

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
<i>of which:</i>		
- <i>loans using public funds</i>	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
<i>of which:</i>		
- <i>own bonds</i>	1,774	1,074
c) financial institutions	1,132	1,120
<i>of which:</i>		
- <i>own bonds</i>	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
<i>of which:</i>		
- <i>start-up costs</i>	2	3
- <i>goodwill</i>	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
<i>of which:</i>		
- <i>discounts on bond issues</i>	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
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
<i>of which:</i>		
- 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
<i>of which:</i>		
- own bonds	1,774	1,080
c) financial institutions	1,132	1,688
<i>of which:</i>		
- 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
<i>of which:</i>		
- 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
<i>of which:</i>		
- 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.

Consolidated explanatory notes

Introduction - Background information on the consolidated financial statements

- Form and content of the consolidated financial statements
- Scope of consolidation
- Modalities and effects of the consolidation of the former Cardine Group companies
- Consolidated pro forma schedules for 2001 and the first quarter of 2002
- Consolidation principles
- Financial statements used for the consolidation
- Audit of the consolidated financial statements
- Comparison with the Quarterly Report as of 31 December 2002

Part A – Accounting policies

- Section 1 – Description of accounting policies
- Section 2 – Adjustments and provisions recorded for fiscal purposes

Part B – Information on the consolidated balance sheet

- Section 1 – Loans
- Section 2 – Securities
- Section 3 – Equity investments
- Section 4 – Tangible and intangible fixed assets
- Section 5 – Other assets
- Section 6 – Payables
- Section 7 – Provisions
- Section 8 – Capital, equity reserves, reserve for general banking risks and subordinated liabilities
- Section 9 – Other liabilities
- Section 10 – Guarantees and commitments
- Section 11 – Concentration and distribution of assets and liabilities
- Section 12 – Administration and dealing on behalf of third parties

Part C – Information on the consolidated statement of income

- Section 1 – Interest
- Section 2 – Commission
- Section 3 – Profits and losses from financial transactions
- Section 4 – Administrative costs
- Section 5 – Adjustments, writebacks and provisions
- Section 6 – Other statement of income captions
- Section 7 – Other information on the statement of income

Part D – Other information

- Section 1 – Directors and statutory auditors

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 Banca 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>						<i>(€/mil)</i>
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

<i>(Bank of Italy instructions dated 17.12.98)</i>							<i>(€/mil)</i>
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.1.) (€/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>	<i>18</i>
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.)

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	-	-	-	-
<i>A1 Companies consolidated on a line-by-line basis</i>								
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 Invest	64.10 9.28 73.38	64.10 9.28 73.38	XXX XXX
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		Voting rights at shareholders' meeting %	Consolidated book values (€/mil)
					Held by	%		
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		Voting rights at shareholders' meeting %	Consolidated book values (€/mil)
					Held by	%		
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	99.99	99.99	XXX
					LDV Holding	0.01	0.01	XXX
						100.00	100.00	
51 NHS Luxembourg S.A.	Luxembourg	1	13	-8	Sanpaolo IMI Private Equity	99.99	99.99	XXX
					LDV Holding	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		Voting rights at shareholders' meeting %	Consolidated book values (€/mil)
					Held by	%		
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)(V)
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 Tushingam 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		Voting rights at shareholders' meeting %	Consolidated book values (€/mil)	
					Held by	%			
B. Investments carried at equity									
<i>B1 Investments carried at equity - Subsidiaries (***)</i>									
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	(Q)

(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 Societé 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
					Societé Fonciere d'Investissement	0.20	0.20	- (Z)
						100.00	100.00	
30 Societé Fonciere d'Investissement S.A.	France	1	-	-	Banque Sanpaolo	100.00	100.00	-
31 Societé Immobilière d'Investissement	France	1	-	-	Banque Sanpaolo	99.98	99.98	-
					Societé Fonciere 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)

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	%		
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 Sicilsud 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 (AIKK)
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	- (AJDD)
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 (H)
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	-
<i>of which:</i>	
- 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 Itالenergia 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;
- Itالenergia Bis S.p.A. shares exchanged with Itالenergia S.p.A. shares for the merger operation between Itالenergia 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.1.)

	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.1.)

(€/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.1.)

	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)

<i>Changes in "reserve for termination indemnities" during the year</i>		<i>(€/mil)</i>
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 Banca 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)

<i>Changes during the year in “reserves for possible loan losses” (Table 7.2 B.I.)</i>		<i>(€/mil)</i>
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
<i>of which: own shares held by the Parent Bank (*)</i>	-	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.1.) (€/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.

<i>Notional amounts</i>	<i>(€/mil)</i>				
	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	Total
<i>(€/mil)</i>			
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.)

	(€/mil)								Total
	On demand	Up to 3 months	Specified duration				Unspecified duration		
			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 Leasint 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	book values			(€/mil)
		"Senior" securities	"Mezzanine" securities	"Junior" securities	Total
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 <i>of which:</i> – deposits with central banks	691 60	900 63
b) On loans to customers <i>of which:</i> – 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 (*) of which: – certificates of deposit	1,945 221	1,961 336
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:

Analysis of caption 60 "profits (losses) on financial transactions" (Table 3.1 B.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:

Reconciliation of caption 60 "Profits (losses) on financial transactions" with the reclassified statement of income (€/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

(€/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 Guardi	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
Italpower 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.	Tushingam	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 Société Immobiliere d'Investissement	99.00 1.00
		100.00
SCI Balcons Sainte Marie	Banque Sanpaolo	17.95
SCI Boissy Griselle 7	Société Fonciere d'Investissement Société Immobiliere d'Investissement	99.00 1.00
		100.00
SCI Boissy RER 5	Société Fonciere d'Investissement	90.00
SCI Boissy RER 8	Société Fonciere d'Investissement Société Immobiliere d'Investissement	99.00 1.00
		100.00
SCI Boissy Saint Leger 94	Société Fonciere d'Investissement Société Immobiliere d'Investissement	99.00 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 Société Fonciere d'Investissement	99.00 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 Banca Fideuram	15.54 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	Cardine Group (1)	SANPAOLO IMI purchase of own shares	Effects of the merger	Other adjust- ments	Banka Koper pro forma contribution	SANPAOLO IMI Group pro forma
	(a)	(b)	(c)	(d)	(e)	(f)	(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 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	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
- <i>personnel</i>	-2,221	-630	-	-	-	-11	-2,862
- <i>other administrative costs</i>	-1,180	-332	-	-	-	-7	-1,519
- <i>indirect duties and taxes</i>	-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	Cardine Group	SANPAOLO IMI purchase of own shares	Effects of the merger	Other adjust- ments	Banka Koper pro forma contribution	SANPAOLO IMI Group pro forma
	(a)	(b)	(c)	(d)	(e)	(f)	(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	Cardine Group	Intra-Group eliminations	Alignment with consistent accounting policies	Other adjustments	SANPAOLO IMI Group pro forma
	(a)	(b)	(c)	(d)	(e)	(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	Cardine Group	Intra-Group eliminations	Alignment with consistent accounting policies	Other adjustments	SANPAOLO IMI Group pro forma
	(a)	(b)	(c)	(d)	(e)	(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)	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
<i>of which:</i>					
– 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
<i>of which:</i>					
– 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
<i>of which:</i>					
– 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
of which:					
- loans using public funds	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
of which:					
- own bonds	1,074	6	-	-	1,080
c) financial institutions	1,120	568	-	-	1,688
of which:					
- own bonds	-	-	-	-	-
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
of which:					
- start-up costs	3	-	-	-	3
- goodwill	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
of which:					
- discounts on bond issues	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
LIABILITIES	(a)	(b)	(c)	(d)	(e) = (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
<i>of which:</i>					
– 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
<i>of which:</i>					
– 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
<i>of which:</i>					
– 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).