balance (a)	2,364
B. Increases	
B1. purchases	171
B2. writebacks	-
B3. revaluations	-
B4. other changes	108
C. Decreases	
C1. sales	627
C2. adjustments	123
of which:	
- long-term writedowns	8
C3. other changes	273
D. Closing balance	1,620
E. Total revaluations	292
F. Total adjustments	638

(a) The difference of 564 million euro between the "official" and "reclassified" balance sheet pro forma schedules as of 31 December 2001, mainly refers to the book value of the Cardine Banca shareholding cancelled on the merger (516 million euro) and to the book value of "other investments" transferred to Cardine Finanziarie (48 million euro).

Subcaption B.1 "Purchases" mainly refers to:

- purchase of 250,271 Banka Koper shares, by Public Offer, for an outlay of 116 million euro. The shareholding currently totals 62.10%. On the basis of the authorization from the Bank of Slovenia, issued on 1 March 2002, the exercise of voting rights is limited to 32.99% (the remaining votes are split between the other shareholders);

- the purchase of 539,640 Borsa Italiana S.p.A. shares by Intesa BCI (3.3% of the share capital) for an outlay of 33 million euro;
- the purchase of shares in Noricum Vita S.p.A. for an outlay of 13 million euro;
- the subscription of an increase in Centrale dei Bilanci S.r.l. share capital for an outlay of 5 million euro.

Subcaption C.1 "Sales" reflects the following transactions:

- disposal of 21,992,870 Cardine Banca S.p.A. shares to Compagnia di San Paolo corresponding to 8% of the share capital, for an outlay of 440 million euro and generating a capital gain of 58 million euro;
- disposal to Banca Imi S.p.A. of Banca Agricola Mantovana S.p.A. and the related put and call options, for 206 million euro, being equal to the book value of the subsidiary. The disposal of this shareholding created a loss of 96 million euro, essentially corresponding to the profit generated by the disposal of the put and call options;
- disposal/exchange of 1,689,839 Cardine Banca S.p.A. shares to the minority shareholders of IMI Investimenti S.p.A. for 33 million euro, generating a profit of 4 million euro;
- disposal of 1,500,000 Sanpaolo IMI S.p.A. portfolio shares to the former Cardine Banca S.p.A. for 18 million euro, generating a profit of 11 million euro;
- disposal of the Monte Titoli S.p.A. shareholding (5% of the share capital) to Borsa Italiana S.p.A. for 14 million euro, generating a profit of 13 million euro (the residual shareholding equal to 3% of the share capital was transferred to Borsa Italiana S.p.A. and generated a capital gain of 8 million euro);
- disposal of Immocri S.p.A. to Immobiliare Cosenz for 5 million euro;
- disposal of the shareholding in Cedel International through approval of a Public Offer for 6 million euro and generating a profit of the same amount.

Subcaption C.2 "Adjustments" reflects above all the writedown of the investment in Santander Central Hispano S.A. (115 million euro) to align the book value of the company to the average market price of the shares in the second half of the year (6.5 euro) and the writedown in Centradia Group Ltd (6 million euro) to align the book value of the shareholding to the pro quota of net equity of the company as of 31 December 2002.

Subcaption B4. "Increases - other changes" and subcaption C3. "Decreases - other changes" are detailed as follows:

<i>B4. "Increases - other changes"</i>	<i>€/mil</i>
Gains on disposal of Cardine Banca S.p.a. shares	62
Gains on disposal of Sanpaolo IMI S.p.A. shares in the portfolio of former Cardine Banca	11
Gains from the disposal of and goodwill from the transfer of Monte Titoli S.p.A. to Borsa Italiana S.p.A.	21
Conferral of Monte Titoli S.p.A. to Borsa Italiana S.p.A.	8
Gains on disposal of Cedel International	6
Total	108

<i>C3. "Decreases - other changes"</i>	<i>€/mil</i>
Cancellation of the shareholding in Cardine Banca Spa following the merger	105
Loss from the disposal of Banca Agricola Mantovana S.p.A.	96
Transfer of shares to Cardine Finanziaria Spa	50
Conferral of Eptaconsors S.p.A. to Invesp S.p.A.	13
Conferral of Monte Titoli S.p.A. to Borsa Italiana S.p.A.	8
Exchange rate effect	1
Total	273

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

The amounts due to and from companies belonging to the Group as of 31 December 2002, as established in art. 4 of D.Lgs. 87/92, and the amounts due to and from investments subject to significant influence, are analyzed in the following tables:

Group companies	€/mil				
	Assets (a)	Liabilities	Guarantees and commitments (b)	Income (c)	Expenses
Banca Agricola di Cerea S.p.A.	21	73	7	1	2
Banca d'Intermediazione Mobiliare S.p.A.	2,103	1,218	1,756	155	105
Banca Fideuram S.p.A.	1	96	-	-	4
Banca Opi S.p.A.	9,105	81	1,167	281	7
Banca Popolare dell'Adriatico S.p.A.	112	302	28	6	13
Banca Sanpaolo Invest S.p.A.	-	67	-	3	3
Banco di Napoli Asset Management Sgr S.p.A.	-	25	-	55	1
Banque Sanpaolo S.A.	473	10	29	7	1
Bn Finrete S.p.A.	-	3	-	-	-
Brokerban S.p.A.	-	4	-	-	-
Cardine Finance P.I.c.	-	-	-	4	-
Cardine Finanziaria S.p.A.	-	52	-	-	1
Cardine Investimenti Sgr S.p.A.	-	-	35	-	-
Cassa di Risparmio di Bologna S.p.A.	833	754	203	17	25
Cassa di Risparmio di Gorizia S.p.A.	44	147	-	2	4
Cassa di Risparmio di Padova e Rovigo S.p.A.	467	2,240	55	19	77
Cassa di Risparmio di Udine e Pordenone S.p.A.	22	552	4	4	13
Cassa di Risparmio di Venezia S.p.A.	109	1,371	26	8	42
Consorzio Studi e Ricerche Fiscali	-	-	-	-	1
Esaban S.p.A.	233	-	-	1	-
Farbanca S.p.A.	3	-	-	-	-
Fideuram Bank (Suisse) A.G.	-	-	10	-	-
Fideuram Bank SA	-	6	-	-	-
Fin. Opi S.p.A.	-	59	-	-	2
Finemiro Banca S.p.A.	675	100	296	15	-
Finemiro Leasing S.p.A.	1,147	-	640	20	1
Ge.Ri.Co. Gestione Riscossione Tributi in Concessione S.p.A.	305	-	13	5	-
Imi Bank (Lux) S.A.	35	244	-	2	4
Imi Capital Markets USA Corp	2	-	-	1	-
Imi Investimenti S.p.A.	550	1	2	6	-
Imiweb Bank S.p.A.	-	5	-	-	-
Invesp S.p.A.	-	-	2	-	-
Isveimer S.p.A.	-	16	-	-	-
Ldv Holding B.V.	-	4	-	-	-
NHS Mezzogiorno Sgr S.p.A.	-	2	-	-	-
Prospettive 2001 S.p.A.	3	14	-	1	1
RSP S.r.l.	1	1	-	-	-

(a) Excluding the book value of the investment

(b) Excluding commitments to subscribe to increases in capital

(c) Excluding dividends received

	€/mil				
Group companies	Assets (a)	Liabilities	Guarantees and commitments (b)	Income (c)	Expenses
Sanpaolo Bank S.A.	190	2,524	-	16	56
Sanpaolo Fiduciaria S.p.A.	-	1	-	-	1
Sanpaolo Imi Alternative Investments Sgr S.p.A.	-	2	-	-	-
Sanpaolo Imi Asset Management Sgr S.p.A.	-	72	36	427	2
Sanpaolo Imi Bank (International) S.A.	51	7,819	7,992	1	247
Sanpaolo Imi Bank Ireland Plc	134	243	-	4	3
Sanpaolo Imi Capital Company I LLC	-	1,000	-	-	79
Sanpaolo Imi Institutional Asset Management Sgr S.p.A.	-	27	-	-	1
Sanpaolo Imi International S.A.	-	205	-	-	3
Sanpaolo Imi Internazionale S.p.A.	-	10	-	-	-
Sanpaolo Imi Private Equity S.p.A.	-	2	1	1	-
Sanpaolo Imi Us Financial Co.	-	3,005	3,005	-	49
Sanpaolo Imi Wealth Management S.p.A.	-	3	-	3	-
Sanpaolo Imi WM Luxembourg S.A.	-	-	-	72	-
Sanpaolo Leasint Gmbh	9	-	-	-	-
Sanpaolo Leasint S.p.A.	3,034	25	746	76	7
Sanpaolo Riscossioni Genova S.p.A.	255	-	-	3	1
Sanpaolo Riscossioni Prato S.p.A.	33	-	1	-	-
Sanpaolo Vita S.p.A.	77	36	1	40	6
Sep S.p.A.	1	1	-	1	7
Sga S.p.A.	1,285	2	9	80	-
West Bank S.A.	6	-	-	-	-
Total Group companies	21,319	22,424	16,064	1,337	769

Jointly held subsidiaries

Banka Koper D.D.	5	18	-	1	1
Finconsumo Banca S.p.A.	169	2	76	5	-
Fc Factor S.p.A.	4	-	-	-	-
Total	21,497	22,444	16,140	1,343	770

	€/mil				
Other companies subject to significant influence	Assets (a)	Liabilities	Guarantees and commitments (b)	Income (c)	Expenses
HDI Assicurazioni S.p.A.	-	52	1	-	1
Cassa di Risparmio di Firenze S.p.A.	1	17	7	1	-
Esatri S.p.A.	395	-	168	2	-
G.E.CAP. S.p.A.	-	1	-	-	-
Inter-Europa Bank Rt	20	1	8	1	2
Società Gestione per il realizzo S.p.A.	4	-	-	-	-
Total	420	71	184	4	3

(a) Excluding the book value of the investment

(b) Excluding commitments to subscribe to increases in capital

(c) Excluding dividends received

Amounts due to and from Group companies (Table 3.2 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
a) Assets			
1. due from banks	11,430	8,772	+30.3
<i>of which:</i>			
– <i>subordinated</i>	148	148	-
2. due from financial institutions	6,857	6,241	+9.9
<i>of which:</i>			
– <i>subordinated</i>	-	-	-
3. due from other customers	79	153	-48.4
<i>of which:</i>			
– <i>subordinated</i>	65	-	n.s.
4. bonds and other debt securities	2,953	1,762	+67.6
<i>of which:</i>			
– <i>subordinated</i>	3	48	-93.8
Total assets	21,319	16,928	+25.9
b) Liabilities			
1. due to banks	17,868	13,055	+36.9
2. due to financial institutions	3,515	5,062	-30.6
3. due to other customers	41	89	-53.9
4. securities issued	-	-	-
5. subordinated liabilities	1,000	1,000	-
Total liabilities	22,424	19,206	+16.8
c) Guarantees and commitments			
1. guarantees given	15,346	12,277	+25.0
2. commitments	718	239	+200.4
Total guarantees and commitments	16,064	12,516	+28.3

Amounts due to and from investments (non-Group companies) (Table 3.3 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
a) Assets			
1. due from banks (*)	441	1,443	-69.4
<i>of which:</i>			
– subordinated	46	37	+24.3
2. due from financial institutions	1,280	751	+70.4
<i>of which:</i>			
– subordinated	-	-	-
3. due from other customers	178	26	n.s.
<i>of which:</i>			
– subordinated	-	-	-
4. bonds and other debt securities	15	20	-25.0
<i>of which:</i>			
– subordinated	-	-	-
Total assets	1,914	2,240	-14.6
b) Liabilities			
1. due to banks	814	1,430	-43.1
2. due to financial institutions	36	80	-55.0
3. due to other customers	286	77	+271.4
4. securities issued	-	-	-
5. subordinated liabilities	-	-	-
Total liabilities	1,136	1,587	-28.4
c) Guarantees and commitments			
1. guarantees given	390	328	+18.9
2. commitments	121	6	n.s.
Total guarantees and commitments	511	334	+53.0

(*) Including the compulsory reserve deposited with the Bank of Italy

Assets and liabilities outstanding in relation to Group companies and investments in non-Group companies are indicated in Part C, Section 7 of these notes.

Other information relating to equity investments

The information required pursuant to article 10 of Law 72/83 is as follows:

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Historical cost	7,904	11,059	-28.5
Law 72/83	43	43	-
Law 218/90	336	336	-
Cancellation deficit on merger of Crediop S.p.A.	30	30	-
Total revaluations	409	409	-
Gross book value	8,313	11,468	-27.5

SECTION 4 - TANGIBLE AND INTANGIBLE FIXED ASSETS

Tangible fixed assets (caption 100)

Tangible fixed assets comprise :

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Property			
– operating	1,155	1,238	-6.7
– non-operating	118	146	-19.2
Furniture and installation			
– office furniture and equipment	21	19	+10.5
– electronic equipment	95	136	-30.1
– general and specific installation	27	18	+50.0
Total	1,416	1,557	-9.1

Changes in tangible fixed assets during the year (Table 4.1 B.I.)

€/mil

A. Pro forma opening balance (a)	1,624
B. Increases	
B1. purchases	124
B2. writebacks	-
B3. revaluations	-
B4. other changes	32
C. Decreases	
C1. sales	82
C2. adjustments	
a) amortization	208
b) long-term writedowns	-
C3. other changes	74
D. Closing balance	1,416
E. Total revaluations	1,468
F. Total adjustments	
a) amortization	1,930
b) long-term writedowns	2

(a) the amount corresponds to the algebraic sum of the tangible fixed assets owned by Sanpaolo IMI, Cardine Banca e Banco di Napoli as of 1 January 2002; it is 67 million euro higher than the corresponding amount recorded to the “official” and reclassified pro forma balance sheet schedules as of 31 December 2001 since they were adjusted to take into account the transfer of the company branch from Cardine Banca to Cardine Finanziaria with effect from 1 January 2002.

Changes in tangible fixed assets during the year are detailed below:

	Property	Furniture and installation
Pro forma opening balance	1,446	178
Increases		
– purchases	-	124
– other changes		
– incremental costs	7	-
– gains on disposals	25	-
– exchange differences	-	-
Decreases		
– sales	81	1
– adjustments		
– amortization	59	149
– long-term writedowns	-	-
– other changes		
– losses on disposals	1	1
– conferral to Cardine Finanziaria	64	8
Closing balance	1,273	143
Total revaluations	1,458	10
Total adjustments		
– amortization	688	1,242
– long-term writedowns	2	-

The table attached shows the list of properties, with indication of dimensions and book values.

Intangible fixed assets (caption 90)

Intangible fixed assets comprise:

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Merger and goodwill differences	1,411	1,707	-17.3
Software in use	69	101	-31.7
Software not yet in use	104	66	+57.6
Other deferred charges	29	30	-3.3
Total	1,613	1,904	-15.3

As already illustrated in the introduction to these Explanatory notes, following the merger of Banco di Napoli into SAN-PAOLO IMI, the Bank recorded a cancellation deficit of approximately 1,555 million euro and a deficit from the exchange of shares of approximately 9 million euro.

Being attributable to the valuation of goodwill of the incorporated bank, the cancellation deficit and the deficit from the exchange of shares, were classified in the financial statements to the caption merger differences represented by goodwill of merged companies. The amount recorded is subject to amortization on a ten year basis commencing from the year 2002

(the portion for the year is equal to 157 million euro). This is in line with the period adopted by the *advisors* for the purpose of the valuation of the companies involved in the merger, within the scope of determining exchange ratios. Amortization of goodwill over a ten year period also allows goodwill to be written off over the same period as that adopted for the purposes of the Group financial statements for amortization of goodwill arising from consolidation, in a number of stages, following the acquisition of controlling interest in Banco di Napoli.

Goodwill includes the higher price paid in respect of net equity at the time of the take over of the Hong Kong branch of Banco di Napoli S.p.A. in 2001.

Software investments in 2002 increased mainly because of the development of the Bank's data processing system, modernizing of branch and central office hardware, the development of new software applications, the continuation of the development of distribution channels through the Internet and the integration of procedures with Banco di Napoli.

"Other deferred charges" refers mainly to costs incurred for leasehold improvements.

Changes in intangible fixed assets during the year (Table 4.2 B.I.)

€/mil

A. Pro forma opening balance (a)	275
B. Increases	
B1. purchases	140
B2. writebacks	-
B3. revaluations	-
B4. other changes	1,576
C. Decreases	
C1. sales	1
C2. adjustments	
a) amortization	326
b) long-term writedowns	-
C3. other changes	51
D. Closing balance	1,613
E. Total revaluations	-
F. Total adjustments	
a) amortization	734
b) long-term writedowns	-

(a) the amount corresponds to the algebraic sum of the tangible fixed assets owned by Sanpaolo IMI, Cardine Banca and Banco di Napoli as of 1 January 2002. When compared to the corresponding amount recorded to the "official" and reclassified pro forma balance sheet schedules as of 31 December 2001 the following differences can be noted:

- 46 million euro higher, since the schedules were adjusted to take into account the transfer of the company branch from Cardine Banca to Cardine Finanziaria from 1 January 2002;
- 1,675 million euro lower, for the deficit from the cancellation of the Banco di Napoli shares simulated at 31 December 2001 in order to guarantee comparability.

Changes in intangible fixed assets during the year are detailed below:

	€/mil			
	Merger and goodwill differences	Software in use	Software not yet in use	Other deferred charges
Pro forma opening balance	32	101	112	30
Increases				
– purchases	-	43	86	11
– other changes:				
– transfer of software developed in 2002	-	12	-	-
– allocation of merger differences	1,564	-	-	-
Decreases				
– sales	-	-	1	-
– adjustments:				
– amortization	185	87	42	12
– long-term writedowns	-	-	-	-
– other changes				
– transfer of software developed in 2002	-	-	12	-
– conferral to Cardine Finanziaria	-	-	39	-
Closing balance	1,411	69	104	29
Total revaluations	-	-	-	-
Total adjustments				
– amortization	430	203	70	31
– long-term writedowns	-	-	-	-

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

Amounts registered under “software not yet in use” refer to modification and procedure changes for the development of application programs mainly ordered from third parties and not yet completed.

Costs for the year relating to the introduction of the Euro amount to 10 million euro, of which 9 million euro have been booked to administrative costs and 1 million euro to tangible fixed assets. Total costs incurred for the introduction of the Euro since 1998 amount to 83 million, broken down as follows:

- 67 million euro booked to administrative costs;
- 16 million euro booked to tangible and intangible assets, booked for 2 million euro after amortization for 14 million euro.

No advances have been paid for the purchase of intangible fixed assets.

Other information relating to tangible and intangible fixed assets

Pursuant to article 10 of Law 72/83, information relating to revaluations on property included in the Bank's equity as of 31 December 2002 is given below:

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Historical cost	505	595	-15.1
Law 823/73 (a)	14	15	-6.7
Law 576/75 (a)	18	19	-5.3
Law 72/83 (a)	170	174	-2.3
Other (a)	60	62	-3.2
Law 218/90 (b)	871	903	-3.5
Law 408/90 (a)	170	171	-0.6
Law 413/91 (a)	61	61	-
Merger of Banca Provinciale Lombarda and Banco Lariano	94	94	-
Total revaluations	1,458	1,499	-2.7
Gross book value	1,963	2,094	-6.3

(a) Revaluations carried out by the Bank and by the merged banks.

(b) Higher values attributed on transformation from a public credit institution into a limited company.

It is pointed out that the former Banco di Napoli made revaluations according to L. 218/90 for 10 million euro with regards to works of art.

SECTION 5 - OTHER ASSETS

Other assets (caption 130)

Analysis of caption 130 "other assets" (detail 5.1 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Unprocessed transactions and transactions by foreign branches:	1,963	2,867	-31.5
- <i>unprocessed transactions – Italian branches (a)</i>	1,002	1,854	-46.0
- <i>amounts in transit between Italian branches (a)</i>	953	993	-4.0
- <i>transactions by foreign branches</i>	8	20	-60.0
Loans to subsidiaries for dividends matured	374	1,935	-80.7
Amounts related to derivative contracts and foreign exchange transactions	862	1,180	-26.9
- <i>effect of currency hedges, forex swap and cross-currency swap</i>	144	707	-79.6
- <i>valuation of derivatives on interest rates and stockmarket indices</i>	686	453	+51.4
- <i>premiums paid on purchased options</i>	32	20	+60.0
Due from tax authorities:	2,152	1,565	+37.5
- <i>prepaid current year direct taxes</i>	233	436	-46.6
- <i>tax credits on dividends and withholding taxes withheld</i>	1,058	912	+16.0
- <i>tax withholdings overpaid during the year on bank interest income</i>	51	-	n.s.
- <i>tax credits relating to prior years</i>	749	174	n.s.
- <i>taxes paid in advance on termination indemnities – Law 662/96</i>	61	43	+41.9
Prepaid tax excess on income taxes	31	46	-32.6
Net effect of translating funds from international agencies using current rates, with the exchange borne by third parties	5	-	n.s.
Items relating to securities transactions	65	41	+58.5
Checks and other instruments held	1,113	1,662	-33.0
Deferred tax assets	580	840	-31.0
Loans to be restored ex Law 588/96	58	58	-
Deposit with the Bank of Italy relating to the liquidation of Isveimer	833	173	n.s.
Deposits with clearing-houses	1,008	2,300	-56.2
Other (b)	9,044	12,667	-28.6

(a) The amounts were mostly settled at the beginning of the new financial year.

(b) Other includes the estimated realizable value of 1.3 million euro for the loan arising from the Rome Court of Appeal in relation to the IMI-SIR dispute. Detailed information on this dispute is provided later in this section.

Valuation of the assets in question did not give rise to any adjustments.

IMI Sir dispute

Other assets include 1.3 million euro which refer to the estimated realizable value of a loan the title to which was definitively judged by the First Civil Section of the Supreme Court through sentence 2469/03, which confirmed, thereby justifying, sentence 2887 passed by the Rome Court of Appeal on 11 September 2001, by which Consorzio Bancario SIR S.p.A. in liquidation is liable to pay the Bank the sum of 506 million euro. Instead, the sentence passed by the Supreme Court sustained the reason for burden raised by Consorzio Sir, stating that Consorzio was not liable to pay the amount of interest matured on the loan from the date on which the appeal was served. The decision on whether or not the total amount owed to the Bank by Consorzio should be reduced by approximately 14.5 million euro was referred by Supreme Court to another section of the Rome Appeal Court: if the trial judge holds the claim amount unjustified, the sentence against the Consorzio to pay the sum of 506 million euro will be reduced accordingly.

The same Supreme Court sentence passed final judgment on the right of Consorzio to be held harmless in respect of Mrs Battistella Primarosa (heir to Mr. Nino Rovelli) and Eurovalori S.p.A..

In respect of its rights and with the aim of defending its prospects of recovering the amount owed, the Bank, by virtue of agreements with Consorzio, has assumed from the latter its arguments against Mrs Battistella Primarosa, by taking appropriate defensive action.

As in the previous year, for the purposes of preparing the financial statements, the book value of the loan subject to the Supreme Court sentence has been calculated in accordance with national and international accounting principles for contingent assets and revenue recognition, on the basis of its estimated realizable value. As a matter of fact, no events have taken place to date which would justify any form of adjustment to the valuation originally calculated for the purposes of the financial statements as of 31 December 2001.

As far as taxation is concerned, it should be noted that on payment of taxes owed for the year 2001, in accordance with the directives of the Tax Authorities, the Bank treated as taxable income the gross income deriving from the sentence of the Court of Appeal of 11 September 2001, which has now become final (approximately 600 million euro, including interest matured to 31 December 2001). This treatment did not have a significant impact on the 2002 financial statements, since the greater amount of tax payable, approximately 213 million euro, has been offset against a deferred tax asset for the same amount, booked on the assumption that there is the likelihood of collection and/or definitive deduction of the gross taxable amount, where legal action is not fully or partially successful within a reasonable period of time.

Accrued income and prepaid expenses (caption 140)

Analysis of caption 140 "accrued income and prepaid expenses" (detail 5.2 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Accrued income			
– income from derivative contracts (a)	700	715	-2.1
– interest from loans to customers	418	510	-18.0
– interest on securities	147	169	-13.0
– bank interest	79	101	-21.8
– other	107	61	+75.4
Prepaid expenses			
– charges on derivative contracts	32	46	-30.4
– commission on placement of securities and mortgage loans	227	122	+86.1
– discounts on bond issues	13	15	-13.3
– other	105	41	+156.1
Total	1,828	1,780	+2.7

(a) Accrued income from derivative contracts is recognized on a contract-by-contract basis with reference to the interest rates applicable at the time.

Other information

Distribution of subordinated assets (Table 5.4 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
a) Due from banks	194	185	+4.9
b) Loans to customers	65	-	n.s.
c) Bonds and other debt securities	88	178	-50.6
Total	347	363	-4.4

Banco di Napoli loans to be restored ex Law 588/96

This item, amounting to 580 million euro (840 million euro as of 31 December 2001), represents the residual capital and interest of the interventions made by former Banco di Napoli to cover the liquidation deficit of Isveimer and the losses of Società per la Gestione di Attività S.p.A. (Sga). These interventions form part of the reorganization plan prepared, with the Bank of Italy's approval, on the basis of Law 588/96 containing urgent provisions for the recovery, reorganization and privatization of former Banco di Napoli. Furthermore, the same law establishes to hold the former Banco di Napoli harmless from the economic and financial consequences of the measures taken or to be taken using the mechanism provided by the Treasury Ministry Decree of 27 September 1974. Since 31 December 2002, following the merger by incorporation of Banco di Napoli into SANPAOLO IMI, the latter has, for all legal purposes, taken over from the Banco in the recovery mechanism.

To summarize, the procedure applicable both to Isveimer and to Sga states that the Bank of Italy will grant extraordinary advances at a special low rate of interest (1%) to cover the losses of the subsidiaries concerned. Such advances must be invested in Government securities, so that the differential between the interest income on the securities purchased and the interest expense on the advances received can directly reduce the "loans to be restored" and the related interest accrued, based on the "minimum interest rate offered on the principal refinancing transactions".

From an accounting point of view, the advances received from the Bank of Italy and the Government securities purchased are shown under the memorandum accounts, while the financial flows deriving from collection of coupons on such securities and from the payment of interest on the advances are, respectively, debited and credited directly to the “loans to be restored”, thus allowing them to be reduced gradually. This accounting treatment has been authorized by the Bank of Italy as it places emphasis on the substance of the situation rather than the form, in accordance with Decree Law 87 dated 27 January 1992.

On 27 December 2002, the Bank of Italy granted Banco di Napoli four new advances to replace that expiring in December, for a total of 12,288 million euro, all to expire by the end of 2003.

As of 31 December 2002, there are no accrued expenses maturing at year end.

A summary of the circumstances relating to the investments in Isveimer S.p.A. and in Società per la gestione di attività S.p.A. is provided below.

The liquidation of Isveimer

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

In 1997, Banco di Napoli intervened to reduce the final liquidation deficit estimated to be 917 million euro. The cost of this intervention and the related interest were recovered in accordance with Law 588/96, as mentioned above, and the methods described in the aforementioned Treasury Decree of 1974.

In fact, on the expiry of the advances granted by the Bank of Italy, the recovery process showed a balance in favor of the Central Bank of 58 million euro, lodged as a non interest-bearing deposit with the same Central Bank. This deposit is shown under “other assets” offset by “other liabilities”.

Società per la Gestione di Attività (Sga)

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

The transfer of doubtful loans to Sga began on 1 January 1997; at the same time, Banco di Napoli granted its subsidiary various interest-bearing lines of credit, essential to finance the cost of the factoring agreement, as well as to cover the company's running costs. At the end of 2000, Banco di Napoli reached a settlement with Sga, resolving a number of differences of interpretation and substance that had arisen between the parties; the cost of this settlement, 125 million euro, was deducted from the loans. As of 31 December 2002, loans to Sga totaled 1,285 million euro, of which 1,252 million euro granted for the measures provided by law 588/96 (a reduction of 789 million euro on 31 December 2001) and 33 million euro disbursed for the regular management of the company. The reduction in respect of the previous year is largely connected to the financial intervention in May 2002 to cover losses for 246 million euro registered by the subsidiary in the second half of 2001 and to that in October 2002 to cover the 285 million euro loss recorded in the first half of 2002. As with similar interventions, the amounts in question were deducted from loans granted to the subsidiary, included among customer loans and increasing loans to be restored, recorded to other assets, in accordance with Law 588/96.

The following tables show details of the aforementioned restoration procedure for the year 2002, with comparative figures for 2001.

Advances received and securities purchased ex Law 588/96

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)
Advances received from the Bank of Italy ex Law 588/96 (a)	12,288	15,402
Securities lodged in guarantee for advances ex Law 588/96 (nominal value)	10,841	13,919
- securities purchased with advances received from the Bank of Italy (a)	10,431	13,391
- portfolio securities (b)	410	528

(a) The transactions are shown in the memorandum accounts as authorized by the Bank of Italy; the advances totaling 12,288 million euro granted on 27 December 2002 expire as follows: 270.4 million euro on 1 March 2003, 134 million on 1 June 2003; 2,578.6 million euro on 22 December 2003 and 9,304.8 million euro on 27 December 2003.

(b) Securities placed as guarantee on the advance received from the Bank of Italy are included in the dealing portfolio, for 410 million euro (book value as of 31 December 2002).

Change of loans to be restored ex Law 588/96 (a)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)
a. Opening balance	840	1,376
b. Changes		
1. Coverage of SGA's losses (b)	531	507
2. Interest income on the securities purchased with the funds advanced by the Bank of Italy	-953	-1,226
3. Interest expense on advances from the Bank of Italy	142	169
4. Interest accrued on the "Loans to be restored" account	20	46
5. Other changes (c)	-	-32
Total	580	840

(a) The statement of income only includes interest accrued on loans to be restored.

(b) Of which 246.3 million euro refers to the loss incurred in the second half of 2001 settled in May 2002, and 284,8 million euro refer to the loss incurred in the first half of 2002 settled in October 2002

(c) This refers to the assignment in 2001, by the Ministry of Economy and Finance, of the net revenues deriving from the sale in 1997 of 60% of Banco's capital to Bn Holding, established by Ina and Bnl, on the basis of the provisions of Law 588/96.

Financial flows maturing on the advances received from the Bank of Italy and on securities lodged in guarantee ex Law 588/96 (a)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)
Interest accrued on advances (b)	-	-2
Coupons falling due on Bank of Italy securities lodged in guarantee	127	220
Total	127	218

(a) The amounts refer to accruals for the respective years.

(b) The financial flows from the advances, matured between 27 and 31 December 2002, totaling 1.4 million euro, were charged by Bank of Italy on 31 December, therefore they are included in caption b.3 of the previous table.

SECTION 6 - PAYABLES

Due to banks (caption 10)

Deposits taken from banks are analyzed as follows:

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Due to central banks			
– repurchase agreements and securities borrowed	470	1,000	-53.0
– other deposits from the Italian Exchange Office	28	127	-78.0
– other deposits from central banks	898	1,147	-21.7
Due to other banks			
– deposits	15,121	21,009	-28.0
– repurchase agreements and securities borrowed	2,910	2,936	-0.9
– medium and long-term loans from international bodies	2,484	2,712	-8.4
– current accounts	745	1,205	-38.2
– other	16	54	-70.4
– other loans	8,348	6,194	+34.8
Total	31,020	36,384	-14.7

Detail of caption "due to banks" (detail 6.1 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
a) Repurchase agreements	3,380	3,936	-14.1
b) Securities borrowed	-	-	-

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

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

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

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Due to customers			
– current accounts	35,409	36,110	-1.9
– repurchase agreements and securities borrowed	6,215	6,100	+1.9
– deposits	13,590	13,792	-1.5
– short-term payables relating to special management services carried out for the government	313	663	-52.8
– other	215	749	-71.3
Securities issued			
– bonds	16,025	15,763	+1.7
– certificates of deposit	2,845	5,687	-50.0
– banker's drafts	493	648	-23.9
– other securities	12	583	-97.9
Total	75,117	80,095	-6.2

Detail of caption "due to customers" (table 6.2 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
a) Repurchase agreements	6,215	6,100	+1.9
b) Securities borrowed	-	-	-

Securities issued comprise those due or ready for repayment totaling 53 million euro.

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

Public funds administered (caption 40)

Public funds administered are provided by the State and by other public bodies mainly to act as a source of subsidized loans to customers. These funds are analyzed below:

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Funds provided by the State	35	43	-18.6
Funds provided by regional public agencies	18	18	-
Other funds	38	39	-2.6
Total	91	100	-9.0
<i>of which: funds with risk borne by the Government under Law 19 of 6/2/87</i>	<i>11</i>	<i>12</i>	<i>-8.3</i>

Other information relating to payables

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

SECTION 7 - PROVISIONS

The Bank's provisions are analyzed below:

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Provisions for employee termination indemnities (caption 70)	687	687	-
Provisions for risks and charges (caption 80)			
– pensions and similar commitments (caption 80.a)	41	43	-4.7
– provisions for taxation (caption 80.b)	1,038	793	+30.9
– other reserves (caption 80.c)			
– provisions for guarantees and commitments	108	48	+125.0
– provisions for other risks and charges	735	678	+8.4
– provisions for other personnel charges	506	678	-25.4
Total	3,115	2,927	+6.4

Provisions for employee termination indemnities (caption 70)

<i>Changes in "reserve for termination indemnities" during the year</i>	<i>€/mil</i>
Pro forma opening balance	687
Increases	
– provisions	65
– employment contract acquisition	-
Decreases	
– advances allowed under Law 297/82	11
– indemnities to employees leaving the Group	48
– transfers	1
– other changes	5
Closing balance	687

Provisions for risks and charges (caption 80)

Pensions and similar (caption 80.a)

<i>Changes in "reserve for pensions and similar commitments" during the year</i>	<i>€/mil</i>
Pro forma opening balance	43
Increases	
– provisions	1
Decreases	
– utilization	3
Closing balance	41

This provision was created to cover charges linked with integration of the pension paid to the former IMI S.p.A. personnel entitled to such payment integration. Utilizations mentioned above refer to the payment of supplementary pensions due for the year under review.

The adequacy of the technical reserves of the fund, which can be considered an "internal" pension fund, is calculated annually based on the valuations of an independent professional actuary.

Provisions for taxation (caption 80.b)

Changes in "reserve for taxation" during the year

	Income taxes	Deferred taxation on the Reserve for General Banking Risks	Other reserves – Reserve ex Law 169/83	Deferred taxes on the Reserve ex Decree 213/98	Deferred taxes relating relative a to dividends matured (b)	Total
Pro forma opening balance (a)	774	110	4	25	21	934
Increases						
– provisions for 2002 income taxes	709	-	-	-	-	709
– deferred taxes on dividends for 2002	-	-	-	-	185	185
– exchange differences	-	-	-	-	-	-
– other changes	218	-	-	-	988	1,206
Decreases						
– payment of income taxes	654	110	-	-	1,006	1,770
– exchange differences	-	-	-	-	-	-
– other changes	25	-	-	16	185	226
Closing balance	1,022	-	4	9	3	1,038

(a) The opening balance of the pro forma balance sheet differs by 141 million euro when compared to that at year end 31 December 2001 because the amount is shown before taxation recalculated on the pro forma result of 250 million euro. It also takes into account the reclassification of deferred taxation of 109 million euro relating to former Cardine Banca, offset against the prepaid tax credit for comparability with the accounting principles applied by the Bank.

(b) The tax credit relating to dividends from Group companies, recorded on an accruals basis, has been offset against the deferred taxation for that year, in accordance with Italian accounting principles. Following the collection and consequent taxation of the dividends for the year 2001 the tax credit has been booked to an appropriate caption to offset the provision for deferred taxation (other increases). The residual amount of deferred taxation relating to matured dividends refers to dividends maturing in 2001 but not yet collected.

The provision for taxation as of 31 December 2002 is considered sufficient to cover current income taxes, including local taxes payable by foreign branches and existing and potential tax disputes and is calculated taking into account tax "amnesties", established by the 2003 financial law.

Of the many and varied kinds of assessment considered by this law, the Bank has appraised the following as being favorable: 1) settlement of pending disputes, which allows existing and potential tax disputes to be concluded through payment of a lump sum calculated on the basis of the amount in dispute and the degree and outcome of judgment; especially when the cost for concluding a dispute is relatively moderate when compared to the considerable costs of managing pending disputes and to the risks inherent to the outcome of the proceedings; 2) the relatively moderate cost of automatic settlement of disputes in respect of prior years VAT; 3) integration of taxable income for income taxes, especially considering the opportunity of avoiding the two year deferment of time limits for assessment.

With respect to movements during the year in the provision for taxation, it should be noted that the increase in taxation includes the higher amount of taxable income declared in 2001 in relation to the IMI Sir dispute, reference of which is made in Section 5 of these Explanatory notes. This taxation refers to contingent assets, being the difference between the loans recognized by the sentence passed by the Rome Court of Appeal against Consorzio Bancario Sir (approximately 600 million euro including the interest matured up to 31 December 2001) and the amount recorded to the 2001 financial statements (approximately 1.3 million euro).

The decreases refer to 20 million euro for the tax charge for the year 2001 and 5 million euro for the reclassification of other liabilities in respect of tax payable by the former Cardine Banca.

It should also be noted that current income taxes include the tax charges for the year (approximately 7 million euro), substitute tax relating to the unfreezing of the portion of merger deficit arising from the incorporation of Banco di Napoli, which was not recognized for tax purposes (approximately 362 million euro). This tax, totaling around 69 million euro, will be booked to the statement of income over a period consistent with the amortization of the Banco di Napoli merger deficit (10 years); this in compliance with the Bank of Italy decisions expressed in its Letter number 9426 dated 27 July 2000. As of 31 December 2002, taxation payable in future years was booked as an asset item – prepaid expenses.

Movements on deferred tax assets credited to the statement of income are as follows:

<i>Changes during the year in "Deferred tax assets credited in the statement of income" (Table 7.4 B.I.)</i>		<i>€/mil</i>
1. Pro forma initial amount (a)		1,553
2. Increases		
2.1 Deferred tax assets arising during the year		191
2.2 Other increases		238
3. Decreases		
3.1 Deferred tax assets reversing during the year		822
3.2 Other decreases		47
4. Final amount		1,113

(a) The opening balance of the pro forma balance sheet differs by 109 million euro when compared to that at year end 31 December 2001 because the amount takes into account the reclassification of deferred taxation relating to former Cardine Banca, offset against the prepaid tax credit for comparability with the accounting principles applied by the Bank.

The pro forma opening balance of deferred tax assets includes 584 million euro which refers to the former Banco di Napoli and which was recorded against the tax loss and other deductible timing differences. Following the merger, such assets have been recalculated for fiscal purposes in order to calculate the incorporating tax losses attributable to the incorporating company, as well as to align the principles used to calculate the deductible timing differences and tax rates.

The increases refer to not only deferred tax assets booked in respect of the increase in tax payable in relation to the IMI-Sir dispute, but also to the adjustment to tax rates and deductible timing differences applicable to the former Banco di Napoli.

The other decreases refer to the tax charge for the year 2001 and to the adjustment to tax rates and deductible timing differences applicable to Sanpaolo Imi (reduction in the Corporate Income Tax rate introduced in the tax legislation).

The financial statements of the Bank as of 31 December 2002 reveal deferred tax assets totaling 1,113 million euro; this reflects the effect of timing differences between the book value and the value for tax purposes of assets and liabilities matured in 2002 and in prior years and which it is reasonably certain will become deductible in future years.

The table below reports the fiscal effects of deductible and taxable timing differences at the end of the year, broken down by type.

	€/mil	
	IRPEG (corporate income taxes)	IRAP (regional income taxes)
A. Deductible timing differences		
Adjustments of receivables deductible in future years	246	31
Provisions for future charges	420	-
Writedowns of securities, property and equity investments	120	2
Other	305	-
B. Taxable timing differences		
Accrued capital gains	11	-
Totali	1,080	33

Deductible timing differences have been offset against taxable timing differences according to the type of tax and by year of reversal. According to our estimates, there will not be any taxable timing differences in future years higher than the deductible timing differences.

The deferred tax reserves refer to specific reserves which are in suspense for tax purposes and are booked in offset against their corresponding asset captions. In fact, during the year:

- the accrual to the deferred tax reserve relating to the Reserve for General Banking Risks was written off after the latter reserve had been fully utilized and expensed in the statement of income;
- the accrual to the deferred tax reserve relating to the reserve for D.Lgs 213/98 was utilized in proportion to the amount of the latter reserve utilized to reduce the book value of the investment in Sanpaolo Imi International. This investment was written down to reflect the loss incurred in the year, calculated on the adjustment to the value of the shareholding held in SCH.

For completeness, it must be noted that the 31 December 2002 figures take into account the deferred taxation relating to the reinstatement of the former Cardine Banca equity reserves that will become taxable however used. In particular, we would also point out that in light of the allocation of the merger deficit of Cardine Banca, the caption Reserve pursuant to D.L. 429/82 was reinstated by 218,048 euro with 71,956 euro accrued to the deferred taxation reserve.

Movements in deferred tax liabilities during 2002 were as follows:

<i>Change during the year in "Deferred tax liabilities charged to shareholders' equity" (Table 7.5 B.I.)</i>		€/mil
1. Pro forma initial amount		139
2. Increases		
2.1 Deferred tax liabilities arising during the year		-
2.2 Other increases		-
3. Decreases		
3.1 Deferred tax liabilities deferred during the year		110
3.2 Other decreases		16
4. Final amount		13

Deferred tax reserves charged to the statement of income refer to tax charges relating to subsidiary dividends are booked on an accruals basis. More specifically, the reserve comprises the excess of deferred taxes on dividends in respect of the pre-paid tax credits recognized on the dividends themselves.

<i>Changes during the year in "Deferred tax liabilities charged to the statement of income" (Table 7.5 B.I.)</i>		<i>€/mil</i>
1. Initial amount		21
2. Increases		
2.1 Deferred tax liabilities arising during the year		185
2.2 Other increases		988
3. Decreases		
3.1 Deferred tax liabilities deferred during the year		1,006
3.2 Other decreases		185
4. Final amount		3

The other increases refer to the reclassifications among prepaid tax credits on dividends for the year 2001, while other decreases comprise prepaid taxes in respect of dividends for the year 2002 which have been offset against deferred taxation in accordance with accounting principles.

Deferred taxation writeoffs during the year refer to dividends for the year 2001 collected and taxed in 2002.

Information as per Consob Communication 1011405 dated 15 February 2001.

Tax benefits under D.Lgs. 153 dated 17/5/99 (Legge Ciampi)

Law Decree 153 dated 17 May 1999 - known as the "Legge Ciampi" – introduced tax instruments in respect of restructuring operations on banks and, among others, set a reduced tax rate for bank or banking group concentration transactions of 12.50% on profits destined to a special reserve to be composed of the maximum amount, to be broken down on a straight-line basis over five years, at 1.2% of the difference between the receivables and payables of all the banks that took part in the transaction and the aggregate of the major bank participating in the transaction.

Through a statement dated 11 December 2001, the European Commission declared that the tax benefits under the "Legge Ciampi" were incompatible with Community principles. In arrangement with the Italian Government who, in February 2002, filed an appeal against the European Court of Justice, ABI (the Italian Bankers Association) and the banks concerned, including SANPAOLO IMI, petitioned the High Court of Luxembourg to cancel the decision of the European Commission. The dispute is still pending and the parties involved are waiting for the Court to decide on whether to suspend the petition of the banks, whilst awaiting the sentence on that brought by the Italian Government, or to declare that it is incompetent and allow the banks to proceed with their petition before the Court of Justice, thus taking up the same arguments as those upheld by the Italian Government.

Sanpaolo Imi and the Cardine group merged banks have benefited from the provisions and other minor benefits of the "Legge Ciampi" in respect of the years 1998, 1999 and 2000; these benefits have been prudently accrued to the tax reserve. The law in question was suspended with effect from year 2001, through decree law 63 of 15 April 2002 (subsequently converted into Law 112 on 15 June 2002). In the meantime, commencing from the last financial year, current income taxes and deferred taxes have been determined without taking into account the benefits in question.

Furthermore, through decree law 282 of 24 December 2002 (subsequently modified and converted into Law 27 on 21 February 2003), the Government implemented the decision of the Commission whereby it enforced the recovery of the relief granted and made available to the banks: this urgent measure provided for the payment, not later than 31 December 2002, of all amounts corresponding to the tax relief enjoyed by the "Legge Ciampi".

On 31 December 2002, the Bank paid 200 million euro, which corresponds to the lower tax liabilities already paid in by the Bank and the merged banks and includes interest at an annual rate of 5.5%, which is substantially in line with the full

amount to be reimbursed, apart from some minor adjustments. Merely for precautionary measures, the Department of the Treasury, the payee, expressed its reservations in respect of the petitions brought before the Court of First Instance of the European Community.

As far as the effect on the financial statements is concerned, considering that the recovery of the tax relief has been applied in the presence of disputes brought against the European Commission by the Italian Government and the banks concerned and that in any case the amount paid cannot be considered definitive, such amounts have been recorded to other assets and wholly offset by accruals to the tax reserve. Therefore the amount paid has not affected the Bank's statement of income other than the interest payable in 2002 (approximately 10 million euro).

Provisions for risks and charges - other reserves (caption 80.c)

Analysis of caption 80.c "provisions for risks and charges: other provisions" (Table 7.3 B.I.)

	Guarantees and commitments	Other risks and charges	Other personnel charges	€./mil Total
Pro forma opening balance	48	678	678	1,404
Increases				
– provisions	67	134	15	216
– other changes (a)	-	6	51	57
Decreases				
– revaluation of guarantees	7	-	-	7
– used to cover charges on settlement of disputes	-	23	-	23
– used to cover long-service bonuses and other payments and for surplus	-	-	224	224
– utilization to cover other liabilities	-	46	-	46
– other changes (b)	-	14	14	28
Closing balance	108	735	506	1,349

(a) The increase in other changes includes 51 million euro booked to personnel costs, mainly in respect of accruals for bonuses, incentives and stock incentive plans in favor of employees and 6 million euro booked to "extraordinary expenses".

(b) In addition to exchange rate fluctuations, the decrease in other changes refers to the reclassification of some Banco di Napoli accruals to other liability entries.

Provisions for "guarantees and commitments" of 108 million euro cover expected losses in respect of guarantees and more generally, the contingencies associated with guarantees and commitments, including exposures to derivative contracts on loans for which the Bank has taken over the lending risk (seller protection). More specifically, the provisions include risks calculated on a case by case basis as well as the physiological risk of performing accounts valued using the same principles as those applied to loans.

Provisions for "other risks and charges" amounting to 735 million euro, include:

- 167 million euro accrued against potential charges deriving from the possible renegotiation of mortgage loans to a specific reserve calculated on the basis of the parameters that are currently available;
- 380 million euro provided against estimated losses on legal disputes and, more specifically, on claims by receivers of bankrupt customers;
- 188 million euro to cover both potential charges relating to guarantees given on the sale of equity investments and other extraordinary transactions and other potential liabilities.

Provisions for "other personnel charges", of 506 million euro, include:

- 263 million euro for staff leaving incentives offered during the year and in prior years to former Banco di Napoli employees.

- 118 million euro accrued, on the basis of independent actuarial appraisals, to cover the technical deficit of the supplementary pension fund, an independent entity, which integrates the compulsory pension fund for Istituto Bancario San Paolo di Torino employees;
- 51 million euro accrued against potential liabilities deriving mainly from employee premiums and incentives, the issue of which is at the discretion of the Parent Bank and stock incentive plans in favor of employees;
- 45 million euro of other provisions to the supplementary pension fund;
- 17 million to cover payment of long service bonuses to employees;
- 12 million euro provisions made to the technical reserve – Law 336/70, for employee accident coverage and other minor potential liabilities.

Information as per Consob Communication 1011405 dated 15 February 2001.

Low-interest building mortgage loans

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

As no "threshold rate" is set for low-interest mortgages, subsection 62 of art. 145 of Law 388 dated 23 December 2000 (Budget Law 2001) clarifies that the renegotiation rate is to be considered as "the average overall rate for building mortgage loans being amortized", assigning the identification of the transactions within which to carry out the observations to determine the renegotiation rate to a subsequent regulation. To this end, with the Decree dated 4 April 2001, the Treasury set up the new consistent category of low-interest loans being amortized and the Bank of Italy issued the correlated methodological notes for the observation of average rates for the sector concerned to the whole system.

The observation activity was concluded some time ago, but the regulation has still to be completed with the issue of a Ministerial Decree to establish the renegotiation rate. Subsection 2-sexies of article 3 of Law 265 dated 22 November 2002 (converted from Law Decree 209 dated 24 September 2002) has established 31 March 2003 as the date by which such provision must be adopted, in application of that stated in subsection 62 of article 145 of Law 388/2000.

While the Bank reserves the right to evaluate whether or not to continue the appeals, which were disregarded in the first degree by the Lazio Regional Administration Court, against that stated in Ministerial Decree 110/2000, the potential charge deriving from the renegotiation has been determined on the basis of prudent criteria, at 162 million euro, of which 127 million euro refer to the period 1 July 1999 to 31 December 2001 and 35 million euro refer to the year 2002 and is covered sufficiently by specific accruals to provisions for other risks and charges. In the years following 2002, the negative impacts on the statement of income will be gradually reduced because of the expiry of current mortgage loans.

Low-interest agricultural mortgage loans

The provisions of art. 128 of Law 388/2000 (Budget Law 2001) have introduced the faculty for borrowers to renegotiate the loan installments still to expire at current, more favorable, rates fixed for low-interest transactions. Renegotiation is subject to an implementation Ministerial Decree which has still not been issued, but which must be adopted, even in this case, by 31 March 2003, as per the aforementioned provision introduced by aforementioned subsection 2-sexies of article 3 of Law 265 dated 22 November 2002 (converted from Law Decree 209 dated 24 September 2002). Considering the precise reference to the "loan installments still to expire" contained in Law 388/2000 and the consequent possibility to activate renegotiation exclusively for the future, no provisions have been made.

Fixed-rate unsubsidized mortgage loans (usury):

In compliance with the provisions of Law 24/2001, (converted from Decree Law 394/2000, containing the authentic interpretation of Law 108/1996) and with the subsequent Constitutional Court Sentence 29 dated 25/02/2002, Sanpaolo Imi concluded adjusting all mortgages covered by these provisions to the "replacement" rate of 9.96%. An interest rate of 8% was applied for those borrowers who presented self-certification declaring their right to such reduction (the original capital of the loan not being more than 150 million Italian Lira, granted to first-time buyers of non-luxury homes).

The reserve for other risks and charges still includes a residual accrual of 5 million euro to cover further requests to reduce interest rates to 8% not yet received or not yet documented by borrowers possessing the legal requirements to benefit from such rates.

Anatocism

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

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

Therefore, since April 2000, capitalization of half-yearly interest is considered legitimate and the dispute on this matter refers only to those contracts signed before that date: it should be noted that, despite the fact that the Supreme court has repeatedly confirmed the invalidity of the capitalization clauses, many judges of merit have distanced themselves from the sentence, continuing to consider it legitimate, thus the jurisprudence is still being debated.

As at 31 December 2002, the trend in the dispute shows a slight increase and is subject to careful monitoring: the numeric increase on the previous year is mainly because of the integration of the former Banco di Napoli and the problems relating to disputes following the merger with Sanpaolo IMI. The risks relating to the disputes in question correspond to the prudent accruals made to the Provisions for Other Risks and Charges which are proportionate to the total of each legal request. Where the introductory measures do not quantify the demand and until an accounting opinion has been expressed on the issue, the risk involved is covered by an accrual of 35 million euro destined, in its entirety, to hedge disputes of an undetermined amount and of an uncertain outcome.

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

Net shareholders' equity is detailed below:

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Shareholders' equity			
– capital (caption 120)	5,144	5,144	-
– additional paid-in capital (caption 130)	708	22	n.s.
– reserves (caption 140)			
a) legal reserve	1,029	792	+29.9
b) reserve for own shares	-	294	-100.0
c) other reserves	2,311	2,793	-17.3
– reserve (art. 7 sub..3, Law 218/90)	-	80	-100.0
– reserve (art. 13 sub..6, D.Lgs. 124/93)	4	3	+33.3
– reserve D.Lgs. 153/99	854	641	+33.2
– extraordinary reserve	983	58	n.s.
– unrestricted reserve for the purchase of own shares	456	706	-35.4
– reserve Law 169/83	-	11	-100.0
– reserve D.Lgs. 213/98	14	42	-66.7
– other reserves (a)	-	1,252	-100.0
– reserve for general banking risks (caption 100)	-	336	-100.0
– retained earnings (caption 160)	-	-	-
– income for the period to be allocated (caption 170)	764	1,599	-52.2
Total shareholders' equity	9,956	10,980	-9.3
Own shares in portfolio (b)	-	294	-100.0
Subordinated liabilities (caption 110)	6,090	5,310	+14.7

(a) The other reserves relating to 2001 include the effect of the pro forma adjustments to the net equity of merged banks.

(b) In the reclassified balance sheet, own shares are shown as a deduction from shareholders' equity.

The net equity entries shown follow board resolutions made within the scope of the approval of the financial statements, at the extraordinary meeting for the increase in Legal reserve and at the ordinary meeting for the allocation of merger goodwill generated by the merger with Cardine Banca.

In particular, the increase of legal reserve from 792 million euro to 1,029 million, being the maximum limit established by subsection 1 of art. 2430 of the Italian Civil Code (20% of share capital), was made through the following provisions:

- 80.5 million euro to Reserve ex art. 7 c. 3 Law 218/90;
- 11.5 million euro to Reserve Law 169/83;
- Merger goodwill of 142 million euro;
- Additional paid-in capital of 3 million euro.

After allocating euro 142 million euro to the Legal reserve, the goodwill from the merger with Cardine Banca of 1,441 million euro was allocated as follows:

- 213 million euro to Reserve Decree Law 153/99;
- 23 million euro to the Reserve for General Banking Risks (utilized during the year);
- 516 million euro to the Extraordinary reserve;
- 689 million euro to Additional paid-in capital.

Share Capital and Additional paid-in capital

The merger of Cardine Banca, stipulated on 24 May 2002 becoming legally effective as of 1 June 2002, involved the exchange of 267,821,000 shares in Cardine Banca with 480,738,695 shares in SANPAOLO IMI. The exchange was made by:

- issuing 432,724,886 ordinary shares with a nominal unitary value of 2.8 euro;
- the use of 48,013,809 own shares held by SANPAOLO IMI as of 1 June 2002.

As part of the merger, Compagnia di Sanpaolo, Fondazioni di Padova e Rovigo and Fondazione di Bologna availed themselves of the right, in accordance with Law 461/98 and D. Lgs. 153/99, to request conversion of the ordinary shares held by them into privileged shares, for the part in excess of 15% of the total ordinary share capital held. As a consequence 388,334,018 ordinary shares were directly converted into privileged shares.

Following the aforementioned transactions, as of 31 December 2002, the Bank's share capital amounts to 5,144,064,800 euro, made up of 1,448,831,982 ordinary shares and 388,334,018 privileged shares with a nominal value of 2.8 euro each.

Other Reserves

Other reserves comprise:

- the reserve art. 13 c. 6 D. Lgs 124/93, created to take advantage of the tax benefits deriving from the allocation of portions of employee termination indemnities to pension funds;
- the reserve ex D. Lgs. 213/98, created in 1998 following the revaluation of equity investments expressed in Euro-zone currencies at the fixed Euro exchange rate.

The most significant changes in other reserves concerned:

- the net increase in the extraordinary reserve of 925 million euro because of the allocation of net income for the year 2001 (409 million euro) and of the merger deficit (516 million euro);
- the decrease in the Reserve for purchase of own shares from 1,000 million euro to 456 million euro, following the transfer of own shares in portfolio as of 1 June 2002 to the former shareholders of Cardine Banca, within the scope of the equity exchange transactions. As of 31 December 2002, the restricted portion of the Reserve for own shares in portfolio was zero, while the unrestricted portion amounted to approximately 456 million euro;
- the increase in additional paid-in capital for 686 million euro, reflecting the merger deficit, net of the portion carried to increase the Legal reserve;
- utilization of the Reserve for General Banking Risks for 358 million euro (including the allocation of the merger deficit from the merger with Cardine Banca), in order to cover the negative economic trends of the year, especially those of an extraordinary nature, such as the considerable adjustments to the investment portfolio and the drop in dividends, also considering the need to guarantee shareholders a suitable flow of dividends and to optimize the tax position of the Group;
- utilization of 28 million euro of the Reserve pursuant to D.Lgs. 213/98, to cover the writedown of the investment in Sanpaolo Imi International (reference should be made to Section 3 of these Explanatory Notes), net of 15 million euro utilized from the specific vision for deferred taxation.

Operations in own shares

Transactions carried out by the Bank in own shares during the first half of 2002 involved the individual portfolios in which they are classified according to the main reason for their purchase.

As regards the portfolio valued at cost, being related to shares considered as fixed and used to conclude strategic transactions, in 2002 SANPAOLO IMI purchased 33,652,015 shares (nominal value 94 million euro) for a total cost of 404 million euro. The shares held in portfolio after these acquisitions, totaling 50,732,418 (142 million euro nominal value), were exchanged with the shareholders of the former Cardine Banca (48,013,809 shares) and with the shareholders of the former Banco di Napoli (2,718,608 shares) within the scope of the respective merger operations; as of 31 December 2002 there remains one own share in portfolio with a nominal value of 2.8 euro and a book value of 7.41 euro.

With reference to the portfolio valued at market value and destined for share incentive or stock option plans, in 2002 the Bank implemented a share incentive plan in favor of employees, which assigned to those entitled and who applied, a number of own shares in relation to the bonus due to each employee. On the basis of applications received, in June the Bank purchased 1,926,023 shares (nominal value 5.4 million euro) for a cost of 19.3 million euro and assigned to employees 1,912,373 shares (nominal value 5.4 million euro) for a cost of 18.6 million euro. The remaining 13,650 shares, for a book value of approximately 137,000 euro, were sold on the market at the beginning of July for approximately 135,000 euro.

For completeness sake, we would also point out that during the period 1 January 2002 – 31 May 2002, Cardine Banca purchased 807,653 own shares (4.2 million nominal value) for a total cost of 18 million euro and sold 17,590 shares for approximately 0.3 million euro. As of 1 June 2002, a total of 1,054,253 Cardine Banca own shares (5.5 million euro nominal value) with a book value of 23.5 million euro, were cancelled in compliance with the provisions of art. 2504-ter of the Italian Civil Code, to offset the net equity of the merged company.

Other information

A breakdown of the regulatory capital and a description of the minimum requirements for supervisory purposes is provided below:

Net shareholders' equity and minimum regulatory requirements (Table 8.1 B.I.)

Category / Value	31/12/02 (€/mil)	31/12/01 SANPAOLO IMI (€/mil)	Change %
A. Regulatory capital			
A.1 Tier 1 capital	8,793	7,829	+12.3
A.2 Tier 2 capital	3,883	2,957	+31.3
A.3 Items to be deducted	485	1,010	-52.0
A.4 Regulatory capital	12,191	9,776	+24.7
B. Minimum regulatory requirements			
B.1 Credit risk	6,516	5,394	+20.8
B.2 Market risk (a)	211	107	+97.2
of which:			
- risks on dealing portfolio	211	92	+129.3
- exchange risks	-	15	-100.0
B.3 Tier 3 subordinated loans	211	107	+97.2
B.4 Other minimum requirements	-	-	-
B.5 Total minimum requirements	6,727	5,501	+22.3
C. Risk assets and capital-adequacy ratios			
C.1 Risk-weighted assets	96,104	78,594	+22.3
C.2 Tier 1 capital / Risk weighted assets	9.1%	10.0%	
C.3 Regulatory capital / Risk weighted assets	12.9%	12.6%	

(a) Market risks are fully covered by issues of Tier 3 subordinated liabilities. The latter, equal to 616 million euro, cover market risks attributable both to the Parent Bank and to other Group companies.

An attachment provides a statement of changes in shareholders' equity for the year.

Subordinated liabilities (caption 110)

Loan	Amount in the financial statements as of 31/12/02 (€/mil)	Amount in original currency (million)	Interest rate	Issue date	Maturity date	Amount in the financial statements as of 31/12/01 (€/mil)
Subordinated deposit linked to the issuance of Preferred Shares in euro	1,000	1,000	(a)	10/11/2000	(a)	1,000
Total innovative capital instruments (Tier 1)	1,000					1,000
Notes in US dollars	158	165	floating	12/07/1993	30/07/2003	188
Notes in US dollars	85	89	floating	24/09/1993	24/09/2003	101
Notes in US dollars	90	94	floating	30/11/1993	30/11/2005	107
Notes in Canadian dollars	91	151	floating	10/11/1993	10/11/2003	107
Notes in euro	361	362	floating	30/06/1994	30/06/2004	361
Notes in euro	-	-	floating	30/12/1996	20/01/2002	27
Subordinated loan in Italian lire	13	25,000	5.10%	01/06/1998	01/06/2003	26
Subordinated loan in Italian lire	31	60,000	5.30%	01/01/1998	01/01/2003	62
Subordinated loan in Italian lire	29	56,000	floating	01/02/1998	01/02/2003	58
Subordinated loan in euro	500	500	6.38%	06/04/2000	06/04/2010	500
Subordinated loan in euro	350	350	floating	06/04/2000	06/04/2010	350
Subordinated loan in euro	1,000	1,000	floating	27/09/2000	27/09/2010	1,000
Subordinated loan in euro	300	300	5.55%	31/07/2001	31/07/2008	300
Subordinated loan in euro	200	200	5.16%	02/10/2001	02/10/2008	200
Subordinated loan in euro	500	500	floating	28/06/2002	28/06/2012	0
Subordinated loan in euro	54	54	4.90% (b)	15/07/2002	15/07/2012	0
Subordinated loan in euro	147	147	4.32% (c)	04/12/2002	04/12/2012	0
Subordinated loan in euro	300	300	5.38%	13/12/2002	13/12/2012	0
Subordinated loan in US dollars (former BdN)	95	100	floating	15/09/1993	15/09/2003	113
Notes in euro (former BdN)	150	150	5.75%	15/09/1999	15/09/2009	150
Notes in Italian lire (former BdN)	13	25,635	floating	15/10/1993	15/10/2003	25
Notes in Italian lire (former BdN)	7	12,650	floating	15/06/1993	15/06/2003	19
Total subordinated liabilities (Tier 2)	4,474					3,694
Subordinated loan in euro	466	466	5.55%	03/10/2000	03/04/2003	466
Subordinated loan in euro	150	150	floating	06/11/2000	06/05/2003	150
Total Tier 3 subordinated liabilities	616					616
Total	6,090					5,310

(a) The deposit expires on 31/12/2100 and can be subject to early redemption from 10/11/2010, date of review of the interest rate, which is set at a fixed rate of 7.88% for the period 10/11/2000-10/11/2010 and floating for subsequent periods.

(b) Remuneration is paid on half-yearly coupons at a fixed rate of 2.45% for the first five years after which the coupon rate is floating.

(c) Remuneration is paid on half-yearly coupons at a fixed rate of 2.16% for the first five years after which the coupon rate is floating.

During the year, SANPAOLO IMI issued new subordinated loans for 1,001 million euro in the form of subordinated loans (Tier 2).

It should be noted that subordinated liabilities not included in the calculation of regulatory capital amount to 550 million euro.

Contractually, subordinated loans included in Tier 2 may not be redeemed prior to maturity, nor converted into capital or any other type of liability. In particular, such contracts provide that:

- early redemption can only take place on the initiative of the Bank and with Bank of Italy authorization;
- the loan period must not be less than five years; if no maturity is stated, the contract must state that a notice period of at least five years has to be given;
- in the event that the Bank is put into liquidation, these subordinated loans can only be reimbursed once all other creditors, not similarly subordinated, have been satisfied.

Other information on subordinated liabilities

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

SECTION 9 - OTHER LIABILITIES

Other liabilities (caption 50)

Analysis of caption 50 "other liabilities" (Table 9.1 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Unprocessed transactions and transactions by foreign branches:	3,748	2,548	+47.1
- <i>unprocessed transactions (a)</i>	1,930	1,857	+3.9
- <i>amounts in transit between Italian branches (a)</i>	1,803	675	+167.1
- <i>transactions by foreign branches</i>	15	16	-6.3
Amounts related to derivative contracts and foreign exchange transactions	1,127	1,038	+8.6
- <i>Effect of currency hedges, forex swap and cross-currency swap</i>	370	498	-25.7
- <i>Valuation of derivatives on interest rates and stockmarket indices</i>	725	522	+38.9
- <i>Premiums collected on options sold</i>	32	18	+77.8
Amounts available for third parties	1,632	1,651	-1.2
Due to tax authorities	212	233	-9.0
Non-liquid balances from portfolio transactions	313	368	-14.9
Amounts due to employees	171	190	-10.0
Deposits guaranteeing agricultural and construction loans	36	53	-32.1
Items relating to securities transactions	9	91	-90.1
- <i>of which "short position"</i>	6	26	-76.9
Amounts payable to Bank of Italy in respect of Isveimer liquidation	58	58	-
Other	973	2,242	-56.6
Total	8,279	8,472	-2.3

(a) The amounts were mostly settled at the beginning of 2003.

Accrued expenses and deferred income (caption 60)

Analysis of caption 60 "accrued expenses and deferred income" (detail 9.2 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Accrued expenses			
– charges on derivative contracts (a)	450	606	-25.7
– interest on securities issued	432	493	-12.4
– interest on amounts due to banks	130	208	-37.5
– interest on amounts due to customers	59	68	-13.2
– other	21	114	-81.6
Deferred income			
– interest on discounted notes	39	46	-15.2
– income from derivative contracts	125	137	-8.8
– bond issue premium	-	2	-100.0
– other	82	70	+17.1
Total	1,338	1,744	-23.3

(a) Accrued income from derivative contracts is recognized on a contract-by-contract basis with reference to the interest rates applicable at the time.

SECTION 10 - GUARANTEES AND COMMITMENTS

Guarantees (caption 10)

Analysis of caption 10 "guarantees given" (Table 10.1 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
a) Commercial guarantees	10,407	9,163	+13.6
b) Financial guarantees	19,729	17,526	+12.6
c) Assets lodged in guarantee	6	7	-14.3
Total	30,142	26,696	+12.9

Unsecured guarantees given by the Bank, together with assets lodged to guarantee third-party commitments, comprise the following:

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Endorsements and sureties	20,077	16,200	+23.9
Documentary credits	529	583	-9.3
Acceptances	130	124	+4.8
Other guarantees	9,400	9,782	-3.9
Assets lodged in guarantee:			
– securities	-	-	-
– other assets	6	7	-14.3
Total	30,142	26,696	+12.9

Commitments (caption 20)

Analysis of caption 20 "commitments" (Table 10.2 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
a) Commitments to grant finance (certain to be called on)	2,707	4,264	-36.5
b) Commitments to grant finance (not certain to be called on)	11,474	12,311	-6.8
Total	14,181	16,575	-14.4

Firm commitments undertaken by the Bank are detailed below:

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Undrawn lines of credit granted	9,419	10,628	-11.4
Deposits and loans to be made	490	370	+32.4
Purchase of securities	727	494	+47.2
Put options issued	392	131	+199.2
Mortgage loans to be disbursed	1,553	1,442	+7.7
Membership of Interbank Deposit Guarantee Fund	99	101	-2.0
Commitments for derivatives on loans	789	904	-12.7
Other commitments certain to be called on	702	2,497	-71.9
Other commitments not certain to be called on	10	8	+25.0
Total	14,181	16,575	-14.4

Assets lodged to guarantee the Group's liabilities

(detail 10.3 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Portfolio securities lodged with third parties to guarantee repurchase agreements	6,157	5,981	+2.9
Securities lodged with central banks to guarantee advances	51	144	-64.6
Securities lodged with the Bank of Italy to guarantee bankers' drafts	97	103	-5.8
Securities guaranteeing other transactions	60	70	-14.3
Total	6,365	6,298	+1.1

Unused lines of credit

SANPAOLO IMI has unused lines of credit, excluding operating limits, as detailed below:

(Table 10.4 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
a) Central banks	29	29	-
b) Other banks	160	215	-25.6
Total	189	244	-22.5

Forward transactions

Forward transactions, excluding transactions between the Bank's head office and foreign branches as well as those carried out within organizational units and on behalf of third parties, are detailed below:

(Table 10.5 B.I.) €/mil

Categories of operations	Hedging transactions	Dealing transactions	Other transactions	Total
1. Purchase/sale of				
1.1 Securities				
– purchases	-	727	-	727
– sales	-	290	-	290
1.2 Currency				
– currency against currency	1,070	1,520	-	2,590
– purchases against euro	6,079	3,682	-	9,761
– sales against euro	4,012	475	-	4,487
2. Deposits and loans				
– to be disbursed	-	-	490	490
– to be received	-	-	1,207	1,207
3. Derivative contracts				
3.1 With exchange of capital				
a) securities				
– purchases	-	-	393	393
– sales	-	-	-	-
b) currency				
– currency against currency	174	131	-	305
– purchases against euro	2,355	820	-	3,175
– sales against euro	515	816	-	1,331
c) other instruments				
– purchases	-	-	-	-
– sales	-	-	-	-
3.2 Without exchange of capital				
a) currency				
– currency against currency	-	-	-	-
– purchases against euro	24	9	22	55
– sales against euro	-	-	12	12
b) other instruments				
– purchases	44,442	16,513	125	61,080
– sales	16,824	21,612	4,002	42,438
Total (a)	75,495	46,595	6,251	128,341

(a) Interest rate related basis swaps (shown in point 3.2 b) are included in both purchases and sales for a total of 5,551 million euro.

Dealings in derivative contracts include those (principally asset swaps) entered into as hedging transactions belonging to the dealing portfolio for a notional value of 4,507 million euro. The results from the valuation of derivative contracts are revealed in the statement of income and described in Part C, Section 3 of the Explanatory Notes, concerning profits and losses on financial transactions.

“Hedging” derivatives show a net potential loss of 134 million euro. In compliance with the accounting policies, this amount has not been recorded in the financial statements since the purpose of the derivative contracts in question is to cover interest and/or exchange rate risks on funding and/or lending activities: these contracts are in fact recorded on a consistent basis with those adopted for hedging transactions.

“Other transactions” principally refer to derivative contracts included under structured financial instruments with a nominal value of 4,160 million euro. The valuation of these transactions at the end of the year would highlight potential liabilities of 172 million euro.

Internal deals

Internal deals amount to a total of 548 million euro at nominal value. The following table provides a breakdown of internal deals, reporting the same contract in both purchases and sales:

	€/mil	
	Hedging transactions	Dealing transactions
Derivatives with exchange of capital		
a) securities		
– purchases	-	-
– sales	-	-
b) currency		
– currency against currency	-	8
– purchases against euro	387	17
– sales against euro	387	17
Derivatives without exchange of capital		
b) other instruments		
– purchases	-	140
– sales	140	-
Total	914	182

Financial information relating to derivative contracts and forward currency purchase/sale transactions

This section offers supplementary information on operations in derivative contracts according to the standards established by the Basel Committee on Banking Supervision and the International Organization of Securities Commissions (IOSCO).

The table below shows the notional nominal capital, by type, of purchase/sale of currency and derivative contracts on interest rates, exchange rates and stockmarket index.

<i>Notional amounts</i>	<i>€/mil</i>				
	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total
OTC trading contracts					
- Forward (a)	1,052	763	-	-	1,815
- Swap (b)	28,886	390	-	-	29,276
- Options purchased	2,536	698	368	-	3,602
- Options sold	2,541	687	388	-	3,616
Exchange traded contracts					
- Futures purchased	-	-	-	-	-
- Futures sold	-	-	-	-	-
- Options purchased	-	-	-	-	-
- Options sold	913	-	-	-	913
Total trading contracts	35,928	2,538	756	-	39,222
Total non-trading contracts	57,062	14,203	7,390	-	78,655
Total contracts (c)	92,990	16,741	8,146	-	117,877
- including OTC contracts	92,077	16,741	8,146	-	116,964

(a) The caption includes the F.R.A. contracts and forward currency purchase/sale transactions.

(b) The caption mainly includes the I.R.S., C.I.R.S. contracts and basis swaps.

(c) Including basis swaps for 2,775 million euro and excluding forward currency transactions with a duration of less than 2 working days, for 4,974 million euro.

The table below shows the residual duration of the above OTC transactions:

<i>Residual maturity of notional amounts underlying OTC derivative contracts</i>	<i>€/mil</i>			
	Up to 12 months	Between 1 and 5 years	Beyond 5 years	Total
Interest rate related	40,626	33,047	18,404	92,077
Exchange rate related	13,229	3,241	271	16,741
Stockmarket index related	820	5,551	1,775	8,146
Other contracts	-	-	-	-

The table below reports the credit risk equivalent relating to unquoted OTC contracts, broken down into their various components: positive market value and add on.

<i>Notional amounts, market values and similar add on</i>					€/mil
	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total
Notional amounts	92,077	16,741	8,146	-	116,964
A. Market value of OTC trading contracts					
A.1 positive market value	724	61	13	-	798
A.2 negative market value	-808	-61	-9	-	-878
B. Add on	176	24	19	-	219
C. Market value of OTC non-trading contracts					
C.1 positive market value	1,184	313	156	-	1,653
C.2 negative market value	-1,201	-550	-167	-	-1,918
D. Add on	217	270	280	-	767
Credit risk equivalent (A.1+B+C.1+D)	2,301	668	468	-	3,437

Market values of hedging and negotiation transactions arranged with third parties have been calculated using the criteria established by the Bank of Italy to determine the solvency ratio. The market values identified in the table above derive from the application of the aforementioned criteria which provide for inclusion in the calculation of the market value of accrued income and expenses currently maturing as well as the result deriving from the current rate revaluation of the principal amount of cross-currency interest rate swaps to be exchanged at maturity.

Lastly, the table below shows the breakdown of credit risk equivalent on unquoted contracts by type of counterparty.

<i>Credit quality of OTC derivative contracts, by counterparty</i>				€/mil
	Positive market value	Add on	Credit risk equivalent (a) (current value)	
Governments and central banks	-	-	-	
Banks	2,143	821	2,964	
Other operators	308	165	473	
Total	2,451	986	3,437	

(a) The credit risk equivalent reported in this table includes transactions with an original life not exceeding 14 days. The existence of Master Netting Agreements allows a reduction in the equivalent credit risk of 1,575 million euro in respect of banks and 118 million euro in respect of other operators.

The transactions analyzed above are not covered by real or personal guarantees. There have been no losses on loans for derivatives during the year, and there are no contracts due and not settled.

The inherent risks of derivative contracts entered into by the Bank, including those “hedging contracts” whose current value is not shown in the financial statements, are subject to monitoring within the context of the complete system of risk management and control set up by the Group.

A description of the organizational model and the results of monitoring the evolution of risks for 2002 is reported in the appropriate section of the Report on Group Operations (“Risk management and control”).

Derivative contracts on loans

In relation to the derivative contracts through which the lending risk inherent in certain outstanding loans is transferred, the following table shows the notional capital referring to contracts signed by the Bank.

(Table 10.6 B.I.)

Categories of operations	Dealing transactions	Other transactions	€/mil Total
1. Hedging purchases			
1.1 With exchange of capital			
– credit default swap	-	375	375
2. Hedging sales			
2.1 With exchange of capital			
– credit default swap	-	654	654
– credit linked note	-	135	135
Total	-	1,164	1,164

Other information relating to guarantees

The classification of guarantees given by category of counterparty is provided in Part B, Section 11 of these notes, while forward transactions related to dealing on behalf of third parties are described in Part B, Section 12.

SECTION 11 - CONCENTRATION AND DISTRIBUTION OF ASSETS AND LIABILITIES

Significant exposures

Major lines of credit that exceed 10% of the Bank's equity and defined by the Bank of Italy as "significant exposures", are as follows:

(Table 11.1 B.I.)

	31/12/02
a) Amount (in million €)	8,636
b) Number	5

These positions comprise total assets at risk (loans, shares, bonds, etc.) outstanding in relation to customers and groups of related customers (including banks).

Distribution of loans to customers, by category of borrower

Loans to customers are distributed by main category of borrower as follows:

(Table 11.2 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
a) Governments	1,505	1,745	-13.8
b) Other public bodies	1,584	1,522	+4.1
c) Non-financial businesses	40,202	43,110	-6.7
d) Financial institutions	14,914	15,800	-5.6
e) Family businesses	3,166	3,159	+0.2
f) Other operators	14,788	13,918	+6.3
Total	76,159	79,254	-3.9

Distribution of loans to resident non-financial and family businesses

The distribution of loans to non-financial and family businesses resident in Italy is detailed below, by sector to which the borrower belongs:

(Table 11.3 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
a) Other services for sale	5,821	5,926	-1.8
b) Commerce, salvage and repairs	5,634	5,691	-1.0
c) Construction and public works	3,355	3,477	-3.5
d) Energy products	3,807	3,184	+19.6
e) Transport	2,314	2,617	-11.6
f) Other sectors	16,815	17,615	-4.5
Total	37,746	38,510	-2.0

Distribution of derivative contracts on loans by category of borrower

Derivative contracts on loans are distributed as follows:

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Banks	879	1,111	-20.9
Financial institutions	205	180	13.9
Other operators	80	-	n.s.
Total	1,164	1,291	-9.8

Distribution of guarantees issued, by category of counterparty

Guarantees given by the Bank are classified by category of counterparty as follows:

(Table 11.4 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
a) Governments	-	-	-
b) Other public bodies	52	26	+100.0
c) Banks	11,511	9,213	+24.9
d) Non-financial businesses	12,249	12,020	+1.9
e) Financial institutions	5,761	5,035	+14.4
f) Family businesses	107	108	-0.9
g) Other operators	462	294	+57.1
Total	30,142	26,696	+12.9

Geographical distribution of assets and liabilities

The geographical distribution of the Bank's assets and liabilities is detailed below, by reference to the countries of residence of the counterparties concerned:

(Table 11.5 B.I.)

	31/12/02				31/12/01 pro forma				€/mil
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total	
1. Assets									
1.1 due from banks	13,256	6,452	1,243	20,951	14,236	4,810	1,356	20,402	
1.2 loans to customers	68,139	3,978	4,042	76,159	68,063	5,507	5,684	79,254	
1.3 securities	11,210	959	2,528	14,697	13,876	1,652	3,172	18,700	
Total	92,605	11,389	7,813	111,807	96,175	11,969	10,212	118,356	
2. Liabilities									
2.1 due to banks	9,016	13,289	8,715	31,020	10,558	15,827	9,999	36,384	
2.2 due to customers	48,074	1,840	5,828	55,742	48,878	2,077	6,459	57,414	
2.3 securities issued	18,509	188	678	19,375	19,033	1,898	1,750	22,681	
2.4 other accounts	4,300	881	1,000	6,181	3,405	1,005	1,000	5,410	
Total	79,899	16,198	16,221	112,318	81,874	20,807	19,208	121,889	
3. Guarantees and commitments	19,936	13,195	11,192	44,323	16,989	11,923	14,359	43,271	

Maturities of assets and liabilities

The residual maturities of assets and liabilities are detailed in the following table:

(Table 11.6 B.I.)

	€/mil								
	On demand	Up to 3 months	Specified duration Between 3 and 12 months	Specified duration Between 1 and 5 years		Beyond 5 years		Unspecified duration	Total
				Fixed rate	Indexed rate	Fixed rate	Indexed rate		
1. Assets									
1.1 treasury bonds eligible for refinancing	-	130	845	76	375	14	114	-	1,554
1.2 due from banks	4,925	8,970	1,970	437	1,972	2	2,521	156	20,953
1.3 loans to customers	13,286	16,517	10,798	6,177	14,098	5,047	9,133	1,103	76,159
1.4 bonds and other debt securities	146	713	2,552	1,277	5,524	930	1,671	-	12,813
1.5 off-balance sheet transactions	1,498	35,015	29,671	18,954	3,668	9,998	836	-	99,640
Total assets	19,855	61,345	45,836	26,921	25,637	15,991	14,275	1,259	211,119
2. Liabilities									
2.1 due to banks	2,721	13,596	4,481	1,857	6,686	264	1,415	-	31,020
2.2 due to customers	41,355	13,433	819	130	2	3	-	-	55,742
2.3 securities issued:									
– bonds	354	879	2,266	7,719	2,268	1,826	713	-	16,025
– certificates of deposit	77	1,641	889	232	6	-	-	-	2,845
– other securities	505	-	-	-	-	-	-	-	505
2.4 subordinated liabilities	-	60	1,078	-	451	1,450	3,051	-	6,090
2.5 off-balance sheet transactions	988	36,440	35,156	14,251	2,979	9,522	304	-	99,640
Total liabilities	46,000	66,049	44,689	24,189	12,392	13,065	5,483	-	211,867

Assets and liabilities denominated in foreign currencies

The Bank's assets and liabilities denominated in foreign currencies are detailed below:

(Table 11.7 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
a) Assets			
1. due from banks	3,464	4,296	-19.4
2. loans to customers	7,228	9,732	-25.7
3. securities	2,491	3,373	-26.1
4. equity investments	222	526	-57.8
5. other accounts	170	43	n.s.
Total assets	13,575	17,970	-24.5
b) Liabilities			
1. due to banks	10,861	15,152	-28.3
2. due to customers	8,062	9,137	-11.8
3. securities issued	775	3,426	-77.4
4. other accounts	520	616	-15.6
Total liabilities	20,218	28,331	-28.6

The "liquidity", "rates" and "exchange" risks inherent in the distribution by expiry, type of rate and currency of Bank assets, liabilities and forward transactions (of which the two tables above supply a simplified representation with reference to the precise situation at the end of the year), are subject to monitoring within the context of the complete system of risk management and control set up by the Group.

A description of the organizational model and the results of monitoring the evolution of risks for 2002 is reported in the appropriate section of the Report on Group Operations ("Risk management and control").

The principal spot exchange rates, as of 31 December 2002, used to translate the Bank's foreign currency assets and liabilities are indicated below:

	31/12/02	31/12/01	Change %
US dollar	1.049	0.8813	+19.0
Swiss franc	1.452	1.4829	-2.1
Pound sterling	0.651	0.6085	+6.9
Japanese yen	124.390	115.33	+7.9

Portfolio securities representing third party securitization transactions

(Bank of Italy Letters 10155 of 3/8/2001 and 3147 of 3/3/2003)

In compliance with Bank of Italy regulations, it is noted that as at 31 December 2002, the Bank held the following securities representing securitizations booked to portfolio, or rather deriving from packaging transactions (ABS – *Asset Backed Securities*, MBS – *Mortgage Backed Securities* e CDO – *Collateralized Debt Obligations*).

Investment portfolio:

- securities which represent securitizations carried out on SACE loans from foreign public sector debtors; These are senior securities carried in the balance sheet at a value of 6 million euro, which reflects their market value;
- securities which represent securitizations carried out on commercial exploitation of film rights in the Cecchi Gori Group. These are senior securities carried in the balance sheet, after a writedown of 8 million euro, at a value of 1 million euro, which reflects their market value;
- securities which represent securitizations carried out on emerging markets and high yield bonds and loans portfolios. These are junior securities carried in the balance sheet, after a writedown of 7 million euro, at a book value of 6 million euro, which reflects their market value;
- Banco di Napoli securities which represent securitization carried out on high yield bonds and loans portfolios. These are senior securities carried in the balance sheet at a value of 30 million euro, which reflects their market value;
- Banco di Napoli senior securities which represent securitization transactions carried in the financial statements for a total value of 106 million euro. The underlying assets refer to mortgage loans for 2 million euro, receivables from the use of credit cards for 29 million euro and other receivables for 28 million euro. These securities have been written down for a total of 14 million euro, of which 4 million euro during the year; moreover 3 million euro refer to a security issued by United Airlines.

Dealing portfolio:

- securitizations carried out by the State on receivables deriving from the sale of public real estate assets. These are senior securities carried in the balance sheet at a value of 124 million euro, which reflects their market value;
- securitizations carried out by the State on Social Security receivables. These are senior securities carried in the balance sheet at a value of 25 million euro, which reflects their market value;
- Banco di Napoli securities deriving from securitizations carried in the financial statements for a total value of 36 million euro, of which 27 million euro are senior securities and 9 million euro are mezzanine securities. The underlying assets refer to auto receivables for 28 million euro and other loans for 8 million euro. These securities have been written down during the year by 19 million euro; in particular, in 2002 a junior security issued by other operators in relation to the securitization of a health care receivable for 5 million euro and a senior security from the same issuer for 14 million euro were written down in full.

It should be highlighted that the Bank has not carried out securitization transactions as per Law 133/99, does not hold interests in vehicle companies and does not carry out servicer or arranger activities on such transactions.

SECTION 12 - ADMINISTRATION AND DEALING ON BEHALF OF THIRD PARTIES

Custody and administration of securities

The nominal value of securities held in custody and for administration, including those received as guarantees, is detailed below:

(Table 12.3 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
a) Third-party securities held on deposit (excluding portfolio management)			
1. securities issued by the Bank that prepares the financial statements	13,449	12,057	+11.5
2. other securities	141,856	146,459	-3.1
b) Third-party securities deposited with third parties	108,591	108,559	n.s.
c) Portfolio securities deposited with third parties	13,974	19,805	-29.4

Third party securities deposited as of 31 December 2002 include securities on deposit with the Bank acting as a depository bank, broken down as follows:

- 63 million euro of securities issued by the Bank;
- 30,440 million euro of other securities.

Collection of loans on behalf of third parties: debit and credit adjustments

The Bank has received instructions to collect third-party loans as part of its portfolio transactions. The nominal value of such loans is 9,116 million euro.

The notes portfolio has been reclassified on the basis of the related settlement date, by recording the following adjustments:

(Table 12.4 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
a) Debit adjustments			
1. current accounts	638	588	+8.5
2. central portfolio	99	31	n.s.
3. cash	-	-	n.s.
4. other accounts	-	36	-100.0
b) Credit adjustments			
1. current accounts	71	41	+73.2
2. transferors of notes and documents	652	599	+8.8
3. other accounts	14	15	-6.7

Other transactions

(detail 12.5 B.I.)

Research and Development

Applied Research Reserve

Sanpaolo Imi manages transactions arising from applications received by 31 December 1999 out of the Applied Research Reserve. As of 31 December 2002, there are resolutions to be stipulated for 217.4 million euro, disbursements to be made for 827.2 million euro and loans for 708.7 million euro.

Reserve for Research Grants

Sanpaolo Imi continues to operate, in its capacity as authorized bank, for the evaluation and control of industrial research projects and researcher training schemes using the Reserve for Research Grants managed by the Ministry of Education, Universities and Research (MIUR). During 2002, 559 applications were received for research investment for 1,001.0 million euro and MIUR deliberated on financing of 457.5 million euro.

Reserve for Technological Innovation

As of November 2001, Sanpaolo Imi activated a co-operation with the Ministry for Productive Activities (MAP) for the management of development projects out of the Reserve for Technological Innovation. During 2002, 452 applications were received for development investment for 1,354.0 million euro and MAP deliberated on financing of 122.0 million euro.

During the year activities connected to the three reserves generated a total 17.9 million euro commission from the Public Administration.

Guarantee Fund for small and medium-sized enterprises in Southern Italy Law 341/95

With the Convention stipulated between the Italian Treasury and the Bank on 21 December 1995, as approved and activated by Decree of the Director-General of the Treasury dated 5 January 1996, SANPAOLO IMI, in its capacity as Managing Body, has been granted the concession to this Fund established under Law 341/1995.

The purpose of Law 341/1995 is to promote rationalization of the financial situation of small and medium-sized enterprises in Southern Italy, as defined by EU parameters. This involves measures of various types, from interest-relief grants on loans designed to convert short-term bank borrowing into medium and long-term loans, to the granting of supplementary guarantees on investment loans, for the purchase of equity investments and for the debt consolidation described above.

As of 31 December 2002, there are 3,150 applications for 1,184 million euro, broken down as follows:

- 1,157 million euro relating to the consolidation of short-term debt (of which 1,156 million euro already being paid and 1 million euro waiting for the final documentation);
- 27 million euro for investment loans;

The management activities for this Ministry generated 0.5 million euro commission.

Third-party portion of syndicated loans

The portion of syndicated loans arranged by the Bank for third parties without a representation mandate totaled 671 million euro at year end (795 million euro as of 31 December 2001).

Portfolio management services rendered by third parties

The value of asset management services rendered to customers by Group companies amounts to 4,764 million euro (4,065 million euro as of 31/12/2001).

Part C - Information on the statement of income

SECTION 1 - INTEREST

Interest income and similar revenues (caption 10)

Analysis of caption 10 "interest income and similar revenues" (Table 1.1 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
a) On amounts due from banks	666	953	-30.1
<i>of which:</i>			
– deposits with central banks	40	55	-27.3
b) On loans to customers	4,004	4,891	-18.1
<i>of which:</i>			
– loans using public funds	-	-	-
c) On debt securities	644	881	-26.9
d) Other interest income	49	77	-36.4
e) Net differential on hedging transactions	-	-	-
Total	5,363	6,802	-21.2

Detail of caption 10 "interest income and similar revenues" (Table 1.3 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
a) On assets denominated in foreign currency	143	522	-72.6

Default interest accrued during the year amounting to 117 million euro has been prudently eliminated from the statement of income, since collection is considered unlikely.

Interest income includes 225 million euro relating to repurchase agreements with an obligation to resell.

Interest expense and similar charges (caption 20)

Analysis of caption 20 "Interest expense and similar charges" (Table 1.2 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
a) On amounts due to banks	1,071	1,629	-34.3
b) On amounts due to customers	901	1,369	-34.2
c) On securities issued	911	1,115	-18.3
<i>of which:</i>			
– certificates of deposit	88	215	-59.1
d) On public funds administered	-	-	-
e) On subordinated liabilities	295	302	-2.3
f) Net differential on hedging transactions	82	44	+86.4
Total	3,260	4,459	-26.9

Detail of caption 20 "interest expense and similar charges" (Table 1.4 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
a) On liabilities denominated in foreign currency	211	715	-70.5

Interest expense includes the annual charge of 5 million euro relating to issue discounts on bonds and certificates of deposit. The caption also includes charges of 324 million euro relating to repurchase agreements with an obligation to resell.

Other information relating to interest

Information concerning the interest arising on transactions with Group companies is reported in part C, Section 7 of these notes.

SECTION 2 - COMMISSION

Commission income (caption 40)

Analysis of caption 40 "commission income" (Table 2.1 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
a) Guarantees given	54	53	+1.9
b) Derivative contracts on loans	10	4	+150.0
c) Management, dealing and advisory services:	793	858	-7.6
1. dealing in securities	6	7	-14.3
2. dealing in currency	21	28	-25.0
3. portfolio management	-	-	-
3.1. individual	-	-	-
3.2. collective	-	-	-
4. custody and administration of securities	20	22	-9.1
5. custodian bank	52	53	-1.9
6. placement of securities (a)	469	495	-5.3
7. acceptance of instructions	34	39	-12.8
8. advisory services	-	1	-100.0
9. third party service distribution:	191	213	-10.3
9.1. portfolio management:	110	140	-21.4
9.1.1. individual	110	140	-21.4
9.1.2. collective	-	-	-
9.2. insurance products	76	71	+7.0
9.3. other products	5	2	+150.0
d) Collection and payment services	228	222	+2.7
e) Servicing for securitization transactions	-	-	-
f) Tax collection services	32	57	-43.9
g) Other services	513	485	+5.8
Total	1,630	1,679	-2.9

(a) The commission earned on the placement of securities also includes the commission earned on the placement of mutual fund units for 437 million euro (490 million euro as of 31/12/01).

Subcaption "g) Other services" comprises, in particular:

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Loans granted	161	164	-1.8
Deposits and current account overdrafts	214	193	+10.9
Current accounts	87	82	+6.1
Other services – Italian branches	49	42	+16.7
Other services – Foreign branches	2	4	-50.0
Total	513	485	+5.8

Detail of caption 40 "commission income" (Table 2.2 B.I.) - products and services distribution channels

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
a) with own branches:	656	704	-6.8
1. portfolio management	-	-	-
2. placement of securities	466	492	-5.3
3. other products and services	190	212	-10.4
b) outside supply:	3	4	-25.0
1. portfolio management	-	-	-
2. placement of securities	2	3	-33.3
3. other products and services	1	1	-
Total	659	708	-6.9

Commission expense (caption 50)*Analysis of caption 50 "commission expense" (Table 2.3 B.I.)*

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
a) Guarantees received	14	6	+133.3
b) Derivative contracts on loans	1	-	+100.0
c) Management and dealing services:	17	21	-19.0
1. dealing in securities	3	3	-
2. dealing in currency	1	2	-50.0
3. portfolio management:	-	-	-
3.1. own portfolio	-	-	-
3.2. third party portfolio	-	-	-
4. custody and administration of securities	9	12	-25.0
5. placement of securities	1	1	-
6. door-to-door sales of securities, financial products and services	3	3	-
d) Collection and payment services	63	59	+6.8
e) Other services	23	21	+9.5
Total	118	107	+10.3

Subcaption "e) Other services" comprises, in particular:

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Intermediation on financing transactions	1	-	+100.0
Loans obtained	2	3	-33.3
Loan-arrangement activities	3	1	+200.0
Other services – Italian branches	16	16	-
Other services – Foreign branches	1	1	-
Total	23	21	+9.5

Other information relating to commission

Details of commission arising from transactions with Group companies are included in Part C, Section 7 of these notes.

SECTION 3 - PROFITS AND LOSSES FROM FINANCIAL TRANSACTIONS

Profits and losses from financial transactions (caption 60)

Analysis of caption 60 "profits (losses) on financial transactions" (Table 3.1 B.I.) €/mil

Caption / Transaction	Security transactions	Currency transactions	Other transactions	Total
A1. Revaluations	37 (a)	-	85	122
A2. Writedowns	-50 (b)	-	-69	-119
B. Other profits / losses	-17 (c)	46 (d)	12	41
Totals	-30	46	28	44
<i>of which:</i>				
1. Government securities	22	-	-	
2. Other debt securities	-9	-	-	
3. Equities	-25	-	-	
4. Security derivatives	-18	-	-	

(a) Revaluations of 37 million euro refer to securities.

(b) Writedowns refer to 46 million euro for losses on investment securities and 4 million euro for negative valuation of derivative contracts.

(c) Includes 4 million euro net losses from dealing in securities and 13 million euro net losses from derivative contract transactions.

(d) Includes exchange gains of 40 million euro and income on transactions in foreign currency derivative contracts of 6 million euro.

SECTION 4 - ADMINISTRATIVE COSTS

Personnel costs (caption 80.a)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Wages and salaries	1,312	1,319	-0.5
Social security charges (a)	416	434	-4.1
Termination indemnities			
– provisions to the reserve for termination indemnities	65	63	+3.2
– indemnities accrued and paid during the year	2	1	+100.0
– provisions for supplementary pension fund	28	30	-6.7
Total	1,823	1,847	-1.3

(a) The figure referring to 2001 includes the provision for pensions and similar commitments accrued by Banco di Napoli for 35 million, which has not been reclassified for the purposes of the official pro forma schedules.

Average number of employees by category (Table 4.1 B.I.)

	31/12/02	31/12/01 pro forma	Change %
a) Executives	444	468	-5.1
b) Third and fourth level managers	4,046	4,271	-5.3
c) Other employees	24,032	24,585	-2.2
Total	28,522	29,324	-2.7

The figures are net of the employees working in the tax collection sector.

Other administrative costs (caption 80.b)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
IT costs	239	253	-5.5
Software maintenance and upgrades	70	62	+12.9
Maintenance of hardware, other fixed assets and plant	48	78	-38.5
External data processing	53	48	+10.4
Data transmission charges	38	34	+11.8
Database access charges	21	16	+31.3
Equipment leasing charges	9	15	-40.0
Property management expenses	190	181	+5.0
Rented property:	112	113	-0.9
- rental of premises	104	104	-
- maintenance of leasehold premises	8	9	-11.1
Property owned:	24	10	+140.0
- maintenance of property owned by the Bank	24	10	+140.0
Security services	32	32	-
Cleaning of premises	22	26	-15.4
General expenses	168	167	+0.6
Postage and telegraph charges	37	42	-11.9
Office supplies	19	20	-5.0
Transport and counting of valuables	21	14	+50.0
Courier and transport services	8	8	-
Personnel on secondment	42	40	+5.0
Other expenses	41	43	-4.7
Professional and insurance fees	133	131	+1.5
Consultancy services	83	70	+18.6
Legal and judiciary expenses	25	34	-26.5
Investigation/commercial information costs	13	15	-13.3
Insurance premiums – banks and customers	12	12	-
Utilities	54	49	+10.2
Telephone	20	15	+33.3
Energy	34	34	-
Promotion, advertising and marketing expenses	44	41	+7.3
Advertising and entertainment	38	35	+8.6
Contributions and membership fees to trade unions and business associations	6	6	-
Indirect personnel costs	57	54	+5.6
Other expenses for personnel training, travel and assignments	57	54	+5.6
Total	885	876	+1.0
Indirect duties and taxes			
– stamp duties	120	125	-4.0
– tax on stock exchange contracts	5	4	+25.0
– local property taxes	9	10	-10.0
– substitute tax (Pres. Decree 601/73)	15	11	+36.4
– other	9	15	-40.0
Total	158	165	-4.2
Total other administrative costs	1,043	1,041	+0.2

SECTION 5 - ADJUSTMENTS, WRITEBACKS AND PROVISIONS

Adjustments to intangible and tangible fixed assets (caption 90)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Adjustments to intangible fixed assets			
– amortization of merger and goodwill differences	185	196	-5.6
– amortization of software in use	87	105	-17.1
– amortization of software not yet in use	42	22	+90.9
– amortization of other deferred charges	12	12	-
Adjustments to tangible fixed assets			
– depreciation of property	59	42	+40.5
– depreciation of furniture and installation	149	117	+27.4
Total	534	494	+8.1

Individual assets have been written down with reference to their remaining useful lives using, in most cases, the maximum fiscally-allowed rates, including the provisions for accelerated depreciation.

As far as tangible fixed assets from Banco di Napoli are concerned, amortization of these assets has been aligned to rates used by Sanpaolo Imi S.p.A..

With reference to former Banco di Napoli software purchased in 2002, considering that this investment will be discontinued in 2003, following the expected migration of the software in the Sanpaolo Imi systems, amortization has been accelerated to two years instead of the normal three. The effect of this treatment is an increase of approximately 4 million euro on amortization.

Provisions for risks and charges (caption 100)

Provisions for risks and charges during the year of 151 million euro, include the following:

- 81 million euro for potential charges deriving from the possible renegotiation of mortgage loans, as explained in Part B - Section 7 - of these Notes, of premium transactions and other potential liabilities;
- 48 million euro to strengthen the fund against losses on legal disputes;
- 22 million euro to increase the coverage of the reserve for other personnel costs, made up of 6 million euro to cover long-service bonuses to employees and 6 million euro to integrate the provisions established to balance the technical deficit of the Bank's employee pension fund for Istituto Bancario San Paolo di Torino employees.

Adjustments to loans and provisions for guarantees and commitments (caption 120)

Analysis of caption 120 "adjustments to loans and provisions for guarantees and commitments" (Table 5.1 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
a) Adjustments to loans	358	534	-33.0
<i>of which:</i>			
– general adjustments for country risk	6	13	-53.8
– other general adjustments	43	169	-74.6
b) Provisions for guarantees and commitments	67	9	n.s.
<i>of which:</i>			
– general provisions for country risk	-	-	-
– other general provisions	62	4	n.s.
Total	425	543	-21.7

Adjustments to loans include losses on transactions and disposals for 12 million euro.

In addition to the above adjustments, default interest of 117 million euro due during the year has been reversed from interest income.

Writebacks of adjustments to loans and provisions for guarantees and commitments (caption 130)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Revaluation of loans previously written down	42	86	-51.2
Revaluation of loans previously written off	-	1	-100.0
Revaluation of provisions for guarantees and commitments	7	1	n.s.
Collection of default interest previously written down	33	34	-2.9
Collection of loans previously written off	22	33	-33.3
Collection of loans principal previously written down	69	71	-2.8
Total	173	226	-23.5

Adjustments to financial fixed assets (caption 150)

Adjustments to investment securities

The writedowns recorded were mainly calculated on the negative trend in the conditions of solvency of borrowers in relation to securities or collaterals. The valuations also prudently consider the prices supplied by arrangers of issues.

Adjustments totaling 51 million euro mainly refer to the loss in value considered permanent of approximately 30 million euro, while the remaining adjustments were made merely to take into consideration market trend, in compliance with art. 18, subsection 1 of D.Lgs. 87/92.

Adjustments to equity investments

Adjustments to equity investments relate to the writedown of holdings in the following companies:

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Sanpaolo Imi International S.A.	134	-	n.s.
SCH S.A.	115	-	n.s.
West Bank S.A.	10	-	n.s.
Centradia Group Ltd	6	-	n.s.
Esaban S.p.A.	9	-	n.s.
GE.RI.CO. S.p.A.	8	1	n.s.
BNH	-	1,432	n.s.
Cassa di Risparmio di Firenze S.p.A.	-	21	n.s.
HDI Assicurazioni S.p.A.	-	1	n.s.
Sanpaolo Riscossioni Prato S.p.A.	-	1	n.s.
Giraglia Immobiliare S.p.A.	-	1	n.s.
Banca Agricola di Cerea S.p.A.	-	3	n.s.
IMMOCRI S.p.A.	-	1	n.s.
Other (former Cardine Banca)	-	10	n.s.
Total	282	1,471	n.s.

Specifically, it should be noted that:

- Santander Central Hispano, held directly by the Parent Bank, has been written down by 115 million euro to align it to the average book value of market quotations in the second half of 2002 (6.5 euro per share);
- Sanpaolo Imi International has been written down by 134 million euro to align it to the book value of the company's net equity, after the writedown in value of the shareholding held by SCH, applied using the same principles as the Parent Bank. The writedown of this investment totaled 177 million euro, of which 28 million euro refers to a decrease in the equity reserve for D.Lgs. 213/98 booked in 1998 for the fixed rate conversion to Euro and 15 million euro which was booked to reduce the specific provision for deferred taxation;
- the investment in West Bank S.A. was written down by 10 million euro, to align the book value to the net shareholders' equity of the company as of 31 December 2002, also taking into account the current reduction in value following the devaluation in the Romanian currency, being that of the investment;
- the value of the investments in the tax collection companies Esaban S.p.A. and Ge.Ri.Co. S.p.A. have been written down for a total of 17 million euro, to reflect the losses recorded by these companies in 2002, determined by the charges for restructurization of the Group's tax collection business;
- the investment in Centradia Group Ltd was written down to align the book value of the company to the market price of shares.

Adjustments to the value of commitments on investments

in the context of the purchase agreement for shares in West Bank S.A., the former Cardine Banca granted some shareholders a put option on their shares, for a unit price not lower than that set for the acquisition of the majority shareholding in West Bank by Cardine Banca.

Sanpaolo Imi has recorded a specific commitment to the financial statements for these put options.

Considering that the investment in West Bank S.A. was written down to reflect the reduction in equity value from the effect of the losses for the year and that the put options are valued at cost and eventually written down to reflect any permanent losses in value, the 31 December 2002 financial statements were adjusted by 5 million euro to reflect the proportionate value of the put options in respect of the write down of the investment.

Change in the reserve for general banking risks (caption 210)

As already indicated in Part B – Section 8 of the Explanatory Notes, the Reserve for General Banking Risks has been fully used amounting to 358 million euro (including the allocation of the merger goodwill from the incorporation of Cardine Banca).

This use has been made to cover the economic negative impacts occurred during the year, particularly the extraordinary ones, such as the significant adjustments to the equity investments and the fall in dividends, also taking account of the need to guarantee shareholders' dividend flow and to optimize the Group's tax position.

SECTION 6 - OTHER STATEMENT OF INCOME CAPTIONS

Dividends and other revenues (caption 30)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
On equity investments			
- Sanpaolo Imi Wealth Management S.p.A.	140	125	+12.0
- Banca Fideuram S.p.A.	101	128	-21.1
- Banca OPI S.p.A.	25	25	-
- Banque Sanpaolo S.A.	33	54	-38.9
- Cardine Finanziaria S.p.A.	39	-	n.s.
- Invesp S.p.A.	20	134	-85.1
- Sanpaolo Leasint S.p.A.	12	8	+50.0
- Finemiro Banca S.p.A.	6	9	-33.3
- Sanpaolo Imi Bank (International) S.A.	3	9	-66.7
- Cardine Banca S.p.A.	31	17	+82.4
- Cassa di Risparmio di Firenze S.p.A.	11	11	-
- Esatri S.p.A.	4	-	n.s.
- Cassa dei Risparmi di Forlì S.p.A.	3	-	n.s.
- BNH S.p.A.	-	1,161	n.s.
- Sanpaolo Imi International S.A.	-	69	n.s.
- CARISBO S.p.A.	-	49	n.s.
- CARIPARO S.p.A.	-	47	n.s.
- CARIVE S.p.A.	-	26	n.s.
- CRUP S.p.A.	-	11	n.s.
- Banca Popolare dell'Adriatico S.p.A.	-	12	n.s.
- CARIGO S.p.A.	-	4	n.s.
- FINCARDINE S.p.A.	-	9	n.s.
- CARDINE Leasing S.p.A.	-	3	n.s.
- NHS S.p.A.	-	27	n.s.
- Sanpaolo Imi Bank Ireland Plc	-	20	n.s.
- Banca Sanpaolo Invest S.p.A.	-	12	n.s.
- SCH S.A.	15	17	-11.8
- Banka Koper D.D.	2	-	n.s.
- other dividends received	39	44	-11.4
- tax credits	225	1,029	n.s.
Total	709	3,060	-76.8

Dividends for the year 2002 are not comparable to those in the prior year, because of the effect on the 2001 financial statements of the BNH S.p.A. dividend (1,814 million euro with tax credit), in respect of the operation to simplify the control chain of Banco di Napoli.

It must also be pointed out that the statement of income for the year 2002 does not include the dividends of the Cardine Group bank networks which in 2001 were recorded to the statement of income of Cardine Banca S.p.A..

From 2001 the Bank now books dividends from subsidiaries on an accruals basis. When applying this accounting principle, in accordance with CONSOB instructions, dividends from subsidiaries must be approved by the Boards of Directors and shareholders' meetings of the companies concerned, before the meetings of the Board of Directors and shareholders of the Parent Bank. The following table shows the dates on which the subsidiaries' boards approved the distribution of 2002 dividends to the Bank.

Dividends distributed by subsidiaries	31/12/02 (€/mil)	Board of Directors dates	Meetings dates
- Sanpaolo IMI Wealth Management S.p.A.	140	10-mar-03	11-apr-03
- Banca Fideuram S.p.A.	101	12-mar-03	28-apr-03
- Banca OPI S.p.A.	25	12-mar-02	11-apr-03
- Banque Sanpaolo S.A.	33	7-mar-03	11-apr-03
- Cardine Finanziaria S.p.A.	39	14-mar-03	18-apr-03
- Invesp S.p.A.	20	11-mar-03	11-apr-03
- Sanpaolo Leasint S.p.A.	12	10-mar-03	8-apr-03
- Finemiro Banca S.p.A.	6	11-mar-03	11-apr-03
- Sanpaolo Imi Bank (International) S.A.	3	3-mar-03	7-apr-03

Other operating income (caption 70)

Analysis of caption 70 "other operating income" (Table 6.1 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Expenses recovered from customers			
– stamp duties	113	121	-6.6
– other taxes	19	14	+35.7
– legal costs	7	7	-
– other recoveries	26	1	n.s.
Reimbursement of services rendered to third parties	71	79	-10.1
Property rental income	13	9	+44.4
Other income	8	34	-76.5
Total	257	265	-3.0

Other operating expenses (caption 110)

Analysis of caption 110 "other operating expenses" (Table 6.2 B.I.)

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Finance leasing charges	5	8	-37.5
Other expenses	-	3	n.s.
Total	5	11	-54.5

Extraordinary income (caption 180)*Analysis of caption 180 "extraordinary income" (Table 6.3 B.I.)*

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Out-of-period income			
- use of reserves in excess	100	-	n.s.
- disposal of derivative contracts connected with shareholdings (a)	96	-	n.s.
- other	124	175	-29.1
Dividends received from subsidiaries (including tax credit)	24	-	n.s.
- Banque Sanpaolo	13	-	n.s.
- Banca Sanpaolo Invest S.p.A.	11	-	n.s.
- Other	-	-	n.s.
Gains on transfer/disposal of company branches	14	6	+133.3
Gains on disposal of:			
- financial fixed assets – equity investments (b)	107	17	n.s.
- financial fixed assets – investment securities	5	9	-44.4
- tangible fixed assets	26	3	n.s.
- own shares in portfolio	-	30	n.s.
Total	496	240	+106.7

(a) disposal of derivative contracts connected with the shareholding in Banca Agricola Mantovana, the investment of which was disposed of at the same time, booking losses for the same amount.

(b) detail of the utilization of gains from the sale of shareholdings is provided in Part B, Section 3 of these notes.

Extraordinary expense (caption 190)*Analysis of caption 190 "extraordinary expense" (detail 6.4 B.I.)*

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Severance bonus incentive for voluntary redundancy	15	29	-48.3
Other out-of-period expenses	42	176	-76.1
Losses on disposal of:			
- financial fixed assets – equity investments (a)	96	2	n.s.
- financial fixed assets – investment securities (b)	7	9	-22.2
Registration tax on the IMI – SIR sentence	-	17	n.s.
Total	160	233	-31.3

(a) the amount refers to the loss relating to the disposal to Banca Imi of the shareholding in Banca Agricola Mantovana; the derivative contracts connected with the shareholding were disposed of at the same time, generating a profit for the same amount.

(b) this caption includes 4 million euro referring to charges in relation to the closure of derivative contracts to cover investment securities.

Income taxes for the period (caption 220)

Analysis of caption 220 "Income taxes for the period" (Table 6.5 B.I.)

	€/mil
1. Current taxes	902
2. Change in deferred tax assets	440
3. Change in deferred tax liabilities	-932
4. Income taxes for the period	410

Current income taxes include the tax charges for the year (approximately 7 million euro), substitute tax relating to the unfreezing of the portion of merger deficit arising from the merger of Banco di Napoli, which was not recognized for tax purposes (approximately 362 million euro).

This tax, totaling around 69 million euro, will be booked to the statement of income over a period consistent with the amortization of the Banco di Napoli merger deficit (10 years); this in compliance with the Bank of Italy decisions expressed in its Letter number 9426 of 27 July 2000.

	31/12/02 (€/mil)	31/12/01 pro forma (€/mil)	Change %
Current income taxes and charges from possible fiscal disputes	884	603	+46.6
Substitute tax on merger deficit (quota for the year)	7	-	n.s.
Local taxes applicable to foreign branches	11	16	-31.3
Total current income taxes and charges from possible fiscal disputes	902	619	+45.7
Deferred tax assets that reversed during the year and other reductions	869	291	+198.6
Deferred tax assets that arose during the year and other increases	-429	-680	-36.9
Deferred taxes on dividends matured in 2002	185	1,003	-81.6
Decrease in deferred taxes on dividends matured in 2001	-1,007	-	n.s.
Use of the deferred tax reserve on the Reserve for general banking risks	-110	-4	n.s.
Total income taxes for the period (*)	410	1,229	-66.6

(*) The 2001 figures differ by 250 million euro to those recorded to the official and reclassified pro forma schedules, as an effect of relevant adjustments made to the pro forma schedules.

Reconciliation	Taxes	%
Income taxes at standard rate	479	40.75%
Increases in taxes		
Substitute tax on Banco di Napoli merger deficit	7	0.6%
Non-deductible costs (ICI, personnel costs, etc.)	26	2.2%
Adjustment to accrual for tax litigation	13	1.1%
Adjustment to tax rate for determining tax asset	2	0.2%
Higher tax base and rate for the regional tax on business activities (*)	60	5.1%
Decreases in taxes		
Use of the deferred tax reserve on the Reserve for general banking risks	-110	-9.4%
Tax exempt utilization of Reserve for general banking risks	-28	-2.4%
Foreign dividends taxed at a lower rate	-11	-0.9%
Gains subject to special rate (19%)	-6	-0.5%
Income subject to special rate (12.5%)	-5	-0.5%
Other changes	-17	-1.4%
Total changes in taxes	-69	-5.9%
Income taxes shown in statement of income	410	34.9%

(*) The actual rate for the regional tax on business activities is approximately 5% and includes the increase of 4.75% in the ordinary rate established by some regions (Lazio, Lombardy, Marches and Sicily).

SECTION 7 - OTHER INFORMATION ON THE STATEMENT OF INCOME

Other information provided below regarding the statement of income covers the geographical distribution of the Bank's revenues and transactions with companies of the SANPAOLO IMI Group and with other non-Group companies.

Geographical distribution of revenues

The geographical distribution of the Bank's revenues, based on the location of branches, is as follows:

(detail 7.1 B.I.) €/mil

	31/12/02				31/12/01 pro forma			
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total
Interest income and similar revenues	4,679	404	280	5,363	5,322	804	676	6,802
Dividends and other revenues	709	-	-	709	3,060	-	-	3,060
Commission income	1,590	23	17	1,630	1,625	28	26	1,679
Profits (losses) on financial transactions	43	1	-	44	74	6	6	86
Other operating income	255	2	2	259	263	2	-	265
Total	7,276	430	299	8,005	10,344	840	708	11,892

Income and charges arising from transactions with Group companies and non-Group companies

Income and expenses arising from transactions with companies of the SANPAOLO IMI Group, as defined in article 4 of Decree 87/92, are detailed below, together with those relating to non-Group companies:

€/mil

	31/12/02			31/12/01 pro forma		
	Group companies	Non-Group companies	Total	Group companies	Non-Group companies	Total
Income						
– interest income and similar revenues	648	66	714	425	41	466
– dividends and other revenues	534	15	549	2,669	83	2,752
– commission income	624	1	625	599	-	599
– other operating income	65	2	67	34	1	35
– extraordinary income (dividends)	25	-	25	433	-	433
Total	1,896	84	1,980	4,160	125	4,285
Expenses						
– interest expense and similar charges	711	44	755	552	123	675
– commission expense	6	-	6	1	-	1
– other operating expenses	52	-	52	14	-	14
Total	769	44	813	567	123	690

Assets and liabilities outstanding at 2002 year end in relation to Group companies and non-Group companies are indicated in Part B, Section 3 of these notes.

Part D - Other information

SECTION 1 - DIRECTORS AND STATUTORY AUDITORS

Remuneration

The annual remuneration of the Directors and the Statutory Auditors of the Bank is reported below:

(Table 1.1 B.I.)

	31/12/02 (€/mil)	31/12/01 (€/mil)	Change %
a) Directors (*)	8	5	n.s.
b) Statutory Auditors (*)	1	-	n.s.

() Including remuneration pertaining to companies merged during the year.*

In compliance with article 78 of CONSOB resolution no. 11971 of 14/5/99, we provide below the detail of the remuneration pertaining to 2002 paid to Directors, Statutory Auditors and General Managers.

Considering the termination of the appointments following the merger by incorporation of Banco di Napoli S.p.A., which was previously required to provide information in compliance with art. 78 of CONSOB resolution no. 11971, detail of remuneration paid to Directors and Statutory Auditors of the incorporated bank is provided in a separate table.

COMPENSATION OF DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS

(pursuant to Article 78 of Consob Resolution 11971 of 14 May 1999, amended by CONSOB resolution 13616 of 12 June 2002)

Surname and name	Description of office	Office		Compensation (thousands of euro)			
		Period in office	Expiry of office (*)	Remuneration for the office in the company that prepares the financial statements	Non-monetary benefits	Bonuses and other incentives (1)	Other compensation (2)
Directors							
MASERA Rainer Stefano	Chairman of the Board of Directors (3)	1.1.02-31.12.02	2003	656	13	400	(a)
ROSSI Orazio	Deputy Chairman of the Board of Directors (3)	5.3.02-31.12.02	2003	86	-	-	315
SALZA Enrico	Deputy Chairman of the Board of Directors (3)	1.1.02-31.12.02	2003	112	-	124	27
BUSSOLOTTO Pio	Managing Director (3)	5.3.02-31.12.02	2003	507	-	413	(b)
IOZZO Alfonso	Managing Director (3)	1.1.02-31.12.02	2003	656	-	413	(c)
MARANZANA Luigi	Managing Director (3)	1.1.02-31.12.02	2003	656	-	413	(d)
BOUILLOT Isabelle	Director	5.3.02-31.12.02	2003	47	-	-	26
CARMI Alberto	Director	1.1.02-31.12.02	2003	62	-	93	-
FONTANA Giuseppe	Director	1.1.02-31.12.02	2003	82	-	116	62
GALATERI DI GENOLA E SUNIGLIA Gabriele	Director (3)	1.1.02-31.12.02	2003	71	-	116	26
GARDNER Richard	Director	1.1.02-31.12.02	2003	60	-	47	-
MANULI Mario	Director	1.1.02-31.12.02	2003	65	-	70	-
MARRONE Virgilio	Director (3)	1.1.02-31.12.02	2003	(e)	-	(e)	-
MATUTES Abel	Director	1.1.02-31.12.02	2003	59	-	47	-
MIHALICH Iti	Director (3)	1.1.02-31.12.02	2003	92	-	116	27
OTTOLENGHI Emilio	Director	1.1.02-31.12.02	2003	63	-	109	98
SACCHI MORSIANI Gian Guido	Director	5.3.02-31.12.02	2003	53	-	-	304
VERMEIREN Remi François	Director	1.1.02-31.12.02	2003	56	-	8	-
ARCUTI Luigi	Honorary Chairman (4)			-	-	47	-
ALBANI CASTELBARCO VISCONTI Carlo	Director (4)		30.04.01	-	-	39	-
BOTIN Emilio	Director (4)		30.04.01	-	-	8	-
INCIARTE Juan Rodriguez	Director (4)		30.04.01	-	-	47	-
MASINI Mario	Director (4)		30.04.01	-	-	47	-
SCLAVI Antonio	Director (4)		30.04.01	-	-	31	-
VERCELLI Alessandro	Director (4)		30.04.01	-	-	23	-
Statutory Auditors							
PAOLILLO Mario	Chairman of Statutory Auditors	1.1.02-31.12.02	2004	105	-	-	240
BENEDETTI Aureliano	Statutory Auditor	1.1.02-31.12.02	2004	69	-	-	116
DALLOCCCHIO Maurizio	Statutory Auditor	1.1.02-31.12.02	2004	71	-	-	21
MAZZI Paolo	Statutory Auditor	30.4.02-31.12.02	2004	50	-	-	-
VITALI Enrico	Statutory Auditor	30.4.02-31.12.02	2004	46	-	-	-
MIGLIETTA Angelo	Statutory Auditor	1.1.02 - 30.4.02		23	-	-	98
RAGAZZONI Ruggero	Statutory Auditor	1.1.02 - 30.4.02		23	-	-	78

(*) Date of Shareholders' meeting called to approve the financial statements for the year.

(1) This includes

- for the Chairman and Managing Directors, the variable part of the emolument for 2002, as decided by the Board of Directors on 4/3/2003;
- for the Directors, the emolument corresponding to the profit for the year 2001 of € 1,203,000 divided proportionally to their presence at meetings held during the year, on the basis of a motion of the Board of Directors following the approval of the financial statements for 2001. For the year 2002, the amount due calculated according to Group results totals € 889,000. Since the distribution to each member will be made after the Shareholders' meeting to approve the 2002 financial statements, such consideration will be reported in the relevant table attached to the financial statements for the year 2003.

(2) Emoluments matured with SANPAOLO IMI S.p.A. subsidiary companies from the date of commencement of office and emoluments from the former Cardine Group of companies matured from the date of the merger (1/6/2002)

(3) Members of the Executive Committee. Mr. Galateri di Genola e Suniglia, Director, resigned from his office as Member of the Executive Committee on 9/7/2002. On the same date, the Board of Directors appointed Virgilio Marrone, Director, to Membership of that Committee.

(4) Members of the Board of Directors stepping down from office in 2001 for whom only the portion relating to the bonus for 2001 is shown.

(a) € 29,000 paid to SANPAOLO IMI SpA.

(b) € 438,000 paid to SANPAOLO IMI SpA.

(c) € 75,000 paid to SANPAOLO IMI SpA.

(d) € 184,000 paid to SANPAOLO IMI SpA.

(e) € 83,000 in emoluments of office and € 116,000 in bonus and other incentives paid to IFI SpA.

COMPENSATION OF DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS – LEAVING BANCO DI NAPOLI S.p.A.

Surname and name	Description of office	Office		Compensation (thousands of euro)			
		Period in office	Expiry of office	Remuneration for the office in the company that prepares the financial statements	Non-monetary benefits	Bonuses and other incentives (1)	Other compensation
Directors							
PEPE Federico	Chairman of the Board of Directors	1.1.2002-31.12.2002	31.12.2002	576	-	247 (a)	-
SERAFINO Vittorio	Managing Director	1.1.2002-31.12.2002	31.12.2002	(b)	-	-	-
	Director	1.1.2002-31.12.2002	31.12.2002	(b)	-	-	-
GUARINO Giuseppe	Director	1.1.2002-31.12.2002	31.12.2002	38	-	-	-
IOZZO Alfonso	Director	1.1.2002-31.12.2002	31.12.2002	(c)	-	-	-
MARANZANA Luigi	Director	1.1.2002-12.3.2002	12.3.2002	(d)	-	-	-
MONTAGNESE Maurizio	Director	12.3.2002-31.12.2002	31.12.2002	(e)	-	-	-
PICCA Bruno	Director	1.1.2002-31.12.2002	31.12.2002	(f)	-	-	-
ZODDA Augusto	Director	1.1.2002-31.12.2002	31.12.2002	38	-	-	-

Statutory Auditors

ORIOLO Giancarlo	Chairman of Statutory Auditors	1.1.2002-31.12.2002		31.12.2002	59	-	-	-
SCIBETTA Sergio	Statutory Auditor	1.1.2002-31.12.2002		31.12.2002	39	-	-	-
VILLARI Carlo	Statutory Auditor	1.1.2002-31.12.2002		31.12.2002	36	-	-	-
CODACCI PISANELLI Vito	Statutory Auditor	1.1.2002-31.12.2002		31.12.2002	1	-	-	-
GRIMALDI Gian Paolo	Statutory Auditor	1.1.2002-31.12.2002		31.12.2002	1	-	-	-

(1) This includes the bonus payable to the Chairman of the Board of Directors for the year 2001, which was paid in full and charged to 2002.

(a) Furthermore, a variable emolument of € 154,000 was assessed for 2002.

(b) € 300,000 collected as Managing Director and € 36,000 as Director was paid to SANPAOLO IMI S.p.A.

(c) The emoluments have been deposited with SANPAOLO IMI S.p.A. and are reported in the footer to the table relating to the compensation received as Managing Director of SANPAOLO IMI S.p.A.

(d) The emoluments have been deposited with SANPAOLO IMI S.p.A. and are reported in the footer to the table relating to the compensation received as Managing Director of SANPAOLO IMI S.p.A.

(e) € 29,000 collected as Director was paid to SANPAOLO IMI S.p.A.

(f) € 37,000 collected as Director was paid to SANPAOLO IMI S.p.A.

In compliance with CONSOB resolution no. 11971 of 14 May 1999, it is hereby noted that the Directors and Chairman of the Bank enjoyed the benefits of the following stock option plans:

- 1999/2001 Plan: within the scope of this plan, each Managing Director (Mr. Rainer Stefano MASERA and Mr. Luigi MARANZANA) received 370,000 rights to subscribe the Bank's shares at a price of 12.396 euro per share, with the right to exercise one third from 2000, one third from 2001 and the remaining third from 2002 and not after 31 March 2003. The latter term was deferred to 31 March 2004 by the Board of Directors meeting of 30 July 2002;
- 2000 Plan: within the scope of this plan, each Managing Director (Mr. Rainer Stefano MASERA and Mr. Luigi MARANZANA), received 188,285 rights to subscribe the Bank's shares at a price of 16.45573 euro per share, with the right to exercise such rights from 2003 until 31 March 2005.

During 2002, on the basis of the power of attorney conferred by the Ordinary Shareholders' meeting of 30 April 2002 to utilize own shares for such plan, the Board of Directors of the Bank passed a stock option plan for the Chairman and Managing Directors for the three year period 2001-2003. On the basis of this plan, Mr. Rainer Stefano MASERA, Mr. Alfonso IOZZO and Mr. Luigi MARANZANA were assigned 450,000 fixed rights for the three year period 2001-2003, plus another 150,000 rights for each three year period, on condition that (in the 30 days prior to the date of the Shareholders' meeting to approve the 2003 financial statements) the stock reaches an average price of 20 euro. Mr. Pio BUSSOLOTTO was assigned 300,000 fixed rights for the three year period 2001-2003, with the possibility to increase them of 100,000 under the same conditions.

These rights can be exercised at the end of the 2001/2003 three year period, at a price of 12.6244 euro per share on detachment of the dividend relating to the year 2003 and not after 31 March 2006.

To implement this stock option plan, a proposal will be made to the Shareholders' meeting called to approve the 2002 financial statements, to authorize the purchase of own shares, as specified in the next point on the agenda.

Additional and more detailed information on these plans are contained in the Report on operations, as recommended by CONSOB.

The following table shows the stock options assigned to the Directors and General Managers on the basis of Attachment 3C – Schedule 2, of Consob resolution no. 13616 dated 12 June 2002.

Name and surname	Description of office (*)	Options at the beginning of the year			Options assigned during the year			Expired or exercised options (**)	Options at the end of the year		
		Number of options	Average exercise price	Expiry	Number of options	Average exercise price	Expiry		Number of options	Average exercise price	Expiry
Plan 1999/2001				by 31-03-2004						by 31-03-2004	
MASERA Rainer Stefano	Managing Director	123,334	12.396					-	123,334	12.396	
MARANZANA Luigi	Managing Director	370,000	12.396					-	370,000	12.396	
Plan 2000				from March 03 to 31/3/05						from March 03 to 31/3/05	
MASERA Rainer Stefano	Managing Director	188,285	16.45573						188,285	16.45573	
MARANZANA Luigi	Managing Director	188,285	16.45573						188,285	16.45573	
Plan 2001/2003							da maggio 04 a 31/3/06			da maggio 04 a 31/3/06	
MASERA Rainer Stefano	Chairman				450,000	12.6244			450,000	12.6244	
BUSSOLOTTO Pio	Managing Director				300,000	12.6244			300,000	12.6244	
IOZZO Alfonso	Managing Director				450,000	12.6244			450,000	12.6244	
MARANZANA Luigi	Managing Director				450,000	12.6244			450,000	12.6244	

(*) Description of office at the moment rights are assigned.

(**) Options expired or exercised during 2002.

Loans and guarantees given

(Table 1.2 B.I.)

	31/12/02 (€/mil)	31/12/01 Sanpaolo Imi (€/mil)	Change %
a) Directors	39	44	n.s.
b) Statutory Auditors	-	-	n.s.

The amounts indicated above include loans granted to and guarantees given by the Bank to the Directors and Statutory Auditors, for 0.1 million euro, and to companies and banks identified pursuant to article 136 of the Consolidated Banking Act, for 38.7 million euro, including the draw down against credit lines granted to the latter.

In accordance with the recommendations of the Code of Conduct for Listed Companies promoted by Borsa Italiana S.p.A., a list is provided below of the offices held by Directors or Statutory Auditors of the Board of Directors of SANPAOLO IMI in other companies listed on regulated markets (even abroad), in financial institutions, banks, insurance companies or other significantly large companies.

DIRECTOR	OFFICE	COMPANY
Dott. Rainer MASERA	Chairman Member of the Board of Directors	Sanpaolo Imi International S.A. BEI - European Investment Bank
M.me Isabelle BOUILLOT	President du Directoire President of the Supervisory Board President President of the Supervisory Board Member of the Supervisory Board President Member of the Supervisory Board Administrator Member of the Supervisory Board Member of the Board Member of the Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Board Member of the Supervisory Board Administrator President of the Board	CDC Finance – CDC Ixis S.A. CDC Ixis Financial Guaranty Holding S.A. CDC Ixis Financial Guaranty North America Inc. CDC Ixis Capital Markets S.A. CDC Ixis Securities S.A. CDC Ixis North America CDC Ixis Asset Management S.A. CDC Ixis AM US Corporation CDC Ixis Private Capital Management S.A. CDC Ixis Private Equity S.A. CDC Ixis Immo S.A. CDC Ixis Italia Holding S.A. Accor Caisse Nationale des Caisses d'Epargne Compagnie de Saint Gobain CNP Assurances Compagnie Financière Eulia S.A. Société de Gestion de CDC Euro Obligations
Pio BUSSOLOTTO	Managing Director Managing Director Director	Cardine Finanziaria S.p.A. Cassa di Risparmio di Padova e Rovigo S.p.A. Sanpaolo Imi International S.A.
Alberto CARMI	/	/
Giuseppe FONTANA	Director	Banca Popolare di Sondrio
Gabriele GALATERI di GENOLA e SUNIGLIA	Director Director Director Managing Partner Director Director Director Director Director Director	Accor S.A. Birra Peroni Industriale S.p.A. Cassa di Risparmio di Savigliano S.p.A. Giovanni Agnelli e C. S.a.p.a.z. Fiat S.p.A. IFI S.p.A. Sanpaolo Imi Investments So.par.fi. Sifalberghi S.r.l. Toro Assicurazioni S.p.A. Worms & Cie
Richard GARDNER	/	/
Alfonso IOZZO	Director Director Director (Supervisory Board)	Sanpaolo Imi International S.A. NHS Mezzogiorno SGR S.p.A. CDC Finance - CDC Ixis S.A.
Mario MANULI	Managing Director Deputy Chairman and Managing Director Director Director	Manuli Rubber Industries S.p.A. Manuli Packaging S.p.A. Terme di Saturnia S.r.l. Web Equity S.p.A.
Luigi MARANZANA	Chairman Director Director Director	Sanpaolo Imi Wealth Management S.p.A. Banca Imi S.p.A. Sanpaolo Imi International S.A. Sanpaolo Imi Internazionale S.p.A.
Virgilio MARRONE	Director	Fiat S.p.A.
Abel MATUTES	/	/

DIRECTOR	OFFICE	COMPANY
Iti MIHALICH	Director Director Deputy Chairman Director Managing Director Director Director Director Director Director Director Director Director Chairman Director Director Director	Acì Global S.p.A. Agemut Sociedad de Agencia de Seguros de Mutral Ala Service S.p.A. Banca Reale S.p.A. Italiana Assicurazioni S.p.A. La Piemontese Assicurazioni S.p.A. La Piemontese Vita S.p.A. Reale Asistencia - Compania de Seguros S.A. Reale Autos y Seguros Generales S.A. Reale Immobili Reale Sum - Agrupacion de Interes Economico Reale Vida S.A. Rem Assicurazioni S.p.A. Immobiliaria Grupo Asegurador Reale S.A. Rem Vie S.A. Sara Assicurazioni S.p.A. Sara Vita S.p.A. Reale Mutua di Assicurazioni
Emilio OTTOLENGHI	Director Director Managing Director Director (Supervisory Board) Chairman	Sanpaolo Imi International S.A. Autostrade S.p.A. La Petrolifera Italo Rumena S.p.A. Solving International VIS S.p.A.
Orazio ROSSI	Chairman Chairman Chairman Member of the Board of Directors Member of the Board of Directors Member of the Board of Directors	Cardine Finanziaria S.p.A. Cassa di Risparmio di Padova e Rovigo S.p.A. Sanpaolo Imi Internazionale S.p.A. Cassa di Risparmio di Udine e Pordenone S.p.A. Sanpaolo Imi International S.A. Eptaconsors S.p.A.
Avv. Gian Guido SACCHI MORSIANI	Chairman Deputy Chairman Deputy Chairman Deputy Chairman Deputy Chairman substitute Director	Cassa di Risparmio in Bologna S.p.A. Eptaconsors S.p.A. Cardine Finanziaria S.p.A. GE.RI.CO. S.p.A. Finemiro Banca S.p.A. Cassa di Risparmio di Venezia S.p.A.
Enrico SALZA	Managing Director Director Director	Tecnoholding S.p.A. Sanpaolo Imi International S.p.A. Thera It Global Company
Remi François VERMEIREN	Chairman President of the Executive Committee	KBC Bank KBC Bank and Insurance Holding Company

SECTION 2 - PARENT BANK

2.1 – Company name

SANPAOLO IMI S.p.A.

2.2 – Head office

Piazza San Carlo, 156
10121 Turin

Secondary offices

Viale dell'Arte 25, Rome, Italy
00144 Rome

Via Farini, 22
40124 Bologna

Italian Bankers Association registry number: 1025/6

Attachments

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

STATEMENT OF CASH FLOWS

LIST OF PROPERTIES OWNED BY THE BANK

Statement of changes in consolidated shareholders' equity

	capital	legal reserve	additional paid-in capital	extraor- dinary reserve	unrestrict- ed reserve for the acquisition of own shares	restricted reserve for the acquisition of own shares	reserve ex art. 13 c. 6 D.Lgs. 124/93	reserve art. 7 sub. 3 L. 218/90	merger surplus	reserve Law 169/83	reserve D.Lgs. 213/98	reserve D.Lgs. 153/99	reserve for general banking risks	income for the period	Total
Shareholders' equity as of 1 January 2002	3,932	792	22	58	706	294	3	80	-	11	42	641	336	1,184	8,101
Allocation of 2001 net income:															
- extraordinary reserve				409										-409	-
- reserve ex art. 13 c. 6 D.Lgs. 124/93							1							-1	-
- dividends distributed														-773	-773
Acquisition of own shares					-250	250									-
Cardine merger effects															
- Share capital increase by exchange	1,212														1,212
- Assignment of own shares in exchange						-544									-544
- Merger surplus by exchange								1,582							1,582
Allocation of merger goodwill		142	689	516					-1,582			213	22		-
Use of reserve for general banking risks													-358		-358
Proportionate writedown of Sanpaolo IMI Int.											-28				-28
Increase in legal reserve		95	-4					-80		-11					-
Income for the period as of 31 December 2002														764	764
Shareholders' equity as of 31 December 2002	5,144	1,029	708	983	456	-	4	-	-	-	14	854	-	764	9,956

€/mil

Statement of cash flows

€/mil

APPLICATION OF FUNDS

Use of funds generated by operations	1,274
SPIMI and Cardine dividends paid	1,064
Use of reserves for termination indemnities and pensions	63
Use of provisions for risks and charges	147

Increase in funds applied	841
Cash	177
Loans due from banks	563
Intangible fixed assets	34
Tangible fixed assets	67

Decrease in funds taken	11,198
Payables due to banks	5,364
Customer deposits and securities issued	4,987
Purchase of own shares and cancellation of Cardine Banca net equity	428
Other liabilities	419

Total	13,313
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€/mil

SOURCES OF FUNDS

Funds generated by operations	2,100
Net income for the period	764
Provisions for employee termination indemnities	67
Net adjustments to loans and provisions for guarantees and commitments	251
Provisions for risks and charges	151
Adjustments to tangible and intangible fixed assets	534
Net adjustments to financial fixed assets	333
Increase in funds taken	780
Subordinated liabilities	780
Decrease in funds applied	10,433
Loans to customers	2,857
Equity investments	51
Investment securities	2,481
Dealing securities	1,470
Other assets	3,574
Total	13,313

LIST OF PROPERTIES OWNED BY THE BANK

LOCATION	Sq.m.	COST	REVALUATIONS (*)	GROSS BOOK VALUE	ADJUSTMENTS	NET BOOK VALUE
ACERRA Corso Italia 67/75	371	174,093	187,426	361,519	56,686	304,833
ACERRA Via Duomo 56	190	5,878	185,408	191,286	45,791	145,495
ACQUAVIVA DELLE FONTI Via Maselli Campagna 19	298	44,272	337,763	382,035	91,457	290,578
ACQUI TERME Piazza Italia 10	2,105	849,412	2,033,539	2,882,951	1,422,887	1,460,064
AGNADELLO Piazza della Chiesa 5/15	199	57,439	181,033	238,472	99,692	138,780
AIROLA Piazza della Vittoria 19/20	150	4,990	191,089	196,079	46,944	149,135
ALASSIO Via Don Bosco 2	1,031	197,019	2,764,136	2,961,155	1,293,624	1,667,531
ALBA Piazza Savona 1	1,078	363,447	1,750,827	2,114,274	1,020,770	1,093,504
ALBA Via Cuneo 9 ang. Vic. San Biagio	54	4,132	36,637	40,769	20,973	19,796
ALBA ADRIATICA Via della Vittoria 119	270	53,411	344,477	397,888	95,268	302,620
ALBENGA Fil. 1 Via Genova 86	70	38,044	142,126	180,170	57,336	122,834
ALBENGA Via Valle d'Aosta 6	1,400	2,857,520	-	2,857,520	938,637	1,918,883
ALBESE Via Vittorio Veneto 6/a	262	27,531	343,585	371,116	140,478	230,638
ALBINO Via Mazzini 182	982	1,125,876	491,047	1,616,923	503,784	1,113,139
ALESSANDRIA Fil. 1 Corso Roma 17/19	1,386	361,391	2,337,334	2,698,725	908,440	1,790,285
ALESSANDRIA P.zza Garibaldi 57/58 / Via Savona	5,670	4,702,421	4,308,845	9,011,266	3,998,402	5,012,864
ALEZIO Via S. Senape de Pace 52	118	3,636	143,575	147,211	35,245	111,966
ALMENNO SAN BARTOLOMEO Via Martiri della Libertà	456	383,874	315,395	699,269	446,219	253,050
ALPIGNANO Via Mazzini 5	1,366	1,048,209	1,044,667	2,092,876	1,322,278	770,598
ALTAMURA P.zza Unità d'Italia 22/23	210	10,384	273,722	284,106	68,013	216,093
ANACAPRI Via G. Orlandi 150	115	2,891	490,634	493,525	118,118	375,407
ANCONA Corso Garibaldi 15	266	19,470	409,034	428,504	-	428,504
ANCONA Via Montebello 49/63	2,270	1,749,595	2,024,756	3,774,351	1,868,450	1,905,901
ANDRIA Via Cavour 112	320	22,628	504,062	526,690	126,046	400,644
ANTEY ST. ANDRE' Via Grandi Mulini S.S. 40	94	30,833	90,431	121,264	59,814	61,450
AOSTA Fil. 1 Corso Battaglione Aosta 65	706	247,085	912,346	1,159,431	542,781	616,650
AOSTA Sede Piazza Chanoux 38 / Via del Collegio 2	2,760	1,505,626	5,147,213	6,652,839	2,685,000	3,967,839
APPIANO GENTILE Via Volta 14	278	106,358	300,541	406,899	155,633	251,266
ARCONATE Piazza Libertà 1	589	58,567	697,808	756,375	289,377	466,998
ARENA PO Via Roma 10	360	225,860	108,316	334,176	148,185	185,991
AREZZO via Mecenate 2	2,368	280,242	-	280,242	32,895	247,347
ARREGNO Via Lungotelo di Destra 6	118	20,669	97,819	118,488	51,447	67,041
ARONA Corso Repubblica 1	1,021	456,387	1,562,959	2,019,346	981,647	1,037,699
ARQUATA SCRIVIA Via Libarna 211	490	148,512	401,501	550,013	253,072	296,941
ARZANO Via Rimini 6	488	569,593	351,353	920,946	535,345	385,601
ARZANO Via V. Emanuele 205	2,600	687,425	2,209,919	2,897,344	693,493	2,203,851
ASCOLI PICENO Via Napoli / Via 3 Ottobre	795	59,531	1,045,825	1,105,356	264,407	840,949
ASCOLI SATRIANO P.zza Cecco d'Ascoli 25/ab	138	136,343	34,088	170,431	26,724	143,707
ASTI Via C. Battisti 3 / C. Dante 6	1,712	1,536,137	2,809,100	4,345,237	1,895,407	2,449,830
ATRIPALDA Piazza Umberto I 15/13	150	2,401	204,000	206,401	49,425	156,976
AVELLINO Via del Gaizo 10	45	-	72,304	72,304	17,299	55,005
AVELLINO Via Dorso 2	314	27,079	634,209	661,288	158,217	503,071
AVELLINO Via Due Principati	1,137	797,371	808,810	1,606,181	251,849	1,354,332
AVELLINO Via Duomo 12/13	165	-	242,735	242,735	58,071	184,664
AVELLINO Via F. De Santis 2 / Via Due Principati	2,440	134,590	4,704,406	4,838,996	1,157,893	3,681,103
AVELLINO Via Guarini 40 / Via De Concillis 14	942	1,365,834	339,923	1,705,757	614,296	1,091,461
AVELLINO Via Mancini / Partenio	1,428	2,348	1,029,918	1,032,266	-	1,032,266
AVERSA Piazza Magenta 35/40	895	35,856	1,606,697	1,642,553	393,153	1,249,400
AVEZZANO Via Vittorio Veneto	482	19,333	693,602	712,935	170,627	542,308
AVIGLIANA Corso Torino 158	1,439	992,880	1,834,966	2,827,846	1,699,709	1,128,137
AZZANELLO Via A. Valcarengghi 10	187	340	120,867	121,207	44,630	76,577
BARDONECCHIA Via Medail 53	508	156,949	826,849	983,798	488,774	495,024
BARI C.so Sonnino 134 / Via Gorizia	238	50,594	507,161	557,755	133,337	424,418
BARI Fil. 1 Via Amendola 168/5	1,647	102,845	-	102,845	18,512	84,333
BARI Via Abate Gimma 101	11,863	4,644,838	17,562,633	22,207,471	5,310,580	16,896,891
BARI Via De Rossi 51-53	509	172,595	458,011	630,606	307,408	323,198
BARI Via Giovanni XXXIII 261	292	259,589	267,198	526,787	82,600	444,187
BARI Via V. Roppo 76	150	86,858	62,915	149,773	23,484	126,289
BARI Viale Unità d'Italia 82	541	373,263	597,676	970,939	152,243	818,696
BARLETTA Corso Garibaldi 123	2,355	65,249	4,020,101	4,085,350	960,062	3,125,288
BATTIPAGLIA Via Roma 80/84	2,232	100,012	2,089,585	2,189,597	524,090	1,665,507
BELGIOIOSO Via XX Settembre 30	220	377,014	-	377,014	79,015	297,999
BELLAGIO Lungo Lario Manzoni 32/34	413	58,377	682,962	741,339	279,656	461,683

(*) L. 19/12/73 n. 823; L. 2/12/75 n. 576; L. 19/03/83 n. 72; L. 30/07/90 n. 218; L. 29/12/90 n. 408; L. 30/12/91 n. 413; others

LOCATION	Sq.m.	COST	REVALUATIONS (*)	GROSS BOOK VALUE	ADJUSTMENTS	NET BOOK VALUE
BENEVENTO Corso Garibaldi 112	1,963	87,912	3,403,451	3,491,363	835,440	2,655,923
BENEVENTO Via Atlantici 47	173	18,199	113,621	131,820	31,545	100,275
BERGAMO Fil. 13 Sede Via XX Settembre 57	3,113	439,999	7,926,401	8,366,400	3,854,294	4,512,106
BERGAMO Fil. 4 Via S. Bernardino 72/d	772	57,423	1,252,893	1,310,316	551,073	759,243
BERGAMO Fil. 5 Via Suardi 85/87	1,060	467,508	1,233,039	1,700,547	740,903	959,644
BERGAMO Fil. 6 Via Statuto 18	339	46,226	530,697	576,923	220,348	356,575
BERGAMO Sede Via Camozzi 27 / Piazza Cavour 9	8,166	9,379,905	14,300,568	23,680,473	9,031,606	14,648,867
BERGAMO Via Stendhal 5 / Via Campagnola	6,645	186,728	-	186,728	26,983	159,745
BIBIONE PINEDA Viale dei Ginepri	133	8,259	79,654	87,913	30,498	57,415
BIELLA Fil. 1 Via Cottolengo	475	435,655	55,625	491,280	184,651	306,629
BIELLA Via G. Marconi 9	2,443	268,104	3,006,845	3,274,949	1,123,420	2,151,529
BIELLA Via Lamarmora / Torino / Delleani	314	570,829	-	570,829	68,500	502,329
BISCEGLIE Via De Gasperi 246	295	9,498	483,920	493,418	118,094	375,324
BISTAGNO Corso Italia 46	253	23,116	209,617	232,733	105,793	126,940
BITONTO Piazza Marconi 59/61	275	18,799	402,320	421,119	100,806	320,313
BOLLATE Via Vittorio Veneto 2	801	304,750	1,098,518	1,403,268	524,483	878,785
BOLOGNA Palazzo Guinizzelli	10,780	8,377,087	14,216,835	22,593,922	10,831,168	11,762,754
BOLOGNA Piazza San Francesco	575	175,457	552,609	728,066	435,253	292,813
BOLOGNA Via Brugnoli Grimaldi	1,202	53,899	1,272,238	1,326,137	133,044	1,193,093
BOLOGNA Via Cartoleria	107	229,030	-	229,030	10,306	218,724
BOLOGNA Via Farini 12	2,819	269,029	9,166,594	9,435,623	2,256,428	7,179,195
BOLOGNA Via Parigi	946	8,746	981,301	990,047	178,209	811,838
BOLOGNA Via Rizzoli 20	1,032	424,505	3,678,600	4,103,105	1,341,532	2,761,573
BONATE SOTTO Via V. Veneto 57/b	724	52,844	599,467	652,311	210,829	441,482
BORDIGHERA Corso Italia 32	832	1,501,502	299,923	1,801,425	735,805	1,065,620
BORGHETTO LODIGIANO Piazza Dalla Chiesa 1/a	270	2,167	305,515	307,682	93,673	214,009
BORGHETTO S.S. Via IV Novembre 8	580	100,891	1,187,594	1,288,485	516,827	771,658
BORGO SAN DALMAZZO Corso Barale 22	1,643	992,307	785,597	1,777,904	696,427	1,081,477
BORGO SAN GIACOMO Via Ferrari 5	250	413	222,672	223,085	68,037	155,048
BORGOFRANCO D'IVREA Via Aosta 28	314	108,082	314,750	422,832	184,352	238,480
BORGONE DI SUSA Via A. Abegg 5 bis	565	112,023	437,012	549,035	264,148	284,887
BORGOSIA Viale Carlo Fassò 2	2,435	1,124,384	2,627,497	3,751,881	1,943,338	1,808,543
BOSCOMARENGO Via Roma 6 bis	479	267,939	113,157	381,096	190,657	190,439
BOSCOREALE Via S.Ten. Cirillo 12 / Via S. Felice 2	627	462,373	316,558	778,931	409,630	369,301
BOSCOTRECASE Via Umberto I 155/157	178	5,060	201,418	206,478	49,446	157,032
BOSISIO PARINI Piazza Parini 12	462	413,246	155,778	569,024	240,645	328,379
BRA Via Principi di Piemonte 32	1,143	242,935	1,679,278	1,922,213	764,659	1,157,554
BRANDIZZO Via Torino 196	612	185,833	618,311	804,144	353,961	450,183
BREMBIO Via Garibaldi 10	289	258	202,166	202,424	66,749	135,675
BRESCIA P.za Garibaldi 5 / Via Tartaglia	3,531	5,081,754	-	5,081,754	1,667,647	3,414,107
BRIGA NOVARESE Via Borgomanero 19/21	729	167,722	612,411	780,133	400,745	379,388
BRINDISI Corso Garibaldi 1 / P.zza Vittoria	4,062	40,905	6,094,708	6,135,613	1,467,658	4,667,955
BRINDISI Via Rubini 12	2,500	126,369	2,544,067	2,670,436	638,789	2,031,647
BRINDISI Viale Commenda 208/210	127	12,940	162,684	175,624	42,031	133,593
BRONI Piazza Garibaldi 7 ang. Via Cavour	827	557,772	1,468,747	2,026,519	869,989	1,156,530
BRUSCIANO Via Cucca 28/32 / Via de Gasperi	559	6,966	140,741	147,707	72,554	75,153
BURAGO DI MOLGORA Via Enrico Toti 2/3	756	348,771	578,372	927,143	396,394	530,749
BUSTO ARSIZIO Fil. 2 Via Gavinana 8	526	358,294	316,705	674,999	291,813	383,186
BUSTO ARSIZIO Fil. 3 Via Torino 48	645	194,204	479,338	673,542	235,147	438,395
BUSTO ARSIZIO Fil. 4 Sacconago - P.za Chiesa Vecchia 6/b	577	67,500	575,735	643,235	238,508	404,727
BUSTO ARSIZIO Fil. 5 Borsano - Via Novara 1	245	516	327,373	327,889	115,313	212,576
BUSTO ARSIZIO Piazza Manzoni / Via Matteotti	1,329	2,393,155	-	2,393,155	502,535	1,890,620
BUSTO ARSIZIO Sede Via Milano 14	3,875	291,249	7,060,357	7,351,606	2,863,182	4,488,424
BUSTO GAROLFO Piazza Lombardia 3	358	128,460	277,931	406,391	156,973	249,418
CABIA TE Via A. Grandi 6	379	92,466	346,141	438,607	173,421	265,186
CAGLIARI Largo Carlo Felice 58	3,056	182,755	5,870,049	6,052,804	1,445,693	4,607,111
CAGLIARI Piazza Deffenu 4	4,403	4,437,128	6,995,519	11,432,647	5,156,857	6,275,790
CAGLIARI Via Amat 1	392	15,907	428,143	444,050	106,189	337,861
CAGLIARI Via Campidano / Via Deffenu	1,000	113,718	1,900,464	2,014,182	315,824	1,698,358
CAGLIARI Via Monti 10	22	765	15,494	16,259	5,839	10,420
CAGLIARI Via Paoli 31/33	753	664,607	375,021	1,039,628	343,077	696,551
CAGLIARI Via S. Avendrace 281/283	196	13,305	322,269	335,574	80,207	255,367
CAIAZZO Via Latina 1	385	4,584	274,239	278,823	39,519	239,304
CAIRO MONTENOTTE Piazza della Vittoria 24	712	129,842	876,957	1,006,799	389,598	617,201
CAIVANO Via Matteotti 54	573	47,390	747,830	795,220	190,315	604,905
CALOSSO Via R. Margherita 24/26	271	54,420	109,390	163,810	82,050	81,760

(*) L. 19/12/73 n. 823; L. 2/12/75 n. 576; L. 19/03/83 n. 72; L. 30/07/90 n. 218; L. 29/12/90 n. 408; L. 30/12/91 n. 413; others

LOCATION	Sq.m.	COST	REVALUATIONS (*)	GROSS BOOK VALUE	ADJUSTMENTS	NET BOOK VALUE
CALUSCO D'ADDA Via Marconi 36/38	1,008	355,554	786,934	1,142,488	391,734	750,754
CALUSO Via San Clemente 1	437	116,737	375,565	492,302	211,139	281,163
CALVATONE Via Umberto I 83	215	6,823	185,280	192,103	81,681	110,422
CAMPI SALENTINO Viale della Stazione 1/3	320	25,659	384,760	410,419	98,236	312,183
CAMPOBASSO Corso Bucci 3	3,327	175,380	5,108,275	5,283,655	1,054,058	4,229,597
CAMPOMORONE Via A. Gavino 110/d	655	167,138	887,393	1,054,531	493,157	561,374
CANDELO Via Mazzini ang. Via Moglia 1	607	183,256	313,591	496,847	155,482	341,365
CANELLI P.za A. d'Aosta 20 / Via M. d'Azeglio 2	860	324,973	437,056	762,029	308,816	453,213
CANICATTI' Via Carlo Alberto 4/12	870	237,494	372,526	610,020	329,435	280,585
CANICATTI' Via Regina Margherita 2	1,000	118,519	1,078,155	1,196,674	589,520	607,154
CANOSA DI PUGLIA Via Bovio 14	465	13,382	588,244	601,626	144,010	457,616
CANTOIRA Via Roma 21	82	42,741	40,954	83,695	54,763	28,932
CANTU' Piazza degli Alpini 1	1,075	71,208	1,410,596	1,481,804	553,084	928,720
CAPRI Via Vittorio Emanuele 37/39	727	68,501	5,044,235	5,112,736	1,223,416	3,889,320
CAPRIOLO Via IV Novembre 90	652	142,603	628,622	771,225	282,005	489,220
CARAGLIO P.za Garibaldi 10 ang. Via Roma	333	500,963	-	500,963	150,006	350,957
CARAMAGNA Via Luigi Ornato 37	377	1,019,058	152,817	1,171,875	375,692	796,183
CARBONIA Piazza Rinascita	577	317,032	700,316	1,017,348	236,120	781,228
CARESANA Corso Italia 32	166	5,501	99,561	105,062	44,605	60,457
CARIGNANO Via Umberto I 118	609	176,124	649,770	825,894	432,729	393,165
CARMAGNOLA Piazza Martiri della Libertà 31	856	223,694	941,106	1,164,800	576,632	588,168
CAROVIGNO Via di Vagno / Via Caputi	270	18,322	397,672	415,994	99,573	316,421
CARRU' Piazza Generale Perotti 11	292	12,853	352,144	364,997	184,342	180,655
CASALE MONFERRATO Via Magnocavallo 23	2,983	1,325,029	2,911,375	4,236,404	1,969,512	2,266,892
CASALMAGGIORE Via Cairoli 7	743	457,911	579,848	1,037,759	405,548	632,211
CASALNUOVO Corso Umberto I 475	230	1,346	212,780	214,126	51,248	162,878
CASALNUOVO Via Napoli 59	500	192,749	349,530	542,279	85,029	457,250
CASALPUSTERLENGO Via Garibaldi 22	477	102,221	486,338	588,559	256,734	331,825
CASAZZA Via della Pieve 1	1,212	1,031,881	321,174	1,353,055	427,020	926,035
CASELLE LANDI Via IV Novembre 10	254	3,357	144,002	147,359	50,983	96,376
CASELLE TORINESE Via Cuorgné 86 bis	717	213,015	669,070	882,085	381,107	500,978
CASERTA Via C. Battisti 37	5,320	2,229,593	8,218,379	10,447,972	2,500,041	7,947,931
CASERTA Via G. B. Bosco	1,298	125,379	2,338,000	2,463,379	589,621	1,873,758
CASERTA Via Laviano	7,700	7,258,759	-	7,258,759	217,763	7,040,996
CASNIGO Piazza Caduti 7	435	50,228	305,215	355,443	128,177	227,266
CASOREZZO Piazza S. Giorgio 9	392	9,933	368,537	378,470	140,514	237,956
CASORIA Via Princ. di Piemonte 54	439	118,110	483,404	601,514	143,982	457,532
CASSINA DE' PECCHI Via Trento 2 ang. Via Venezia	1,283	698,699	1,983,075	2,681,774	1,388,351	1,293,423
CASSINO Corso della Repubblica 48/56	867	336,337	1,115,030	1,451,367	347,383	1,103,984
CASTAGNOLE MONFERRATO Piazza Statuto 1/b	184	31,888	107,000	138,888	56,990	81,898
CASTEL GOFFREDO Piazza Gonzaga 3	590	516,457	364,877	881,334	378,418	502,916
CASTELLAMMARE C.so Vitt. Emanuele 76/80	750	22,901	1,454,343	1,477,244	353,603	1,123,641
CASTELLAMMARE Viale Europa 132	600	399,118	995,316	1,394,434	218,647	1,175,787
CASTELLAMONTE Piazza Martiri della Libertà 2	515	87,140	438,749	525,889	226,847	299,042
CASTELLANZA Via Matteotti 16/b	842	166,860	759,713	926,573	361,938	564,635
CASTELLEONE Via Cappi 4	915	1,122,261	258,914	1,381,175	572,613	808,562
CASTELNUOVO BOCCA D'ADDA Via Umberto I 1	234	767	184,427	185,194	67,875	117,319
CASTELNUOVO SCRIVIA Via Nino Bixio 15	910	293,370	528,871	822,241	421,565	400,676
CASTELVETRANO Piazza Matteotti 9/10	270	477,598	397,819	875,417	520,891	354,526
CASTIGLIONE D'ADDA Via della Chiesa 1	259	3,109	218,886	221,995	75,117	146,878
CASTROFILIPPO Corso Umberto 42	194	12,527	109,751	122,278	62,736	59,542
CASTROVILLARI Via XX Settembre	292	140,470	71,278	211,748	33,202	178,546
CATANZARO C.so Mazzini / P.zza Grimaldi	3,477	1,519,708	4,504,496	6,024,204	1,392,192	4,632,012
CATANZARO Lido P.zza Garibaldi / Via Azara	228	222,853	154,161	377,014	59,116	317,898
CATANZARO Via d. M. Pistoia	220	-	22,208	22,208	-	22,208
CAVA DEI TIRRENI Piazza Duomo 1	197	8,770	347,575	356,345	85,286	271,059
CAVA MANARA Via Garibaldi 19	499	168,417	258,534	426,951	191,761	235,190
CAVENAGO D'ADDA Via G. Conti 6/4	140	211	117,004	117,215	39,896	77,319
CEGLIE MESSAPICO Via Umberto I 41/43	257	104,608	219,494	324,102	78,057	246,045
CENTALLO Via Bonifanti 3/5/7	250	260,130	30,851	290,981	105,711	185,270
CERAMI Via Roma 88/90/92	110	70,575	114,984	185,559	108,845	76,714
CERCOLA Via D. Riccardi 127	1,188	1,041,393	285,923	1,327,316	603,412	723,904
CEREA Via Trento	1,630	38,845	261,709	300,554	100,302	200,252
CERIGNOLA Via Roma 8	430	7,477	653,834	661,311	158,223	503,088
CERMENATE Via G. da Cermenate / Via Matteotti 45	494	468,735	128,407	597,142	178,465	418,677

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LOCATION	Sq.m.	COST	REVALUATIONS (*)	GROSS BOOK VALUE	ADJUSTMENTS	NET BOOK VALUE
CERNOBBIO Via Dell'Orto 3	487	8,557	655,505	664,062	253,482	410,580
CERNUSCO SUL NAVIGLIO Piazza Ghezzi 5	959	983,202	1,373,131	2,356,333	1,245,014	1,111,319
CERRO MAGGIORE Via S. Bartolomeo 8	176	14,564	201,473	216,037	78,259	137,778
CERVIGNANO Via N. Sauro	932	24,345	438,700	463,045	44,994	418,051
CERVINARA Via C. Del Balzo 10	235	87,213	165,851	253,064	39,680	213,384
CESANA TORINESE Via Roma 14	476	79,161	358,516	437,677	199,785	237,892
CEVA Via Moretti 7	472	200,483	458,351	658,834	370,782	288,052
CHIARI Via delle Battaglie 3/e	798	1,331,426	142,893	1,474,319	477,851	996,468
CHIAVARI Corso Dante Alighieri 73	804	369,381	1,588,965	1,958,346	758,687	1,199,659
CHIERI Piazza Cavour 1	1,109	168,926	1,325,426	1,494,352	678,617	815,735
CHIERI Piazza Cavour 8	4,100	4,989,100	1,941,281	6,930,381	2,643,665	4,286,716
CHIETI Corso Marruccini 102	2,738	246,559	3,739,148	3,985,707	954,058	3,031,649
CHIGNOLO PO Via Garibaldi 143	247	13,025	175,662	188,687	70,009	118,678
CHIOGGIA Corso del Popolo 1260/63 (C.le Renier)	1,017	133,579	1,026,659	1,160,238	334,204	826,034
CHIUSI Centr. Comm. Etrusco	164	389,239	-	389,239	83,714	305,525
CHIVASSO Piazza A. Carletti 1/c	1,151	237,386	1,649,516	1,886,902	776,463	1,110,439
CIGLIANO Corso Umberto I 46	689	103,625	481,364	584,989	268,609	316,380
CILAVEGNA Piazza Garibaldi 5	359	63,388	253,441	316,829	137,257	179,572
CIRIE' Via San Ciriaco 25	1,898	1,206,079	2,049,313	3,255,392	1,128,517	2,126,875
CISTERNINO Piazza Lagravinese 1	280	116,773	156,949	273,722	42,920	230,802
CODOGNO Via Alberici 28	946	332,120	1,409,709	1,741,829	560,477	1,181,352
COGNE Via Grappein	212	191,849	160,738	352,587	184,584	168,003
COLLEGNO Via Manzoni 1	1,974	1,321,784	1,642,511	2,964,295	1,664,023	1,300,272
COMO Fil. 2 Via Milano 178	422	108,784	575,323	684,107	281,488	402,619
COMO Fil. 4 Albate / Via Canturina 186	340	372,221	168,080	540,301	216,572	323,729
COMO Fil. 5 Via Bellinzona 349	213	22,977	318,511	341,488	157,978	183,510
COMO Piazza Cavour 15	5,021	408,949	14,536,785	14,945,734	5,256,463	9,689,271
CONVERSANO Corso Dante 2	307	51,207	444,669	495,876	118,644	377,232
CORNAREDO Piazza Libertà 54	1,059	444,187	1,365,419	1,809,606	634,423	1,175,183
CORNAREDO Via Milano 95	522	223,480	463,323	686,803	215,168	471,635
CORSICO Fil. 1 Via Dante ang. via Monti 31/b	845	2,334,632	-	2,334,632	790,302	1,544,330
CORSICO Via Caboto 37/41	1,927	2,019,769	3,102,633	5,122,402	2,667,258	2,455,144
COSENZA Corso Umberto I 17	3,330	161,056	5,421,765	5,582,821	1,336,288	4,246,533
COSSATO Via del Mercato 40	310	464,580	127,332	591,912	214,456	377,456
COSTIGLIOLE D'ASTI Piazza Umberto I 21	636	225,379	425,510	650,889	366,439	284,450
COURMAYEUR Via M. Bianco 29 / P.za Brocherelle 3	601	208,699	1,941,270	2,149,969	783,410	1,366,559
CREMA Fil. 1 Via De Gasperi 62	1,500	145,771	-	145,771	47,847	97,924
CREMA Piazza Duomo 1 / Via dei Racchetti 1	1,006	194,887	1,329,412	1,524,299	590,545	933,754
CREMONA Fil.1 C.so Garibaldi 232 / Via Montello	1,720	1,104,141	2,012,235	3,116,376	1,710,510	1,405,866
CREMONA Sede Piazza Cavour 1 / Via Gramsci	3,896	397,862	5,333,302	5,731,164	2,446,866	3,284,298
CREMONA Via dei Tigli 3	204	64,688	62,641	127,329	78,644	48,685
CRESCENTINO Corso Roma 55/57	808	117,624	635,213	752,837	323,106	429,731
CROTONE P.zza Pitagora 6/9	752	199,595	1,169,258	1,368,853	327,642	1,041,211
CUNEO Corso Giolitti ang. P.za Europa	2,370	1,323,996	4,558,279	5,882,275	2,831,121	3,051,154
CUORGNE' Via Ivrea 7	857	159,055	761,652	920,707	384,987	535,720
DAIRAGO Via XXV Aprile 52/c	383	52,139	410,583	462,722	181,725	280,997
DALMINE Via Betelli 11	1,601	834,228	1,441,818	2,276,046	699,263	1,576,783
DOGLIANI Piazza Carlo Alberto 30 / Via 31 Luglio 21	677	393,484	520,251	913,735	575,431	338,304
DOMODOSSOLA Piazza Matteotti 16 / Via Gramsci	1,012	1,153,246	455,363	1,608,609	525,004	1,083,605
DONNAS Via Roma 36	1,280	317,286	1,083,002	1,400,288	743,083	657,205
DOSOLO Via XXIII Aprile 6/8/10	199	10,302	154,121	164,423	58,553	105,870
ENDINE GAIANO Via Tonale 49	296	5,852	190,096	195,948	70,364	125,584
ENNA Piazza VI Dicembre 6	1,388	2,027,243	93,584	2,120,827	841,988	1,278,839
ERBA Corso XXV Aprile 64	1,549	705,420	1,978,059	2,683,479	1,070,579	1,612,900
ERCOLANO Via IV Novembre 3/5	577	29,261	1,008,640	1,037,901	248,458	789,443
ESTE Via Matteotti 49/51	650	1,361,328	-	1,361,328	439,544	921,784
FAGNANO OLONA Piazza XX Settembre 5	639	66,910	561,447	628,357	247,024	381,333
FALOPPIO Via Roma 4	150	167,330	-	167,330	44,488	122,842
FASANO Via Roma 17 / Via Macallè	507	167,413	235,423	402,836	63,165	339,671
FERRERA ERBOGNONE Corso della Repubblica 27	217	105,777	121,392	227,169	102,871	124,298
FINALE LIGURE Via Concezione 34/35	370	382,652	971,678	1,354,330	669,392	684,938
FINO MORNASCO Via Garibaldi 135	743	64,184	867,137	931,321	381,198	550,123
FIORANO AL SERIO Via Roma 11/B	777	125,725	696,111	821,836	261,334	560,502
FIRENZE Piazza della Repubblica 4	890	89,609	3,240,455	3,330,064	1,120,339	2,209,725
FIRENZE Via Cavour 20/24	3,000	469,627	9,616,944	10,086,571	2,403,948	7,682,623
FIRENZE Via de' Conti 3 ang. Via dell'Alloro	705	452,834	1,683,987	2,136,821	878,602	1,258,219

(*) L. 19/12/73 n. 823; L. 2/12/75 n. 576; L. 19/03/83 n. 72; L. 30/07/90 n. 218; L. 29/12/90 n. 408; L. 30/12/91 n. 413; others

LOCATION	Sq.m.	COST	REVALUATIONS (*)	GROSS BOOK VALUE	ADJUSTMENTS	NET BOOK VALUE
FIRENZE Via Morgagni 4	585	907,951	662,098	1,570,049	375,214	1,194,835
FIRENZE Via Pratese 191	2,050	130,404	-	130,404	7,824	122,580
FOGGIA C.so Vitt. Emanuele II 35	2,990	153,439	6,059,589	6,213,028	1,486,696	4,726,332
FOGGIA Piazza Puglia / via Bari 62	1,963	2,656,028	2,314,962	4,970,990	3,129,072	1,841,918
FOGGIA Via Bari 34/36	303	6,234	543,829	550,063	131,621	418,442
FOGGIA Via Masi 36	860	176,180	923,941	1,100,121	263,237	836,884
FOGGIA Via Napoli	210	217,845	117,852	335,697	52,637	283,060
FONDI C.so Italia	260	161,250	226,092	387,342	60,735	326,607
FONTANELLA Piazza Matteotti 18 / via Lazzari 2	561	573,449	267,434	840,883	355,394	485,489
FORIO D'ISCHIA Via G.ppe Castellaccio	214	15,609	645,571	661,180	158,193	502,987
FORMIA Via Vitruvio 9/17	559	387,832	1,419,740	1,807,572	432,634	1,374,938
FORNO CANAVESE Via Truchetti 7	498	49,471	351,676	401,147	191,238	209,909
FOSSACESIA Viale dei Pioppi 15	175	246,823	-	246,823	30,457	216,366
FOSSANO Via Roma 81 / Via Cavour 1	1,633	306,685	1,838,768	2,145,453	894,193	1,251,260
FRANCAVILLA FONTANA P.zza Giovanni XXIII 12	345	11,060	453,966	465,026	111,314	353,712
FRATTAMAGGIORE Via Roma / Via Fiume	2,266	1,583,256	1,030,016	2,613,272	409,759	2,203,513
FRESONARA Via Boscomarengo 5	226	142,253	66,301	208,554	97,029	111,525
GAETA P.zza Libertà 8/10	312	264,704	303,399	568,103	89,078	479,025
GALATINA Via Garibaldi 91	423	18,775	696,700	715,475	171,194	544,281
GALATINA Via Roma 146/148	34	-	61,975	61,975	-	61,975
GALLARATE Corso Sempione 9	1,934	2,231,538	518,802	2,750,340	967,012	1,783,328
GALLIATE Via L. da Vinci 21 ang. Via Volta	1,003	367,530	1,024,642	1,392,172	757,499	634,673
GAMBARA Piazza IV Novembre 5	287	516	201,364	201,880	72,628	129,252
GAMBOLO' Corso Umberto I 4	488	254,724	344,941	599,665	216,455	383,210
GARLASCO Corso Cavour 172	597	104,712	646,169	750,881	244,018	506,863
GATTINARA Piazza Italia 10 / C.so Cavour 1	554	106,174	434,486	540,660	265,163	275,497
GENOVA Piazza Matteotti 2	665	1,727,120	-	1,727,120	479,044	1,248,076
GENOVA Fil. 1 Via A. Cantore 44 / Via Pedemonte	3,157	1,596,390	3,791,994	5,388,384	2,576,951	2,811,433
GENOVA Fil. 2 ex V.G.B.Magnaghi 1 / V. Cecchi 60	630	591,621	1,736,535	2,328,156	1,082,726	1,245,430
GENOVA Fil. 4 Viale Causa 2 / Via Albaro 38	875	369,379	1,750,329	2,119,708	833,531	1,286,177
GENOVA Fil. 5 Via F. Cavallotti 46r/48/13/4	583	419,735	817,151	1,236,886	577,964	658,922
GENOVA Fil. 6 Via Cairoli 6	957	212,175	1,498,893	1,711,068	751,091	959,977
GENOVA Fil. 7 Via Sestri 225/r / Via d'Andrade	1,096	374,304	1,488,676	1,862,980	921,172	941,808
GENOVA Fil. 8 Via C. Camozzini 11/r / Via Cialdini	585	404,704	642,998	1,047,702	602,340	445,362
GENOVA Fil. 10 Via Rossini 8 - Rivarolo	1,011	1,022,588	593,608	1,616,196	715,688	900,508
GENOVA Sede Via Fieschi 4	5,614	4,146,086	17,254,898	21,400,984	9,043,807	12,357,177
GENOVA Via Bellucci 16	118	-	149,773	149,773	-	149,773
GENOVA Via Dante ang. Via Fieschi	1,065	1,450,616	615,212	2,065,828	531,766	1,534,062
GENOVA Via Gran Madre di Dio	145	71,512	263,115	334,627	165,185	169,442
GENOVA Via Paganini 4	50	82,858	-	82,858	18,208	64,650
GENOVA Via Rossetti 19	227	8,937	244,284	253,221	60,504	192,717
GIAVENO Piazza San Lorenzo 15	545	191,130	502,196	693,326	395,862	297,464
GIOIA DEL COLLE Via Garibaldi 91	230	7,442	158,036	165,478	39,592	125,886
GIOIA TAURO Via Nazionale 111 bivio Rizziconi	579	238,175	242,130	480,305	75,312	404,993
GIOIOSA IONICA Via Gramsci / Via Mancini 1/2	186	6,516	241,702	248,218	59,379	188,839
GIUGLIANO Via Mancini 7	179	2,621	74,886	77,507	-	77,507
GIUGLIANO Via Parco Fiorito	300	7,012	514,908	521,920	124,892	397,028
GIUGLIANO Via Vittorio Veneto 32/33	403	21,378	691,536	712,914	170,625	542,289
GIULIANOVA Piazza Roma 1/5	563	13,519	1,024,650	1,038,169	248,523	789,646
GORIZIA Via Carducci	819	671,652	107,330	778,982	96,832	682,150
GORIZIA Via Fatebenefratelli	118	5,221	25,207	30,428	11,970	18,458
GORIZIA Via Garibaldi - Morelli	2,398	3,555,210	-	3,555,210	417,618	3,137,592
GORIZIA Via XXIV Maggio - Codelli	2,590	4,123,760	-	4,123,760	624,911	3,498,849
GORLE Via Don Mazza 1/B	600	252,518	528,040	780,558	327,497	453,061
GRAGNANO Via Tommaso Sorrentino 38	196	5,741	301,611	307,352	73,554	233,798
GRASSOBBIO Via Roma 5/7	444	101,151	340,804	441,955	173,595	268,360
GRESSONEY ST. JEAN Strada Eyemmatten	255	14,843	246,714	261,557	109,071	152,486
GROMO Piazza Marconi 2	202	1,709	163,605	165,314	55,586	109,728
GRONTARDO Piazza Roma 11	241	105	167,338	167,443	51,996	115,447
GROPELLO CAIROLI Via Libertà 108	452	366,228	373,201	739,429	331,252	408,177
GROTTAGLIE Via Parini 26 / Via Matteotti	295	9,214	429,692	438,906	105,036	333,870
GROTTAMINARDA Via Giardino / P.co Sciarappa	360	112,364	238,826	351,190	55,067	296,123
GRUGLIASCO Viale Gramsci 108	99	4,354	177,417	181,771	48,297	133,474
GRUGLIASCO Viale Gramsci 78/80	1,170	727,469	1,453,765	2,181,234	1,077,867	1,103,367
GUSPINI Via Matteotti 28	205	85,992	181,793	267,785	63,491	204,294
IMPERIA Via Cascione 11 / Piazza Marconi 2	1,790	1,646,622	2,318,309	3,964,931	1,555,020	2,409,911

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LOCATION	Sq.m.	COST	REVALUATIONS (*)	GROSS BOOK VALUE	ADJUSTMENTS	NET BOOK VALUE
INCISA SCAPACCINO Via della Repubblica 3	393	32,136	209,654	241,790	122,203	119,587
INVERIGO Via Generale Cantore 52	268	6,921	262,306	269,227	110,468	158,759
IRSINA Corso Musacchio 68	201	15,938	257,712	273,650	65,501	208,149
ISCHIA PORTO Via Iasolino	127	7,307	351,707	359,014	85,882	273,132
ISCHIA PORTO Via Vittorio Colonna 242	561	37,048	1,620,642	1,657,690	396,534	1,261,156
ISERNIA C.so Garibaldi 7	1,103	516,523	1,190,367	1,706,890	267,639	1,439,251
ISOLA LIRI Via Roma 7	440	190,671	243,153	433,824	68,024	365,800
IVREA Piazza Balla 7	4,510	4,959,702	3,209,109	8,168,811	2,901,584	5,267,227
IVREA Via Palestro 22	650	3,228	1,074,530	1,077,758	373,216	704,542
IVREA Vicolo Baratonio 3	30	12,911	9,425	22,336	13,001	9,335
LA MADDALENA Via Amendola	312	52,854	608,386	661,240	158,207	503,033
LA SPEZIA Viale Italia 162	1,364	1,625,665	2,428,770	4,054,435	2,287,375	1,767,060
LAIGUEGLIA Via Roma 102	567	203,459	839,815	1,043,274	324,114	719,160
LAINATE Via Meda 1/A	761	341,537	680,210	1,021,747	333,387	688,360
LAMETIA TERME Via Adige 1/15	595	108,767	661,065	769,832	184,205	585,627
LANCIANO C.so Trieste e Trento 37/39	380	7,706	596,508	604,214	144,591	459,623
LANDRIANO Via Rocca 6	292	83,373	295,906	379,279	174,963	204,316
LANZO INTELVI Piazza Novi 8	180	9,435	142,907	152,342	62,812	89,530
LANZO TORINESE Via Roma 6/a	638	70,279	633,251	703,530	298,033	405,497
L'AQUILA C.so Vitt. Emanuele	2,773	122,835	5,387,678	5,510,513	1,318,569	4,191,944
L'AQUILA Via Simonetto 6 / Via Tommasi	1,394	60,270	1,352,601	1,412,871	251,374	1,161,497
LARINO Largo Garibaldi 2	166	3,654	161,651	165,305	39,549	125,756
LATIANO P.zza Capitano Ippolito 12	224	5,501	268,041	273,542	65,473	208,069
LATINA Corso Matteotti	310	124,494	590,827	715,321	171,157	544,164
LATINA Via Isonzo / Via Priverno 20	3,298	1,304,695	3,013,010	4,317,705	1,033,145	3,284,560
LATISANA Calle Annunziata	50	12,906	23,820	36,726	12,894	23,832
LECCE Piazza Mazzini / Via N. Sauro	2,200	1,717,728	3,754,941	5,472,669	2,783,937	2,688,732
LECCE Via XXV Luglio 13/a	2,555	128,384	4,272,131	4,400,515	1,052,960	3,347,555
LECCO Corso Martiri della Libertà	3,282	3,769,774	2,347,136	6,116,910	2,806,775	3,310,135
LEGNAGO Via Fiume 10	763	987,026	105,109	1,092,135	354,012	738,123
LEGNANO Fil. 1 Via Venegoni 51	477	200,713	428,873	629,586	282,263	347,323
LEGNANO Fil. 2 Via Monte Rosa / Via Battisti	586	229,907	399,635	629,542	261,334	368,208
LENNO Via Statale Regina 91	246	40,521	340,249	380,770	125,897	254,873
LEONFORTE Corso Umberto 201/b	260	152,565	92,058	244,623	154,418	90,205
LIONI Via S. Rocco 40	200	90,965	115,617	206,582	32,392	174,190
LIVORNO FERRARIS Via L. Giordano 72	435	107,528	388,204	495,732	198,886	296,846
LIVORNO Via Bagnetti	450	147,131	111,098	258,229	40,490	217,739
LIVORNO Via Cairoli 20	1,820	88,244	3,686,986	3,775,230	902,790	2,872,440
LIVORNO Via Nadi	397	25,771	351,191	376,962	57,453	319,509
LOANO Fil. 1 Via Aurelia 356	197	42,474	458,995	501,469	222,698	278,771
LOANO Corso Europa 1	839	270,989	1,987,512	2,258,501	913,484	1,345,017
LOCATE TRIULZI Via Giardino 2	678	529,098	527,305	1,056,403	457,490	598,913
LOCATE VARESE Via C. Battisti 38	480	402,034	217,787	619,821	230,619	389,202
LOCRI C.so Vitt. Emanuele 81	365	17,016	421,945	438,961	105,050	333,911
LODI Sede Piazza Mercato 13 / via Strepponi 2	3,237	805,898	3,238,425	4,044,323	1,330,562	2,713,761
LOMAZZO Piazza Stazione 2	639	16,001	681,612	697,613	259,824	437,789
LOMELLO Via Roma 6/8	241	15,387	184,007	199,394	61,819	137,575
LUCCA Piazza San Martino 10	1,361	2,100,111	1,384,560	3,484,671	1,147,689	2,336,982
LUCERA P.zza Gramsci 15/19	410	18,013	420,912	438,925	105,042	333,883
LURATE CACCIVIO Via Unione 2	794	408,037	612,413	1,020,450	287,879	732,571
MAGENTA Via Volta / Via Cavallari	759	785,436	166,522	951,958	310,928	641,030
MAGLIE Via Scorrano 5	358	226,082	218,071	444,153	69,643	374,510
MALEO Piazza XXV Aprile 6/8	205	1,969	147,919	149,888	44,622	105,266
MANDELLO DEL LARIO Piazza L. Manara 5	394	437,129	303,526	740,655	348,008	392,647
MANDURIA Via XX Settembre 20	726	31,283	1,063,901	1,095,184	262,140	833,044
MANFREDONIA Corso Manfredi 152	200	2,427	327,950	330,377	79,045	251,332
MANTOVA Via Frattini 7	2,232	3,546,785	1,257,030	4,803,815	1,497,131	3,306,684
MANTOVA Via Isabella d'Este 10	120	113,621	-	113,621	23,860	89,761
MAPELLO Via Bravi 3	556	106,360	417,782	524,142	199,751	324,391
MARANO V.le Duca d'Aosta	420	178,942	275,540	454,482	71,263	383,219
MARANO Via Merolla 9/11	741	475,269	789,476	1,264,745	573,659	691,086
MARIANO COMENSE Piazza Roma 47	266	547,831	46,421	594,252	201,008	393,244
MARIANO DEL FRIULI Via Manzoni	90	3,099	26,928	30,027	16,695	13,332
MARIANO DEL FRIULI Via Verdi (terreno)	2,911	914	28,378	29,292	-	29,292
MARIGLIANO Corso Umberto I 347/351	294	12,287	480,821	493,108	118,020	375,088
MASSAFRA Corso Roma 260/264	301	104,953	117,123	222,076	34,822	187,254

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MASSALUBRENSE Viale Filangieri 15/17	164	5,474	487,535	493,009	117,996	375,013
MATERA P.zza Vittorio Veneto 51	1,894	66,804	3,507,259	3,574,063	855,226	2,718,837
MATERA Via Lucana 108	486	204,742	178,986	383,728	57,350	326,378
MEDE Via Cavour 18	763	1,179,553	553,750	1,733,303	647,787	1,085,516
MEDIGLIA Frazione Triginto / Piazza Pertini 6	733	604,255	165,473	769,728	280,224	489,504
MELEGNANO Piazza Garibaldi 1	1,545	1,863,587	1,103,223	2,966,810	1,276,699	1,690,111
MELITO P. SALVO Via Garibaldi 48	194	99,102	120,334	219,436	52,517	166,919
MELZO Via Magenta 2/8	1,440	1,054,856	1,522,170	2,577,026	1,031,849	1,545,177
MENAGGIO Via IV Novembre 38/40	1,021	32,998	859,767	892,765	332,042	560,723
MENFI Via della Vittoria 254	310	252,002	225,507	477,509	281,593	195,916
MERATE Viale Lombardia 2	1,126	408,013	910,854	1,318,867	583,957	734,910
MERCATO S. SEVERINO Via Diaz 111/113 / Via Torino	247	12,275	359,364	371,639	90,782	280,857
MESERO Via San Bernardo 8	291	42,395	247,061	289,456	115,580	173,876
MESTRE Corso del Popolo 209/215	14,456	2,000,149	4,794,795	6,794,944	1,561,758	5,233,186
MESTRE Corso del Popolo 58	190	30,548	67,578	98,126	32,382	65,744
MESTRE Piazza G. Bruno 7	3,005	611,163	3,931,538	4,542,701	2,255,364	2,287,337
MESTRE Rampa Cavalcavia / Via Cappuccina	12,934	696,444	10,737,283	11,433,727	2,124,973	9,308,754
MESTRE Via Aleardi 17	1,219	20,658	1,129,476	1,150,134	159,017	991,117
MESTRE Via Bembo 38-40/Corso del Popolo 86-A-B	2,694	95,547	2,482,225	2,577,772	341,777	2,235,995
MESTRE Via Cappuccina 11	502	96,616	574,778	671,394	221,561	449,833
MESTRE Via Carducci 23-24	6,936	3,254,329	6,989,833	10,244,162	3,320,516	6,923,646
MESTRE Via Filiasi 66/120	5,164	436,169	4,895,647	5,331,816	693,814	4,638,002
META DI SORRENTO Corso Italia 66	66	2,225	217,428	219,653	52,568	167,085
MILANO Fil. 1 Viale Monza 118	1,000	289,487	3,042,673	3,332,160	1,168,899	2,163,261
MILANO Fil. 15 Via Domodossola 9/11	779	728,175	704,742	1,432,917	575,880	857,037
MILANO Fil. 16 Via Carducci 4	1,084	2,161,450	2,430,881	4,592,331	1,969,522	2,622,809
MILANO Fil. 19 Via Imbonati 35	960	1,316,077	113,191	1,429,268	441,729	987,539
MILANO Fil. 2 Via Moroni 9	1,101	1,099,632	2,722,075	3,821,707	1,769,014	2,052,693
MILANO Fil. 21 Via Ettore Ponti 30	574	515,420	401,363	916,783	351,503	565,280
MILANO Fil. 29 Viale Restelli 3	1,423	300,910	3,640,403	3,941,313	1,429,182	2,512,131
MILANO Fil. 3 Corso Sempione 67	671	93,131	1,470,653	1,563,784	523,039	1,040,745
MILANO Fil. 4 Viale Piceno 2 / Piazza Emilia	1,384	751,477	4,595,783	5,347,260	2,039,075	3,308,185
MILANO Fil. 5 Via Imbonati 64/a	1,447	386,744	3,482,811	3,869,555	1,490,216	2,379,339
MILANO Sede Via Broletto 9/11	4,980	1,418,377	33,666,637	35,085,014	12,225,210	22,859,804
MILANO Via Hoepli 10	2,110	410,095	9,394,471	9,804,566	3,948,358	5,856,208
MILANO Via Imbriani (nuda proprietà)	-	100,759	-	100,759	-	100,759
MILANO Via Mercanti 12	5,364	4,577,221	28,682,603	33,259,824	5,215,140	28,044,684
MILANO Via R. Gessi	50	167	38,734	38,901	-	38,901
MILANO Via Tommaso Grossi 5	3,764	629,139	33,147,237	33,776,376	8,069,888	25,706,488
MINORI C.so Vittorio Emanuele 29	100	65,676	264,942	330,618	79,104	251,514
MIRABELLA ECLANO Via Calcazanco s.n.c.	310	426,078	-	426,078	81,041	345,037
MODUGNO Piazza Garibaldi 41	190	31,855	215,879	247,734	59,273	188,461
MOLFETTA P.zza V. Emanuele 7a	583	10,476	1,526,130	1,536,606	367,795	1,168,811
MOMBERCELLI Piazza Alfieri 2	294	33,635	151,817	185,452	96,658	88,794
MONCALIERI Centro Contabile Corso Savona 58	48,060	31,450,898	38,104,035	69,554,933	28,718,894	40,836,039
MONCALIERI Via Postiglione. 29 bis - Vadò	3,654	106,529	-	106,529	3,196	103,333
MONCALIERI Via San Martino 34	1,591	640,791	2,497,584	3,138,375	1,530,635	1,607,740
MONCALVO Piazza Carlo Alberto 5	353	240,548	266,976	507,524	339,673	167,851
MONDOVI' Corso Statuto 22 / Via S. Arnolfo	895	538,359	935,693	1,474,052	826,443	647,609
MONTAFIA Piazza C. Riccio 9/2	235	61,442	146,794	208,236	90,692	117,544
MONTALBANO I. Via A. Miele 63	158	82,057	36,728	118,785	18,626	100,159
MONTEGROSSO D'ASTI Via XX Settembre 67	296	139,883	140,682	280,565	139,170	141,395
MONTESARCHIO Via Marchitello	420	341,797	169,495	511,292	80,171	431,121
MONTESILVANO C.so Umberto I 215 / Via Michetti	500	426,939	270,278	697,217	109,324	587,893
MORTARA Corso Garibaldi 91	654	334,034	787,725	1,121,759	481,924	639,835
MORTARA Via Josti 26	1,158	622,118	1,587,180	2,209,298	873,504	1,335,794
MOTTA BALUFFI Via Matteotti 7	227	10,566	141,127	151,693	36,703	114,990
MOZZATE Via Varese 28	577	5,165	476,236	481,401	185,483	295,918
MOZZO Via Santa Lucia 1	1,103	1,853,099	398,302	2,251,401	735,796	1,515,605
MUGNANO Via Verdi ang. Via IV Martiri 10	550	320,684	558,430	879,114	443,668	435,446
NAPOLI C.so Secondigliano 221/223	194	7,234	431,758	438,992	105,058	333,934
NAPOLI Corso A. Lucci 98/100	1,179	193,671	1,428,003	1,621,674	388,017	1,233,657
NAPOLI P.tta M. Serao (ex cen)	199	12,395	231,373	243,768	58,360	185,408
NAPOLI P.zza degli Artisti 14/15	162	16,460	587,728	604,188	144,583	459,605
NAPOLI Via A. Falcone 364	85	39,351	185,924	225,275	53,978	171,297
NAPOLI Via Cervantes 54/68	2,840	51,708	2,953,160	3,004,868	727,873	2,276,995

(*) L. 19/12/73 n. 823; L. 2/12/75 n. 576; L. 19/03/83 n. 72; L. 30/07/90 n. 218; L. 29/12/90 n. 408; L. 30/12/91 n. 413; others

LOCATION	Sq.m.	COST	REVALUATIONS (*)	GROSS BOOK VALUE	ADJUSTMENTS	NET BOOK VALUE
NAPOLI Via Cilea 129/135	182	46,502	666,229	712,731	170,581	542,150
NAPOLI Via Diocleziano 42	3,540	138,494	4,811,829	4,950,323	1,184,517	3,765,806
NAPOLI Via Epomeo 26/30	200	14,553	535,566	550,119	131,631	418,488
NAPOLI Via F. Galeota	2,525	1,968,158	1,499,850	3,468,008	543,783	2,924,225
NAPOLI Via Foria 32	350	1,526,670	-	1,526,670	264,877	1,261,793
NAPOLI Via L. Settembrini 79 Donnaregina	8,315	364,914	8,983,251	9,348,165	2,236,870	7,111,295
NAPOLI Via Marconi	9,950	367,849	22,568,134	22,935,983	5,488,142	17,447,841
NAPOLI Via Marittima / Via Duomo 352	190	39,668	564,487	604,155	144,576	459,579
NAPOLI Via Medina 5	1,565	-	2,605,009	2,605,009	623,218	1,981,791
NAPOLI Via Merliani 19	1,893	2,339,048	3,434,955	5,774,003	1,381,626	4,392,377
NAPOLI Via Nazionale delle Puglie 238/244	182	401,483	-	401,483	36,133	365,350
NAPOLI Via Pier delle Vigne 4	50	3	25,322	25,325	9,769	15,556
NAPOLI Via Riviera di Chiaia 131	2,804	2,724,871	10,644,832	13,369,703	5,463,855	7,905,848
NAPOLI Via Roma 402	1,693	139,003	5,609,480	5,748,483	1,377,933	4,370,550
NAPOLI Via S. Biagio dei Librai 113/114	5,480	2,220,952	8,779,767	11,000,719	2,636,080	8,364,639
NAPOLI Via S. Giacomo	530	41,207	634,115	675,322	161,750	513,572
NAPOLI Via S. Giovanni a T. 227/229	630	723,614	206,008	929,622	145,765	783,857
NAPOLI Via S. Lucia / Via Cuma	180	10,977	650,219	661,196	158,195	503,001
NAPOLI Via S. Lucia 53	150	135,939	173,935	309,874	48,588	261,286
NAPOLI Via Toledo 177/178	44,007	43,178,189	99,122,381	142,300,570	34,060,000	108,240,570
NAPOLI Via Tribunali 210/213	14,592	534,035	16,676,509	17,210,544	4,103,001	13,107,543
NAPOLI Viale Augusto / P.zza Italia	273	14,151	920,843	934,994	223,732	711,262
NARDO' Via Genova / C.so Galliano 2/b	413	60,984	594,958	655,942	157,017	498,925
NERVIANO S. ILARIO MILANESE Via San Antonio 1	318	77,566	276,603	354,169	133,769	220,400
NICHELINO Via Cagliari 23	310	97,546	-	97,546	20,485	77,061
NICHELINO Via Torino 3	907	190,228	928,966	1,119,194	718,971	400,223
NIZZA MONFERRATO Via Pio Corsi 77	979	204,157	1,005,277	1,209,434	559,752	649,682
NOCERA INFERIORE Via Garibaldi 22	1,268	146,304	1,712,571	1,858,875	444,963	1,413,912
NOCI Piazza Garibaldi 42	435	107,874	439,505	547,379	131,018	416,361
NOLA Cis di Nola Torre isola 4	313	23,252	-	23,252	698	22,554
NOLA P.zza Matteotti	505	6,864	721,490	728,354	77,716	650,638
NOLE CANAVESE Via Torino 46	362	60,721	357,329	418,050	196,208	221,842
NOVARA Largo Cavour	1,870	787,846	3,654,719	4,442,565	1,801,505	2,641,060
NOVARA Via Marconi 2/T	452	121,000	84,950	205,950	64,668	141,282
NOVI LIGURE Corso Marengo 10 / p.za della Repubblica 4	1,770	1,252,339	2,238,159	3,490,498	1,590,807	1,899,691
NUORO Via Lamarmora 123/131	2,002	1,407,522	813,243	2,220,765	348,216	1,872,549
NUORO Via Leonardo da Vinci 9	28	2,277	14,461	16,738	4,004	12,734
NUS Via Risorgimento 1	376	87,629	321,921	409,550	214,641	194,909
OCCHIEPPO SUPRE Via Martiri della Libertà 30	137	199,807	-	199,807	65,584	134,223
OGGIONO Via Cavour 3	652	572,090	203,925	776,015	330,328	445,687
OLBIA Via A. Moro 129	640	422,637	403,694	826,331	129,569	696,762
OLGIATE COMASCO Via Roma 2	981	18,901	1,327,787	1,346,688	515,237	831,451
OLMO AL BREMBO Via Roma 45	279	1,779	185,209	186,988	68,371	118,617
OMEGNA Via Don A. Beltrami 2	2,051	1,636,354	601,511	2,237,865	1,030,912	1,206,953
ORBASSANO Via Roma 43 / Via San Rocco 10	686	165,077	997,037	1,162,114	583,652	578,462
ORIA Vico Napoli / P.zza Lorch 2	235	94,004	200,385	294,389	70,482	223,907
ORISTANO Piazza Roma 38/40	715	382,480	712,194	1,094,674	262,015	832,659
ORTANOVA Via XXV Aprile	390	271,337	90,183	361,520	56,686	304,834
ORTONA A MARE P.zza della Vittoria 30	405	34,271	732,852	767,123	183,605	583,518
ORZINUOVI Piazza V. Emanuele 55 / Via Chierica 3/a	827	154,645	1,513,281	1,667,926	639,398	1,028,528
OSPEDALETTO LODIGIANO Via Balbi 53	346	1,291	251,529	252,820	78,965	173,855
OSSONA Via Patrioti 2 / Via Bosi	315	14,922	298,655	313,577	124,865	188,712
OSTIANO Via Garibaldi 27 / Via Vighenzi 6	240	36,204	196,955	233,159	100,071	133,088
OSTUNI C.so Vittorio Emanuele 72	338	14,168	587,728	601,896	144,076	457,820
OTTIGLIO Via Mazza 18	380	68,773	209,042	277,815	139,279	138,536
OTTOBIANO Viale Garibaldi 9	210	22,339	144,156	166,495	57,032	109,463
OVADA Via Cairoli 22	1,532	604,335	1,907,201	2,511,536	1,265,146	1,246,390
OZIERI C.so Vittorio Emanuele 2	385	5,320	361,520	366,840	87,806	279,034
PADERNO DUGNANO Via Gramsci 124	873	407,381	755,433	1,162,814	451,760	711,054
PADERNO DUGNANO Viale della Repubblica 28	765	619,356	523,617	1,142,973	463,728	679,245
PALERMO Via Dante 48/48a	386	476,872	745,592	1,222,464	723,199	499,265
PALMI CALABRA Via A. Barbaro 47	330	11,730	399,221	410,951	98,365	312,586
PARE' Via San Fermo 5	253	46,039	293,620	339,659	138,865	200,794
PARMA Via Verdi 6	345	79,659	734,876	814,535	258,037	556,498
PAULLO Via Mazzini 21/23	1,699	359,357	1,977,407	2,336,764	701,512	1,635,252
PAVIA Fil. 2 Corso Garibaldi 52	526	74,908	832,128	907,036	343,163	563,873

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LOCATION	Sq.m.	COST	REVALUATIONS (*)	GROSS BOOK VALUE	ADJUSTMENTS	NET BOOK VALUE
PAVIA Sede Via Rismondo 2	3,127	4,795,359	464,118	5,259,477	1,569,742	3,689,735
PEJA Via Provinciale 3/3a	1,041	191,636	729,744	921,380	403,618	517,762
PENNE Via Dante Alighieri 5	150	11,139	195,221	206,360	49,417	156,943
PEROSA ARGENTINA Via Roma 31 / p.za Marconi 7	503	106,927	391,979	498,906	241,703	257,203
PERUGIA Via Baglioni 9	890	128,363	4,633,651	4,762,014	951,943	3,810,071
PERUGIA Via XX Settembre 72 / Via d. Corgna	2,582	2,223,222	2,191,699	4,414,921	2,407,165	2,007,756
PESCARA C.so Vittorio Emanuele II 272/276	1,999	107,406	3,466,459	3,573,865	855,175	2,718,690
PESCARA Corso V. Emanuele 68/76	1,502	2,724,295	1,821,495	4,545,790	1,626,894	2,918,896
PESCARA Via Marconi 56 / Via Dei Marruccini 1	456	9,694	992,114	1,001,808	239,746	762,062
PESCARA Via Milano	217	120,108	117,462	237,570	37,251	200,319
PIADENA Via Libertà 40/36	1,046	498,165	497,377	995,542	407,337	588,205
PIANO DI SORRENTO Via delle Rose 16	256	58,523	432,274	490,797	117,507	373,290
PIAZZATORRE Via Centro 8	123	19,530	82,647	102,177	32,331	69,846
PINEROLO Piazza L. Barbieri 39/41	1,235	403,175	1,971,197	2,374,372	1,002,743	1,371,629
PINO TORINESE Via Roma 76	156	352,764	66,270	419,034	155,747	263,287
PIOTTELLO Via Milano 40 / Via Roma	476	494,835	269,373	764,208	343,616	420,592
PIOSSASCO Via Torino 49	476	140,783	449,634	590,417	215,109	375,308
PISA Corso Italia 131	1,012	170,759	-	170,759	15,368	155,391
PIZZIGHETTONE Via Monte Grappa	901	948,162	98,974	1,047,136	311,086	736,050
POGGIOMARINO Via Manzoni 2 ang. Via V. Emanuele	329	320,156	202,566	522,722	245,007	277,715
POGLIANO MILANESE Via Mons. Paleari 74	435	36,898	464,181	501,079	182,223	318,856
POIRINO Via Indipendenza 19	647	116,539	565,731	682,270	350,418	331,852
POLICORO C.so De Gasperi 37/39	366	121,992	426,593	548,585	131,142	417,443
POLLA Via Crispi	266	19,240	321,753	340,993	81,595	259,398
POMEZIA Via del Mare 73/c g	1,005	466,099	768,233	1,234,332	193,543	1,040,789
POMIGLIANO D'ARCO Via Terracciano 45	461	121,650	467,118	588,768	128,542	460,226
PONT CANAVESE Via Craveri 6	217	120,857	189,375	310,232	117,286	192,946
PONTE NOSSA Via IV Novembre 16/18	289	73,505	244,160	317,665	120,820	196,845
PONTE S. PIETRO Via Garibaldi 5	635	247,596	520,371	767,967	307,539	460,428
PONTECAGNANO Piazza Sabato 11/14 / Via Carducci	303	56,680	604,255	660,935	158,147	502,788
PONTEVICO Via XX Settembre 25	973	647,768	848,119	1,495,887	852,904	642,983
PONTIROLO NUOVO Piazza Marconi 9	277	82,709	276,436	359,145	149,779	209,366
POPOLI Corso Gramsci 187	222	287,182	-	287,182	49,826	237,356
PORDENONE Via G. Marconi 30	677	76,075	-	76,075	12,999	63,076
PORLEZZA Piazza Matteotti 12	273	57,009	336,320	393,329	144,100	249,229
PORTICI Corso Garibaldi 39/42	668	215,907	879,010	1,094,917	262,074	832,843
POSITANO Piazza dei Mulini 18/20	98	13,016	534,029	547,045	130,939	416,106
POTENZA Corso XVIII Agosto 1850. 99	2,755	652,469	3,453,547	4,106,016	982,795	3,123,221
POTENZA Cso Umberto I 57/59	59	1,351	91,413	92,764	22,206	70,558
POZZUOLI P.zza della Repubblica	91	12,168	153,388	165,556	39,590	125,966
POZZUOLI Via Terracciano	895	821,354	451,712	1,273,066	199,616	1,073,450
POZZUOLI Via Terracciano 3	130	272,267	-	272,267	38,144	234,123
POZZUOLI Via Terracciano 5/7	129	375,402	-	375,402	46,324	329,078
PRATO Via Giani / Via SS. Trinità	1,889	149,441	2,210,629	2,360,070	569,247	1,790,823
PRATO Viale Vittorio Veneto 7	2,680	1,761,273	3,605,670	5,366,943	2,840,531	2,526,412
PREGNANA MILANESE Via Roma 80	336	97,536	324,530	422,066	176,129	245,937
PRESEZZO Via Papa Giovanni XXIII 4/5 / via Vittorio Veneto	246	235,906	184,639	420,545	273,195	147,350
QUARTU S. ELENA Via Brigata Sassari / Via Cardano	444	114,671	623,880	738,551	176,786	561,765
RAPALLO Corso Matteotti 2/4/6 ang. Via Mameli	330	286,099	875,169	1,161,268	557,466	603,802
RAVENNA Via Arcivescovado 9	1,594	74,949	-	74,949	20,939	54,010
REGGIO CALABRIA Corso Garibaldi 173	625	211,072	921,026	1,132,098	346,371	785,727
REGGIO CALABRIA Via Castello 4/9	275	-	16,527	16,527	3,952	12,575
REGGIO CALABRIA Via Miraglia 12	2,941	151,989	4,909,439	5,061,428	1,211,087	3,850,341
REGGIO CALABRIA Via Sbarre Inferiore	176	47,918	112,690	160,608	-	160,608
RESCALDINA Via A. da Giussano 43	288	54,664	272,686	327,350	130,680	196,670
RESCALDINA Via B. Melzi 2	530	13,484	598,242	611,726	222,968	388,758
RIVA PRESSO CHIERI Via San Giovanni 2	523	63,517	431,062	494,579	210,026	284,553
RIVALTA Circolo Ricreativo Via Giaveno 55	2,044	1,817,278	605,462	2,422,740	926,084	1,496,656
RIVAROLO Piazza Chioratti 1 / Via S. Francesco	1,336	400,309	1,562,673	1,962,982	796,838	1,166,144
RIVOLI Piazza Martiri della Libertà 8 / Via Rombò 37	2,547	1,292,290	4,343,532	5,635,822	2,623,553	3,012,269
ROBBIO Via Roma 22	427	1,291	457,384	458,675	144,900	313,775
ROCCARASO Piazza Municipio 1	135	46,315	211,747	258,062	61,755	196,307
ROMA C.so Vittorio Emanuele 93	310	12,963	795,860	808,823	193,360	615,463
ROMA Fil. 2 Tiburtina Via Tiburtina Km. 16.2 (Guidonia M.)	1,265	766,427	2,151,945	2,918,372	1,271,232	1,647,140
ROMA Fil. 22 Via Parigi 11	1,624	1,009,781	4,258,088	5,267,869	2,193,154	3,074,715
ROMA Guidonia Montecelio / Via Giusti	396	41,591	308,192	349,783	135,464	214,319

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LOCATION	Sq.m.	COST	REVALUATIONS (*)	GROSS BOOK VALUE	ADJUSTMENTS	NET BOOK VALUE
ROMA Piazza E. Fermi 40/42	399	35,681	1,083,010	1,118,691	218,115	900,576
ROMA Piazza Pio XI 14/19	518	92,912	1,456,408	1,549,320	370,618	1,178,702
ROMA Sede Via della Stamperia 64	3,288	1,756,372	15,869,346	17,625,718	7,082,931	10,542,787
ROMA Via Carlo Alberto 24/26	1,153	-	1,272,549	1,272,549	376,286	896,263
ROMA Via Circum, zione Ostiense 88/92	110	17,056	592,376	609,432	145,755	463,677
ROMA Via Cola di Rienzo 280/286	166	130,669	415,639	546,308	85,856	460,452
ROMA Via Faà di Bruno 34	549	400,306	632,608	1,032,914	161,682	871,232
ROMA Via in Lucina / Via del Corso	270	762,290	1,889,199	2,651,489	621,653	2,029,836
ROMA Via Jacini 82/84	356	18,649	1,147,051	1,165,700	281,816	883,884
ROMA Via O. Amato 80 Acilia	2,336	3,505,447	-	3,505,447	903,255	2,602,192
ROMA Via Piemonte	149	342,099	250,794	592,893	217,473	375,420
ROMA Viale dell'Arte 25	48,349	29,132,785	116,501,992	145,634,777	63,708,962	81,925,815
ROSETO D.A. Via Nazionale Adriatica 301	380	257,983	217,158	475,141	74,502	400,639
ROVELLASCA Via Piave 1	581	23,402	638,991	662,393	234,976	427,417
ROVELLO PORRO Via Piave 22	450	177,203	439,629	616,832	268,108	348,724
RUVO DI PUGLIA Largo Cattedrale 18	257	128,381	202,152	330,533	51,827	278,706
S. BASSANO Via Roma 57	184	6,604	150,121	156,725	55,022	101,703
S. COLOMBANO AL LAMBRO Via Pasino Sforza 28	357	228,416	217,792	446,208	208,122	238,086
S. CRISTINA E BISSONE Via V. Veneto 142/140	304	44,729	166,979	211,708	85,119	126,589
S. DAMIANO D'ASTI Via Roma 20	317	229,851	226,639	456,490	253,288	203,202
S. DONATO MILANESE C.so Europa / Via Morandi	574	444,327	381,851	826,178	371,350	454,828
S. FEDELE INTELVI Via Provinciale 15	239	381	240,391	240,772	81,451	159,321
S. FERMO DELLA BATTAGLIA Via Montelatici 2	359	325,445	122,128	447,573	189,363	258,210
S. GIACOMO DI ROBURENT Via Sant'Anna 61	75	67,765	46,160	113,925	66,727	47,198
S. GIORGIO LOMELLINA Via Roma 1	266	503,192	-	503,192	109,098	394,094
S. GIOVANNI BIANCO Via Boselli 10/16	226	57	172,878	172,935	55,141	117,794
S. GIOVANNI LUPATOTO Via Madonnina 1/c	821	724,589	923,830	1,648,419	955,998	692,421
S. MARIA DELLA VERSA Via F. Crispi 1	359	16,399	204,426	220,825	80,407	140,418
S. MAURIZIO CANAVESE Via V. Emanuele 59	413	5,302	453,455	458,757	191,473	267,284
S. ROCCO AL PORTO Via D. Alighieri 5	1,134	1,095,709	255,449	1,351,158	493,879	857,279
S. EGIDIO ALLA V. C.so Adriatico 218	315	141,648	219,872	361,520	56,686	304,834
S. FERDINANDO D.P. Via Centimolo 51	274	169,748	212,431	382,179	59,926	322,253
S. GIORGIO A CREMANO Piazza Municipio 30	372	112,549	914,129	1,026,678	239,724	786,954
S. MARIA CAPUA VETERE C.so Garibaldi 18/24	590	217,861	985,400	1,203,261	288,021	915,240
S. NICOLA LA STRADA Viale Italia / Via Perugia	440	70,747	528,335	599,082	143,444	455,638
S. PIETRO VERNOTICO Via Brindisi 173	330	65,270	208,452	273,722	42,920	230,802
S. VITO DEI NORMANNI Via S. Domenico / Via Resistenza	201	279,968	-	279,968	53,224	226,744
SABBIONETA Piazza Ducale 3 / via dell'Assunta 3	456	445,067	95,437	540,504	260,274	280,230
SAINT VINCENT Via E. Chanoux 88	728	93,216	939,679	1,032,895	432,171	600,724
SALA CONSILINA Via Roma / Via Boschi 1	137	3,509	63,524	67,033	16,050	50,983
SALE Via Roma 6	364	216,269	144,304	360,573	176,021	184,552
SALERNO C.so Vittorio Emanuele 81	2,402	70,822	5,518,342	5,589,164	1,337,298	4,251,866
SALERNO P.zza Luciani	1,680	114,729	9,559	124,288	3,729	120,559
SALERNO Via Roma 45	2,010	-	1,693,979	1,693,979	29,020	1,664,959
SALERNO Via Torrione 88/92	335	21,390	583,080	604,470	144,651	459,819
SALUZZO Corso Italia 44	892	394,271	1,147,494	1,541,765	743,766	797,999
SANNAZZARO DE' BURGONDI Piazza del Popolo 6	958	867,809	902,812	1,770,621	1,067,278	703,343
SANREMO Via Matteotti 169	2,088	1,171,337	4,063,530	5,234,867	2,622,166	2,612,701
SANSEVERO Piazza Aldo Moro 43/47	1,025	27,268	1,398,049	1,425,317	272,413	1,152,904
SANT'ANGELO LODIGIANO Via Umberto I 46	615	144,590	671,791	816,381	316,002	500,379
SANTERAMO IN C. Via Stazione 25	233	67,767	159,474	227,241	35,631	191,610
SANTHIA' Corso Italia 75/87	697	136,310	532,664	668,974	303,254	365,720
SARNO Via Matteotti 75	324	9,751	465,328	475,079	113,730	361,349
SARONNO Piazza De Gasperi	80	49,580	-	49,580	10,412	39,168
SARONNO Piazza Volontari del Sangue 7	1,678	130,926	2,768,905	2,899,831	1,027,844	1,871,987
SARONNO Via Grieg 5 (archivio)	4,040	1,333,544	666,459	2,000,003	664,297	1,335,706
SARRE Strada Statale n.26	590	382,297	442,225	824,522	483,419	341,103
SASSARI Piazza Italia 19	3,450	2,387,011	3,889,437	6,276,448	1,237,994	5,038,454
SASSO MARCONI Via Porrettana	88	6,420	75,697	82,117	20,547	61,570
SAUZE D'OULX Piazza III Regg. Alpini 24	247	66,851	289,875	356,726	190,341	166,385
SAVA Via Regina Margherita / Via Bolognese	238	106,543	136,192	242,735	38,061	204,674
SAVIGLIANO Piazza del Popolo 60	1,152	438,462	1,084,120	1,522,582	673,701	848,881
SAVONA Via Paleocapa / Piazza Mameli 2	2,322	1,788,068	4,380,844	6,168,912	2,969,641	3,199,271
SECUGNAGO Via Roma 5	288	13,068	146,399	159,467	53,428	106,039
SENAGO Piazza F. Borromeo 2	539	323,285	322,864	646,149	249,482	396,667
SEREGNO Corso Matteotti / Via Sanzio	1,200	1,730,360	534,129	2,264,489	839,723	1,424,766

(*) L. 19/12/73 n. 823; L. 2/12/75 n. 576; L. 19/03/83 n. 72; L. 30/07/90 n. 218; L. 29/12/90 n. 408; L. 30/12/91 n. 413; others

LOCATION	Sq.m.	COST	REVALUATIONS (*)	GROSS BOOK VALUE	ADJUSTMENTS	NET BOOK VALUE
SERRA S. BRUNO Via A. De Gasperi 50	266	62,365	226,725	289,090	69,210	219,880
SERRACAPRIOLA C.so Garibaldi 130	208	59,193	147,389	206,582	32,392	174,190
SESTO S. GIOVANNI Via F.lli Casiraghi 27	2,398	1,297,983	1,006,930	2,304,913	776,984	1,527,929
SESTRI LEVANTE Via Fasce 24	835	209,920	1,305,943	1,515,863	668,968	846,895
SESTRIERE Piazzale Agnelli 2	170	105,265	476,992	582,257	298,740	283,517
SETTIMO TORINESE Corso Italia 16	1,948	1,086,842	2,470,343	3,557,185	1,425,827	2,131,358
SETTIMO TORINESE Via Torino 118 (Citta' Comm.le)	155	29,771	104,690	134,461	39,431	95,030
SGONICO (terreno)	3,079	-	361	361	-	361
SINISCOLA Via Gramsci 10	280	137,295	157,085	294,380	46,159	248,221
SOLTO COLLINA Via S. Eurasia 1	267	59,355	168,534	227,889	100,233	127,656
SOMMA VESUVIANA Via Roma 61	334	267,817	248,416	516,233	123,621	392,612
SOMMA VESUVIANA Via S. Angelo / S. Sossio	970	221,570	141,696	363,266	-	363,266
SOMMARIVA BOSCO Via Cavour 13	428	39,443	376,596	416,039	176,514	239,525
SORA L.go S. Lorenzo	545	322,124	416,410	738,534	115,802	622,732
SORESINA Via Matteotti 2	1,265	8,619	888,825	897,444	236,153	661,291
SORRENTO (S. Agnello) Via Balsamo 71	62	3,821	151,322	155,143	37,110	118,033
SORRENTO Corso Italia 210	1,010	72,769	2,444,907	2,517,676	602,626	1,915,050
SORRENTO Via degli Aranci 37	195	162,250	121,802	284,052	44,539	239,513
SOVERE Via Roma 26	357	126,140	308,065	434,205	178,037	256,168
SPARANISE Via Graziadei	260	10,479	325,368	335,847	80,360	255,487
SPINO D'ADDA Via M. della Liberazione 29	490	305,685	299,264	604,949	274,940	330,009
STRIANO Via Risorgimento ang. Via Roma 23	634	560,183	392,690	952,873	426,066	526,807
SULMONA P.zza XX Settembre 6	474	12,091	726,655	738,746	176,831	561,915
SUSA Via Mazzini ang. Corso Inghilterra 10	1,027	356,115	843,210	1,199,325	548,462	650,863
TARANTO Via Cesare Battisti 7	697	6,661	277,535	284,196	-	284,196
TARANTO Via d'Aquino 49/51	2,099	163,268	4,051,088	4,214,356	1,008,742	3,205,614
TARANTO Via Orsini 33	315	12,275	385,277	397,552	95,186	302,366
TAURIANOVA Piazza Italia 24/27	370	13,933	512,842	526,775	126,068	400,707
TAVERNERIO Via Provinciale per Lecco 16/d	266	96,570	365,186	461,756	170,846	290,910
TAVIANO C.so Vittorio Emanuele 37	170	12,552	199,352	211,904	50,748	161,156
TEMPIO PAUSANIA Via Niccolò Ferracciu 2	454	120,368	478,756	599,124	143,452	455,672
TERAMO C.so S. Giorgio 120	2,054	37,224	2,824,155	2,861,379	684,313	2,177,066
TERMOLI Corso Nazionale 150/152	1,243	2,208,977	104,209	2,313,186	909,658	1,403,528
TERMOLI Corso Umberto / Via Nazionale	607	25,344	1,069,582	1,094,926	262,075	832,851
TERNO D'ISOLA Via Castegnate 1	821	635,242	246,685	881,927	355,049	526,878
TERZIGNO Piazza V. Emanuele 17	808	414,761	627,797	1,042,558	564,358	478,200
TICINETO Via G. Matteotti 1	376	53,047	243,102	296,149	126,755	169,394
TORINO ex Fil. 25 Via P. Gaidano 8	624	196,922	579,622	776,544	241,757	534,787
TORINO Fil. 1 Corso Re Umberto 51/53	1,121	244,638	2,857,198	3,101,836	1,227,299	1,874,537
TORINO Fil. 10 Corso Casale 64/64bis	1,477	425,927	2,857,055	3,282,982	1,275,921	2,007,061
TORINO Fil. 11 Via Tunisi 124	993	1,405,355	502,737	1,908,092	703,433	1,204,659
TORINO Fil. 12 Via Stradella 34	2,293	1,191,117	3,688,147	4,879,264	2,497,162	2,382,102
TORINO Fil. 13 Corso San Maurizio 47	1,330	432,449	2,547,815	2,980,264	1,136,479	1,843,785
TORINO Fil. 14 Corso Svizzera 32	1,727	560,870	2,644,676	3,205,546	1,435,532	1,770,014
TORINO Fil. 15 Via XX Settembre 3	948	229,771	2,685,563	2,915,334	1,145,598	1,769,736
TORINO Fil. 16 Corso Orbassano 138	2,165	1,002,635	3,735,803	4,738,438	2,063,268	2,675,170
TORINO Fil. 17 Piazza Massaua 5	3,057	1,347,816	2,775,654	4,123,470	1,961,023	2,162,447
TORINO Fil. 18 Corso Bramante 84	1,206	952,293	649,488	1,601,781	1,172,455	429,326
TORINO Fil. 19 Via O. Vigliani 160/51 / Via P. di Cesnola	3,095	3,000,480	658,854	3,659,334	1,402,348	2,256,986
TORINO Fil. 2 Via Sant'Anselmo 18	1,197	156,173	2,251,357	2,407,530	928,589	1,478,941
TORINO Fil. 20 Via Cimarosa 85	3,185	2,173,261	2,642,882	4,816,143	1,683,266	3,132,877
TORINO Fil. 21 Via A. di Bernezzo 50	1,019	414,243	1,558,580	1,972,823	859,976	1,112,847
TORINO Fil. 22 Corso V. Emanuele 110	1,256	705,579	2,558,483	3,264,062	1,454,625	1,809,437
TORINO Fil. 23 Corso Unione Sovietica 409	2,824	1,121,729	4,017,174	5,138,903	2,527,156	2,611,747
TORINO Fil. 24 Corso Turati 18	1,182	202,848	2,462,675	2,665,523	1,032,792	1,632,731
TORINO Fil. 25 Via P. Gaidano 7	2,016	1,536,242	1,805,008	3,341,250	1,911,748	1,429,502
TORINO Fil. 26 Via Monginevro 228	1,296	557,419	1,452,888	2,010,307	958,365	1,051,942
TORINO Fil. 27 Piazza Rebaudengo 7/9	1,796	494,306	1,443,349	1,937,655	1,006,328	931,327
TORINO Fil. 3 Via Matteucci 2	1,185	552,984	1,802,194	2,355,178	984,641	1,370,537
TORINO Fil. 4 Corso Peschiera 151	2,019	970,198	2,970,251	3,940,449	1,798,522	2,141,927
TORINO Fil. 5 Piazza della Repubblica 7	1,931	321,752	2,901,710	3,223,462	1,213,710	2,009,752
TORINO Fil. 55 S.V. Via Gottardo 273	526	26,913	642,524	669,437	279,153	390,284
TORINO Fil. 6 Piazza Nizza 75	1,220	820,241	2,275,051	3,095,292	1,311,366	1,783,926
TORINO Fil. 7 Piazza Crispi 61 / Corso Vercelli	1,369	645,553	1,868,161	2,513,714	1,222,154	1,291,560
TORINO Fil. 8 Corso A. De Gasperi 14	1,512	905,611	2,382,760	3,288,371	1,499,048	1,789,323

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LOCATION	Sq.m.	COST	REVALUATIONS (*)	GROSS BOOK VALUE	ADJUSTMENTS	NET BOOK VALUE
TORINO Fil. 9 S.Vari Via Caluso 1	649	28,686	779,596	808,282	315,823	492,459
TORINO Fil. 9 Via Banchette ang. Corso Grosseto	1,890	1,816,727	2,111,187	3,927,914	2,329,045	1,598,869
TORINO Sede Piazza San Carlo 156/182	43,324	11,772,333	98,850,845	110,623,178	47,969,052	62,654,126
TORINO Sede Via Monte di Pietà 26	2,224	602,233	5,012,308	5,614,541	1,666,196	3,948,345
TORINO Sede Via Monte di Pietà 32	24,277	12,309,777	47,514,417	59,824,194	23,377,294	36,446,900
TORINO Sede Via Santa Teresa 3	1,430	359,051	4,440,621	4,799,672	1,775,200	3,024,472
TORINO Sp.S.V. 'A' Corso Peschiera 162	690	59,571	964,939	1,024,510	447,184	577,326
TORINO Sp.S.V. 'E' Corso Orbassano 134	729	91,696	1,367,179	1,458,875	547,421	911,454
TORINO Strada San Vito (Villa Abegg)	2,856	2,535,582	3,521,671	6,057,253	1,941,945	4,115,308
TORINO Via dell'Arsenale 17	2,671	5,059,780	-	5,059,780	249,456	4,810,324
TORINO Via Domodossola 21	280	2,037	220,011	222,048	53,099	168,949
TORINO Via G. Bruno 200/202	85	6,405	45,586	51,991	19,167	32,824
TORINO Via San Francesco d'Assisi 15	397	11,883	791,767	803,650	350,931	452,719
TORINO Via Valeggio 36	1,270	785,085	4,214,753	4,999,838	2,312,949	2,686,889
TORRE ANNUNZIATA Corso Umberto 94 / Via Vesuvio	1,361	61,983	1,797,270	1,859,253	445,052	1,414,201
TORRE BOLDONE Via D.L.Palazzolo 11	374	37,050	477,358	514,408	203,573	310,835
TORRE D.G. Via Cesare Battisti 40	1,945	1,277,289	1,214,615	2,491,904	390,730	2,101,174
TORRE DEI P. Via Garibaldi	255	94,425	189,627	284,052	44,539	239,513
TORTONA Piazza Duomo 9	1,598	391,909	2,434,367	2,826,276	1,312,926	1,513,350
TORTONA Piazza Mazzini 2 (autorimessa)	56	22,477	20,139	42,616	23,233	19,383
TRADATE Corso Bernacchi 85	829	311,170	870,897	1,182,067	535,086	646,981
TRANI P.zza della Repubblica 63	373	2,875	652,802	655,677	156,956	498,721
TRECATTE Via Gramsci 1	815	234,401	742,138	976,539	465,695	510,844
TRENTO Via Segantini Ang. Via Acconcio	930	2,266,987	610,271	2,877,258	1,068,716	1,808,542
TRESCORE CREMASCO Via Carioni 2	446	241,631	273,090	514,721	225,180	289,541
TREVIGLIO Piazza Camerani 2	1,770	1,555,422	2,337,765	3,893,187	1,810,848	2,082,339
TREZZO SULL'ADDA Via Garibaldi / Via dei Mille 1	1,645	782,113	1,266,851	2,048,964	798,428	1,250,536
TRIESTE Piazza Oberdan 3	670	68,172	1,068,033	1,136,205	374,947	761,258
TRIESTE Via Burlo (nuda proprietà)	200	10,688	195,231	205,919	-	205,919
TRIESTE Via Coroneo 8	90	45,205	27,099	72,304	23,860	48,444
TRINO Corso Cavour 61	840	324,985	577,220	902,205	515,832	386,373
TROFARELLO Via Torino 64	856	116,335	947,001	1,063,336	465,610	597,726
TURATE Via Marconi 7 / Via Candiani	547	454,637	349,792	804,429	338,861	465,568
UBOLDO Via Roma 27	351	30,307	462,856	493,163	192,737	300,426
UDINE Via Marangoni	2,290	96,594	1,272,087	1,368,681	655,083	713,598
VADO LIGURE Piazza Cavour 10	754	1,303,021	39,091	1,342,112	476,170	865,942
VAILATE Via S. Giani 15	190	85,042	302,118	387,160	128,713	258,447
VALBONDIONE Via S. Lorenzo 24	148	21,969	91,261	113,230	43,994	69,236
VALENZA Corso Garibaldi 111/113	1,724	2,193,678	2,529,203	4,722,881	2,079,664	2,643,217
VALFENERA Via A. d'Aosta 10	355	56,505	255,210	311,715	143,684	168,031
VALGUARNERA CAROPEPE Via Garibaldi 95	120	43,121	168,090	211,211	116,096	95,115
VALLE LOMELLINA Via Casserotto 1 / Via Roma 29	451	216,082	442,617	658,699	398,644	260,055
VALLEMOSCO Piazza Dante Alighieri 8	650	209,476	376,135	585,611	255,090	330,521
VANZAGHELLO Piazza S. Ambrogio 2	701	325,578	434,984	760,562	299,787	460,775
VARALLO SESIA Piazza Vittorio Emanuele	510	134,176	370,658	504,834	202,668	302,166
VARAZZE Piazza Patrone / Via Nazioni Unite	843	245,869	1,819,382	2,065,251	930,377	1,134,874
VARESE Fil. 1 Via Marconi 8	820	52,397	1,280,068	1,332,465	579,352	753,113
VARESE Sede Via Milano 16	2,366	122,808	3,507,021	3,629,829	1,572,742	2,057,087
VASTO Via Maddalena	575	365,150	140,977	506,127	79,361	426,766
VENAFRO Corso Campano 21	378	11,971	437,439	449,410	107,562	341,848
VENARIA REALE Viale Buridani 6	1,760	170,603	-	170,603	25,358	145,245
VENEZIA Rio Terra' S. Leonardo 1353	303	31,853	1,517,518	1,549,371	511,292	1,038,079
VENEZIA San Marco Calle Callegher 2580/93	288	49,023	611,511	660,534	222,388	438,146
VENEZIA San Marco Calle delle Acque	1,400	168,942	77,469	246,411	171,858	74,553
VENOSA Via Roma 26	205	32,219	246,866	279,085	66,804	212,281
VENTIMIGLIA Corso Limone 9 (Sp.COMCENTRO)	130	182,336	111,487	293,823	188,692	105,131
VENTIMIGLIA Via Cavour 30A-B/108	1,444	662,576	3,683,809	4,346,385	1,980,053	2,366,332
VERCELLI Viale Garibaldi 12	4,449	1,664,902	4,261,769	5,926,671	2,769,892	3,156,779
VERCELLI Via Mercadante 3 ang. Via Paggi (ex Fil.1)	280	9,379	150,478	159,857	55,660	104,197
VERDELLO Via Cavour 19	771	224,149	744,864	969,013	221,821	747,192
VERONA Piazza Madonna di Campagna 18	1,269	1,875,538	455,381	2,330,919	685,475	1,645,444
VIADANA Piazza Manzoni 32	780	588,825	712,327	1,301,152	568,626	732,526
VIAREGGIO Via San Francesco	910	88,774	-	88,774	7,990	80,784
VICO EQUENSE Corso Filangieri 82	309	17,115	695,667	712,782	170,590	542,192
VIGEVANO Via Decembrio 35 / Via Carducci 1	1,473	259,412	3,051,040	3,310,452	1,361,858	1,948,594
VIGNALE MONFERRATO Piazza del Popolo 5	170	8,560	78,568	87,128	25,994	61,134

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LOCATION	Sq.m.	COST	REVALUATIONS (*)	GROSS BOOK VALUE	ADJUSTMENTS	NET BOOK VALUE
VILLA CARCINA Via Glisenti 78	726	745,518	407,520	1,153,038	551,207	601,831
VILLA CORTESE Via Tosi 22 / Via Speroni	436	349,479	257,509	606,988	282,969	324,019
VILLA S. GIOVANNI Via Ammiraglio Curzon	460	67,087	531,951	599,038	143,430	455,608
VILLACIDRO Via Regione Sarda 59	210	19,700	264,426	284,126	68,014	216,112
VILLAFRANCA D'ASTI Via Roma 34	398	39,873	319,845	359,718	175,125	184,593
VILLANTERIO Via IV Novembre 12/a	379	273,152	360,890	634,042	137,972	496,070
VILLAR PEROSA Via Nazionale 31/9	440	15,568	460,574	476,142	177,367	298,775
VILLAROSA SICILIA Piazza V. Emanuele 3	245	299,173	-	299,173	41,793	257,380
VILLASANTA Via Confalonieri / Via Camperio	250	473,598	23,171	496,769	147,617	349,152
VILLASTANZA DI PARABIAGO P.za Indipendenza 6	178	12,646	186,037	198,683	68,067	130,616
VIMERCATE Via Risorgimento 32/a	754	826,376	362,775	1,189,151	493,530	695,621
VOGHERA Piazza Duomo 10	2,264	2,167,298	3,855,320	6,022,618	3,234,975	2,787,643
ZANICA Via Roma 9/9a	599	83,083	531,649	614,732	244,206	370,526
LAND	-	8,559	575,835	584,394	-	584,394
LAND IN SARDEGNA (Torpè)	-	176	-	176	176	-
OTHER PREMISES	-	223,431	241,730	465,161	-	465,161
TOTAL PROPERTY ITALY	1,026,959	504,032,420	1,456,931,126	1,960,963,546	689,458,651	1,271,504,895
PARIGI Avenue de Suffren	150	21,304	314,393	335,697	-	335,697
NEW YORK Town of Mamaroneck	613	593,730	413,411	1,007,141	327,408	679,733
GRAND TOTAL	1,027,722	504,647,454	1,457,658,930	1,962,306,384	689,786,059	1,272,520,325

(*) L. 19/12/73 n. 823; L. 2/12/75 n. 576; L. 19/03/83 n. 72; L. 30/07/90 n. 218; L. 29/12/90 n. 408; L. 30/12/91 n. 413; others

Other points on the agenda

INCREASE OF THE LEGAL RESERVE TO THE MAXIMUM LIMIT PROVIDED FOR BY ART. 2430, SUBSECTION 1 OF THE ITALIAN CIVIL CODE, ALLOCATING PART OF THE MERGER SURPLUS, OF THE RESERVE EX ART. 7, SUBSECTION 3, LAW 218/1990, OF THE RESERVE EX D. LGS. 169/1983 AND OF PART OF THE SHARE PREMIUM RESERVE

AUTHORIZATION TO PURCHASE AND DISPOSE OF OWN SHARES

REMUNERATION OF THE DIRECTORS

Increase of the legal reserve to the maximum limit provided for by art. 2430, subsection 1 of the Italian Civil Code, allocating part of the merger surplus, of the reserve ex art. 7, subsection 3, Law 218/1990, of the reserve ex D. Lgs. 169/1983 and of part of the share premium reserve

REPORT OF THE BOARD OF DIRECTORS

Extraordinary part – point 1 of the agenda

Shareholders,

Following the conclusion of the merger transaction between SANPAOLO IMI and Cardine Banca which, among others, generated a goodwill of 1,583 million euro, we now have the opportunity to redefine the shape of the net equity of SANPAOLO IMI, with a view to rationalize the businesses.

This process leads to the proposal to:

- increase the Legal reserve by utilizing a portion of the merger goodwill, to be resolved in the Extraordinary part;
- allocate the residual merger goodwill to specific balance sheet captions, to be resolved in the Ordinary part in the context of the approval of the 2002 financial statements and the profits to be distributed.

As a result of the merger with Cardine Banca, SANPAOLO IMI has increased its share capital to 1,211,629,680.8 euro; therefore, the Legal reserve previously adjusted to 20% of the share capital is now lower than the allowed limit.

Therefore, in line with the composition of the Bank's net shareholders' equity before the merger, we propose to increase the Legal reserve to the maximum limit provided by subsection 1 of art. 2430 of the Italian Civil Code (20% of the share capital).

This operation is desirable in that it will allow us to fulfill, in advance and in one single operation, the obligations in respect of the Legal reserve, which would otherwise be necessary to fulfill by utilizing profits from 2002 and future years.

We therefore propose that you resolve to increase the Legal reserve from 792,561,421.3 euro to 1,028,812,960 euro, through the following equity reserves:

- Merger goodwill of 141,542,285 euro;
- 80,359,536.66 euro to Reserve ex art. 7 subsection 3 Law 218/90;
- 11,514,113.06 euro to Reserve ex Law 169/83;
- Additional paid-in capital of 2,835,603.98 euro.

Turin, 25 March 2003

The Board of Directors

Authorization to purchase and sale of own shares

REPORT OF THE BOARD OF DIRECTORS

Ordinary part – point 2 of the agenda

Shareholders,

The Board of Directors called you to the ordinary meeting to resolve on the proposal to authorize the purchase and sale of own shares, in order to renew the authorization already granted at the previous meeting of 30 April 2002, prior to its imminent expiry.

The appropriate sections of the Report on Operations and the explanatory notes (Part B, section 8) illustrate the transactions in own shares carried out by SANPAOLO IMI during the year.

As you well know, there are various reasons why a company might want to buy or sell its own shares. In particular, it is opportune that Directors be authorized to purchase and sell own shares, also to keep prices in line with estimated fair values, in relation to contingent situations on the domestic or international market. This can also improve market liquidity, making trading in the shares easier and more regular.

At the same time, it is deemed opportune that Directors be empowered with this authorization, in order to be able to take advantage of opportunities such as special transactions or deals involving share exchanges, or other situations where a company might need to have its own shares available.

Purchases of own shares will be made according to procedures provided and permitted by the first subsection of art. 132 of D.Lgs. 58 of 24 February 1998, to ensure fair treatment to all shareholders pursuant to subsection 3 of art. 132 of the same Decree Law. Transactions are generally carried out in compliance with current CONSOB regulations.

Taking account of the above, we propose that you pass a resolution in accordance with art. 2357 of the Civil Code and art. 132 of D.Lgs. 58 of 24 February 1998, authorizing for a period of 18 months from the date of the resolution the purchase of own shares with a nominal value of 2.8 euro per share at a price, net of related purchase costs, of not less than 30% below and not more than 10% above the reference price that the stock will have posted during the stock exchange session on the day prior to each purchase transaction, up to a maximum of 180 million shares and in any case, within the limits set by the law. According to these limits, suitable procedures are implemented in order to monitor the total shareholding held by the Group. Purchases can take place on one or more occasions.

We also propose that you establish the Reserve for purchase of own shares – amounting to 456 million euro at 2002 year end – in 1,000 million euro by deducting the difference of 544 million euro from the Extraordinary reserve. The amount of own shares held in portfolio at any moment in time should not exceed this limit, which corresponds to available items in the Bank's shareholders' equity.

We also propose that you authorize the disposal of all or part of the own shares held, without any time limit, at a price not less than 10% below the reference price that the stock will have posted in the session on the day prior to each sale, pursuant to art. 2357-ter of the Civil Code. On the other hand, suitable average prices in line with international best practice can be used for share transfers involved in the acquisition of shareholdings by the Bank, or in connection with the setting up of stable relationships of cooperation or special financial operations which imply the availability of own shares.

Own shares can also be used as part of incentive plans for:

- the employees of the Company or its subsidiaries for allocations free of charge, also in substitution of other forms of remuneration, taking into account tax benefits provided for by current tax regulations;
- sales for payment following the exercise of option rights and at a price equal to the “normal value” of the stock calculated according to current tax regulation, to employees of the Bank or of its subsidiaries, as well as, in compliance with art. 2389 of the Civil Code, to Directors of the Bank.

In this respect, we inform you that, as mentioned in the consolidated Report on operations, and without affecting the powers of the shareholders’ meeting in matters concerning the authorization of how own shares can be used, the Board of Directors has on separate occasions:

- decided in accordance with art. 15 subsection 9 of the Articles of Association that the remuneration of the Chairman Mr. Rainer Masera and of the Managing Directors Mr. Alfonso Iozzo and Mr. Luigi Maranzana should be supplemented by means of a stock option plan assigning to each of them 450,000 fixed rights for the three years of their term of office (2001-2003), plus another 150,000 rights on condition that the SANPAOLO IMI stock reach a price of 20 euro by the end of the three-year period;
- decided also in accordance with art. 15 subsection 9 of the Articles of Association, on the appointment of Mr. Pio Bussolotto as Managing Director, that his remuneration should be supplemented by means of a stock option plan assigning him 300,000 fixed rights for the two years of his term of office (2002-2003), plus another 100,000 rights on condition that the SANPAOLO IMI stock reach a price of 20 euro by the end of the two-year period;
- approved for the year 2003, a voluntary bonus issue of shares to employees of the Bank, the same as that performed in 2002, for an amount varying according to the individual level of remuneration, linked to the productivity bonus. The shares will be assigned during 2003, at the time that the 2002 Productivity bonus is paid.

Lastly, we invite you to formally agree with these proposals – and consequently to revoke, for the part not executed of the resolution passed on 30 April 2002 authorizing the purchase and sale of own shares, and to authorize the Board of Directors to delegate all or part of the power to initiate purchases and disposals of own shares.

Turin, 25 March 2003

The Board of Directors

Remuneration of the Directors

REPORT OF THE BOARD OF DIRECTORS

Ordinary part – point 3 of the agenda

Shareholders,

As you are aware, art. 15 of the Articles of Association provides for Shareholders' Meeting resolutions to establish the payment of annual emoluments to the members of the Board of Directors and of the Executive Committee, part of which is fixed and part of which is variable.

Accordingly, the Shareholders' Meeting of 30 April 2002 determined the variable gross emoluments due to the Directors in office for 2002 as follows:

- 1 per thousand of net income as shown in the consolidated financial statements for that year, if it is less than 1,250 million euro,
- 1.5 per thousand of net income as shown in the consolidated financial statements for that year, if it is more than 1,250 million euro.

The Shareholders decided not to set any parameter for the year 2003, postponing any decision to the meeting called to approve the 2002 financial statements. This was in consideration of the need for a more precise evaluation about the Bank's future developments with a view to a fairer evaluation of the situation.

We would also remind you that today's Meeting, in the preceding point on the agenda, is called upon to authorize the purchase and sale of own shares. One of the ways that own shares can be used is to include them in Directors' stock option plans.

Shareholders,

You are therefore invited to take the necessary decisions in accordance with art. 15 of the Articles of Association.

Turin, 25 March 2003

The Board of Directors

Report on the corporate governance system and adherence to the code of conduct for listed companies

Within the context of ever increasing attention to governance profiles and transparent communication to Institutional Investors and the market, as instruments to maximize Shareholder value, Sanpaolo Imi has adhered to the aims and indications of the Code of Conduct for listed companies (referred to herewith as the "Code").

Recognizing the validity of the model of corporate governance contained in the Code, drawn up on the basis of international best practice and designed to inspire a balanced representation of management and control functions, the Company has evaluated the conformity to its own organizational structure.

This structure is characterized in the terms described hereinbelow.

* * *

Composition and role of the Board of Directors

a) Composition and term of the Board of Directors

In accordance with art. 14 of the Articles of Association, the Company is administered by a Board of Directors composed of a number of members variable from 7 to 20, as decided by the Shareholders' Meeting, which will nominate one of them Chairman. The Sanpaolo Imi Board, nominated by the Shareholders' Meeting of 30 April 2001 and subsequently by the Shareholders' Meeting of 5 March 2002, is composed of 18 Directors, listed here with their specific roles:

Dr.	Rainer Masera	Chairman
M.me	Isabelle Bouillot	Director
Mr.	Pio Bussolotto	Managing Director
Mr.	Alberto Carmi	Director
Mr.	Giuseppe Fontana	Director
Mr.	Gabriele Galateri di Genola e Suniglia	Director
Mr.	Richard Gardner	Director
Mr.	Alfonso Iozzo	Managing Director
Mr.	Mario Manuli	Director
Mr.	Luigi Maranzana	Managing Director
Mr.	Virgilio Marrone	Director
Mr.	Abel Matutes	Director
Mr.	Iti Mihalich	Director
Mr.	Emilio Ottolenghi	Director
Mr.	Orazio Rossi	Deputy Chairman
Mr.	Gian Guido Sacchi Morsiani	Director
Mr.	Enrico Salza	Deputy Chairman
Mr.	Remi François Vermeiren	Director

The term in office of all the members of the Board of Directors is envisaged until the approval of the financial statements for 2003.

b) Executive and non-executive Directors

The composition of the Board of Directors is characterized by a balanced participation of executive and non-executive Directors.

More specifically, the role of executive management and activities of the Company, assigned by the Articles of Association to the Managing Directors, allows consideration of the latter as Executive Directors. All remaining members of the Board are to be considered non-executive and the pursuance of their respective duties in meetings of the Deliberative Bodies and Technical Committees is reserved to them.

The Chairman, to whom the Board has not assigned operational delegated powers, is counted among the non-executive Directors.

c) Independent and non-independent Directors

Considering the nature of the agreements existing among certain shareholders and relative financial arrangements between Sanpaolo Imi and the same shareholders, the Board of Directors considers that – within the context of the non-executive directors – the following are to be considered non-independent directors by virtue of their offices among the shareholders bound by the above-mentioned agreements:

M.me	Isabelle Bouillot
Mr.	Gabriele Galateri di Genola e Suniglia
Mr.	Virgilio Marrone
Mr.	Iti Mihalich

As regards the remaining non-executive Directors, there are no elements such as not to satisfy the requirements of independence.

d) Offices of Director or Statutory Auditor held in other Companies

Following is a list of the offices of Director or Statutory Auditor currently held by Sanpaolo Imi Directors in Companies listed in regulated markets, including those abroad, in financial, banking, insurance and other significant-sized companies:

DIRECTOR	OFFICE	COMPANY
Dr. Rainer MASERA	Chairman Member of the Board of Directors	Sanpaolo Imi International S.A. BEI - European Investment Bank
M.me Isabelle BOUILLLOT	President du Directoire President of the Supervisory Board President President of the Supervisory Board Member of the Supervisory Board President Member of the Supervisory Board Administrator Member of the Supervisory Board Member of the Board Member of the Board Member of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board Member of the Board Member of the Supervisory Board Administrator President of the Board	CDC Finance – CDC Ixis S.A. CDC Ixis Financial Guaranty Holding S.A. CDC Ixis Financial Guaranty North America Inc. CDC Ixis Capital Markets S.A. CDC Ixis Securities S.A. CDC Ixis North America CDC Ixis Asset Management S.A. CDC Ixis AM US Corporation CDC Ixis Private Capital Management S.A. CDC Ixis Private Equity S.A. CDC Ixis Immo S.A. CDC Ixis Italia Holding S.A. Accor Caisse Nationale des Caisses d'Epargne Compagnie de Saint Gobain CNP Assurances Compagnie Financière Eulia S.A. Société de Gestion de CDC Euro Obligations

DIRECTOR	OFFICE	COMPANY
Plo BUSSOLOTTO	Managing Director Managing Director Director	Cardine Finanziaria S.p.A. Cassa di Risparmio di Padova e Rovigo S.p.A. Sanpaolo Imi International S.A.
Alberto CARMÌ	/	/
Giuseppe FONTANA	Director	Banca Popolare di Sondrio
Gabriele GALATERI di GENOLA e SUNIGLIA	Director Director Director General Director Director Director Director Director Director Director	Accor S.A. Birra Peroni Industriale S.p.A. Cassa di Risparmio di Savignano S.p.A. Giovanni Agnelli e C. S.a.p.a.z. Fiat S.p.A. IFI S.p.A. Sanpaolo Imi Investments So.par.fi. Sifalberghi S.r.l. Toro Assicurazioni S.p.A. Worms & Cie
Richard GARDNER	/	/
Alfonso IOZZO	Director Director Member of the Supervisory Board	Sanpaolo Imi International S.A. NHS Mezzogiorno SGR S.p.A. CDC Finance - CDC Ixis S.A.
Mario MANULI	Managing Director Vice Chairman and Managing Director Director Director	Manuli Rubber Industries S.p.A. Manuli Packaging S.p.A. Terme di Saturnia S.r.l. Web Equity S.p.A.
Luigi MARANZANA	Chairman Director Director Director	Sanpaolo Imi Wealth Management S.p.A. Banca Imi S.p.A. Sanpaolo Imi International S.A. Sanpaolo Imi Internazionale S.p.A.
Virgilio MARRONE	Director	Fiat S.p.A.
Abel MATUTES	/	/
Iti MIHALICH	Director Director Deputy Chairman Director Managing Director Director Director Director Director Director Director Director Director Director Chairman Director Director Director	Aci Global S.p.A. Agemut Sociedad de Agencia de Seguros de Mutral Ala Service S.p.A. Banca Reale S.p.A. Italiana Assicurazioni S.p.A. La Piemontese Assicurazioni S.p.A. La Piemontese Vita S.p.A. Reale Asistencia - Compania de Seguros S.A. Reale Autos y Seguros Generales S.A. Reale Immobili Reale Sum - Agrupacion de Interes Economico Reale Vida S.A. Rem Assicurazioni S.p.A. Inmobiliaria Grupo Asegurador Reale S.A. Rem Vie S.A. Sara Assicurazioni S.p.A. Sara Vita S.p.A. Reale Mutua di Assicurazioni
Emilio OTTOLENGHI	Director Director Managing Director Member of the Supervisory Board Chairman	Sanpaolo Imi International S.A. Autostrade S.p.A. La Petrolifera Italo Rumena S.p.A. Solving International VIS S.p.A.
Orazio ROSSI	Chairman Chairman Chairman Director Director Director	Cardine Finanziaria S.p.A. Cassa di Risparmio di Padova e Rovigo S.p.A. Sanpaolo Imi Internazionale S.p.A. Cassa di Risparmio di Udine e Pordenone S.p.A. Sanpaolo Imi International S.A. Eptaconsors S.p.A.

DIRECTOR	OFFICE	COMPANY
Gian Guido SACCHI MORSIANI	Chairman Deputy Chairman Deputy Chairman Deputy Chairman Deputy Chairman substitute Director	Cassa di Risparmio in Bologna S.p.A. Eptaconsors S.p.A. Cardine Finanziaria S.p.A. GE.R.CO. S.p.A. Finemiro Banca S.p.A. Cassa di Risparmio di Venezia S.p.A.
Enrico SALZA	Managing Director Director Director	Tecnoholding S.p.A. Sanpaolo Imi International S.p.A. Thera It Global Company
Remi François VERMEIREN	Chairman President of the Executive Committee	KBC Bank KBC Bank and Insurance Holding Company

In accordance with the provisions stated in the Code of Conduct, the aforesaid offices are also mentioned in the Report on Operations included in the Annual Report.

e) Functions of the Board of Directors

The Board of Directors, in general, is responsible for strategic direction and holds the powers of ordinary and extraordinary administration, excluding those expressly attributed by law or by the Articles of Association to the exclusive competence of the Shareholders' Meeting.

In particular, in accordance with art. 16 subsection 2 of the Articles of Association, the following are also reserved to the exclusive competence of the Board:

- resolutions regarding general management, the approval and modification of a general provision concerning work relationships, the acquisition and sale of shareholdings which change the composition of the Banking Group, the appointment of offices as provided for by subsection 1 of art. 20 (General Managers, Deputy General Managers, Central Managers);
- the determination of the criteria for the coordination and management of Group Companies and for the execution of the instructions issued by the Bank of Italy.

On the basis of the Bank's Articles of Association and the current delegated powers, the Board of Directors is also responsible for:

- the examination and approval of the Company's and Group's strategic, industrial and financial plans as well as the approval of the Regulation concerning the Group's corporate governance;
- the attribution of mandates to the Managing Directors and the Executive Committee, as well as the related definition of the limits, means of exercise and periods of time within which the delegated Bodies must report to the Board on the activities carried out during the exercise of the mandates conferred to them;
- the determination of the Managing Directors' remuneration and of those who hold particular offices, as well as the subdivision of the variable part of the amount due to the individual members of the Board, after the examination of the proposals for the Remuneration and Personnel Policies of the Technical Committee and having heard the Board of Statutory Auditors;
- the approval of general risk management policies;
- the supervision on general performance, paying special attention to situations of conflicts of interest, taking into particular consideration the information received from the Executive Committee, the Managing Directors and the Audit Technical Committee, and periodically comparing the results achieved with those planned;
- the examination and approval of major economic, balance sheet and financial transactions, defined on the basis of quantitative and qualitative criteria (such as loans of more than one fifth of the equity of the Company, loans of more than 10 million euro, acquisition of shareholdings of more than 100 million euro); the verification of the adequacy of the Company's and Group's general organizational and administrative structure;
- the presentation to Shareholders of the reports concerning the agenda of the Shareholders' Meetings.

f) Delegated powers conferred

In accordance with art. 15 of the Articles of Association, the Board of Directors nominates from among its members the Executive Committee (of which the Chairman, the Deputy Chairmen and the Managing Directors are members ex officio), setting the number of members, delegated powers, term of office, rules of functioning and powers. The Board also nominates, determining their attributions, one or more Managing Directors.

The Executive Committee is currently composed of 8 Directors:

Dr.	Masera Rainer
Mr.	Pio Bussolotto
Mr.	Alfonso Iozzo
Mr.	Luigi Maranzana
Mr.	Virgilio Marrone
Mr.	Iti Mihalich
Mr.	Orazio Rossi
Mr.	Enrico Salza

The Board has attributed to the Executive Committee powers to exercise within the context of the strategies, directions and plans made by the same Board, with the faculty of sub-delegation and the obligation to report quarterly to the Board on the activity undertaken, decisions made and the mandates conferred.

In particular, the Executive Committee has been given, principally, powers concerning loan issue, recovery of loans and shareholdings – except in the case of exclusive competence of the Board of Directors, pursuant to art. 16 of the Articles of Association.

The Executive Committee has also been given, in general, the faculty to assume any urgent provision in the interests of the Company, referring them to the Board at its next meeting.

The Executive Committee, the Statutory Auditors having their powers set by law, is called to meet whenever the Chairman considers appropriate and, by company practice, around twice a month. In the course of 2002 the Committee met on 21 occasions.

The Board has conferred to the Managing Directors, each separately, powers to be exercised within the context of their respective competencies as well as strategies, directions and plans made by the same Board, with faculty of sub-delegation and the obligation to report quarterly to the Board on the activity undertaken, decisions made and mandates conferred.

The distribution of the areas of responsibility among the three Managing Directors originates from the identification of operational and market contexts with similar characteristics and from the determination to maximize specializations and competencies. Another aim is to achieve maximum sharing of Group targets and successful coordination between distant but correlated operating areas, in order to maximize operating efficiency and supply a service of excellence to all customers.

In particular, the following specific competencies have been attributed:

- the Managing Director Pio Bussolotto is assigned responsibility for Cardine Finanziaria and the bank networks controlled by it in order to supervise the integration in course among them. The Managing Director in question is also assigned responsibility for shareholdings in other domestic banks and for the tax collection Companies, as well as the centralized supervision of Group strategic planning and of purchasing and logistics.
- the Managing Director Alfonso Iozzo is in charge of banking and lending activities to households, companies and public entities, through the direct responsibility for the Sanpaolo Network (to which Southern Territorial Direction reports)

and Banca OPI, as well as the Group's commercial coordination and strategic marketing. In order to accentuate the operational integration between the various Group banks, the Managing Director in question is also assigned the centralized control of Group lending, including large risks, and responsibility for the Macchina Operativa Integrata.

- the Managing Director Luigi Maranza is assigned responsibility for specialist businesses, with particular reference to the financial planner networks (Banca Fideuram and Banca Sanpaolo Invest), asset management (Sanpaolo Imi Wealth Management), financial markets and foreign and international banking. Certain central functions of the Group close to the above-mentioned markets, such as Group Finance, Risk Management and relationships with Correspondent Banks, report to the Managing Director in question.

Taking account of the aforementioned competencies, the Board has conferred to the Managing Directors powers concerning loan issue and, more generally, operational, Group guarantees to financial institutions, recovery of loans, assumption of economic burdens, legal and prelegal proceedings on non-recovered assets and liabilities, administration procedures against the Company, shareholdings – except in the case of exclusive competence of the Board of Directors - and costs, as well as powers in matters concerning personnel and structures within the context of the management directions approved by the administrative bodies. The Managing Directors have also been attributed powers concerning the control and management of financial risks.

The Managing Directors have been assigned, in general and within the context of their respective attributions, or in the execution of decisions made by superior Bodies, all powers necessary for the ordinary management of the Company, unless otherwise reserved specifically to other Bodies pursuant to the Articles of Association or by exclusive mandate of the Board of Directors.

In accordance with art.17 of the Articles of Association, the proposals to the Board of Directors and the Executive Committee are formulated by the Managing Directors on the basis of the conferred delegated powers. In particular, the Managing Directors are responsible for proposals related to the general organization of the Company, to credit and business areas as well as personnel management.

As regards the role and functions of the Chairman of the Board of Directors, in the current Company structure, the Articles of Association and decisions of the Board state that the Chairman's functions are distinct from those of the Managing Directors. The Chairman does not have any deliberative competence from the Board, except for, pursuant to Article 18 of the Articles of Association, the responsibilities to coordinate the activities of the Company, the power to authorize any legal, administrative and executive action in the interest of the Company as well as to adopt, in agreement with the relevant Managing Director, any urgent provision in the interest of the Company, referring such to the Board or the Executive Committee at its next useful meeting.

g) Board meetings

The calling of the Board of Directors, ordinarily every two months (art. 17 of the Articles of Association), or at the request of at least three Directors, or one Managing Director, or on the basis of the powers which the law gives to the Statutory Auditors, falls to the Chairman who, on the basis of the corporate Articles of Association, is responsible for the coordination of the work of the Board of Directors. The Chairman also presides over the meetings and sets the agenda, taking account of the motions proposed by the Managing Directors.

The calling of Directors and Statutory Auditors for the meetings of the Board of Directors is made in advance and in reasonable time to allow sufficient information on the subjects under discussion and is followed by the advance documentation necessary to ensure the best informed performance by the Directors of their tasks. The rule of advance information may only be waived in cases of particular urgency or requirements of confidentiality; on such occasions there will still be a full treatment of each subject and particular attention to the content of the documents not sent in advance.

In 2002 the Board of Directors of Sanpaolo Imi met on 19 occasions; given the regular schedule thus far adopted by the Bank, a similar number of meetings for the year in course may also be assumed.

The attendance of the Directors at meetings of the Board of Directors is on the whole constant and allows the Company to gain significant benefit from their professional competencies.

h) Technical Committees

The Board of Directors is supported in its institutional functions by Technical Committees made up from its members – as per subsection three of art. 15 – with consultative and management functions. Besides those envisaged by the Code of Conduct, the Group Technical Risk Committee and the Ethical Committee also operate, and each has the responsibility of setting the risk strategies and policies for the Group and evaluating the principles to be presented to the Board of Directors for the identification of a corporate ethical-environmental policy and to monitor internally the level of adoption of the chosen principles.

The Ethical Committee has also, in the context of the preparation of the “Social Report”, responsibility to supervise the publication of the Document and the guidelines for the external communication of corporate policy in this area. Finally, the Ethical Committee has given its positive judgment on the Ethical Code of Sanpaolo Imi, approved by the Board of Directors, containing the indication of the ethical principles and values of the Bank and its directors, employees and co-workers, in every operating and geographical area.

Nomination and remuneration of the Directors

a) Nomination

The nomination of the Directors is based on the proposals presented to the shareholders, who are not obliged to give advance notice of the candidates they intend to promote.

Thus, in the meeting, the proposing shareholder illustrates the curriculum and the professional experiences of the proposed nomination.

A voting list is not envisaged for the nomination of the Board of Directors.

Given the above, it does not seem that the experience of Sanpaolo Imi demonstrates the need for a Committee to propose nominations to the post of Director, given the expected vigilant and active participation of shareholders and institutional investors at meetings.

b) Remuneration

As regards the system of remuneration of the Directors currently applied by Sanpaolo Imi, the compensation of the Directors – according to the criteria set by the Shareholders’ Meetings of 30 April 2001 and 30 April 2002 – is composed of:

- a) a fixed annual part,
- b) a variable part, linked to results achieved, and determined with reference to the bases and parameters approved by the Shareholders’ Meeting,
- c) a fixed sum including allowances for each attendance at meetings of corporate bodies, while, pursuant to the Articles of Association, the Directors have the right to reimbursement of expenses occasioned by their office.

The Board of Directors supervises the distribution to the Directors of the variable part, having heard the opinion of the Board of Statutory Auditors and, pursuant to subsection nine of art. 15 of the Articles of Association, sets the remuneration of the Directors with particular duties as set out in the Articles of Association, having heard the opinion of the Board of Statutory Auditors, and also refers to the Remuneration and Personnel Policies Technical Committee, composed largely of the non-executive Directors:

Mr.	Enrico Salza
Mr.	Giuseppe Fontana
Mr.	Mario Manuli
Mr.	Virgilio Marrone
Mr.	Iti Mihalich
Mr.	Orazio Rossi
Mr.	Pio Bussolotto
Mr.	Alfonso Iozzo
Mr.	Luigi Maranzana

The Remuneration and Personnel Policies Technical Committee has the role of evaluating, in agreement with the Chairman of the Board of Statutory Auditors and referring to the Board of Directors, the remuneration of the Directors with particular offices and examining the total remuneration structure of the Directors, also taking account of any presence in the Corporate Bodies of subsidiary Companies; to consider in depth the issues concerning the general direction for top management remuneration and management policies at Company and Group level, as well as the approval and modification of the general arrangements concerning work relationships (such as, for example, the Combined Company Contract).

The involvement of the Managing Directors is envisaged in the limits inherent in the definition of the general directions of top management remuneration and management policies and of a general nature concerning work relationships. The Remuneration Technical Committee met seven times during 2002.

For 2002, the Board of Directors, as proposed by the aforementioned Committee, set for the Chairman and Managing Directors a fixed remuneration and a variable part related to the achievement of specific targets in Bank and Group results, to be increased up to 100% in proportion to the increase in the above-mentioned targets, together with the stock option plans (illustrated in detail in the current Annual report) structured in a fixed and variable component fixed to share performance.

The internal control system

The new attitude which has characterized the Bank of Italy's regulatory supervision in recent years, centered on checking the existence of conditions of efficiency and self-regulation of banking companies, has led the Bank to review its Supervisory Regulations in terms of Internal Controls.

The new approach, in line with the work developed internationally, is marked by a limited prescriptive indication in favor of principles of reference to be respected and a clear stimulus to top management for the development of highly efficient systems.

The very terminology used by the Bank of Italy, "Internal Control System", introduces a strong concept of innovation: no longer formal controls, but total plural integration of subsystems of control which, operating in an integrated manner at all levels throughout the organization, can manage all risks.

In this context internal audit is also required to address its attention to the organization, designed to evaluate the capacity of the company to reach its given aims with effectiveness and efficiency.

In Sanpaolo Imi these responsibilities are given to a special Management Structure (Audit Management) which, reporting directly to the Managing Directors, is necessarily independent of the operating structures. In carrying out its activities it is not denied access to data, archives and company assets.

The Management has the responsibility for evaluating the functioning of the complete system of internal controls of the Group, controlling operations and risk management performance as well as bringing to the attention of the Board of Directors and Top Management possible improvements in risk management policies, measurements, instruments and procedures. The Audit Management is split into four Functions: Corporate Center Audit, with the mission of controlling operations and the respect of procedures with reference to the corporate center units of the Parent Bank and its foreign network; Sanpaolo Network Audit, with the task of controlling operations and the respect of procedures of the central and outlying units of the Sanpaolo network; Subsidiaries Audit, with the mission of controlling the auditing functions of the subsidiaries, in order to guarantee consistent controls and adequate attention to the various types of risk, also through an independent investigation and verification activity by way of examination of periodical informative flows, as well as interventions on the premises of the same Companies; Compliance, with the mission of ensuring the conformity of company processes with legal provisions and the supervisory regulations that govern the various sectors of activity.

The results of the activity are communicated each quarter to the Board of Directors, as well as the internal control Committee (The Audit Technical Committee), set up by the Board of Directors in June 1998 and composed of non-executive Directors, mostly independent, whose members are:

Mr.	Giuseppe Fontana (Chairman)
Mr.	Virgilio Marrone
Mr.	Gian Guido Sacchi Morsiani
Mr.	Enrico Salza

The Chairman of the Board of Statutory Auditors, or another auditor nominated by the former, and the Managing Directors take part in the meetings.

The Report and Audit Management Heads as well as, where necessary, the Heads of the other Functions involved with the specific issues handled, take part in the meetings as speakers.

The Audit Technical Committee, which normally meets monthly (16 meetings in 2002), has the responsibility of analyzing the problems and relevant practices with the possibility to make specific analyses of subjects to be further investigated, with reference to the evaluation of the internal control system. The Committee also evaluates the adoption of the best corrective measures proposed to deal with omissions and anomalies found in the audit processes, both internally and with the independent auditors.

In particular, the Committee:

- assists the Board of Directors in carrying out the tasks of setting the guidelines and periodic checks of the operational adequacy and effectiveness of the internal control system of the Parent Bank and the Group Companies;
- evaluates the working plans prepared by internal control and receives their periodic reports;
- evaluates, together with the auditors and representatives of the companies responsible for the matter, the adequacy of the accounting principles used and their consistency for the publication of the consolidated financial statements;
- evaluates the proposals formulated by the independent auditors for their responsibilities, as well as the working plan set out for the audit and the results contained in the report and letter of suggestions;
- maintains close contacts with the Board of Statutory Auditors, through the participation of its Chairman at meetings, so as to allow reciprocal and timely information on the relevant subjects for the system of internal controls;
- refers to the Board of Directors, at least every six months, on the occasion of the approval of the annual and half year report, activity undertaken and the adequacy of the Group's system of internal controls;
- performs further tasks assigned to it by the Board of Directors, particularly in relation with the independent auditors.

The Audit Technical Committee also performs the tasks and functions assigned to it as a Regulatory Body, in accordance with D.Lgs 231/2001.

Transactions with related parties

The Board of Directors of Sanpaolo Imi has identified the parties correlated to the Bank and defined a Group procedure for the deliberation of transactions with such correlated parties, aimed at setting competencies and responsibilities, as well as indicating the informative flows between the structures of the Bank and the Companies directly and indirectly controlled.

In particular, in terms of transactions with significant correlated parties referred to the Parent Bank, they have been reserved to the exclusive deliberative competence of the Board of Directors, following screening by the Audit Committee.

In order to individuate the requirements of significance, the following limits have been set:

- a) 50,000 euro, in the case of atypical or unusual transactions;
- b) 10 million euro, in the case of loans and other transactions at standard conditions, undertaken with correlated parties outside the Group;
- c) 500 million euro, in the case of loan transactions at standard conditions undertaken with Group correlated parties, or 50 million euro in the case of other transactions at standard conditions undertaken with Group correlated parties.

The significant transactions entered into by Subsidiaries with the correlated parties of the Parent Bank have been reserved to the deliberative competence of the Board of Directors of the Company concerned; in any case the Subsidiary must submit its proposal to the approval of the Parent Bank in the case of transactions with values which are at least equivalent to the limits stated below:

- a) 50,000 euro for atypical or unusual transactions with correlated parties;
- b) 10 million euro for all transactions (loans and otherwise) at standard conditions with correlated parties outside the Group and otherwise.

If the correlated party is the subject to exercise functions of management, administration and control of the Bank, the procedure pursuant to art. 136 of the Testo Unico Bancario will also be applied. The provisions adopted by the Parent Bank, in its capacity as company listed on the NYSE are excepted, in implementation of the United States discipline on the matter of transactions with Group representatives.

Following the approval of the transactions with correlated parties, the Functions of the Parent Bank and the Controlled Companies must present a quarterly report to the Audit Committee and the Board of Directors of the Parent Bank, in accordance with art. 150 of D. Lgs 58/1998, and must, if necessary, implement immediate or periodical informative duties to the market.

Treatment of confidential information

In Sanpaolo Imi the institutional responsibility for external communication – also including “price sensitive” information – falls to the Chairman and Managing Directors, who have an appropriate structure called Investor Relations and Company Secretariat.

Confidential information is treated following an internal procedure approved by the Board of Directors, taking account of best practice, and coordinates the principles and recommendations contained in communications from the Regulatory Authorities.

This procedure, reaffirming the obligation of confidentiality, in the interests of the Company, Directors and Statutory Auditors, also reaffirms the value which the Company recognizes in terms of principles of market efficiency and transparency as well as the criteria of duty and clarity, as well as continuity of information, on which communication toward the public is based.

The procedure also defines the circumstances when the obligation to communicate arises and the means of communication.

Specific instructions have been transmitted to subsidiaries to ensure timely respect for the requirements of transparency by the Group to the market.

Pursuant to provisions introduced by Borsa Italiana in the Regulation of Markets and in the related Instructions on the matter of internal dealing, aimed at making transactions of purchase and sale undertaken by the Directors and by other “relevant people” in the stocks of listed Companies to which they belong and of the main subsidiaries transparent, the Board of Directors has approved the “Code of Conduct of Relevant People and of Sanpaolo Imi S.p.A. for transactions involving the Group’s listed financial instruments and for communication to the market”.

The Code governs, with legally binding effectiveness, the communication to the public of transactions in Group listed stocks undertaken by subjects (“relevant people”) who have access, in virtue of the office held in the same Group, to a privileged strategic prospective and are therefore able to direct, with a deeper perception of the opportunities offered by the market, their own investment choices.

In accordance with the provisions of the Code and on the basis of the information received, the Bank communicates to the market – by the tenth day on which the stock market is open following the last day of each calendar quarter – the transactions undertaken during such period by subjects identified as relevant people or equivalent, the total amount of which is equal to or more than 50,000 euro, and having as the object listed stocks of the Group or financial instruments, as defined in the regulatory provisions. Among the transactions subject to communication, are those having as their object the American Depositary Receipts (ADRs) negotiated on the New York Stock Exchange (NYSE), while the transactions undertaken in the exercise of purchase or subscription rights – regulated within the context of stock option plans – or option rights, are not considered.

Without delay – and by the first day the stock exchange is open following receipt of communication of the transaction by the relevant person – the Bank communicates to the market the transactions undertaken by the same subjects which amount, individually or collectively, to more than 250,000 euro.

In the Code of Conduct, provision has also been made for the Board of Directors to establish – for specific periods of time – prohibitions or restrictions for relevant people or equivalent regarding the execution of the above-mentioned operations.

Sanpaolo Imi has promptly communicated to the market the adoption of the Code of Conduct which is available for consultation on its website.

Relations with shareholders

Relations with Institutional Investors and Shareholders and with the main operators in the domestic and international financial community, illustrating the activities, strategies and results of the Group, is the responsibility of “Investor Relations and Company Secretariat”. Furthermore – in the context of the practice of correct, accurate and transparent communication and also in compliance with that contained in the Regulation of Markets of Borsa Italiana – the www.sanpaoloimi.com website provides news on the profile of the SANPAOLO IMI Group and the Bank’s shareholders, economic-financial information on the Group (financial statements, half year reports and quarterly reports as well as summary tables), press releases issued by the Company and the annual calendar of relevant corporate events. The site also provides news about the meetings organized periodically with financial analysts, in which anyone who is interested can participate directly or by conference call.

The site also contains a section dedicated explicitly to the Bank’s corporate governance, with this report and the principle documents and details concerning its organizational structure.

To allow best use of the discussion and regulate the meeting, the Company has a shareholders’ meeting Regulation which is made available to shareholders before every meeting. This Regulation, which is not an appendix to the Articles of Association, has been approved by the ordinary Shareholders’ Meeting which is also competent to approve the related amendments.

The Company does not deem it necessary to proceed to specific initiatives designed to amend the percentage ceilings contemplated by current regulation for actions and prerogatives to safeguard minorities.

Statutory Auditors

In accordance with art. 19 of the Articles of Association, the Board of Statutory Auditors is elected by the Shareholders' Meeting through the voting list and in observance of a procedure which envisages the timely publication of the candidacies and ensures a representation within it of representatives of minority shareholders.

The lists must be published in at least two national daily newspapers, including one financial newspaper, and deposited - at least 10 days before the day fixed for the Shareholders' Meeting on first call - at the registered office together with the curriculum vitae of each candidate and declarations with which the individual candidates accept their candidacy and affirm, under their own responsibility, the absence of causes of ineligibility and incompatibility, as well as the existence of the requirements prescribed by current regulations and the Articles of Association to hold the office of Statutory Auditor.

Turin, 25 March 2003

The Board of Directors

Information for investors

Further information on the SANPAOLO IMI Group can be requested from the following address:

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