

Consolidated financial statements

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF INCOME

CONSOLIDATED EXPLANATORY NOTES

Consolidated balance sheet

(€/mil)

ASSETS	31/12/03	31/12/02 pro forma (*)	31/12/02
10. Cash and deposits with central banks and post offices	1,474	1,499	1,406
20. Treasury bills and similar bills eligible for refinancing with central banks	3,923	3,199	3,143
30. Due from banks	22,278	21,744	22,000
a) repayable on demand	7,291	4,533	4,975
b) other deposits	14,987	17,211	17,025
40. Loans to customers	124,599	124,177	126,701
of which:			
- loans using public funds	172	206	206
50. Bonds and other debt securities	18,588	15,592	16,822
a) public entities	10,366	8,610	8,628
b) banks	5,536	4,986	5,079
of which:			
- own bonds	2,783	1,777	1,774
c) financial institutions	2,116	1,114	1,132
of which:			
- own bonds	53	8	8
d) other issuers	570	882	1,983
60. Shares, quotas and other equities	2,747	2,584	2,595
70. Equity investments	3,442	3,147	3,224
a) carried at equity	645	349	426
b) other	2,797	2,798	2,798
80. Investments in Group companies	1,130	1,025	840
a) carried at equity	1,130	1,025	840
90. Goodwill arising on consolidation	883	1,000	842
100. Goodwill arising on application of the equity method	76	80	188
110. Intangible fixed assets	343	398	406
of which:			
- start-up costs	2	3	2
- goodwill	7	16	16
120. Tangible fixed assets	1,972	2,142	2,229
140. Own shares or quotas (nominal value € 9 million)	34	31	31
150. Other assets	17,986	20,252	20,494
160. Accrued income and prepaid expenses	3,105	2,775	2,852
a) accrued income	2,223	2,021	2,063
b) prepaid expenses	882	754	789
of which:			
- discounts on bond issues	277	236	236
Total assets	202,580	199,645	203,773

(*) The pro forma figures have been prepared taking into consideration the changes in the method of consolidation, according to the criteria detailed in the Explanatory Notes. The pro forma figures are unaudited.

		(€/mil)		
LIABILITIES		31/12/03	31/12/02 pro forma (*)	31/12/02
10.	Due to banks	28,534	24,133	24,456
	a) repayable on demand	3,875	2,904	2,952
	b) time deposits or with notice period	24,659	21,229	21,504
20.	Due to customers	79,993	83,499	85,280
	a) repayable on demand	63,074	59,396	60,458
	b) time deposits or with notice period	16,919	24,103	24,822
30.	Securities issued	51,553	49,529	51,561
	a) bonds	39,979	39,161	39,447
	b) certificates of deposit	7,149	5,646	7,310
	c) other	4,425	4,722	4,804
40.	Public funds administered	175	208	208
50.	Other liabilities	18,445	18,654	18,807
60.	Accrued expenses and deferred income	2,181	2,084	2,164
	a) accrued expenses	1,708	1,558	1,622
	b) deferred income	473	526	542
70.	Provisions for employee termination indemnities	946	967	961
80.	Provisions for risks and charges	2,982	2,846	2,781
	a) pensions and similar commitments	304	348	343
	b) taxation	732	742	670
	c) other	1,946	1,756	1,768
90.	Reserve for probable loan losses	91	76	71
100.	Reserve for general banking risks	4	14	14
110.	Subordinated liabilities	6,414	6,605	6,613
130.	Negative goodwill arising on application of the equity method	213	91	94
140.	Minority interest	271	342	334
150.	Capital	5,144	5,144	5,144
160.	Additional paid-in capital	708	708	708
170.	Reserves	3,882	3,826	3,670
	a) legal reserve	1,029	1,029	1,029
	b) reserve for own shares or quotas	34	31	31
	d) other reserves	2,819	2,766	2,610
180.	Revaluation reserves	72	18	18
200.	Income for the period	972	901	889
Total liabilities and shareholders' equity		202,580	199,645	203,773

		(€/mil)		
GUARANTEES AND COMMITMENTS		31/12/03	31/12/02 pro forma (*)	31/12/02
10.	Guarantees given	19,912	20,060	20,483
	<i>of which:</i>			
	- acceptances	145	166	167
	- other guarantees	19,767	19,894	20,316
20.	Commitments	25,839	27,287	27,574

(*) The pro forma figures have been prepared taking into consideration the changes in the method of consolidation, according to the criteria detailed in the Explanatory Notes. The pro forma figures are unaudited.

Consolidated statement of income

(€/mil)

	2003	2002 pro forma (*)	2002
10. Interest income and similar revenues	7,443	8,455	8,693
<i>of which:</i>			
– loans to customers	6,215	6,777	6,936
– debt securities	727	956	995
20. Interest expense and similar charges	-3,701	-4,837	-4,955
<i>of which:</i>			
– amounts due to customers	-1,050	-1,424	-1,445
– securities issued	-1,761	-2,156	-2,203
30. Dividends and other revenues	309	565	565
a) shares, quotas and other equities	223	410	410
b) equity investments	86	155	155
40. Commission income	3,722	3,562	3,467
50. Commission expense	-685	-772	-671
60. Profits (losses) on financial transactions	198	-80	-98
70. Other operating income	396	411	422
80. Administrative costs	-4,610	-4,578	-4,648
a) personnel	-2,841	-2,814	-2,856
<i>of which:</i>			
– wages and salaries	-2,046	-2,028	-2,061
– social security charges	-633	-611	-618
– termination indemnities	-132	-138	-140
– pensions and similar	-30	-37	-37
b) other administrative costs	-1,769	-1,764	-1,792
90. Adjustments to tangible and intangible fixed assets	-642	-745	-753
100. Provisions for risks and charges	-195	-261	-261
110. Other operating expense	-68	-50	-50
120. Adjustments to loans and provisions for guarantees and commitments	-1,126	-858	-889
130. Writebacks of adjustments to loans and provisions for guarantees and commitments	417	302	320
140. Provisions to the reserve for probable loan losses	-15	-27	-27
150. Adjustments to financial fixed assets	-158	-569	-569
160. Writebacks of adjustments to financial fixed assets	218	8	8
170. Income (losses) from investments carried at equity	197	159	137
180. Income from ordinary activities	1,700	685	691
190. Extraordinary income	548	580	575
200. Extraordinary expense	-580	-241	-248
210. Extraordinary net income	-32	339	327
230. Change in reserves for general banking risks	9	363	364
240. Income taxes	-657	-443	-450
250. Income (loss) attributable to minority interests	-48	-43	-43
260. Income for the period	972	901	889

(*) The pro forma figures have been prepared taking into consideration the changes in the method of consolidation, according to the criteria detailed in the Explanatory Notes. The pro forma figures are unaudited.

Consolidated Explanatory Notes

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Introduction – Background information on the consolidated financial statements

Form and content of the consolidated financial statements

The consolidated financial statements for the 2003 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 2002 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 2002 and to the first three quarters of 2003, in relation to the main changes to the line by line and proportional method of consolidation for 2003, reconstructed on a consistent basis (see subsequent paragraph "Consolidated pro forma schedules for 2002 and the first three quarters of 2003"). Furthermore, with the aim of providing a more significant comparison with the situation as of 31 December 2003, a pro forma version of the official Consolidated Balance Sheet and Consolidated Statement of Income as of 31 December 2002 have also been supplied. Lastly, the Explanatory Notes offer comparison with the pro forma performances for 2002, as far as the tables summarizing the main balance sheet and income aggregates are concerned, as well as remarks on the effects of the change to the consolidation area 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 pro forma consolidated statement of income and balance sheet for 2002 and the first three quarters of 2003.

Scope of consolidation

The scope of line by line consolidation reflects membership of the SANPAOLO IMI Banking Group as recorded in the appropriate register in compliance with Art. 64 of D. Lgs. 385 dated 1 September 1993, with the exception of certain minor subsidiaries whose balance sheets and results of operations are not significant to the consolidated financial statements, or which 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”. Furthermore, those companies carried at equity and for which disposal has been formally arranged are excluded.

Joint control equity investments have been consolidated using the proportional method.

Investments in subsidiaries whose activities differ from banking, financing or other activities which complement those of the Parent Bank and those that are excluded from the scope of consolidation for the aforementioned reasons, and shareholdings 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), are carried at equity.

The main changes in the line by line and proportional consolidation area compared with 31 December 2002 concern:

- the passage from the area of consolidation according to the equity method to consolidation on a line by line basis of:
 - the company Eptaconsors S.p.A. and its subsidiaries, following the increase in the investment held by the SANPAOLO IMI Group which, in the first half of 2003, rose from 40.48% to 100%. In the fourth quarter of 2003, Eptaconsors S.p.A. and its subsidiary Eptasim S.p.A. were merged into Invesp S.p.A.;
 - the Hungarian Inter-Europa Bank RT and its main subsidiaries, following the increase in the investment held by the Group which, in 2003, rose from 32.51% to 85.87%;
- the passage of Cassa dei Risparmi di Forlì S.p.A. from the area of consolidation according to the equity method, to that of proportional consolidation, following the attainment of joint control by the Parent Bank which, in May 2003, increased its investment from 21.02% to 29.77%;
- the passage from the area of consolidation on a line by line basis to consolidation according to the equity method of:
 - IW Bank S.p.A. following the disposal at the beginning of 2003 of 80% of its entire shares previously held by Banca IMI S.p.A.;
 - Banque Sanpaolo S.A. and its subsidiaries following the disposal in December 2003 of 60% of its shares previously held by the Parent Bank;
- the passage of Finconsumo Banca S.p.A. from the area of proportional consolidation to the area of consolidation according to the equity method, as an effect of the sale agreement and of the end of joint control (which was followed by the disposal of 20% of the investment).

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

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.

Consolidated pro forma schedules for 2002 and the first three quarters of 2003

In relation to the aforementioned changes in the area of line by line and proportional method of consolidation, in order to ensure comparability of the accounting results on a consistent basis, the accounts of the past year and of the first three quarters for 2003 are also presented in a pro forma version that conventionally assumes the line by line consolidation of the Eptaconsors Group and Inter-Europa Bank, the proportional consolidation of Cassa dei Risparmi di Forlì and the non-

consolidation of Banque Sanpaolo, IW Bank and Finconsumo Banca with effect from 1 January 2002. Furthermore, the pro forma results as of 31 March 2002 also reflect the line by line consolidation of the former Cardine Group, which first took place on 30 June 2002, with accounting effect from the beginning of the year.

The above pro forma results, which are unaudited, 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 statements of income and balance sheets for 2002 and the first three quarters of 2003 are attached to these 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 other Group companies, is offset against the corresponding portion of the Group's share of the company's shareholders' 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 appropriate, any differences arising are allocated to the assets and liabilities of the consolidated companies concerned or, for the quota attributable to the Group on the basis of the application of the equity ratios, to "goodwill or negative goodwill" arising on consolidation, depending on whether the value of the investment is higher or lower than the related portion of shareholders' equity.

More specifically, the shareholders' equity of Group companies used in calculating consolidation differences has been determined as follows:

- for investments held in portfolio as of 31 December 1994, this being the date of the Parent Bank's first consolidated financial statements, with reference to their financial position as of 31 December 1993;
- for investments purchased after 31 December 1994, with reference to their financial position as of the date of purchase or, where this is not available, with reference to the financial position reported in the official financial statements prepared closest to that date;
- for investments formerly belonging to the IMI Group, with reference to their financial position as of 1 January 1998 (accounting date for the merger of Sanpaolo and IMI);
- for investments formerly belonging to the Cardine Group, with reference to their financial position as of 1 January 2002 (accounting date for the merger between Sanpaolo IMI and Cardine Banca).

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" respectively for the changes referring to reserves and those referring to the net income of the company in which the investment is held.

"Positive goodwill" arising on the application of line by line consolidation, proportional consolidation or 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. Goodwill which is not offset against negative goodwill is 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 securities 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 the 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 other companies consolidated on a line by line basis solely for fiscal purposes are eliminated from the Consolidated Financial Statements.

Financial statements used for consolidation

The financial statements used for the line by line consolidation process are those prepared as of 31 December 2003, 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 companies operating in the financial leasing sector used for consolidation purposes were 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 2003

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 2003, which was presented on 13 February 2004 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, other administrative costs and other net income;
- the changes to valuation at equity of investments with no controlling interests, following the availability of more recent figures;
- the more timely recording of some revenues of an extraordinary nature;
- the monetary revaluation of real estate by some subsidiaries (see Part B – Sections 4 and 8). This revaluation led to an increase in the consolidated revaluation reserves of 54 million euro;
- 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 2003 have been prepared using the same accounting policies as those adopted for the consolidated financial statements as of 31 December 2002.

1. Loans, guarantees and commitments

Loans

Loans, comprising principals not yet due and principals and interest due but not yet collected, are stated at their estimated realizable value, taking into account the solvency of borrowers in difficulty and any debt-servicing problems faced by individual industrial sectors or 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, taking into consideration 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) 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 pool of banks (or a single bank) reschedules the repayment of principal or re-negotiates 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 not guaranteed to borrowers resident in countries with debt-servicing difficulties, 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 taking into account the level of risk covered by underlying 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. 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. General adjustments to other performing loans are calculated by the individual subsidiaries on the basis of historical/statistical methods used to determine the deterioration of loans which are considered to be effectively incurred, but the amount of which is not known at the moment of evaluation.

The historical/statistical method used by the Parent Bank and by the other bank networks of the Group, is organized as follows:

1. at the end of the period an estimate is made of the performing loans which, based on the movements over the last five years, are expected to become doubtful loans during the next year;
2. the calculation of the potential losses likely to be incurred on the aggregate of point 1, is determined assuming that the loss percentage on performing loans transferred to doubtful loans is in line with the average loss observed over the last five years;
3. the results of the historical statistical method are, for the purpose of back-testing with the aim of confirming the effectiveness and accuracy of the method, compared with the ratings used to monitor and control credit risks on the basis of risk management methods.

The “expected losses” resulting from a reasoned comparison of the risk management 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 being 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 which establish more restrictive rules and criteria for the transfer of loans within the various risk categories.

The operating structures classify doubtful loans under the coordination of the central departments responsible for the supervision of credit control.

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

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

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

As regards the method used to calculate the discounting adjustments, they have been determined to reflect the difference between:

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

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

The timing and extent of expected cash receipts are determined on the detailed calculations provided by the departments responsible for loan evaluation and, where these are unavailable, using estimates and general statistics deriving from internal historical data and studies of the business sectors concerned.

With regard to the discounting rate, as of 31 December 2003, the Parent Bank used the average reference rate of 4.7%, 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 subsidiaries, using reference rates appropriate to the markets concerned, for foreign companies.

The posting of value adjustments due to actualization 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.

Repurchase agreements on securities and securities lending

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, is recorded on an accruals basis as interest in the statement of income.

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 recorded in the financial statements as a combination of two functionally-linked transactions, of assets or liabilities against deposits or loans. These transactions are essentially the same as repurchase agreements, therefore the securities loaned remain in the portfolio of the lender.

Finance leases

Lease transactions are recorded using the lease 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 according to the residual outstanding principal and the pre-determined rate of return, also 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 credit risk are recorded at the total value of the exposure, and are valued applying the same criteria as those used for loans. Expected losses in relation to guarantees and commitments are covered by the related reserve. Commitments include exposures to underlying borrowers for credit derivatives for which the Group has taken over the credit risk (“seller protection”).

Credit derivatives

Hedging sales – Credit derivatives which involve hedging sales are recorded to caption 20 “commitments” according to their notional value. If payment of a fixed amount is expected, the amount recorded is that of the final sum established by the contract.

Hedging purchases – Credit derivatives which involve hedging purchase are booked to the underlying asset among loans secured by personal guarantees.

Credit derivatives 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.

Credit derivatives belonging to the trading book are valued individually, taking into consideration the credit and market risk inherent in the contracts.

Credit derivatives belonging to the banking book are valued:

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

The premium paid or collected on contracts belonging to trading book is recorded among premiums for options (caption 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).

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

2.1. 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 the market trend in accordance with the first subsection of Art. 18 of D. Lgs. 87/92. The original value is reinstated if the reasons for any writedowns cease to apply.

2.2. Dealing securities

Securities held for dealing and treasury purposes are stated at their “average daily cost”, adjusted to reflect accrued issue discounts. They are valued 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 via the discounting of future financial flows, applying the market rates, as at the time of valuation, for similar type of instruments and the creditworthiness of the issuer. Where possible, the estimates are compared with quoted securities with similar financial characteristics. The original value of dealing securities is reinstated when the reasons for any writedowns cease to apply. Unquoted securities which are economically linked to derivative contracts are valued at market price, consistent with the valuation of the contracts concerned.

Securities held for dealing purposes include securities issued by Group companies which were purchased on the market and held for negotiation purposes.

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

Commitments to buy or sell for security transactions to be settled

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

3. Equity investments

Equity investments which are neither consolidated on a line by line basis nor 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, 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 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 9 of these notes.

Dividends from investments that are not subject to line by line consolidation or valued at equity are recorded, together with the related tax credits, when the tax credit becomes collectible, usually in the year in which dividends are collected.

4. Foreign currency assets and liabilities (including off balance sheet transactions)

Assets and liabilities denominated in foreign currency

Assets and liabilities denominated in foreign currencies, or indexed to foreign exchange movements, as well as financial fixed assets funded in foreign currencies or indexed to foreign exchange movements, are valued using 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 covered with a deposit in the currency of denomination of the investment are stated, with regard to the part financed in currencies other than those of use, at the historical rates of exchange applying at the time of acquisition.

Foreign currency costs and revenues are stated at the exchange rates applying at the time of the transaction.

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 with that of the transactions being valued, in the case of forward transactions.

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

5. Tangible fixed assets

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

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

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

6. Intangible fixed assets

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

- start-up costs and other deferred charges are amortized, generally on a straight-line basis, over five years;
- costs incurred for the purchase of software or for its development, using external resources, are generally amortized on a straight-line basis, over three years, taking into account the expected residual period of utilization.

7. Other assets

Own shares

Own shares are valued according to the purposes for which they are held. In particular, they are valued at cost, determined using the “average daily cost” method, if they are classed as long-term investments. For this purpose own shares, used to complete strategic deals which require their availability, are considered long-term investments (e.g. share exchanges as part of the acquisition of equity investments, co-operation agreements and other corporate finance deals).

Instead, own shares are stated at their market value corresponding to the “official quotation of the year-end closing date” if they are held for a dealing portfolio, since they are available for sale or destined for share incentive or stock option plans.

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 underwrite increases in capital against payment. Considering that neither Italian regulations nor Italian

accounting policies provide specific instructions to such effect, the booking of these plans takes place through the registration, at the time of underwriting, of the increase in capital with related additional payments.

8. 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, repurchase agreements, that require the holder to resell the securities acquired when the agreement matures, are recorded among payables, as well as 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.

9. Provisions for termination indemnities

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

10. Provisions for risks and charges

Provisions for risks and charges cover known or likely liabilities whose timing and extent cannot be determined at period-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 to cover charges linked with integration of the pension paid to the former staff from some companies of the former Cardine Group entitled to such payment integration (Cassa di Risparmio di Venezia, Friulcassa, Cassa di Risparmio in Bologna and Banca Popolare dell’Adriatico). The potential liability arising in this connection is assessed at period-end on the basis of independent actuarial appraisals, in order to determine the provisions to technical reserves needed to cover future pensions. A similar fund has been set up by Cassa dei Risparmi di Forlì (a proportionally consolidated company).

Provisions for taxation

The provisions for taxation cover deferred taxes, income taxes and the tax on business activities, including those charged on units operating abroad. The provisions also take 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 temporary 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 temporary differences are defined as those which will give rise to taxable income in future years (deferred capital gains, for example); while deductible temporary 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 effective expected tax rate on taxable temporary differences likely to generate a tax burden. Deferred tax assets are calculated on deductible temporary differences if these are likely to be recovered.

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 Bank’s 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 shareholders’ 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 booked to the assets side of the balance sheet under caption 150 - Other assets - offset against income tax. Liabilities for deferred taxes are booked to the liabilities side of 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

The provision for guarantees and commitments covers losses on guarantees given and, more generally, the contingencies associated with the Group’s guarantees and commitments, and the exposures to credit derivatives for which the Group has taken over the credit risk (seller protection).

The provision for other risks and charges covers estimated incurred losses arising from legal disputes, including repayments claimed by the receivers of bankrupt customers. It also covers probable charges in connection with guarantees given on the sale of equity investments, the Group’s commitment to support the Interbank Deposit Guarantee Fund, 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 other connected charges and contingent liabilities.

The “provisions for other personnel charges” mainly comprise:

- provisions made by the Parent Bank and by Sanpaolo Banco di Napoli S.p.A., on the basis of an independent actuarial report, in order to cover the technical deficit of the Supplementary Pension Fund, an independent fund which supplements 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 bonuses to employees and other contingent liabilities, including those connected with staff leaving incentives.

11. Other aspects

Reserves for general banking risks

These reserves cover general business risks and, as such, forms part of shareholders' equity in compliance with international supervisory standards and Bank of Italy instructions.

Accruals and deferrals

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

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

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

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 credit 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 any lending risk (counterparty and/or country risk) inherent in the contracts.

Hedging contracts

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

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

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

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

Balance sheet: the period element of differentials earned on contracts hedging the risk of fluctuations in the rates of interest on interest earning/bearing assets and liabilities is classified among "Accrued income" and/or "Accrued expenses". The element of differentials payable in future years 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 (net

of any accruals) of contracts hedging the risk of price fluctuations in dealing transactions, as well as the effect of valuing contracts hedging the exchange risk on lending and funding activities (principal portion) using year-end spot exchange rates, are classified among “Other assets” and/or “Other liabilities”. Contracts hedging investment securities or total loans and deposits are valued at cost.

Statement of income: where derivative contracts are intended to hedge the risk of fluctuations in the rates of interest on interest earning/bearing assets and liabilities, the differentials accrued will form part of net interest income on an accruals basis. If the derivative contract hedges the risk of market price or exchange fluctuations (principal portion), then the revenues or costs generated (with the exception of the differentials earned) 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, assessed 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) from 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. The arrangement is based mainly on 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 limits of net risk.

The desks serve as counterparties to other desks that are not authorized to deal in the market (but which are autonomous from an accounting point of view), 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 negotiation/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

Security and currency transactions, deposits, interbank operations and the bills portfolio are recorded with reference to their settlement dates.

SECTION 2 - ADJUSTMENTS AND PROVISIONS RECORDED FOR FISCAL PURPOSES

2.1 Adjustments to value recorded solely for fiscal purposes

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

The Group has not recorded any adjustments solely for fiscal purposes during the year, with the exception of the adjustment made by the Parent Bank on the stake IMI Investimenti, but eliminated from the consolidated financial statements as it is now consolidated on a line by line basis.

2.2 Provisions recorded solely for fiscal purposes

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

Provisions for probable loan losses made in accordance with tax laws by the subsidiary Banca OPI S.p.A. for 68 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:

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
Due from banks (caption 30)	22,278	21,744	22,000
Loans to customers (caption 40) (*)	124,599	124,177	126,701
Total	146,877	145,921	148,701

(*) The amount includes 1,042 million euro of loans to Società per la gestione delle attività S.p.A. (Sga). (see Section 5 – "Other assets") of which 1,013 million euro (1,252 million euro as of 31 December 2002) 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.)

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Deposits with central banks	514	474
b) Bills eligible for refinancing with central banks	-	-
c) Finance leases	-	-
d) Repurchase agreements	10,050	11,500
e) Securities loaned	71	118

Deposits with central banks as of 31 December 2003 include the compulsory reserve of 422 million euro with the Bank of Italy and other foreign central banks (458 million euro as of 31 December 2002).

Loans to customers (caption 40)

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

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

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Bills eligible for refinancing with central banks	1	18
b) Finance leases	4,593	4,266
c) Repurchase agreements	1,669	2,631
d) Securities loaned	25	13

“Secured loans to customers” are detailed as follows:

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

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Mortgages	33,152	31,588
b) Pledged assets:		
1. cash deposits	626	706
2. securities (**)	4,017	4,705
3. other instruments	270	390
c) Guarantees given by:		
1. Governments (***)	5,500	6,257
2. other public entities	565	401
3. banks	969	992
4. other operators	17,106	18,139
Total	62,205	63,178

(*) *The values as of 31 December 2002 relating to personal guarantees have been classified to make them consistent with those as of 31 December 2003.*

(**) *Include repurchase and similar agreements guaranteed by underlying securities totaling 1,694 million euro (2,644 million euro as of 31 December 2002).*

(***) *Include 1,013 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 99 million euro of positions for which the Parent Bank purchased buyer protection against the risk of non-performance, by means of derivative contracts.

The loans to customers covered by guarantees included in the above table and those granted directly to Governments or other public bodies represent 61.0% of total loans to customers (60.5% as of 31 December 2002).

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 made by reducing the asset value of the loans concerned in the balance sheet.

The estimated realizable value of doubtful loans takes into account not only the likelihood of recovery, but also the total or partial lack of income generated and the delay in repayment. Total adjustments for discounting purposes as of 31 December 2003 amount to 221 million euro (272 million euro as of 31 December 2002).

Analysis of loans to customers

(Bank of Italy regulation 17.12.98)

	31/12/03 (€/mil)			31/12/02 (€/mil)		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
A. Doubtful loans	6,433	3,892	2,541	6,447	3,607	2,840
A.1 Non-performing loans	4,364	3,193	1,171	4,294	2,960	1,334
A.2 Problem loans	1,821	645	1,176	1,767	565	1,202
A.3 Loans in course of restructuring	24	3	21	35	4	31
A.4 Restructured loans	193	42	151	268	54	214
A.5 Unsecured loans exposed to country risk	31	9	22	83	24	59
B. Performing loans	123,069	1,011	122,058	124,854	993	123,861
Total loans to customers	129,502	4,903	124,599	131,301	4,600	126,701

Non-performing and problem loans include unsecured loans to residents of nations exposed to risk for a gross exposure of, respectively, 4 million euro and 13 million euro, and which have been written down by 4 million euro and 9 million euro, respectively.

Coverage of loans (*)

Categories	31/12/03 (%)	31/12/02 pro forma (%)	31/12/02 (%)
Non-performing loans	73.2	69.3	68.9
Problem, restructured and in course of restructuring loans	33.9	30.0	30.1
Unsecured loans exposed to country risk	29.0	29.3	28.9
Performing loans (**)	0.9	0.9	0.9

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

(**) Total performing loans do not include loans to Sga (1,013 million euro), total adjustments include the reserve for probable loan losses (91 million euro).

Analysis of loans to banks

(Bank of Italy regulation 17.12.98)

	31/12/03 (€/mil)			31/12/02 (€/mil)		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
A. Doubtful loans	46	16	30	77	25	52
A.1 Non-performing loans	6	6	-	11	10	1
A.2 Problem loans	1	1	-	-	-	-
A.3 Loans in course of restructuring	-	-	-	-	-	-
A.4 Restructured loans	-	-	-	-	-	-
A.5 Unsecured loans exposed to country risk	39	9	30	66	15	51
B. Performing loans	22,259	11	22,248	21,959	11	21,948
Total loans to banks	22,305	27	22,278	22,036	36	22,000

Non-performing loans include unsecured loans to residents in nations exposed to risk, held in portfolio by the Parent Bank, for a gross exposure of 4 million euro, written-down in full.

Non-performing loans (Table 1.4 B.I.)

	31/12/03 (€/mil)	31/12/02 (€/mil)
Non-performing loans (net amount in the financial statements including default interest)	1,171	1,335

Movements in gross doubtful loans to customers

(Bank of Italy regulation 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 exposure as of 01/01/03	4,294	1,767	35	268	83
A.1 of which: for default interest	641	88	-	-	-
B. Increases	1,334	1,778	37	69	-
B.1 inflows from performing loans	464	1,387	-	17	-
B.2 default interest	109	36	1	-	-
B.3 transfer from other categories of doubtful loans	554	97	28	37	-
B.4 other increases	207	258	8	15	-
C. Decreases	1,264	1,724	48	144	52
C.1 outflows to performing loans	23	323	-	38	27
C.2 write-offs	302	137	-	5	2
C.3 collections	462	674	11	34	21
C.4 disposals	81	1	-	1	-
C.5 transfer to other categories of doubtful loans	64	558	29	65	-
C.6 other decreases	332	31	8	1	2
D. Gross exposure as of 31/12/03	4,364	1,821	24	193	31
D.1 of which: for default interest	789	93	1	1	-

“Other increases” include the balance of 43 million euro (composed of 26 million euro for non-performing loans and 17 million euro for problem loans) relating to Cassa dei Risparmi di Forlì and to Inter-Europa Bank, which were included in the consolidation area during the year.

“Other decreases” include the balance of 245 million euro (composed of 244 million euro for non-performing loans and 1 million euro for loans exposed to country risk) relating to the non-consolidation of Banque Sanpaolo and its subsidiaries Sanpaolo Bail and Sanpaolo Mur, as well as Finconsumo Banca and its subsidiary FC Factor, which were not included in the consolidation area during the year.

Other decreases include receivables deriving from the sale of loans completed by subsidiaries for a total sale price of 83 million euro, of which 81 million euro refer to non-performing loans, 1 million euro to problem loans and 1 million to restructured loans. These receivables are carried in the financial statements for a total gross value of 241 million euro (of which 150 million euro for non-performing loans, 90 million euro for problem loans and 1 million euro for restructured loans) and for a total net value of 90 million euro (of which 88 million euro for non-performing loans, 1 million euro for problem loans and 1 million euro for restructured loans).

Movements in gross doubtful amounts due from banks

(Bank of Italy regulation 17.12.98)

Description / Categories	Non-performing loans	Problem loans	Loans in course of restructuring	Restructured loans	Unsecured loans exposed to country risk
A. Gross exposure as of 01/01/03	11	-	-	-	66
A.1 of which: for default interest	1	-	-	-	-
B. Increases	1	2	-	-	2
B.1 inflows from performing loans	-	-	-	-	-
B.2 default interest	-	-	-	-	-
B.3 transfer from other categories of doubtful loans	-	1	-	-	2
B.4 other increases	1	1	-	-	-
C. Decreases	6	1	-	-	29
C.1 outflows to performing loans	-	-	-	-	-
C.2 write-offs	-	-	-	-	-
C.3 collections	1	-	-	-	26
C.4 disposals	-	-	-	-	-
C.5 transfer to other categories of doubtful loans	3	-	-	-	-
C.6 other decreases	2	1	-	-	3
D. Gross exposure as of 31/12/03	6	1	-	-	39
D.1 of which: for default interest	-	-	-	-	1

“Other decreases” in loans exposed to country risk include 2 million euro relating to the non-consolidation of Banque Sanpaolo and its subsidiaries Sanpaolo Bail and Sanpaolo Mur, which were not included in the consolidation area during the year.

Movements in adjustments made to loans granted to customers

(Bank of Italy regulation 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 01/01/03	2,960	565	4	54	24	993
<i>A.1 of which: for default interest</i>	641	88	-	-	-	24
B. Increases	970	477	7	15	-	264
B.1 adjustments	670	347	3	10	-	238
<i>B.1.1 of which: for default interest</i>	109	36	1	-	-	10
B.2 use of reserves for probable loan losses	1	-	-	-	-	-
B.3 transfer from other categories of doubtful loans	230	121	3	4	-	11
B.4 other increases	69	9	1	1	-	15
C. Decreases	737	397	8	27	15	246
C.1 writebacks from valuations	72	33	1	5	5	26
<i>C.1.1 of which: for default interest</i>	-	-	-	-	-	-
C.2 writebacks of collections	123	52	-	2	-	25
<i>C.2.1 of which: for default interest</i>	28	10	-	-	-	4
C.3 write-offs	302	137	-	5	2	9
C.4 transfer to other categories of doubtful loans	36	164	6	14	5	144
C.5 other decreases	204	11	1	1	3	42
D. Total adjustments as of 31/12/03	3,193	645	3	42	9	1,011
<i>D.1 of which: for default interest</i>	789	93	1	1	-	19

“Other increases” include the balance of 24 million euro (composed of 16 million euro for non-performing loans, 4 million euro for problem loans and 4 million euro for performing loans) relating to Cassa dei Risparmi di Forlì and to Inter-Europa Bank, which were included in the consolidation area during the year.

“Other decreases” include the balance of 179 million euro (composed of 150 million euro for non-performing loans and 29 million euro for performing loans) relating to the non-consolidation of Banque Sanpaolo and its subsidiaries Sanpaolo Bail and Sanpaolo Mur, as well as Finconsumo Banca and its subsidiary FC Factor, which were not included in the consolidation area during the year.

Total adjustments as of 31 December 2003 include 221 million euro relating to the adoption of a policy for discounting doubtful loans. More specifically, writedowns for discounting purposes total 151 million euro on non-performing loans, 63 million euro on problem loans and 7 million euro on restructured loans and loans being restructured.

With reference to the more recent situations of default by important industrial groups, the Parmalat group loans have been classified as non-performing loans and recorded to the financial statements for around 33 million euro, after a writedown of 273 million euro, corresponding to around 90% of the gross exposure. The Cirio group loans (gross exposure of around 25 million euro) have also been classified as non-performing and are written-down almost in full.

Movements in adjustments made to loans granted to banks

(Bank of Italy regulation 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 01/01/03	10	-	-	-	15	11
<i>A.1 of which: for default interest</i>	1	-	-	-	-	-
B. Increases	1	2	-	-	2	-
B.1 adjustments	-	-	-	-	-	-
<i>B.1.1 of which: for default interest</i>	-	-	-	-	-	-
B.2 use of reserves for probable loan losses	-	-	-	-	-	-
B.3 transfer from other categories of doubtful loans	-	1	-	-	-	-
B.4 other increases	1	1	-	-	2	-
C. Decreases	5	1	-	-	8	-
C.1 writebacks from valuations	-	-	-	-	7	-
<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	1	-	-	-	-	-
C.5 other decreases	3	1	-	-	1	-
D. Total adjustments as of 31/12/03	6	1	-	-	9	11
<i>D.1 of which: for default interest</i>	-	-	-	-	1	-

“Other decreases” in loans exposed to country risk include 1 million euro relating to the non-consolidation of Banque Sanpaolo and its subsidiaries Sanpaolo Bail and Sanpaolo Mur, which were not included in the consolidation area during the year.

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	62	38	38
Venezuela	11	10	10
Russia	261	5	5
Argentina	73	4	3
Algeria	17	2	2
Angola	12	2	2
Serbia and Montenegro	4	2	2
Peru	2	2	2
Philippines	9	2	1
Costa Rica	2	2	-
Lebanon	19	-	-
Pakistan	12	-	-
Other	15	1	-
Total gross exposure	499	70	65
Total adjustments	18	18	
Net exposure as of 31/12/03	481	52	

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 made to cover all of the losses that might arise from those events that are typical to "country risk".

Secured loans, amounting to 429 million euro, are mainly insured by SACE or equivalent entities and by guarantees from banking operators in the OECD area. In addition, they comprise loans of 92 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 credit 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:

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
Treasury bills and similar bills eligible for refinancing with central banks (caption 20)	3,923	3,199	3,143
Bonds and other debt securities (caption 50)	18,588	15,592	16,822
Shares, quotas and other equities (caption 60)	2,747	2,584	2,595
Total	25,258	21,375	22,560

“Treasury bills and similar bills eligible for refinancing with central banks” represent securities which may be used for refinancing purposes on condition that they are not subject to restrictions deriving from other transactions.

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.)

	31/12/03 (€/mil)		31/12/02 (€/mil)	
	Book value	Market value	Book value	Market value
1. Debt securities				
1.1 Government securities				
– quoted	2,153	2,216	1,193	1,273
– unquoted	-	-	-	-
1.2 Other securities				
– quoted	139	143	731	749
– unquoted	585	599	965	980
2. Equities				
– quoted	-	-	-	-
– unquoted	58	58	8	8
Total	2,935	3,016	2,897	3,010

The comparison between the market value and the value entered in the financial statements reveals net unrealizable gains, for the Parent Bank and some subsidiaries, for 1 million euro on securities not covered by derivative contracts and for 80 million euro on hedged securities. The evaluation of related derivative contracts reveals potential losses for 62 million euro (including 30 million euro for operations entered into with Group companies operating on financial markets within their brokerage activity).

“Other securities”, quoted and unquoted (724 million euro), mainly include securities held by the Parent Bank for 451 million euro and by foreign subsidiaries for 152 million euro. These securities also include investments made during the year by Banca Fideuram S.p.A. in insurance policies issued by Fideuram Vita dedicated to plan the fidelization of the financial planner network (119 million euro).

In more detail, the aforementioned 724 million euro refer to investments in securities in foreign Governments and public entities amounting to 111 million euro while, in addition to the aforementioned insurance policies (119 million euro), other investments in securities amounting to 613 million euro mainly include securities issued by leading companies in the European Union and in other industrialized countries (442 million euro), particularly the United States and Singapore, as well as International Organizations (72 million euro).

“Equities” only comprise units in mutual funds mainly included in the investment portfolios of Sanpaolo IMI Private Equity group.

Changes in investment securities during the year (Table 2.2 B.I.)

(€/mil)

A. Opening balance	2,897
B. Increases	
B1. purchases	1,383
B2. writebacks	2
B3. transfers from dealing portfolio	3
B4. other changes	76
C. Decreases	
C1. sales	510
C2. redemptions	177
C3. adjustments	8
<i>of which:</i>	
<i>long-term writedowns</i>	7
C4. transfers to dealing portfolio	80
C5. other changes	651
D. Closing balance	2,935

“Transfers from dealing portfolio” at subcaption B3 refer to transfers by a foreign subsidiary.

Subcaption B4. “Increases – other changes” includes 25 million euro which refers to the effect of the consolidation of the Inter-Europa Bank Group and the Eptaconsors Group (included in the consolidation area during the year), 14 million euro exchange gains on securities denominated in foreign currency and 19 million euro gains from dealings.

Subcaption C5. “Decreases – other changes” includes 531 million euro which refers to the effect of the non-consolidation of Banque San Paolo and Finconsumo Banca (excluded from the consolidation area during the year), 91 million euro exchange losses on securities denominated in foreign currency and 6 million euro losses from dealings.

In addition, subcaptions B4 and C5 also include accrued issue and dealing discounts.

Disposals, mainly made by the Parent Bank in the context of the redefinition of investment portfolio following the merger operations concluded in 2002 (399 million euro), led to the recording net extraordinary income of 13 million euro.

The “adjustments in value” at subcaption C3., of 8 million euro, refer mainly to losses in value of a long-term nature (7 million euro). The writedowns recorded were mainly calculated on the negative trend in the conditions of solvency of borrowers in relation to securities or collaterals. When determining the adjustments, the prices agreed for the securities disposed of at the beginning of 2004 were considered, as well as the prices supplied by the arrangers for the issues remaining in portfolio.

Subcaption C4. “Transfers to dealing portfolio” refers to transfers made by the Parent Bank and by a foreign subsidiary in connection with changes to the local regulatory framework.

The positive net differences between reimbursements and book values (issue and dealing discounts) total 4 million euro and have been booked to the statement of income on the basis of the accruals principle. More specifically, the Parent Bank and other foreign subsidiaries show positive differences for, respectively, 3 million euro and 1 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.)

	31/12/03 (€/mil)		31/12/02 (€/mil)	
	Book value	Market value	Book value	Market value
1. Debt securities				
1.1 Government securities				
– quoted	9,600	9,600	7,248	7,248
– unquoted	40	40	43	43
1.2 Other securities				
– quoted	3,407	3,409	4,234	4,236
– unquoted	6,587	6,608	5,551	5,575
2. Equities				
– quoted	2,443	2,448	2,426	2,429
– unquoted	246	246	161	162
Total	22,323	22,351	19,663	19,693

In the reclassified consolidated financial statements, the dealing securities portfolio also includes 34 million euro in SAN-PAOLO IMI S.p.A. shares in the portfolio of the Parent Bank.

Gains shown in the table for other quoted debt securities and other equities quoted 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	19,663
B. Increases	
B1. purchases	409,264
– debt securities	376,499
– Government securities	259,441
– other securities	117,058
– equities	32,765
B2. writebacks and revaluations	143
B3. transfers from investment portfolio	259
B4. other changes	1,811
C. Decreases	
C1. sales and reimbursements	405,490
– debt securities	372,678
– Government securities	256,724
– other securities	115,954
– equities	32,812
C2. adjustments	89
C3. transfers to investment portfolio	3
C5. other changes	3,235
D. Closing balance	22,323

Subcaption B4. "Increases – other changes" includes 171 million euro which refers to the effect of the consolidation of the Eptaconsors Group, the Inter-Europa Bank Group and Cassa dei Risparmi di Forlì (included in the consolidation area during the year).

Subcaption C5. "Decreases – other changes" includes 202 million euro which refers to the effect of the non-consolidation of Banque Sanpaolo Group (excluded from the consolidation area during the year).

"Transfers from dealing portfolio" include 179 million euro of equities reclassified from the investment portfolio in respect of their intended disposal.

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:

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
Equity investments (caption 70)	3,442	3,147	3,224
Investments in Group companies (caption 80)	1,130	1,025	840
Total	4,572	4,172	4,064
– significant investments carried at equity (Table 3.1 B.I.)	1,775	1,374	1,266
– other equity investments carried at cost	2,797	2,798	2,798

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) (**)	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		10,346	824	-	-	-	-
<i>A1 Companies consolidated on a line by line basis</i>								
1 Alcedo S.r.l.	Padua	1	-	-	Sanpaolo IMI Private Equity	100.00	100.00	XXX
2 Banca Comerciala Sanpaolo IMI Bank Romania S.A. (former West Bank S.A.)	Romania	1	7	-3	Sanpaolo IMI	97.86	97.86	XXX (A)
3 Banca Fideuram S.p.A.	Rome	1	950	168	Sanpaolo IMI Invesp	64.10 9.28 73.38	64.10 9.28 73.38	XXX XXX (B)
4 Banca d'Intermediazione Mobiliare IMI S.p.A. (Banca IMI)	Milan	1	406	59	Sanpaolo IMI	100.00	100.00	XXX
5 Banca IMI Securities Corp.	United States	1	159	3	IMI Capital Market USA	100.00	100.00	XXX
6 Banca OPI S.p.A.	Rome	1	694	40	Sanpaolo IMI	100.00	100.00	XXX (C)
7 Banca Popolare dell'Adriatico S.p.A.	Teramo	1	231	2	Sanpaolo IMI	100.00	100.00	XXX (D)
8 Banque Privée Fideuram Wargny S.A.	France	1	48	-21	Financiere Fideuram	99.86	99.86	XXX
9 Cassa di Risparmio di Padova e Rovigo S.p.A.	Padua	1	806	99	Sanpaolo IMI	100.00	100.00	XXX (E)
10 Cassa di Risparmio di Venezia S.p.A.	Venice	1	308	43	Sanpaolo IMI	100.00	100.00	XXX
11 Cassa di Risparmio in Bologna S.p.A.	Bologna	1	627	49	Sanpaolo IMI	100.00	100.00	XXX
12 Epta Global Investment Ltd	Ireland	1	1	2	Invesp	100.00	100.00	XXX (F)
13 Eptafund S.G.R. p.A.	Milan	1	26	10	Invesp	100.00	100.00	XXX (F)
14 Europool Befektetesi Alapkezelő Rt.	Hungary	1	1	-	Inter-Europa Consulting Inter-Europa Bank	46.00 5.00 51.00	46.00 5.00 51.00	XXX XXX (G)
15 Farbanca S.p.A.	Bologna	4	11	-	Sanpaolo IMI	15.00	15.00	XXX
16 Fideuram Asset Management (Ireland) Ltd	Ireland	1	141	137	Banca Fideuram	100.00	100.00	XXX

(cont.: companies consolidated on a line by line basis)

Name	Registered offices	Type of relationship (*)	shareholders' equity (€/mil) (**)	Income / Loss (€/mil) (**)	Ownership		Voting rights at shareholders' meeting %	consolidated book values (€/mil)
					Held by	%		
17 Fideuram Bank S.A.	Luxembourg	1	35	6	Banca Fideuram Fideuram Vita	99.99 0.01	99.99 0.01	XXX XXX
						100.00	100.00	
18 Fideuram Bank (Suisse) A.G.	Switzerland	1	21	1	Fideuram Bank	99.95	99.95	XXX
19 Fideuram Fiduciaria S.p.A.	Rome	1	2	-	Banca Fideuram	100.00	100.00	XXX
20 Fideuram Gestions S.A.	Luxembourg	1	16	1	Banca Fideuram Fideuram Vita	99.94 0.06	99.94 0.06	XXX XXX
						100.00	100.00	
21 Fideuram Investimenti S.G.R. S.p.A. (former Fideuram Fondi S.p.A.)	Rome	1	35	8	Banca Fideuram	99.50	99.50	XXX (H)
22 Fideuram Wargny Active Broker S.A.	France	1	15	-	Banque Privée Fideuram Wargny	99.99	99.99	XXX
23 Fideuram Wargny Gestion S.A.	France	1	4	-	Banque Privée Fideuram Wargny	99.89	99.89	XXX
24 Fideuram Wargny Gestion S.A.M.	Principality of Monaco	1	5	-	Banque Privée Fideuram Wargny	99.96	99.96	XXX
25 FIN. OPI S.p.A.	Turin	1	237	5	Banca OPI	100.00	100.00	XXX
26 Financière Fideuram S.A.	France	1	28	-	Banca Fideuram	94.95	94.95	XXX
27 Finemiro Banca S.p.A.	Bologna	1	132	18	Sanpaolo IMI Cariforli	96.68 0.28	96.68 0.28	XXX XXX
						96.96	96.96	
28 Finemiro Leasing S.p.A.	Bologna	1	51	14	Finemiro Banca	100.00	100.00	XXX (C)
29 Friulcassa S.p.A.	Gorizia	1	241	22	Sanpaolo IMI	100.00	100.00	XXX (I)
30 GEST Line S.p.A. (former Esaban S.p.A.)	Naples	1	57	40	Sanpaolo IMI	100.00	100.00	XXX (J)
31 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	
32 IE-New York Broker Rt	Hungary	1	4	1	Inter-Europa Consulting Inter-Europa Bank	90.00 10.00	90.00 10.00	XXX XXX
						100.00	100.00	(G)
33 IMI Bank (Lux) S.A.	Luxembourg	1	77	1	Banca IMI IMI Investments	99.99 0.01	99.99 0.01	XXX XXX
						100.00	100.00	
34 IMI Capital Markets USA Corp.	United States	1	127	-	IMI Investments	100.00	100.00	XXX
35 IMI Finance Luxembourg S.A.	Luxembourg	1	7	9	IMI Investments	100.00	100.00	XXX
36 IMI Investimenti S.p.A.	Turin	1	973	-58	Sanpaolo IMI	100.00	100.00	XXX
37 IMI Investments S.A.	Luxembourg	1	272	-4	Banca IMI Banca IMI Securities	99.99 0.01	99.99 0.01	XXX XXX
						100.00	100.00	
38 IMI Real Estate S.A.	Luxembourg	1	4	-	IMI Bank (Lux) Sanpaolo IMI International	99.99 0.01	99.99 0.01	XXX XXX
						100.00	100.00	
39 Inter-Europa Bank Rt	Hungary	1	46	5	Sanpaolo IMI Internazionale	85.87	85.87	XXX (K)
40 Inter-Europa Beruhazo Kft	Hungary	1	11	-	Inter-Europa Bank	100.00	100.00	XXX (G)
41 Inter-Europa Consulting Kft	Hungary	1	4	-	Inter-Europa Fejlesztési Inter-Europa Szolgáltató	51.00 49.00	51.00 49.00	XXX XXX
						100.00	100.00	(G)

(cont.: companies consolidated on a line by line basis)

Name	Registered offices	Type of relationship (*)	shareholders' equity (€/mil) (**)	Income / Loss (€/mil) (**)	Ownership		Voting rights at shareholders' meeting %	consolidated book values (€/mil)
					Held by	%		
42 Inter-Europa Fejlesztési Kft	Hungary	1	9	-	Inter-Europa Bank	100.00	100.00	XXX (G)
43 Inter-Europa Szolgáltató Kft	Hungary	1	7	-	Inter-Europa Bank	100.00	100.00	XXX (G)
44 Inter-Invest Risk Management Vagyonkezelő Rt	Hungary	1	1	-	Inter-Europa Bank	48.00	48.00	XXX
					Inter-Europa Consulting	48.00	48.00	XXX
					Inter-Europa Szolgáltató	4.00	4.00	XXX
						100.00	100.00	(G)
45 Invesp S.p.A.	Turin	1	409	43	Sanpaolo IMI	100.00	100.00	XXX (L)
46 Lackenstar Ltd	Ireland	1	-	-	Sanpaolo IMI Bank Ireland	100.00	100.00	XXX
47 LDV Holding B.V.	Netherlands	1	139	7	Sanpaolo IMI Private Equity	100.00	100.00	XXX
48 NHS Investments S.A.	Luxembourg	1	56	-76	IMI Investimenti	99.99	99.99	XXX
					LDV Holding	0.01	0.01	XXX
						100.00	100.00	
49 NHS Mezzogiorno S.G.R. S.p.A. (subsequently Sanpaolo IMI Investimenti per lo Sviluppo SGR S.p.A.)	Naples	1	2	-	Sanpaolo IMI Private Equity	100.00	100.00	XXX (M)
50 Prospettive 2001 S.p.A.	Turin	1	54	4	Sanpaolo IMI	100.00	100.00	XXX
51 Sanpaolo Banco di Napoli S.p.A.	Naples	1	1,225	28	Sanpaolo IMI	100.00	100.00	XXX (N)
52 Sanpaolo Bank (Austria) A.G.	Austria	1	16	1	Sanpaolo Bank	100.00	100.00	XXX
53 Sanpaolo Bank S.A.	Luxembourg	1	201	47	Sanpaolo IMI	50.00	50.00	XXX (O)
					Sanpaolo IMI WM	50.00	50.00	XXX
						100.00	100.00	
54 Sanpaolo Bank (Suisse) S.A.	Switzerland	1	17	-5	Sanpaolo Bank	99.98	99.98	XXX
55 Sanpaolo Fiduciaria S.p.A.	Milan	1	6	2	Sanpaolo IMI	100.00	100.00	XXX (P)
56 Sanpaolo IMI Alternative Investments S.G.R. S.p.A.	Milan	1	5	-1	Sanpaolo IMI WM	100.00	100.00	XXX
57 Sanpaolo IMI Asset Management S.G.R. S.p.A.	Turin	1	38	9	Sanpaolo IMI WM	100.00	100.00	XXX
58 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	(Q)
59 Sanpaolo IMI Bank Ireland Plc	Ireland	1	518	21	Sanpaolo IMI	100.00	100.00	XXX
60 Sanpaolo IMI Capital Company I L.I.c.	United States	1	50	-	Sanpaolo IMI	100.00	100.00	XXX
61 Sanpaolo IMI Fondi Chiusi S.G.R. S.p.A. (former Cardine Investimenti S.G.R. S.p.A.)	Bologna	1	1	-	Sanpaolo IMI Private Equity	100.00	100.00	XXX
62 Sanpaolo IMI Institutional Asset Management S.G.R. S.p.A.	Monza	1	22	2	Sanpaolo IMI WM	85.00	85.00	XXX
					Banca IMI	11.72	11.72	XXX
					IMI Bank (Lux)	3.28	3.28	XXX
						100.00	100.00	
63 Sanpaolo IMI International S.A.	Luxembourg	1	966	156	Sanpaolo IMI	100.00	100.00	XXX
64 Sanpaolo IMI Internazionale S.p.A.	Padua	1	83	-4	Sanpaolo IMI	100.00	100.00	XXX (M/R)
65 Sanpaolo IMI Private Equity S.p.A.	Bologna	1	238	4	Sanpaolo IMI	100.00	100.00	XXX
66 Sanpaolo IMI US Financial Co.	United States	1	-	-	Sanpaolo IMI	100.00	100.00	XXX
67 Sanpaolo IMI Wealth Management S.p.A.	Milan	1	698	102	Sanpaolo IMI	100.00	100.00	XXX
68 Sanpaolo IMI WM Luxembourg S.A.	Luxembourg	1	12	41	Sanpaolo IMI WM	100.00	100.00	XXX
69 Sanpaolo Invest Ireland Ltd	Ireland	1	6	6	Banca Fideuram	100.00	100.00	XXX (S)
70 Sanpaolo Invest SIM S.p.A. (former Banca Sanpaolo Invest S.p.A.)	Rome	1	19	-	Banca Fideuram	100.00	100.00	XXX (T)
71 Sanpaolo Leasint S.p.A.	Milan	1	109	17	Sanpaolo IMI	100.00	100.00	XXX (C)
72 SEP S.p.A.	Turin	1	3	-	Sanpaolo IMI	100.00	100.00	XXX

(cont.: companies consolidated on a line by line basis)

Name	Registered offices	Type of relationship (*)	shareholders' equity (€/mil) (**)	Income / Loss (€/mil) (**)	Ownership		Voting rights at shareholders' meeting %	consolidated book values (€/mil)
					Held by	%		
73 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	
74 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	
75 Sygman Szolgaltato es Kereskedelmi Rt.	Hungary	1	1	-	IE-New York Broker	100.00	100.00	XXX (G)
76 Tobuk Ltd	Ireland	1	-	-	Sanpaolo IMI Bank Ireland	100.00	100.00	XXX
77 Tushingham Ltd	Ireland	1	-	-	Sanpaolo IMI Bank Ireland	100.00	100.00	XXX

A2 Companies consolidated with the proportional method

1	Banka Koper d.d.	Slovenia	7	143	18	Sanpaolo IMI	62.60	32.99	XXX
2	Cassa dei Risparmi di Forlì S.p.A.	Forlì	7	224	21	Sanpaolo IMI	29.77	29.77	XXX (U)
3	Centradia Group Ltd	United Kingdom	7	14	-7	Sanpaolo IMI	29.03	29.03	XXX
4	Centradia Ltd	United Kingdom	7	4	2	Centradia Group	100.00	100.00	XXX
5	Centradia Services Ltd	United Kingdom	7	6	-4	Centradia Group	100.00	100.00	XXX

B. Investments carried at equity**B1 Investments carried at equity - subsidiaries (***)**

1	3G Mobile Investments S.A.	Belgium	1	22	-30	IMI Investimenti	100.00	100.00	22
2	Bonec Ltd	Ireland	1	-	-	Sanpaolo IMI Bank Ireland	100.00	100.00	-
3	Cardine Financial Innovation S.p.A. (subsequently IMI Solutions S.p.A.)	Padua	1	-	-	Banca IMI	100.00	100.00	- (V)
4	Cedar Street Securities Corp.	United States	1	-	-	Banca IMI Securities	100.00	100.00	-
5	Consorzio Studi e Ricerche Fiscali	Rome	1	-	-	Sanpaolo IMI	55.00	55.00	-
						Banca Fideuram	10.00	10.00	-
						Banca IMI	5.00	5.00	-
						Banca OPI	5.00	5.00	-
						Fideuram Vita	5.00	5.00	- (W)
						Sanpaolo Leasint	5.00	5.00	-
						Sanpaolo IMI	5.00	5.00	-
						Asset Management			
						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		
6	Consumer Financial Services S.r.l.	Bologna	1	2	-	Finemiro Banca	100.00	100.00	2 (X)
7	CSP Investimenti S.r.l.	Turin	1	202	-	Sanpaolo IMI	100.00	100.00	162 (Y)
8	Emil Europe '92 S.r.l.	Bologna	1	4	-	Cassa di Risparmio Bologna	90.55	90.55	3
9	Fideuram Assicurazioni S.p.A.	Rome	1	9	1	Banca Fideuram	100.00	100.00	9
10	Fideuram Vita S.p.A.	Rome	1	440	35	Banca Fideuram	99.80	100.00	436

(cont.: investments carried at equity - subsidiaries)

Name	Registered offices	Type of relationship (*)	shareholders' equity (€/mil) (**)	Income / Loss (€/mil) (**)	Ownership		Voting rights at shareholders' meeting %	consolidated book values (€/mil)
					Held by	%		
11 Immobiliare 21 S.r.l.	Milan	1	-	-	Invesp	100.00	100.00	-
12 Immobiliare Nettuno S.p.A.	Bologna	1	1	-	Cassa di Risparmio Bologna	100.00	100.00	1
13 NHS Luxembourg S.A.	Luxembourg	1	-	-	Sanpaolo IMI Private Equity LDV Holding	99.99 0.01	99.99 0.01	- -
						100.00	100.00	(Z)
14 Noricum Vita S.p.A.	Turin	1	35	1	Sanpaolo Vita	57.85	57.85	- (W)
					Sanpaolo IMI	42.15	42.15	15
						100.00	100.00	15 (AA)
15 Obiettivo Società di Gestione del Risparmio (S.G.R.) S.p.A.	Milan	1	2	-1	Banca IMI	100.00	100.00	2
16 S.V.I.T. S.p.A.	Padua	1	1	-	Cassa di Risparmio Padova e Rovigo	57.45	57.45	-
17 Sanpaolo IMI Capital Partners Ltd	Guernsey	1	-	-	Sanpaolo IMI Private Equity	99.00	99.00	-
					Sanpaolo IMI Management	1.00	1.00	- (W)
						100.00	100.00	
18 Sanpaolo IMI Insurance Broker S.p.A. (former Poseidon Insurance Broker S.p.A.)	Bologna	1	3	1	Invesp	55.00	55.00	2
					Sanpaolo IMI	45.00	45.00	1
						100.00	100.00	3 (BB)
19 Sanpaolo IMI Management Ltd	United Kingdom	1	-	-	Sanpaolo IMI Private Equity	100.00	100.00	-
20 Sanpaolo Leasint G.M.B.H.	Austria	1	2	1	Sanpaolo Leasint	100.00	100.00	-
21 Sanpaolo Life Ltd	Ireland	1	103	22	Sanpaolo Vita	100.00	100.00	- (W)
22 Sanpaolo Vita S.p.A.	Milan	1	461	96	Sanpaolo IMI WM	100.00	100.00	465 (CC)
23 Servizi S.r.l.	Bologna	1	1	1	Finemiro Banca	100.00	100.00	1
24 Studi e Ricerche per il Mezzogiorno	Naples	1	-	-	Sanpaolo IMI	16.67	16.67	-
					Banca OPI	16.67	16.67	-
					NHS Mezzogiorno	16.67	16.67	-
					Sanpaolo Banco di Napoli	16.66	16.66	-
						66.67	66.67	(X)
25 Tele Futuro S.r.l. (former Picus S.p.A. in liq.)	Milan	1	-	-	LDV Holding	99.13	99.13	-
					Sanpaolo IMI Private Equity	0.02	0.02	-
						99.15	99.15	
26 Universo Servizi S.p.A.	Milan	1	18	-	Sanpaolo Vita	99.00	99.00	- (W)
					Sanpaolo IMI WM	1.00	1.00	-
						100.00	100.00	(X)
27 Veneto Nanotech Scpa	Padua	1	-	-	Sanpaolo IMI	65.00	65.00	- (DD)
28 W.D.W. S.A.	France	1	-	-	Banque Privée Fideuram Wargny	99.72	99.72	-
29 West Trade Center S.A.	Romania	1	-	-	Sanpaolo IMI	100.00	100.00	- (A)
30 BN Finrete S.p.A. (in liq.)	Naples	1	1	-	Sanpaolo IMI	99.00	99.00	1 (EE)
31 Cardine Finance Plc (in liq.)	Ireland	1	-	-	Sanpaolo IMI	99.97	99.97	-
					Cassa di Risparmio Padova e Rovigo	0.01	0.01	-
					Cassa di Risparmio Venezia	0.01	0.01	-
					Cassa di Risparmio Bologna	0.01	0.01	-
						100.00	100.00	(FF)

(cont.: investments carried at equity - subsidiaries)

Name	Registered offices	Type of relationship (*)	shareholders' equity (€/mil) (**)	Income / Loss (€/mil) (**)	Ownership		Voting rights at shareholders' meeting %	consolidated book values (€/mil)
					Held by	%		
32 Cardine Suisse S.A. (in liq.)	Switzerland	1	1	-	Sanpaolo IMI	99.00	99.00	1 (EE)
33 Cariparo Ireland Plc (in liq.)	Ireland	1	-	-	Sanpaolo IMI	99.94	99.94	-
					Friulcassa	0.02	0.02	-
					Banca Popolare dell'Adriatico	0.01	0.01	-
					Cassa di Risparmio Padova e Rovigo	0.01	0.01	-
					Cassa di Risparmio Venezia	0.01	0.01	-
					Cassa di Risparmio Bologna	0.01	0.01	-
						100.00	100.00	(GG)
34 Cioccolato Feletti S.p.A. (in liq.)	Aosta	1	-2	-	Invesp	95.00	95.00	- (F)
35 Cotonificio Bresciano Ottolini S.r.l. (in liq.)	Brescia	1	-	-	Invesp	100.00	100.00	- (F)
36 Epta Global Hedge S.G.R. p.A. (in liq.)	Milan	1	-	-	Invesp	90.00	90.00	-
					Eptafund	10.00	10.00	-
						100.00	100.00	(F)
37 FISPAO S.p.A. (in liq.)	Turin	1	-	-	FIN.OPI	100.00	100.00	- (GG)
38 Imifin S.p.A. (in liq.)	Rome	1	-	-	Sanpaolo IMI	100.00	100.00	-
39 IMI Bank A.G. (in liq.)	Germany	1	1	-	IMI Bank (Lux)	95.24	95.24	1 (EE)
					Sanpaolo IMI International	4.76	4.76	-
						100.00	100.00	1
40 Innovare S.r.l. (in liq.)	Naples	1	1	-	Sanpaolo IMI	90.00	90.00	1 (EE)
41 ISC Euroservice G.M.B.H. (in liq.)	Germany	1	-	-	Sanpaolo IMI	80.00	80.00	-
42 S. e P. Servizi e Progetti S.p.A. (in liq.)	Turin	1	-	-	FIN.OPI	100.00	100.00	- (GG)
43 S.A.G.E.T. S.p.A. (in liq.)	Teramo	1	-	-	Banca Popolare dell'Adriatico	99.98	99.98	-
44 Sanpaolo U,S, Holding Co. (in liq.)	United States	1	4	-	Sanpaolo IMI	100.00	100.00	2 (EE)
45 Se.Ri.T. S.p.A. (in liq.)	Teramo	1	-	-	Banca Popolare dell'Adriatico	100.00	100.00	-
46 Sicilsud Leasing S.p.A. (in liq.)	Palermo	1	-	-1	FIN.OPI	100.00	100.00	-
47 West Leasing S.A. (in liq.)	Romania	1	-	-	Sanpaolo Bank Romania	88.71	88.71	-
Other minor investments								3 (HH)
Investments carried at equity - subsidiaries								1,130

Name	Registered offices	Type of relationship (*)	shareholders' equity (€/mil) (**)	Income / Loss (€/mil) (**)	Ownership Held by	%	Voting rights at shareholders' meeting %	consolidated book values (€/mil)
<i>B2 Investments carried at equity - other</i>								
48 Aeffe S.p.A.	Rimini	8	56	5	LDV Holding	20.00	20.00	11 (II)
49 Aeroporti Holding S.r.l.	Turin	8	21	-	Sanpaolo IMI Private Equity	30.00	30.00	6 (DD)
50 Attività Finanziarie Merlo S.p.A.	Turin	8	15	-	Banca IMI	33.33	33.33	5 (III)
51 Axon Rt	Hungary	8	4	-	Inter-Europa Bank	22.71	22.71	1 (G/II)
52 Banque Sanpaolo S.A.	France	8	432	27	Sanpaolo IMI	40.00	40.00	173 (KK)
53 Carpine S.p.A.	Modena	8	34	-	Sanpaolo IMI Private Equity	27.09	27.09	10 (DD)
54 Cassa di Risparmio di Firenze S.p.A.	Florence	8	1,032	73	Sanpaolo IMI	19.50	19.50	196 (LL)
55 CBE Service S.p.r.l.	Belgium	8	-	-	Sanpaolo IMI Cariforli	31.70 5.00	31.70 5.00	- -
						36.70	36.70	
56 CR Firenze Gestion Internationale S.A.	Luxembourg	8	7	7	Sanpaolo IMI	20.00	20.00	1
57 Egida Compagnia di Assicurazioni S.p.A.	Turin	7	12	2	Sanpaolo Vita	50.00	50.00	- (W)
58 Esatri S.p.A.	Milan	8	92	54	GEST Line	31.50	31.50	29 (MM)
59 Finconsumo Banca S.p.A.	Turin	8	81	18	Sanpaolo IMI	30.00	30.00	25 (NN)
60 Finnat Investments S.p.A.	Rome	8	1	-	Invesp	20.00	20.00	- (OO)
61 Galaxy S. a r.l.	Luxembourg	8	25	-1	FIN.OPI	20.00	20.00	5 (DD)
62 HDI Assicurazioni S.p.A.	Rome	8	142	5	Sanpaolo IMI	28.32	28.32	38 (OO)
63 I.TRE Iniziative Immobiliari Industriali S.p.A.	Rovigo	8	-	-	Cassa di Risparmio Padova e Rovigo	20.00	20.00	-
64 Immobiliare Colonna '92 S.r.l.	Rome	8	6	1	FIN.OPI	33.33	33.33	2
65 Integra S.r.l.	Belluno	8	-	-	Cassa di Risparmio Padova e Rovigo	29.65	29.65	-
66 IW Bank S.p.A. (former IMIWeb Bank S.p.A.)	Milan	8	15	-	Banca IMI	20.00	20.00	3 (PP)
67 Lama Dekani d.d.	Slovenia	8	-	-	Banka Koper	78.41	78.41	1 (QQ)
68 Liseuro S.p.A.	Udine	8	4	-	Sanpaolo IMI	35.11	35.11	1 (OO)
69 Padova 2000 Iniziative Immobiliari S.p.A.	Padua	8	-9	-9	Cassa di Risparmio Padova e Rovigo	45.01	45.01	- (OO)
70 Pivka Perutninarstvo d.d.	Slovenia	8	-	-	Banka Koper	26.36	26.36	1
71 Progema S.r.l.	Turin	8	-	-	Finemiro Banca SEP	10.00 10.00	10.00 10.00	- -
						20.00	20.00	(OO)
72 Sagat S.p.A.	Turin	8	44	3	IMI Investimenti	12.40	12.40	5 (OO/RR)
73 Sanpaolo IMI Private Equity Scheme B.V.	Netherlands	8	44	-19	LDV Holding	29.38	29.38	13
74 Sifin S.r.l.	Bologna	8	2	2	Invesp	30.00	30.00	-
75 Sinloc - Sistemi Iniziative Locali S.p.A.	Turin	8	43	1	FIN.OPI Banca OPI	31.85 8.15	31.85 8.15	15 4
						40.00	40.00	19
76 Società Friulana Esazione Tributi S.p.A.	Udine	8	6	-	Friulcassa	33.33	33.33	2 (II)
77 Società Gestione per il Realizzo S.p.A.	Rome	8	19	-2	Sanpaolo IMI Banca Fideuram	28.31 0.64	28.31 0.64	1 -
						28.95	28.95	(OO)
78 Splosna Plovba Portoroz d.d.	Slovenia	8	-	-	Banka Koper	21.00	21.00	-
79 Summa Finance S.p.A.	Bologna	8	-	-	Invesp	39.90	39.90	-
80 Synesis Finanziaria S.p.A.	Turin	8	382	11	IMI Investimenti	25.00	25.00	96 (SS)
81 Trivimm S.r.l.	Verona	8	1	-	Sanpaolo IMI	23.00	23.00	-
82 Aeroporto di Napoli S.p.A. (in liq.)	Naples	8	-	-	Sanpaolo IMI	20.00	20.00	-
83 Chasefin - Chase Finanziaria S.p.A. (in liq.)	Milan	8	-	-	Finemiro Leasing	30.00	30.00	-
84 Consorzio Agrario Prov.le di Rovigo (in liq.)	Rovigo	8	-6	1	Cassa di Risparmio Padova e Rovigo	35.45	35.45	- (II)

(cont.: partecipazioni carried at equity - non controllate)

Name	Registered offices	Type of relationship (*)	shareholders' equity (€/mil) (**)	Income / Loss (€/mil) (**)	Ownership		Voting rights at shareholders' meeting %	consolidated book values (€/mil)
					Held by	%		
85 Consorzio Bancario SIR S.p.A. (in liq.)	Rome	8	-249	-250	Sanpaolo IMI	32.84	32.84	- (OOIT)
86 Finexpance S.p.A. (in liq.)	Chiavari	8	-	9	Sanpaolo IMI	30.00	30.00	-
87 G.E.CAP. S.p.A. (in liq.)	Foggia	8	2	4	Sanpaolo IMI	37.25	37.25	- (OO)
88 Galileo Holding S.p.A. (in liq.)	Venice	8	-23	1	Sanpaolo IMI	31.52	31.52	- (OOIU)
89 Italinfra Grandi Progetti S.p.A. (in liq.)	Naples	8	4	-	Sanpaolo IMI	30.00	30.00	-
90 Mega International S.p.A. (in arrangement before bankruptcy)	Ravenna	8	-2	-	Finemiro Banca	48.00	48.00	- (OO)
91 Sofimer S.p.A. (in liq.)	Naples	8	-	-	Sanpaolo IMI	20.00	20.00	- (GGIM)
Other equity investments								1 (HH)
Total investments carried at equity - other								645
Total investments carried at equity								1,775

Notes to the table of significant investments:

(*) Type of relationship:

1 = control ex Art. 2359 Italian Civil Code, subsection 1, no. 1: majority of voting rights in the ordinary meeting.

2 = control ex Art. 2359 Italian Civil Code, subsection 1, no. 2: dominating influence in the ordinary meeting.

3 = control ex Art. 2359 Italian Civil Code, subsection 2, no. 1: agreements with other partners.

4 = other forms of control.

7 = joint control ex Art. 35, subsection 1 of D. Lgs. 87/92.

8 = associated company ex 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 in the 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 Isveimer 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 9 "Other liabilities" of these notes).

(A) The company was transferred from the Parent Bank to Sanpaolo IMI Internazionale in February 2004.

(B) In July 2003 the company merged by incorporation Fideuram Capital SIM S.p.A. and was beneficiary of the transfer of the business branch of Banca Sanpaolo Invest S.p.A. (now Sanpaolo Invest SIM S.p.A.).

(C) Lease transactions are shown in the financial statements according to the financial lease method.

(D) Complete control of the company was acquired following the Public Offer concluded in June 2003.

(E) In June 2003 the company merged Banca Agricola di Cerea S.p.A..

(F) The company became part of the Sanpaolo IMI Group following the purchase of control over Eptaconsors S.p.A. later merged with Invesp S.p.A..

(G) The company became part of the Sanpaolo IMI Group following the purchase of control over Inter-Europa Bank Rt. in April 2003.

(H) In July 2003 the company merged Fideuram Gestioni Patrimoniali SIM S.p.A..

(I) The company was formed from the merger in December 2003 between Cassa di Risparmio di Udine e Pordenone S.p.A. and Cassa di Risparmio di Gorizia S.p.A..

(J) In October 2003 the company merged Sanpaolo Riscossioni Genova S.p.A., Sanpaolo Riscossioni Prato S.p.A. and Ge.Ri.Co. S.p.A. thereby concentrating the Group's tax collection activities. The company was beneficiary of the transfer by the Parent Bank of the stake in Esatri S.p.A..

(K) In April 2003 the company was transferred from the Parent Bank to Sanpaolo IMI Internazionale S.p.A. and also became part of Sanpaolo IMI Group in the same month, following the conclusion of the Public Offer launched in March 2003.

(L) In December 2003 the company merged Eptaconsors S.p.A., Eptasim S.p.A. and Rsp S.r.l..

(M) In the consolidated financial statements for 2002, the company was included among "Investments carried at equity - subsidiaries".

(N) In the third quarter of 2003, the newly formed company was beneficiary of the business branch represented by the Southern Territorial Direction of the Parent Bank.

(O) In January 2003 the Parent Bank purchased direct control of the company by subscribing to the increase in share capital.

(P) In October 2003 the company merged Eptafid S.p.A..

(Q) In January 2004 the Parent Bank purchased direct control of the company.

(R) In April 2003, the Parent Bank transferred to the company the shareholding held in Inter-Europa Bank Rt. The company is also beneficiary of the transfer of minority shareholdings in banks operating in Central Eastern Europe and the Mediterranean.

(S) In July 2003 the company was sold to Banca Fideuram S.p.A. by Sanpaolo Invest SIM S.p.A..

(T) In July 2003 the business branch of the company was the object of a spin off to Banca Fideuram S.p.A..

(U) This company, which was among "Investments carried at equity - other" in the 2002 consolidated financial statements, has been included in the area of proportional consolidation in respect of agreements with Cassa di Risparmio di Firenze and Fondazione Cariforli.

(V) The company was sold by the Parent Bank to Banca IMI S.p.A. in December 2003.

- (W) The book value is included in the valuation in net equity of the holding company.
- (X) The company was established in the second half of 2003.
- (Y) The company was sold to the Parent Bank by FIN.OPI S.p.A. in December 2003. The company is beneficiary of the spin off of the real estate business branch of the Parent Bank. In the consolidated financial statements the company is carried at net equity, adjusted to reflect the reversal of the capital gains of infra Group transactions.
- (Z) The company has been excluded from the line by line area of consolidation following the reduction in activities.
- (AA) In December 2003 the Group purchased control of the company also through the subsidiary Sanpaolo Vita S.p.A..
- (BB) In October 2003 the company merged Brokerban S.p.A..
- (CC) The valuation has been made on the basis of the consolidated financial statements prepared by the company in which the investment is held.
- (DD) Equity investment acquired in the second half of 2003.
- (EE) The company's book value reflects the estimated realizable value according to the stage of completion of the liquidation process.
- (FF) The company has been excluded from the line by line area of consolidation as it has been put into liquidation.
- (GG) The company was cancelled from the Register of Companies in January 2004.
- (HH) Represents the sum of the book values of shareholdings under 500,000 euro.
- (II) Shareholders' equity refers to the financial statements as of 30 June 2003.
- (JJ) Equity investment acquired in the first half of 2003.
- (KK) The company, which was consolidated on a line by line basis in the 2002 financial statements, has been included among "Investments carried at equity – other" having successfully concluded the disposal of 60% of the company to Caisse Nationale des Caisses d'Epargne.
- (LL) The valuation has been made on the basis of the consolidated financial statements as of 30 September 2003 prepared by the company in which the investment is held.
- (MM) The investment was transferred by the Parent Bank to Gest Line S.p.A. in December 2003.
- (NN) The company, which was included in the proportional area of consolidation in the 2002 financial statements, has been included among "Investments carried at equity – other" having successfully concluded the disposal of 20% of the company to Santander Central Hispano; In January 2004 the disposal of the remaining 30% was completed.
- (OO) Shareholders' equity refers to the financial statements as of 31 December 2002.
- (PP) The company, which was consolidated on a line by line basis in the 2002 financial statements, has been included among "Investments carried at equity – other" having successfully concluded in November 2003 the disposal of 80% of the company to Centrobanca.
- (QQ) The investment controlled by Banka Koper d.d. is not included among "Investments carried at equity - subsidiaries" as the holding company Banka Koper is included in consolidation using the proportional method.
- (RR) The company was included among "Investments carried at equity – other" in respect of the parasocial contracts which allow the Sanpaolo IMI Group to exercise significant interest in the management of the company.
- (SS) The investment was purchased in the first half of 2003. The company holds 51% of Fidis Retail Italia.
- (TT) The investment refers to the IMI-SIR dispute illustrated in Section 5 – "Other assets"
- (UU) In relation to the equity deficit of the company, acquired as part of the restructuring of that group, it is expected that the company's equity deficit should be offset on completion of the debt restructuring, which entails the shareholder banks waiving their receivables.
- (VV) The financial data refers to the financial statements in liquidation as of 31 October 2003.

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.G.A.S APS S.p.A.	Trieste	Friulcassa	0.65	2
		Cassa di Risparmio Padova e Rovigo	0.52	1
			1.17	3
AEM Torino S.p.A.	Turin	FIN.OPI	3.00	17 (A)
Autostrada BS-VR-VI-PD S.p.A.	Verona	Sanpaolo IMI	5.80	6
Azimut S.p.A.	Viareggio	LDV Holding	9.09	34
		Sanpaolo IMI Private Equity	0.08	-
			9.17	34
Banca delle Marche S.p.A.	Ancona	Sanpaolo IMI	7.00	92 (B)
Banca d'Italia	Rome	Sanpaolo IMI	8.33	185
		Cassa di Risparmio Bologna	6.20	-
		Cassa di Risparmio Padova e Rovigo	1.20	-
		Cassa di Risparmio Venezia	0.88	-
		Friulcassa	0.63	-
		Cariforli	0.20	2
			17.44	187
Banco del Desarrollo S.A.	Chile	Sanpaolo IMI	15.72	23
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
BIAT S.A.	Tunisia	Sanpaolo IMI Internazionale	5.61	7 (C)
Borsa Italiana S.p.A.	Milan	Banca IMI	7.94	22
		Sanpaolo IMI	5.37	52
		IMI Bank (Lux)	0.43	-
		13.74	74	
Cassa di Risparmio di Ferrara S.p.A.	Ferrara	Prospettive 2001	1.15	6
CDC Finance - CDC IXIS S.A.	France	Sanpaolo IMI	3.45	328
Centrale dei Bilanci S.r.l.	Turin	Sanpaolo IMI	12.60	6
Centro Agroalimentare di Napoli S.c.p.A.	Naples	Sanpaolo IMI	15.68	3
Centro Factoring S.p.A.	Florence	Invesp	10.81	3
		Cariforli	0.11	-
			10.92	3
Centro Leasing S.p.A.	Florence	Invesp	12.33	15
		Cariforli	0.05	-
			12.38	15
Cimos International d.d.	Slovenia	Banka Koper	13.55	7
Compagnia Assicuratrice Unipol S.p.A.	Bologna	Invesp	2.00	61
Convergenza S.c.a.	Luxembourg	Sanpaolo IMI Private Equity	6.67	8
Dyckerhoff A.G.	Germany	IMI Finance	7.88	30
		IMI Investments	4.24	15
			12.12	45
Engineering Ingegneria Informatica S.p.A.	Rome	Sanpaolo IMI Private Equity	1.60	4
Euromedia Venture Belgique S.A.	Belgium	Sanpaolo IMI Private Equity	9.68	3
FIAT S.p.A.	Turin	IMI Investimenti	0.93	58

(cont.: other significant equity investments)

Name	Registered offices	Ownership		Consolidated book values (€/mil)
		Held by	% (*)	
Fin.Ser. S.p.A.	Padua	Cassa di Risparmio Padova e Rovigo	15.00	4
Fincantieri - Cantieri Navali Italiani S.p.A.	Trieste	IMI Investimenti	1.21	4
		Sanpaolo IMI	0.76	3
			1.97	7
Fondo Europeo per gli Investimenti	Luxembourg	Sanpaolo IMI Private Equity	0.50	3 (B)
Hera S.p.A.	Bologna	FIN.OPI	1.05	10 (D)
Hutchinson 3G Italia S.p.A.	Milan	NHS Investments	5.58	70
		3G Mobile Investments	2.23	- (E)
			7.81	70
Infracom Italia S.p.A. (former Serenissima Infracom S.p.A.)	Verona	Sanpaolo IMI	7.35	25
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 Servicios de Consultoria S.A.	Madeira	Sanpaolo IMI Private Equity	1.09	4
Kredyt Bank S.A.	Poland	Sanpaolo IMI Internazionale	3.64	17 (C)
Merloni Termosanitari S.p.A.	Ancona	LDV Holding	6.05	22
		Banca Popolare dell'Adriatico	1.37	5
			7.42	27
Santander Central Hispano S.A.	Spain	Sanpaolo IMI	1.10	425
		Sanpaolo IMI International	1.77	680
			2.87	1,105
Simest S.p.A.	Rome	Sanpaolo IMI	4.01	6
Transdev S.A.	France	FIN.OPI	7.00	11
Other minor investments				52
Total other significant equity investments				2,797

Notes to the table "other significant investments":

(*) The percentage refers to the total capital.

(A) The company was sold to FIN.OPI S.p.A. by IMI Investimenti S.p.A. in December 2003.

(B) Equity investment acquired in the second half of 2003.

(C) The company was transferred from the Parent Bank to Sanpaolo IMI Internazionale S.p.A. in the second half of 2003.

(D) Equity investment acquired in the first half of 2003.

(E) The book value is included in the valuation in net equity of the holding company.

Composition of the investment portfolio

Analysis of caption 80 "investments in Group companies" (Table 3.5 B.I.)

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) in banks		
1. quoted	-	-
2. unquoted	-	1
b) in financial institutions		
1. quoted	-	-
2. unquoted	11	23
c) other		
1. quoted	-	-
2. unquoted	1,119	816
Total	1,130	840

Analysis of caption 70 "equity investments" (Table 3.4 B.I.)

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) in banks		
1. quoted	1,327	1,137
2. unquoted	869	617
b) in financial institutions		
1. quoted	-	11
2. unquoted	195	124
c) other		
1. quoted	200	356
2. unquoted	851	979
Total	3,442	3,224

The main characteristics of the commitments and options on significant investments are provided below:

- the Cassa dei Risparmi di Forlì S.p.A. share purchase agreement of 29 November 2000, between Fondazione CR Forlì (seller) and SANPAOLO IMI and Cassa di Risparmio di Firenze (purchasers), provides that the purchasers shall grant Fondazione an option to sell ordinary shares representing not more than 51.35% of the share capital of CR Forlì, to be exercised in a number of tranches, at a unit price of 8.11 euro per share, for the first two tranches, and at a price determined according to the "fair market value" for the last tranches. The put option may be exercised by Fondazione at any time between 12 June 2002 and the 15th day before the expiry of the first period for notice of termination of the Consortium Agreement drawn up between the same parties (31 December 2008). On 12 May 2003 Fondazione CR Forlì exercised the first tranche of the put option on 8,335,370 shares (equal to 8.75% of the share capital), for a price of 68 million euro. After acquisition, the investment held by SANPAOLO IMI rose to 29.77%. The option on the portion of share capital still held by Fondazione, involved the booking of 231 million euro to commitments for "put options issued";
- the agreement between the Bank and the majority shareholders of Banka Koper, aimed at purchasing a controlling investment in the company, provides that, in the event the Public Offer in March 2002 for the entire share capital of the company is successful, SANPAOLO IMI guarantees the leading shareholders a put option on their shares which were not contributed in the Public Offer. Such entitlement is also extended to each shareholder which contributed at least one share to the Public Offer. Each shareholder may exercise the put option during the 30 days after 31 March, 30 June, 30 September and 31 December of each year, commencing from the 30 days after 31 December 2002 and up to the 30th

day after 30 June 2006. The price is equal to that of the Public Offer, plus interest calculated on the rate paid by Banka Koper one 'year and one day' deposits in Slovenian Tolar, for the period extending from the last effective day of the Public Offer, to the day on which the put option is exercised and is reduced by the dividends collected on such shares. This transaction involved the booking of 88 million euro to "commitments for put options issued";

- in the context of the 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 of 31 December 2003, is estimated at approximately 238 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 expressed its willingness to exercise its pre-emption rights, no amount for commitments has been recorded to the financial statements;
- In the context of the agreement concluded on 16 July 2003 between SANPAOLO IMI and the Fondazioni shareholders of Banca delle Marche, which led to the take over of 7% of the share capital in the latter bank, SANPAOLO IMI granted the Fondazioni a put option on 8% of the bank's capital, exercisable before 31/12/06. The unit price for exercising the put option shall equal the greater amount of: (i) 1.8 euro, plus the one-month Euribor rate (365 day basis) from the date of execution of the contract to the date on which the put option is exercised, less the dividends collected by Fondazioni in the same period and, (ii) 1.8 euro plus any increase in net equity of each Banca delle Marche share from 31/12/02 to the date on which the put option is exercised, on the basis of the latest financial statements or the half year report, whichever is most recent. This transaction involved the booking of around 107 million euro to commitments for "put options issued".
In the context of the parasocial contracts valid up to 31/12/06, which may be extended on agreement between the parties, SANPAOLO IMI has a pre-emptive right to purchase the remaining shares which Fondazioni may decide to sell, with the exception of limited assumptions, and the right to co-sell (at a price not lower than that paid) if the pre-emptive right is not exercised.

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	840
B. Increases	
B1. purchases	93
B2. writebacks	-
B3. revaluations	-
B4. other changes	258
C. Decreases	
C1. sales	2
C2. adjustments	30
<i>of which:</i>	
- long-term writedowns	30
C3. other changes	29
D. Closing balance	1,130
E. Total revaluations	69
F. Total adjustments	853

Subcaption B1. "Purchases" reflects the payments during the year to the share capital of Sanpaolo Vita S.p.A. (60 million euro) and to Fideuram Vita S.p.A. (31 million euro). Furthermore, this caption includes a total of 2 million euro for investments made during the year for the formation of Consumer Financial Services S.r.l..

Subcaption B4. "Other changes" includes the transfer of the real estate branch of the Parent Bank to the subsidiary CSP Investimenti S.r.l. (160 million euro), as well as the increase in value of subsidiary companies valued according to the equity method (79 million euro). This subcaption also reflects the 15 million euro transfer of the shareholding in Noricum Vita S.p.A. from "Other changes" to the aggregate in question.

Subcaption C1. "Sales" reflects the sale price of IMIWeb (UK) Limited (2 million euro).

Subcaption C2. "Adjustments" refers to the write down of the investment in 3G Mobile Investments S.A. by IMI Investimenti (30 million euro) (see Section 5 of the statement of income – Adjustments to financial fixed assets).

Subcaption C3. "Other changes" reflects the decrease (12 million euro) following the line by line consolidation of Sanpaolo IMI Internazionale S.p.A. and NHS Mezzogiorno SGR S.p.A.. This subcaption also includes decreases in a number of subsidiaries valued according to the net equity method (8 million euro) and the exit of the subsidiaries controlled by Banque Sanpaolo S.A. (5 million euro) from the consolidation area following the disposal of the controlling stake in the bank (60%).

Other equity investments (Table 3.6.2 B.I.)

(€/mil)

A. Opening balance	3,224
B. Increases	
B1. purchases	400
B2. writebacks	216
B3. revaluations	-
B4. other changes	289
C. Decreases	
C1. sales	224
C2. adjustments	120
<i>of which:</i>	
- long-term writedowns	108
C3. other changes	343
D. Closing balance	3,442
E. Total revaluations	293
F. Total adjustments	1,155

Subcaption B1. "Purchases" includes the investments made by the Parent Bank and by other Group companies in Synesis Finanziaria S.p.A. (93 million euro), Banca delle Marche S.p.A. (92 million euro), Edison S.p.A. (66 million euro), Hera S.p.A. (10 million euro), Galaxy S. a r.l. (5 million euro) and Attività Finanziarie Merlo S.p.A. (5 million euro), as well as the private equity investments in Carpine S.p.A. (10 million euro) and Aeroporti Holding S.r.l. (6 million euro) by the subsidiary Sanpaolo IMI Private Equity S.p.A.. Also included are increases in capital subscribed by the Group and increases in shareholdings in Fiat S.p.A. (27 million euro), Compagnia Assicuratrice Unipol S.p.A. (27 million euro), Borsa Italiana S.p.A. (12 million euro), AEM Torino S.p.A. (10 million euro), Banca Popolare di Lodi S.c.r.l. (6 million euro), CDC Ixis S.A. (5 million euro), Banco del Desarrollo S.A. (4 million euro) and Noricum Vita S.p.A. (4 million euro).

Subcaption B2. "Writebacks" refers mainly to writebacks made by the Parent Bank and by Sanpaolo IMI International S.A. in Santander Central Hispano S.A. (215 million euro).

Subcaption B4. "Other increases" includes:

- the book value of the shares held in Banque Sanpaolo S.A. (173 million euro), Finconsumo Banca S.p.A. (25 million euro) and IW Bank S.p.A. (1 million euro), valued for the first time at equity and no longer consolidated line by line or proportionally;
- profits (54 million euro) realized from the sale of investments, of which 9 million euro refer to the sale by IMI Investimenti S.p.A. of shares in Edison S.p.A., 7 million euro to the disposal of shares held by the Parent Bank and by Invesp S.p.A. in Intesa Holding Asset Management S.p.A., 6 million euro for the disposal by Invesp S.p.A. of Beni Stabili S.p.A. shares, 5 million euro for the disposal by Friulcassa S.p.A. of shares in Cedacri S.p.A., 3 million euro for the disposal by the Parent Bank of shares in Meliorbanca S.p.A., and 15 million euro profit earned from the merchant banking activities of Ldv Holding BV;
- the 32 million euro increase in value of companies valued using the equity method;
- the book value of portfolio investments of companies included in consolidation during the year for the first time, especially the Inter-Europa Bank Rt Group (2 million euro) and Cassa dei Risparmi di Forlì (2 million euro).

Subcaption C1. “Sales” refers to:

- the disposal by IMI Investimenti of the shareholding in Edison S.p.A. for 33 million euro, Enel S.p.A. for 14 million euro, Eni S.p.A. for 8 million euro and Acea S.p.A. for 1 million euro;
- the disposal by Ldv Holding Bv of the shareholding in Amps S.p.A. for 44 million euro and in Wire Industries S.p.A. for 6 million euro;
- the disposal by IMI Investimenti S.p.A. and Invesp S.p.A. of the shareholding in Olivetti S.p.A. for 29 million euro;
- the disposal by the Parent Bank and IMI Investimenti S.p.A. of the shareholding in Banca Popolare di Lodi S.c.r.l. for 25 million euro;
- the disposal by the Parent Bank and by Invesp S.p.A. of the shareholding in Beni Stabili S.p.A. for 24 million euro and Intesa Holding Asset Management S.p.A. for 8 million euro;
- the disposal by Sanpaolo IMI Private Equity S.p.A. of its shareholding in Spinner Global Technology Fund Ltd for 8 million euro;
- the disposal by Friulcassa S.p.A. of its shareholding in Cedacri S.p.A. for 7 million euro;
- the disposal by the Parent Bank of the shareholding in Adriavita S.p.A. for 5 million euro and in Meliorbanca S.p.A. for 4 million euro;
- the disposal by Invesp S.p.A. of its shareholding in CBI Factor S.p.A. for 3 million euro.

Subcaption C2. “Adjustments” mainly reflects the writedown by NHS Investments S.A. of the investment in Hutchinson 3G Italia S.p.A. (75 million euro), by IMI Investimenti S.p.A. in FIAT S.p.A. (12 million euro) and by the Parent Bank and Sanpaolo IMI Internazionale S.p.A. in Kredyt Bank S.A. (11 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 transfer to dealing securities portfolio for the negotiation of the investments in Eni S.p.A. for 100 million euro, Edison S.p.A. for 39 million euro, FIAT S.p.A. for 37 million euro, Zwahlen & Mair S.A. for 2 million euro, and Euroclear Ltd for 1 million euro;
- the book values of investments in Cassa dei Risparmi di Forlì S.p.A. (45 million euro), Eptaconsors S.p.A. (32 million euro) and Inter-Europa Bank Rt (8 million euro), following their first time inclusion in consolidation according to the line by line or proportional method;
- the value of the companies held by Banque Sanpaolo S.A. (28 million euro), excluded from the consolidation area, following the sale of the controlling stake in the bank (60%);
- the 19 million euro decrease in value of companies valued using the equity method;
- the book value of the shares in Noricum Vita S.p.A. (15 million euro) following its passage among controlling shares.

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.)

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Assets		
1. due from banks	-	-
<i>of which:</i>		
– subordinated	-	-
2. due from financial institutions (*)	20	31
<i>of which:</i>		
– subordinated	-	2
3. due from other customers	116	106
<i>of which:</i>		
– subordinated	65	65
4. bonds and other debt securities	121	-
<i>of which:</i>		
– subordinated	2	-
Total assets	257	137
b) Liabilities		
1. due to banks	40	16
2. due to financial institutions	7	17
3. due to other customers	326	302
4. securities issued	1,049	1,087
5. subordinated liabilities	2	-
Total liabilities	1,424	1,422
c) Guarantees and commitments		
1. guarantees given	5	5
2. commitments	6	-
Total guarantees and commitments	11	5

(*) Excluding 1,042 million euro Parent Bank loans due from Sga given the particular characteristics of the respective interest held (see Part B - Section 9 "Other assets" of these notes).

Amounts due to and from investments (non-Group companies) (Table 3.3 B.I.)

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Assets		
1. due from banks (*)	1,153	718
<i>of which:</i>		
– subordinated	10	30
2. due from financial institutions	2,548	1,824
<i>of which:</i>		
– subordinated	-	17
3. due from other customers	1,219	2,585
<i>of which:</i>		
– subordinated	-	-
4. bonds and other debt securities (**)	90	108
<i>of which:</i>		
– subordinated	12	4
Total assets	5,010	5,235
b) Liabilities		
1. due to banks (***)	1,939	923
2. due to financial institutions	313	178
3. due to other customers	296	484
4. securities issued	-	9
5. subordinated liabilities	-	8
Total liabilities	2,548	1,602
c) Guarantees and commitments		
1. guarantees given	1,085	847
2. commitments	435	517
Total guarantees and commitments	1,520	1,364

(*) Including the compulsory reserve deposited with the Bank of Italy.

(**) The subsidiary Sanpaolo Vita also holds bonds issued by Banque Sanpaolo and Carifirenze for 320 million euro.

(***) 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

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Assets		
1. due from banks	589	21
<i>of which:</i>		
– subordinated	-	20
2. due from financial institutions	446	448
<i>of which:</i>		
– subordinated	-	-
3. due from other customers	230	202
<i>of which:</i>		
– subordinated	-	-
4. bonds and other debt securities (*)	12	80
<i>of which:</i>		
– subordinated	12	4
Total assets	1,277	751
b) Liabilities		
1. due to banks	70	19
2. due to financial institutions	19	23
3. due to other customers	71	148
4. securities issued	-	9
5. subordinated liabilities	-	-
Total liabilities	160	199
c) Guarantees and commitments		
1. guarantees given	286	189
2. commitments	26	3
Total guarantees and commitments	312	192

(*) The subsidiary Sanpaolo Vita also holds bonds issued by Banque Sanpaolo and Carifirenze for 320 million euro.

SECTION 4 - TANGIBLE AND INTANGIBLE FIXED ASSETS

Tangible and intangible fixed assets comprise the following:

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
Tangible fixed assets (caption 120)	1,972	2,142	2,229
Intangible fixed assets (caption 110)	343	398	406
Total	2,315	2,540	2,635

Tangible fixed assets (caption 120)

Tangible fixed assets comprise:

	31/12/03 (€/mil)	31/12/02 (€/mil)
Property		
– operating	1,535	1,716
– non-operating	221	256
Furniture and installation		
– electronic equipment	116	138
– general and specific installations	45	51
– office furniture and equipment	53	66
– vehicles	2	2
Total	1,972	2,229

Changes in tangible fixed assets during the year (Table 4.1 B.I.)

(€/mil)

A. Opening balance	2,229
B. Increases	
B1. purchases	178
B2. writebacks	-
B3. revaluations	65
B4. other changes	65
C. Decreases	
C1. sales	18
C2. adjustments	
a) amortization	249
b) long-term writedowns	3
C3. other changes	295
D. Closing balance	1,972
E. Total revaluations	1,458
F. Total adjustments	2,904
a) amortization	2,900
b) long-term writedowns	4

Changes in tangible fixed assets during the year are detailed below:

	(€/mil)	
	Property	Furniture and installation
Opening balance	1,972	257
Increases		
– purchases	22	156
– revaluations	65	-
– other changes	47	18
– incremental costs	13	-
– gains on disposals	6	-
– other	28	18
Decreases		
– sales	13	5
– adjustments	96	156
– amortization	93	156
– long-term writedowns	3	-
– other changes	241	54
Closing balance	1,756	216

At the time of approval of the 2003 financial statements, Cassa di Risparmio di Padova e Rovigo, Cassa di Risparmio in Bologna, Friulcassa and Banca Popolare dell'Adriatico took advantage of the possibility to revalue the company assets booked to the 2002 financial statements, in accordance with subsections 25 and 27 of Art. 2, of Law 350 dated 24/12/2003 (2004 Financial Law), which reopened the terms provided for by the original law 342/2000 (Art. 10-16).

This revaluation, which provides for the payment of a substitute tax in place of Corporate Income Tax and the Regional Tax on Business equal to 19% on gains relating to amortizable assets and 15% on gains relating to non-amortizable assets, was applied to those assets owned but not used by the company (instrumental and non-instrumental).

The criteria chosen to determine the maximum limit of the value of revaluation was the “market value”, established by recent appraisals carried out by external companies and specialists (who applied a reduction in value of 17.5% to the so called “disposal packs”) and also taking into account, as a precautionary measure, any minor realizable value of assets subject to purchase offers.

The balance of the revaluation, net of the relevant substitute tax, has been accrued to a specific net equity reserve subject to taxation. Altogether the assets were revalued by 65 million euro, the substitute tax totaled 11 million euro, and the resulting difference of 54 million has been accrued to a revaluation reserve (see Part B – Section 8).

The other increases refer mainly to the changes in the area of consolidation during the year.

The other decreases refer mainly to the effect of the exclusion from consolidation of Banque SANPAOLO and its subsidiaries (105 million euro), as well as the transfer of non-operating assets of the Parent Bank to the subsidiary CSP Investimenti S.r.l., a subsidiary company valued according to the equity method. This transfer was completed on 31 December 2003 and includes the business branch composed of property considered not to be functional for the activities of the Parent Bank. This operation resulted in the disposal of a number of premises in over 100 buildings with a net book value of 149 million euro. Among the properties included in the transfer of the business branch were 9 buildings, for a depreciable value of 7 million euro, being historical buildings they are bound by law 1089/1939 and as such, subject to regulations provided by Law Decree 490/1999. In accordance with this legislation, the effectiveness of the transfer has been suspended pending

the expiry of the pre-emptive rights of the State, in March 2004. In consideration of the aforementioned encumbrance, the property was kept in the financial statements of the Parent Bank as of 31 December 2003.

Intangible fixed assets (caption 110)

Intangible fixed assets comprise:

	31/12/03 (€/mil)	31/12/02 (€/mil)
Goodwill	7	16
Software in use	201	198
Software not yet in use	73	111
Other deferred charges	62	81
Total	343	406

The caption "software in use" refers to purchases of new packages for integrating the operating network procedures.

Amounts recorded to the caption "software not yet in use" relate to changes interventions to develop programs mainly ordered from third parties and not yet completed.

Other "Deferred charges" include:

- 49 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.1.)

(€/mil)

A. Opening balance	406
B. Increases	
B1. purchases	211
B2. writebacks	-
B3. revaluations	-
B4. other changes	152
C. Decreases	
C1. sales	-
C2. adjustments	
a) amortization	232
b) long-term writedowns	8
C3. other changes	186
D. Closing balance	343
E. Total revaluations	-
F. Total adjustments	551
a) amortization	551
b) long-term writedowns	-

Changes in intangible fixed assets during the year are detailed below:

	(€/mil)			
	Goodwill	Software in use	Software not yet in use	Other deferred charges
Opening balance	16	198	111	81
Increases				
– purchases	-	69	124	18
– writebacks	-	-	-	-
– revaluations	-	-	-	-
– transfer of software completed	-	142	-	-
– other changes	-	6	-	4
Decreases				
– sales	-	-	-	-
– adjustments:				
a) amortization	1	182	17	32
b) long-term writedowns	7	1	-	-
– transfer of software completed	-	-	142	-
– other changes	1	31	3	9
Closing balance	7	201	73	62

The other increases and decreases refer mainly to the changes in the area of consolidation during the year.

Software investments in 2003 increased mainly because of the development of the Bank's data processing system, the modernizing of branch and central office hardware, the development of new software applications for the network, the migration of the former Banco di Napoli branches and the subsequent spin off of the branches of the Parent Bank located in the regions of Campania, Apulia, Basilicata and Calabria into Sanpaolo Banco di Napoli and the integration of information technology and operation activities of the former Cardine bank networks into the SANPAOLO IMI IT system.

SECTION 5 - OTHER ASSETS

Asset captions 90, 100, 150 and 160, not commented upon previously in these notes, comprise the following:

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
Goodwill arising on consolidation (caption 90)	883	1,000	842
Goodwill arising on application of the equity method (caption 100)	76	80	188
Other assets (caption 150)	17,986	20,252	20,494
Accrued income and prepaid expenses (caption 160)	3,105	2,775	2,852
Total	22,050	24,107	24,376

Goodwill arising on consolidation (caption 90)

This caption expresses the remaining goodwill arising from line by line and proportional consolidation 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"

	31/12/03 (€/mil)	31/12/02 (€/mil)
Banco di Napoli	636	727
Gruppo Cardine	11	13
Banka Koper (*)	57	72
Financière Fideuram	16	18
Banque Privée Fideuram Wargny	3	3
Sanpaolo IMI Private Equity	7	9
Cassa dei Risparmi di Forlì	140	-
Inter Europa Bank	5	-
Eptaconsors (**)	4	-
Banca Popolare dell'Adriatico	4	-
Total	883	842

(*) *The decrease in goodwill reflects, in addition to ordinary amortization, the extraordinary adjustment of 8 million euro, made in order to align the value of the investment in the Slovenian bank to the estimated opinion obtained in view of transferring the company to Sanpaolo IMI Internazionale.*

(**) *The company was merged in Invesp S.p.A. during 2003.*

Goodwill arising on application of the equity method (caption 100)

This caption expresses the remaining goodwill arising on application of the equity method 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"

	31/12/03 (€/mil)	31/12/02 (€/mil)
Cassa di Risparmio di Firenze	47	55
Cassa dei Risparmi di Forlì	-	108
Eptaventure	1	1
Sagat	10	-
Noricum	2	-
Aeffe	16	24
Total	76	188

Given the strategic nature of the investments, goodwill arising on companies consolidated line by line and proportionally (caption 90), as well as that from Cassa di Risparmio di Firenze, is amortized over 10 years. The goodwill in Sanpaolo IMI Private Equity, Aeffe and Eptaventure purchased under private equity, is amortized over 5 years. Also the goodwill in Sagat and Noricum is amortized over 5 years.

Other assets (caption 150)*Analysis of caption 150 "other assets" (Detail 5.1 B.I.)*

	31/12/03 (€/mil)	31/12/02 (€/mil)
Valuation of derivatives on interest rates and stockmarket indices	4,586	6,084
Effect of currency hedges, forex swap and cross-currency swap	454	1,012
Unprocessed transactions (*)	2,522	1,833
Deferred tax assets (**)	1,488	1,697
Tax collection accounts	1,210	1,379
Due from tax authorities:	2,407	2,212
– prepaid current year direct taxes	516	574
– tax credits relating to prior years	959	558
– taxes paid in advance on termination indemnities - Law 662/96	69	79
– taxes withheld during the year	344	252
– other loans	519	749
Amounts in transit with branches and subsidiaries (*)	1,416	1,444
Loans to be restored ex Law 588/96 (***)	-	580
Premiums paid on purchased options	1,296	1,066
Other items derivative contracts	1,032	341
Deposits with clearing-houses	35	858
Checks and other instruments held	30	87
Net effect of translating funds from international agencies using current rates, with the exchange borne by third parties	16	31
Items relating to securities transactions	35	11
Transactions by foreign branches	7	8
Other (****)	1,452	1,851
Total	17,986	20,494

(*) The amounts were mostly settled at the beginning of the new financial year.

(**) See Part B - Section 7 – "Provisions".

(***) See Part B - Section 9 – "Other liabilities".

(****) 'Other' includes the estimated realizable value of 1.3 million euro for the loan arising from the Rome Court of Appeal in relation to the IMI Sir dispute. Detailed information on this dispute is provided later in this section.

IMI Sir dispute

Other assets include 1.3 million euro which refer to the estimated realizable value of the credit which was definitively enforced by the Civil Section of the Supreme Court through sentence 2469/03. This sentence has substantially confirmed decision no. 2887, passed by the Rome Court of Appeal on 11 September 2001, which condemned Consorzio Bancario SIR S.p.A. (in liquidation) to reimburse to the Bank the sum of 506 million euro previously paid by IMI to the heirs of Mr. Nino Rovelli as compensation for damages, in accordance with the sentence passed by the Rome Court of Appeal on 26 November 1990. However, the sentence changed the ruling on the amount of interest payable by the Consorzio – on the grounds of procedures and not of merit - in respect of whether or not it should include the amount matured from the date on which the appeal was served (equal to around 72.5 million euro as of 31 December 2001). Furthermore, the Supreme Court referred to another section of the Rome Appeal Court the decision on whether or not the total amount owed to the Bank by Consorzio should be reduced by approximately 14.5 million euro, as compensation for the damages related to the transaction between the Consorzio and IMI in respect of the additional agreement of 19/7/1979: 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. In this respect, proceedings have begun within the terms, for the resummons of the sentence before the Rome Court of Appeal – where judgment is currently pending.

The same Supreme Court sentence passed final judgment on the right of Consorzio to be held harmless by Mrs Battistella Primarosa (heir to Mr. Nino Rovelli) and Eurovalori S.p.A.. The Supreme Court also endowed the Consorzio's right to recourse as subordinate to the previous payment of the amount owed to SANPAOLO IMI S.p.A. and assigned the sentence on this particular appeal to the trial judge.

For the purposes of preparing the financial statements, the book value of the credit subject to the Supreme Court sentence has been calculated in accordance with national and international accounting standards for revenue recognition on the basis of its estimated realizable value, as confirmed by authoritative opinions.

With reference to the above, taking into account that the initiatives taken so far have not achieved substantial results, the Bank has considered that the estimated realizable value of this loan should be within the bounds of the Consorzio's capital and its ability to pay; such amount, net of the effects attributable to the previously mentioned Supreme Court sentence, being substantially in line with that currently recorded.

Taking a consistent approach, since 2001, the investment held in the Consorzio has been written down to zero.

On 29 April 2003, the Criminal Section IV of the Court of Milan, finally sentenced Rovelli's heir and the other co-defendants to different terms of imprisonment in relation to their respective levels of responsibility for the crimes committed, establishing also the compensation for damages to be awarded to the plaintiffs, among which SANPAOLO IMI.

To this end it should be noted that the Court quantified the amount of damages to be liquidated solely for moral injury at 516 million euro, without however granting provisional enforceability of the sentence, which would have allowed the plaintiffs to take immediate action in order to recover the amount receivable.

Therefore, since the sentence is not final nor binding (in that a plea for burden has been proposed by all the parties), it is expected that under the circumstances no relevance can be given to the amount due from Consorzio Bancario SIR either autonomously or as an element of valuation.

Accrued income and prepaid expenses (caption 160)*Analysis of caption 160 "accrued income and prepaid expenses" (Detail 5.2 B.I.)*

	31/12/03 (€/mil)	31/12/02 (€/mil)
Accrued income		
– income from derivative contracts	1,163	843
– interest from loans to customers	536	597
– interest on securities	275	346
– bank interest	100	125
– other	149	152
Prepaid expenses		
– commission on placement of securities and mortgage loans	213	276
– charges on derivative contracts	31	33
– discounts on bond issues	277	236
– other expenses	361	244
Total	3,105	2,852

Other information*Distribution of subordinated assets (Table 5.4 B.I.)*

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Due from banks	10	55
b) Loans to customers	66	68
c) Bonds and other debt securities	165	189
Total	241	312

Subordinated loans to banks and to customers refer mainly to Group companies. Subordinated bonds and other debt securities refer mainly to issues by leading banking institutions and securities which represent securitization transactions (see Part B – Section 11 of the Explanatory Notes).

SECTION 6 - PAYABLES

Detail of the total balance for the Group is provided below:

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
Due to banks (caption 10)	28,534	24,133	24,456
Due to customers (caption 20)	79,993	83,499	85,280
Securities issued (caption 30)	51,553	49,529	51,561
Public funds administered (caption 40)	175	208	208
Total	160,255	157,369	161,505

Due to banks (caption 10)

Deposits taken from banks are analyzed as follows:

	31/12/03 (€/mil)	31/12/02 (€/mil)
Due to central banks		
- repurchase agreements and securities loaned	1,704	842
- other deposits from the Italian Exchange Office	355	28
- other deposits from central banks	1,918	905
Due to other banks		
- deposits	9,762	9,603
- repurchase agreements and securities loaned	5,998	2,802
- medium and long-term loans from international bodies	6,360	5,881
- current accounts	721	943
- other	1,716	3,452
Total	28,534	24,456

Detail of caption "due to banks" (Table 6.1 B.I.)

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Repurchase agreements	7,582	3,534
b) Securities loaned	120	110

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:

	31/12/03 (€/mil)	31/12/02 (€/mil)
Due to customers		
- current accounts	53,968	52,197
- repurchase agreements and securities loaned	10,073	12,917
- deposits	14,405	18,116
- short-term payables relating to special management services carried out for the government	230	313
- other (*)	1,317	1,737
Securities issued		
- bonds	39,979	39,447
- certificates of deposit	7,149	7,310
- banker's drafts	641	648
- other securities	3,784	4,156
Total	131,546	136,841

(*) Essentially comprises short positions on securities taken as part of stockbroking activities.

Detail of caption "due to customers" (Table 6.2 B.I.)

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Repurchase agreements	9,946	12,779
b) Securities loaned	127	138

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:

	31/12/03 (€/mil)	31/12/02 (€/mil)
Funds provided by the State	52	151
Funds provided by regional public agencies	123	19
Other funds	-	38
Total	175	208
<i>of which: funds with risk borne by the Government under Law 19 of 6/2/87</i>	<i>10</i>	<i>59</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:

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
Provisions for employee termination indemnities (caption 70)	946	967	961
Provisions for risks and charges (caption 80)			
- pensions and similar commitments (caption 80.a)	304	348	343
- provisions for taxation (caption 80.b)	732	742	670
- other provisions (caption 80.c)	1,946	1,756	1,768
Reserve for probable loan losses (caption 90)	91	76	71
Total	4,019	3,889	3,813

Provisions for termination indemnities (caption 70)

Changes in "reserve for termination indemnities" during the year

(€/mil)

Opening balance	961
Increases	
- provisions	101
- employment contract acquisition	-
- other changes	13
Decreases	
- advances allowed under Law 297/82	16
- indemnities to employees leaving the Group	96
- employment contract acquisition	-
- other changes	17
Closing balance	946

Provisions for risks and charges (caption 80)

Pensions and similar commitments (caption 80.a)

Changes in the reserve for pensions and similar commitments during the year

(€/mil)

Opening balance	343
Increases	
- provisions	14
- other	11
Decreases	
- utilizations	24
- other	40
Closing balance	304

As of 31 December 2003 the provision is made up of 298 million euro from the former Cardine Group banks (302 million euro as of 31 December 2002) and 6 million euro from the Cassa dei Risparmi di Forlì. The reserve accrued by the Parent Bank as of 31 December 2002, (41 million euro) to cover charges in relation to the integration of the pension paid to former IMI S.p.A. staff, has been transferred during the year to Section A of the Pensions Reserve in relation to former Banco di Napoli staff, subject to the Bank's original obligation in respect of access to the fund (the transfer has been booked to other decreases for a value of 39 million euro).

Accruals to the reserve in question were made on the basis of independent actuary appraisals.

Provisions for taxation (caption 80.b)

<i>Changes in "provisions for taxation" during the year</i>			<i>(€/mil)</i>
	Current income taxes payable	Deferred tax liabilities	Total
Opening balance	534	136	670
Increases			
- provisions for current year direct taxes	461	34	495
- other changes	79	141	220
Decreases			
- utilizations	386	163	549
- other changes	58	46	104
Closing balance	630	102	732

The provisions for taxation are composed of 630 million euro to cover current income taxes and actual, existing or potential fiscal disputes, including local taxes payable by foreign branches and subsidiaries, as well as 102 million euro to cover deferred taxes.

During the year, SANPAOLO IMI and many of its subsidiaries have adhered to an initiative in terms of "tax reform and benefits" in compliance with the 2003 Budget Law ("Legge Finanziaria"), by sustaining a total charge of 48 million euro, of which 21 million euro with the use of pre-existing reserves (for further detail refer to Part C – Section 6 - Other statement of income captions). As regards fiscal disputes, it is worth pointing out that:

- in a sentence dated 23 October 2003, the subsidiary Fideuram Vita obtained a favorable judgment from the Supreme Court in respect of its dispute with the tax authorities regarding the years from 1985 to 1987;
- the subsidiary Sanpaolo Life Ltd, pursuant to Art. 15 of the aforementioned 2003 Budget Law, closed the action made in December 2002 by the Tax Police in the context of an examination of Banca Sanpaolo Invest S.p.A. (for more detailed information on this subject, refer to the Explanatory Notes to the Consolidated Financial Statements as of 31 December 2002 – Section 7 - Provisions).

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 2003 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

	31/12/03 (€/mil)	31/12/02 (€/mil)
Deferred tax liabilities charged to the statement of income	88	112
- on profits from Group companies	7	13
- other	81	99
Deferred tax liabilities charged to shareholders' equity:	14	24
- on Parent Bank's reserves	13	13
<i>Other reserves - Reserve ex Law 169/83</i>	4	4
<i>Other reserves - Reserve ex Decree 213/98</i>	9	9
- on other subsidiary reserves	1	11
Total	102	136

Changes in deferred tax liabilities charged to the statement of income

Changes in deferred tax liabilities (Bank of Italy regulation 03.08.99)

(€/mil)

1. Initial amount	249
2. Increases	
2.1 Deferred tax liabilities arising during the year	34
2.2 Other increases	4
3. Decreases	
3.1 Deferred tax liabilities deferred during the year	163
3.2 Other decreases	3
4. Final amount (*)	121

(*) Where applicable, this refers to the total deferred taxation before compensation with the assets for advance taxation.

Compensation between deferred tax liabilities and deferred tax assets

	31/12/03 (€/mil)	31/12/02 (€/mil)
Deferred tax liabilities before compensation	121	249
Compensation with deferred tax assets	33	137
Net deferred tax liabilities (*)	88	112

(*) This refers to the total of caption 80.b of the Balance Sheet, Taxation.

Changes in deferred tax liabilities charged to shareholders' equity

Changes in deferred tax liabilities (Bank of Italy regulation 03.08.99)

(€/mil)

1. Initial amount	24
2. Increases	
2.1 Deferred tax liabilities arising during the year	-
2.2 Other increases	-
3. Decreases	
3.1 Deferred tax liabilities deferred during the year	-
3.2 Other decreases	10
4. Final amount	14

"Other decreases" reflect the exit of Banque Sanpaolo from line by line consolidation.

Analysis of deferred tax assets

	31/12/03 (€/mil)	31/12/02 (€/mil)
Deferred tax assets credited in the statement of income for:	1,262	1,447
- net adjustments to loans	349	401
- provisions for future charges	616	563
- adjustments to securities and equity investments	121	163
- other	176	320
Deferred tax assets credited in shareholders' equity for:	226	250
- deferred tax assets generated by the merger with Banco di Napoli	226	250
Total	1,488	1,697

Changes in deferred tax assets credited in the statement of income

<i>Changes in deferred tax assets (Bank of Italy regulation 03.08.99)</i>		<i>(€/mil)</i>
1. Initial amount		1,584
2. Increases		
2.1 Deferred tax assets arising during the year		398
2.2 Other increases		15
3. Decreases		
3.1 Deferred tax assets reversing during the year		642
3.2 Other decreases		60
4. Final amount (*)		1,295

(*) Where applicable, this refers to the total deferred tax assets before compensation with the deferred tax liabilities.

“Other decreases” includes the exit of Banque Sanpaolo from line by line consolidation.

Compensation between deferred tax assets and deferred tax liabilities

	31/12/03 (€/mil)	31/12/02 (€/mil)
Deferred tax assets before compensation	1,295	1,584
Compensation with deferred tax liabilities	33	137
Net deferred tax assets (*)	1,262	1,447

(*) This refers to the total of caption 150. of the Balance Sheet, Other assets.

Changes in deferred tax assets credited in net shareholders' equity

During 2002 tax benefits for 250 million euro were booked in respect of funds concerning the deferred tax asset generated by the merger of Banco di Napoli into SANPAOLO IMI, in relation to the quota of goodwill on Banco di Napoli, credited in 2000 to offset pre-existing negative differences at first consolidation. This amount decreased by 24 million euro in 2003 following the booking in the consolidated statements of income of the tax effects generated by the amortization of the merger differences following the aforementioned merger operation.

Report as per Consob Communication 1011405 dated 15 February 2001

Tax benefits under D.Lgs. 153 dated 17/5/99 (Legge Ciampi)

Law Decree 153 dated 17 May 1999 - known as "Legge Ciampi" – introduced tax instruments in respect of restructuring operations on banks and, among others, set a reduced tax rate for bank or banking group concentration transactions of 12.50% on profits destined to a special reserve to be composed of the maximum amount, to be broken down on a straight-line basis over five years, at 1.2% of the difference between the receivables and payables of all the banks that took part in the transaction and the aggregate of the major bank participating in the transaction.

The European Commission declared, through a statement dated 11 December 2001, that the tax benefits under "Legge Ciampi" were incompatible with Community principles. Together 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 even if, in view of the pending sentence on the appeal filed by the Government before the Court of Justice, the Court has decided to suspend judgment until the appeal by the Italian Government is settled. All in all this latest development has limited the possibility for private parties (among which our Bank) to enforce the specific reasons for grievance against the lodged appeal. This is why an attempt was made to obtain a review of the order to suspend the sentence issued by the Court. Unfortunately this attempt was unsuccessful.

Therefore ABI and the banks concerned are now forced to wait until the Court of Justice pronounces judgment on the proceedings brought by the Italian Government, the consequences of which, in all probability, will influence profoundly the outcome of their own appeal as soon as it can resume its course before the High Court.

Following the aforementioned decision by the European Commission, decree law 63 of 15 April 2002 (subsequently converted into Law 112 on 15 June 2002) suspended Legge Ciampi with effect from 2001. Commencing from that year, current income taxes and deferred taxes have therefore been determined without taking into account the benefits in question. Furthermore, through decree law 282 of 24 December 2002 (subsequently converted into Law 27 on 21 February 2003), the Government implemented the decision of the Commission whereby it enforced payment of the unpaid taxes (being the relief granted to banks through Legge Ciampi) by 31 December 2002. It should be noted that SANPAOLO IMI and the Cardine group merged banks – that, through the law in question, benefited from tax relief for the years 1998, 1999 and 2000 – had accrued prudently the corresponding amount to the tax reserve.

In respect of the expiry 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 were expressed to the Department of the Treasury, the payee, in respect of the petitions brought before the High Court of the European.

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.

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	144	1,061	563	1,768
Increases				
– provisions	14	159	36	209
– reclassifications	-	-	-	-
– other	-	13	529 (*)	542
Decreases				
– revaluation of guarantees	20	-	-	20
– coverage of charges deriving from legal disputes and other	-	69	-	69
– used to cover long-service bonuses and for surplus	-	84	229	313
– reclassifications	-	-	-	-
– other	7 (**)	153 (**)	11 (**)	171
Closing balance	131	927	888	1,946

(*) This caption mainly comprises 452 million euro for accruals to "Income, employment and re-training fund for staff in the banking industry", of which 376 million euro refer to the Parent Bank and 76 million euro to the former Cardine bank networks, booked to "extraordinary expenses", and of 76 million euro being the contra-entry of "personnel costs", mainly relating to accruals for bonuses and discretionary incentives for employees, of which 39 million euro refer to the Parent Bank, 33 million euro to the former Cardine bank networks and 4 million euro to Sanpaolo Banco di Napoli.

(**) This caption includes the effect of the non-consolidation of Banque Sanpaolo.

Provisions for "guarantees and commitments" of 131 million euro cover expected losses in respect of guarantees and more generally, the contingencies associated with guarantees and commitments, including exposures to derivate contracts on loans for which the Group has taken over the credit risk (seller protection). More specifically, the provisions include risks calculated on a case by case basis as well as the physiological risk of performing accounts valued using the same principles as those applied to loans.

Provisions for "other risks and charges" amounting to 927 million euro, include:

- the Parent Bank for 490 million euro, of which:
 - 294 million euro provided against estimated losses on legal disputes and, more specifically, on claims by receivers of bankrupt customers;
 - 163 million euro to cover potential charges among which guarantees given as part of company transactions and those relating to risks connected to dealing activities in securities;
 - 33 million euro accrued against potential charges deriving from the probable renegotiation of mortgage loans to a specific reserve calculated on the basis of the parameters that are currently available;
- Sanpaolo Banco di Napoli for 141 million euro, of which:
 - 89 million euro provided against estimated losses on legal disputes, including claims by receivers of bankrupt customers;
 - 34 million euro accrued against potential charges deriving from the probable renegotiation of mortgage loans to a specific reserve calculated on the basis of the parameters that are currently available;
 - 10 million euro for outstanding contributions connected to special loans;
 - 8 million euro for other categories;
- 44 million euro for the former Cardine bank networks, of which 5 million euro against potential costs deriving from the renegotiation of mortgage loans;

- the tax collection services of the Group for 18 million euro to cover specific risks in the sector and restructuring charges;
- other subsidiaries for 234 million euro, mainly relating to risks, also of a commercial or operational nature, connected to the distribution of and dealing in financial products.

Provisions for “other personnel costs”, of 888 million euro, include:

- the Parent Bank for 738 million euro, of which:
 - 494 million euro for staff leaving incentives offered to employees during the year and in prior years. With reference to initiatives completed during 2003, the reserve also includes charges referring to staff whose employment contracts were transferred to Sanpaolo Banco di Napoli S.p.A. in the context of the conferral of the Business Branch represented by the Southern Territorial Direction. The provisions of the transfer requires that the Parent Bank reimburses the receiving company the sums paid by the latter as leaving incentives to employees on the basis of the company agreement with the Parent Bank dated 14 June 2003;
 - 120 million euro accrued, on the basis of independent actuarial appraisals, to cover the technical deficit of the supplementary pension fund, an independent entity, which integrates the compulsory pension fund for Istituto Bancario San Paolo di Torino employees;
 - 54 million euro of other provisions to the supplementary pension fund;
 - 44 million euro accrued against potential liabilities deriving mainly from employee premiums and incentives, the issue of which is at the discretion of the Parent Bank;
 - 18 million euro to cover payment of long service bonuses to employees;
 - 8 million euro provisions made to the technical reserve – Law 336/70, for employee accident coverage and to cover other minor potential liabilities.
- other subsidiaries for 150 million euro, of which 117 million euro refer to the former Cardine bank networks and 10 million euro to Sanpaolo Banco di Napoli.

Potential risks from customer complaints in respect of dealing activities in securities

The provision for risks and charges has been calculated taking into consideration the Group's risk profile with customers connected to dealing activities in securities, especially in respect of the circumstances related to the insolvency of the Cirio and Parmalat groups.

The Group policy provides that – in accordance with normal criteria for managing customer complaints based on verifying that the formal and behavioral principles dictated by regulatory reference framework have been respected – Group companies pay particular attention, even resorting to a proper course of investigation, to the adequacy of the service provided, particularly in respect of the awareness acquired by the customer about the implicit risks involved in the specific intermediary financial instruments.

Furthermore, SANPAOLO IMI has welcomed the setting up of a Committee of Parmalat bondholders, created in order to represent Group customers in the context of the collective proceedings, and has decided to provide the Committee with logistic assistance and financial support, whilst guaranteeing its total autonomy in respect of management and decisions.

On the basis of the analyses and evaluations made in respect of the potential liabilities arising from the global framework, the Group has proceeded at year end to adjust the accrual to the provision for risks and charges by 30 million euro.

Report as per Consob Communication 1011405 dated 15 February 2001**Subsidized home mortgage loans**

Law 133/99, implemented with Ministerial Decree 110/2000 (against which an appeal was presented before the administrative court) forces banks, upon receipt of a specific request by borrowers or by the body issuing the borrowing facilities, to review the interest rates applied to mortgages issued, with charges to be borne in full or partially by the public sector.

As no “threshold rate” is set for subsidized loans, 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 effective global rate for home mortgage loans being amortized”, assigning the identification of the transactions within which to carry out the observations to determine the renegotiation rate to a subsequent regulation. To this end, with the Decree dated 4 April 2001, the Treasury set up the new consistent category of subsidized loans being amortized, and the Bank of Italy issued the correlated methodological notes to identify the average rates for the sector. To complete the application of the framework of the legislation, Ministerial Decree dated 31 March 2003 was enacted, which identified the interest rates to be applied, 12.61%, for the purposes of renegotiating such loans.

The Group companies commenced accounting-administration activities in order to apply the new interest rates and to carry out the necessary adjustments to the installments expired after 1 July 1999. These activities refer to the six months ended 31 December 2003 and concern those loans to which the benefits of Art. 29 of Law 133/99 apply. Some aspects still have to be defined with the interested bodies in respect of the renegotiation of some types of loans granted according to specific incentive laws and regional funds, as well as adjustments relating to already extinguished loans. SANPAOLO IMI has decided to continue, still in agreement with the system, with the appeals which were disregarded in the first degree by the Lazio Regional Administration Court, against that stated in Ministerial Decree 110/2000.

For completeness it is highlighted that the provisions of the Ministerial Decree of 31 March 2003 for determining the renegotiation rate cannot be formally defined as being fully established, owing to an isolated appeal presented before the Lazio Regional Administration Court by a Regional Body. Nevertheless, because of its characteristics and in the light of case law precedents issued by the same Regional Administration Court, such initiative would not appear appropriate to bring the current regulatory model under discussion.

The potential charge in respect of the future renegotiation of mortgage loans not included in the initial enforcement of the applicable legislative measures, equal to 76 million euro (of which 30 million euro refer to the Parent Bank), has been covered by making appropriate accruals to the provision for other risks and charges. In the years following 2004, the negative impacts on the statement of income will be gradually reduced because of the expiry of current mortgage loans.

Subsidized agricultural mortgage loans

The provisions of Art. 128 of Law 388/2000 (Budget Law 2001) have introduced the faculty for borrowers to renegotiate “loan installments still to expire” at more favorable rates fixed for low-interest transactions, as an alternative to early extinction, whilst providing the same benefits. Renegotiation is subject to the implementation of a Ministerial Decree which has still not yet been issued.

Later, Law 268 of 24 September 2003 was enacted providing that, for the purpose of applying Art. 128 of Law 388/2000, allow even different banks to grant loans destined exclusively for the early extinction of agricultural mortgages which had been amortized for at least five years at the date on which Law 268/03 became effective. These new financial transactions, to be completed at market rates and the granting of which has been merely authorized and is not obligatory for the lending bank, are subject to presentation of specific requests for early extinction and financing, also to be formulated by the local authorities providing the benefits.

Considering the precise reference to the “loan installments still to expire” already contained in Law 388/2000, enacted by Law 268/03, and the consequent possibility to activate “renegotiation” of such loans only for the future, no specific provisions have been made.

Fixed-rate unsubsidized mortgage loans (usury)

In compliance with the provisions of Decree Law 394/2000, (converted into Law 24/2001 and containing the authentic interpretation of “anti-usury” Law 108/1996) and the subsequent Constitutional Court Sentence 29/2002, the SANPAOLO IMI Group adjusted all mortgages covered by these provisions to the annual “replacement” rate of 9.96% with effect from installments expiring before 31 December 2000. Furthermore, an annual interest rate of 8% was applied to those loans which, thanks to the presentation of self-certification by the borrowers, the eligibility requirements to such reduction were ascertained (the original capital of the loan not being more than 150 million Italian Lira, granted to first-time buyers of non-luxury homes).

The reserves for other risks and charges still include a residual accrual of 3 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 contrasts with the prohibition of anatocism in compliance with Art. 1283 of the Italian Civil Code.

After the reversal by the Supreme Court, Decree Law 342/99 was enacted, confirming the legitimacy of capitalization of interest in current account contracts if it is applied over the same period as that for calculating interest payable and receivable: the Credit and Savings Interdepartmental Committee was assigned to determine the methods of such calculation and from 22 April 2000, the date on which the Committee’s instructions became effective, all current accounts were adjusted applying quarterly capitalization to interests receivable and payable.

Since April 2000 the capitalization of half-yearly interests is considered legitimate and the dispute 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 disregarded the sentence, continuing to consider it legitimate, thus the case law is still being debated.

As a whole the number of cases pending has remained at an insignificant level in absolute terms, but is subject to careful monitoring. 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 to the provision for other risks and charges of 69 million euro (of which 50.5 million euro refer to the Parent Bank), destined, in its entirety, to hedge disputes of an undetermined amount and of an uncertain outcome.

GEST Line dispute

GEST Line S.p.A. is the SANPAOLO IMI Group company for tax collection activities, created from the merger by incorporation of the tax collection companies Gerico, Sanpaolo Riscossioni Genova, Sanpaolo Riscossioni Prato and Esaban.

The risks connected to this dispute are almost exclusively attributable to a dispute with the tax authorities in respect of claims of irregularities and vary by nature and size according to the business of each merged company.

With reference to Gerico S.p.A., previously a subsidiary of the former Cardine Banca and later merged by incorporation into SANPAOLO IMI S.p.A., there are a series of administrative and accounting procedures pending filed by local Tax offices and by the General Accounting Office for presumed fiscal damages, all originating from the non-collection of income taxes. More specifically, the aforementioned proceedings are connected to presumed irregularities committed by some tax collection officials reporting activities during inspections on delinquent tax payers premises. These proceedings are still pending on various levels of judgment and are constantly defended by the legal professionals engaged by the company.

The dispute involving Esaban S.p.A. (a company in the tax collection sector of the former Banco di Napoli, which incorporated all the other tax collection companies of the Group, changing its name to GEST Line S.p.A.) originated from a series of provisions denying the reimbursements issued by the tax authorities in the years 1999 – 2001, all contested according to hierarchy.

The total risks connected to the Gerico S.p.A. and Esaban S.p.A. disputes are covered by unlimited guarantees already received by the aforementioned companies from the companies transferring the respective tax collection branches of business (each of the savings banks then merged into Cardine Banca and the former Banco di Napoli). The above mentioned guarantees cover any losses or contingent liabilities following events prior to the respective dates of transfer and expire in 2005. In light of the events which took place following the merger of Cardine Banca and Banco di Napoli, SANPAOLO IMI took over the commitments deriving from the aforementioned guarantees, the risks of which are, as a whole, covered by appropriate accruals.

The risk pertaining mainly to the tax collection activities in the context of the authorities in Venice is not comprised in the aforementioned guarantees and, instead, solely affects the capital of GEST Line. Following the proceedings for fiscal damages as a result of presumed irregularities by some tax officials, the local section of the General Accounting Office passed sentence against the licensee for a sum of around 11 million euro. The relevant sentences have all been contested with its enforcement suspended; as a consequence an appropriate accrual has been made.

Dispute relating to the proceedings sanctioned by Consob against Sanpaolo IMI Asset Management S.G.R. S.p.A.

The financial administrative sanctions issued by the Ministry of Economy following the proposal by Consob after inspection assessments at Sanpaolo IMI Asset Management have, in accordance with Art. 195 TUF, been contested by SGR and its sanctioned representatives before the Milan Court of Appeal which, on 26 November 2003, declared the sanctions illegal. The decision is not definitive, as it is subject to appeal before the Supreme Court.

Reserve for probable loan losses (caption 90)

<i>Changes during the year in "reserve for probable loan losses" (Table 7.2 B.I.)</i>		<i>(€/mil)</i>
A. Opening balance		71
B. Increases		
B1. provisions		15
B2. other changes		6
C. Decreases		
C1. utilization		1
C2. other changes		-
D. Closing balance		91

This caption reflects provisions made by certain subsidiaries to cover credit 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:

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
Shareholders' equity			
– capital (caption 150)	5,144	5,144	5,144
– additional paid-in capital (caption 160)	708	708	708
– reserves (caption 170)			
a) legal reserve	1,029	1,029	1,029
b) reserve for own shares	34	31	31
c) other reserves	2,819	2,766	2,610
– revaluation reserves (caption 180)	72	18	18
– reserve for general banking risks (caption 100)	4	14	14
– negative goodwill arising on consolidation (caption 120)	-	-	-
– negative goodwill arising on application of the equity method (caption 130)	213	91	94
Total Group capital and reserves	10,023	9,801	9,648
– net income (caption 200)	972	901	889
Group interest in shareholders' equity	10,995	10,702	10,537
Own shares (asset caption 140)	34	31	31
Minority interest (caption 140)	271	342	334
Subordinated liabilities (caption 110)	6,414	6,605	6,613

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.

As of 31 December 2003, "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.

The "reserve for own shares" has been set up by the Parent Bank to cover the SANPAOLO IMI shares in portfolio.

The "revaluation reserves" are lodged with certain Group companies following the revaluation of investments made in application of special laws. In particular, it should be noted that during the year revaluations for 65 million euro were made by the subsidiaries Cassa di Risparmio di Padova e Rovigo, Cassa di Risparmio in Bologna, Banca Popolare dell'Adriatico and Friulcassa in compliance with Law 342 of 21 November 2000 (as subsequently modified by Law 350 of 24 December 2003). This revaluation is set-off by the increase in the equity reserves of the subsidiaries for 54 million euro and by recording 11 million euro to a reserve for substitute tax.

Reserve for general banking risks (liability caption 100)

The “Reserve for general banking risks” exclusively refers to accruals made 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.

	31/12/03 (€/mil)	31/12/02 (€/mil)
Negative goodwill arising on first-time consolidation:		
- line-by-line		
- former IMI Group	952	952
- former Cardine Group	241	241
- using the equity method		
- former IMI Group	75	75
- former Cardine Group	58	58
Total	1,326	1,326
Goodwill arising on first-time consolidation:		
- line-by-line		
- former Banco di Napoli Group	-854	-854
- former Cardine Group	-296	-296
- using the equity method		
- Cassa di Risparmio di Firenze	-173	-173
- former Cardine Group	-3	-3
Total	-1,326	-1,326

The balance of caption 130 “Negative goodwill arising on application of the equity method”, for 213 million euro, represents the Group’s interest in the increase in shareholders’ 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)

As of 31 December 2003, the Parent Bank alone held 3,220,919 SANPAOLO IMI shares in its portfolio (equal to 0.18% of the share capital). These are recorded at market value among the assets in the Balance sheet for 34 million euro.

Further explanation of own shares is provided in the “Report on Operations - Capital and reserves”. Detail of the movements in 2003 is provided below:

	Opening balance		Increases		Decreases		Closing balance	
	number	book value (*) (€/mil)	number	equivalent (€/mil)	number	equivalent (€/mil)	number	book value (*) (€/mil)
SANPAOLO IMI	1	-	6,097,849	48.6	2,876,931	23.6	3,220,919	33.5
Prospettive 2001	3,073,729	19.1	-	-	3,073,729	22.7	-	-
Banca Popolare dell'Adriatico	53,087	0.3	-	-	53,087	0.4	-	-
IMI Investimenti	219,190	1.4	-	-	219,190	1.9	-	-
Banca IMI (**)	1,594,744	9.9	8,542,252	77.7	10,532,571	95.0	-	-
Total	4,940,751	30.7	14,640,101	126.3	16,755,508	143.6	3,220,919	33.5

(*) Expressed at market values.

(**) As of 31 December 2003, Banca IMI booked to liabilities a "short position" relating to 395,575 SANPAOLO IMI shares which refer to the normal dealing and financial activities balanced by transactions in derivatives.

Minority interests (liability caption 140)

As of 31 December 2003, the portion of "minority interests" amounting to 271 million euro essentially relates to the share attributable to minority shareholders in Banca Fideuram.

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

A breakdown of the regulatory capital and a description of the minimum requirements for supervisory purposes is provided below. The final results will be submitted to the Bank of Italy following approval of these financial statements:

Category / Value	31/12/03 (€/mil)	31/12/02 (€/mil)
A. Regulatory capital		
A.1 Tier 1 capital	10,038	9,765
A.2 Tier 2 capital	4,470	4,406
A.3 Items to be deducted	-837	-470
A.4 Regulatory capital	13,671	13,701
B. Minimum regulatory requirements		
B.1 Credit risk	9,999	9,886
B.2 Market risk	877	767
<i>of which:</i>		
- risks on dealing portfolio	866	756
- exchange risks	10	11
- concentration risks	1	-
B.2.1 Tier 3 subordinated loans	598	589
B.3 Other minimum requirements	45	44
B.4 Total minimum requirements	10,921	10,697
C. Risk assets and capital adequacy-ratios		
C.1 Risk-weighted assets (*)	136,513	133,713
C.2 Tier 1 capital / Risk weighted assets	7.4%	7.3%
C.3 Regulatory capital / Risk weighted assets (**)	10.5%	10.7%

(*) Total minimum requirements multiplied by 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)

	Original currency	Amount in the financial statements as of 31/12/03 (€/mil)	Amount in original currency (millions)	Interest rate	Issue date	Maturity date	Starting date of early redemption of the loan
Preferred Shares	EUR	1,000	1,000	up to 10/11/2010: 8.126% p.a. subsequently: 1 year Euribor + 3.5 % p. a.	10/11/2000	Not redeemable	10/11/2010
<i>Total innovative capital instruments (Tier 1)</i>		<i>1,000</i>					
Notes	USD	75	94	6 months LIBOR - 0.25% p.a. (a)	30/11/1993	30/11/2005	(*)
Notes	EUR	355	361	6 months Eurolibor + 0.50% p.a.	30/06/1994	30/06/2004	(*)
Debenture loan	Italian lire	209	404,115	6 months BOT + 0.10% p.a.	30/06/1997	01/08/2004	30/06/1999
Debenture loan	EUR	142	150	5.75%	15/09/1999	15/09/2009	(*)
Debenture loan	EUR	200	200	6 months Euribor + 0.50% p.a.	01/10/1999	01/10/2009	(*)
Debenture loan	EUR	150	150	up to 10/12/2004: 6 months Euribor 6 + 0.40% p.a. subsequently: 6 months Euribor +0.75% p.a.	10/12/1999	10/12/2009	10/12/2004
Notes	EUR	487	500	6.375% p.a.	06/04/2000	06/04/2010	(*)
Notes	EUR	349	350	up to 6/4/2005: 3 months Euribor + 0.50% p.a. subsequently: 3 months Euribor + 1.25% p.a.	06/04/2000	06/04/2010	06/04/2005
Notes	EUR	997	1,000	up to 27/9/2005: 3 months Euribor + 0.65% p.a. subsequently: 3 months Euribor + 1.25% p.a.	27/09/2000	27/09/2010	27/09/2005
Debenture loan	EUR	17	20	1.00% p.a.	27/04/2001	27/04/2006	(*)
Debenture loan	EUR	299	300	5.55% p.a.	31/07/2001	31/07/2008	(*)
Debenture loan	EUR	1	1	ECB interest rate on repo refinancing transactions	20/09/2001	20/09/2006	(*)
Debenture loan	EUR	200	200	5.16% p.a.	02/10/2001	02/10/2008	(*)
Notes	EUR	500	500	up to 28/6/2007: 3 months Euribor + 0.49% p.a. subsequently: 3 months Euribor + 1.09% p.a.	28/06/2002	28/06/2012	28/06/2007
Debenture loan	EUR	51	54	up to 15/7/2007: 4.90% subsequently: 6 months Euribor + 0.76% p.a.	15/07/2002	15/07/2012	15/07/2007
Debenture loan	EUR	141	147	up to 4/12/2007: 4.32% p.a. subsequently: 6 months Euribor + 0.85% p.a.	04/12/2002	04/12/2012	04/12/2007
Notes	EUR	300	300	5.375% p.a.	13/12/2002	13/12/2012	(*)
Notes	EUR	343	350	up to 9/6/2010: 3.75% p.a. subsequently: 3 months Euribor + 1.05% p.a.	09/06/2003	09/06/2015	09/06/2010
<i>Total subordinated liabilities (Tier 2)</i>		<i>4,816</i>					
Debenture loan	EUR	349	350	2.98% p.a.	15/05/2003	15/11/2005	(*)
Notes	EUR	50	50	up to 14/11/2004: 1.44289% p.a. subsequently: 1.50% p.a.	26/06/2003	15/11/2007	(*)
Debenture loan	EUR	199	200	2.42%	30/06/2003	30/12/2005	(*)
<i>Total Tier 3 subordinated liabilities</i>		<i>598</i>					
Total		6,414					

(*) Early redemption of the loan is not expected.

(a) With a minimum of 5.375% and a maximum of 8.250%.

During the year, the Parent Bank issued new subordinated loans for 350 million euro in the form of Tier 2 subordinated loans destined to replace those in expiry and for 600 million euro in the form of Tier 3 subordinated liabilities.

The Tier 2 subordinated liabilities not included in the calculation of regulatory capital as of 31 December 2003 is equal to 490 million euro.

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:

- where permitted, early redemption can only take place on the issuer's initiative and with Bank of Italy authorization;
- the loan period must not be less than five years; if no maturity is stated, the contract must state that a notice period of at least five years has to be given;
- in the event that the 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.

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:

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
Other liabilities (caption 50)	18,445	18,654	18,807
Accrued expenses and deferred income (caption 60)	2,181	2,084	2,164
Total	20,626	20,738	20,971

Other liabilities (caption 50)

Analysis of caption 50 "other liabilities" (Table 9.1 B.I.)

	31/12/03 (€/mil)	31/12/02 (€/mil)
Items relating to derivative contracts and currency transactions:	7,939	8,194
- Valuation of derivatives on interest rates and stockmarket indices	5,148	5,941
- Valuations of foreign currency derivative contracts	1,314	1,168
- Premiums collected on options sold	682	385
- Other items derivative contracts	795	700
Amounts available for third parties	2,824	1,878
Unprocessed transactions (*)	2,581	2,685
Amounts in transit with branches and subsidiaries	1,293	2,388
Non-liquid balances from portfolio transactions	684	606
Tax payments accounts	560	587
Amounts due to employees	376	237
Due to tax authorities	259	375
Amounts payable due to settlement value date	129	12
Deposits guaranteeing agricultural and construction loans	40	36
Amounts payable to the Bank of Italy - loans to be restored Sga L. 588/96	7	-
Items relating to securities transactions	1	2
Other	1,752	1,807
Total	18,445	18,807

(*) The amounts were mostly settled at the beginning of the new financial year.

Accrued expenses and deferred income (caption 60)

Analysis of caption 60 "accrued expenses and deferred income" (Table 9.2 B.I.)

	31/12/03 (€/mil)	31/12/02 (€/mil)
Accrued expenses		
- interest on securities issued	585	734
- charges on derivative contracts	887	600
- interest on amounts due to banks	84	116
- payroll and other operating costs	11	35
- interest on amounts due to customers	64	104
- other expenses	77	33
Deferred income		
- income from derivative contracts	127	132
- interest on discounted notes	40	51
- other	306	359
Total	2,181	2,164

Liabilities in respect of the Banco di Napoli loans to be restored ex Law 588/96

Other liabilities includes 7 million euro (580 million euro as of 31 December 2002), which represents the residual capital and interest, for the recovery made by the Bank of Italy in relation to former Banco di Napoli interventions made 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 the 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". During 2003 in particular, there were 4 advances totaling 12,288 million euro, granted on 27 December 2002, with the following expiry: 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 29 December 2003. Furthermore, it was not necessary for SANPAOLO IMI to cover Sga losses during the year.

From an accounting point of view, the advances received from the Bank of Italy and the Government securities purchased were 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 were, respectively, debited and credited directly to the "loans to be restored". This accounting treatment, authorized by the Bank of Italy, places emphasis on the substance of the situation rather than the form, in accordance with Decree Law 87 dated 27 January 1992.

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 7 million euro, which represents the ratio of burden remunerated to the Bank of Italy at the minimum interest rate offered on principal refinancing transactions. SANPAOLO IMI has paid already 7 million euro to the Bank of Italy on 30 January 2004.

As of 29 December 2003, the Bank of Italy did not consider it necessary to activate new advances; therefore it was possible to release the securities held as guarantee; from an accounting point of view the write-offs were made to the memorandum accounts which recorded the amount of advances received and the value of the securities purchased.

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 with the methods described in the aforementioned Treasury Decree of 1974.

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 (and therefore, SANPAOLO IMI) owns the entire share capital of Sga, it does not exercise control over it as, in accordance with the law, it gave 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, essentially to finance the cost of the factoring agreement, as well as to cover the company's running costs. As of 31 December 2002, the loans to SANPAOLO IMI in respect of Sga totaled 1,285 million euro, of which 1,252 million euro was granted for the measures provided by law 588/96 and 33 million euro disbursed for the regular management of the company.

With the transfer on 1 July 2003 of the business branch made up of the Southern Territorial Direction, all accounts held with Sga were transferred to Sanpaolo Banco di Napoli S.p.A..

As of 31 December 2003, loans to Sanpaolo Banco di Napoli S.p.A. in respect of Sga totaled 1,042 million euro, of which 1,013 million euro granted for the measures provided by law 588/96 (a reduction of 239 million euro on 31 December 2002) and 29 million euro disbursed for the ordinary activity of the company.

In relation to this item, the transfer of the business branch made up of the Southern Territorial Direction to the new company Sanpaolo Banco di Napoli S.p.A. also provides that SANPAOLO IMI is obliged to hold harmless Sanpaolo Banco di Napoli from the losses and/or liabilities which may arise in respect of loans to Società per la gestione di attività S.p.A. (Sga) deriving from the business transferred. Any losses which may arise on such loans must be covered by SANPAOLO IMI S.p.A. which, in turn, must commence recovery on the basis of the provisions of Law 588/96.

The following tables show details of the aforementioned restoration procedure for the year 2003, with comparative figures for 2002.

Advances received and securities purchased ex Law 588/96

	31/12/03 (€/mil)	31/12/02 (€/mil)
Advances received from the Bank of Italy ex Law 588/96 (*)	-	12,288
Securities lodged in guarantee for advances ex Law 588/96 (nominal value)	-	10,841
- securities purchased with advances received from the Bank of Italy	-	10,431
- portfolio securities (**)	-	410

(*) The total advances of 12,288 million euro, granted on 27 December 2002, expired 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 29 December 2003. As of 31 December 2003 no new advances were made and no securities were purchased with advances.

(**) The securities held as guarantee were released at the same time as the advances were closed.

Change of loans to be restored ex Law 588/96 ()*

	31/12/03 (€/mil)	31/12/02 (€/mil)
A. Opening balance	580	840
B. Changes		
1. Coverage of SGA's losses (**)	-	531
2. Interest income on the securities purchased with the funds advanced by the Bank of Italy	-715	-953
3. Interest expenses on advances from the Bank of Italy	120	142
4. Interest accrued on the "Loans to be restored" account	8	20
5. Other changes	-	-
Total	-7	580

(*) The statement of income only includes interest accrued on loans to be restored.

(**) No loss was covered during 2003.

Financial flows maturing on the advances received from the Bank of Italy and on securities put up as guarantee ex Law 588/96 ()*

	31/12/03 (€/mil)	31/12/02 (€/mil)
Interest accrued on advances	-	-
Coupons falling due on Bank of Italy securities lodged in guarantee	-	127
Total	-	127

(*) The amounts refer to accruals for the respective years.

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 credit risks, comprise the following:

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
Guarantees (caption 10)	19,912	20,060	20,483
Commitments (caption 20)	25,839	27,287	27,574
Total	45,751	47,347	48,057

“Guarantees granted to third parties” are comprised as follows:

Analysis of caption 10 "guarantees given" (Table 10.1 B.I.)

	31/12/03 (€/mil)	31/12/02 (€/mil)	Change %
a) Commercial guarantees	10,685	13,396	-20.2
a) Financial guarantees	9,151	6,999	+30.7
c) Assets lodged in guarantee	76	88	-13.6
Total	19,912	20,483	-2.8

“Commitments” at the end of the year are:

Analysis of caption 20 "commitments" (Table 10.2 B.I.)

	31/12/03 (€/mil)	31/12/02 (€/mil)	Change %
a) Commitments to grant finance (certain to be called on)	6,173	7,753	-20.4
b) Commitments to grant finance (not certain to be called on)	19,666	19,821	-0.8
Total	25,839	27,574	-6.3

The commitments undertaken by the Group are detailed below:

	31/12/03 (€/mil)	31/12/02 (€/mil)	Change %
Purchase of securities not yet settled	2,634	4,175	-36.9
Commitments for derivatives on loans	848	984	-13.8
Other commitments certain to be called on	255	140	+82.1
Undrawn lines of credit granted	11,412	11,814	-3.4
Put options issued	1,147	1,350	-15.0
Mortgage loans and leasing contracts to be disbursed	7,191	6,422	+12.0
Deposits and loans to be made	1,986	1,577	+25.9
Membership of Interbank Deposit Guarantee Fund	144	142	+1.4
Other commitments not certain to be called on	222	970	-77.1
Total	25,839	27,574	-6.3

Assets lodged to guarantee the Group's liabilities

(Table 10.3 B.I.)

	31/12/03 (€/mil)	31/12/02 (€/mil)	Change %
Portfolio securities lodged with third parties to guarantee repurchase agreements	8,037	7,318	+9.8
Securities lodged with the clearing-house for transactions on the derivatives market	14	23	-39.1
Securities lodged with central banks to guarantee advances	638	146	n.s.
Securities lodged with the Bank of Italy to guarantee bankers' drafts	156	123	+26.8
Other tied bonds	431	545	-20.9
Total	9,276	8,155	+13.7

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.)

	31/12/03 (€/mil)	31/12/02 (€/mil)	Change %
a) Central banks	59	44	+34.1
b) Other banks	431	250	+72.4
Total	490	294	+66.7

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	-	2,634	-	2,634
– sales	-	1,730	-	1,730
1.2 Currency				
– currency against currency	2,285	1,197	-	3,482
– purchases against euro	9,033	2,696	-	11,729
– sales against euro	3,839	2,233	-	6,072
2. Deposits and loans				
– to be disbursed	-	-	2,423	2,423
– to be received	-	-	3,412	3,412
3. Derivative contracts				
3.1 With exchange of capital				
a) securities				
– purchases	-	1,905	443	2,348
– sales	1,110	2,097	840	4,047
b) currency				
– currency against currency	22	1,416	-	1,438
– purchases against euro	2,431	9,160	-	11,591
– sales against euro	105	7,187	-	7,292
c) other instruments				
– purchases	-	-	-	-
– sales	-	-	-	-
3.2 Without exchange of capital				
a) currency				
– currency against currency	14	30	-	44
– purchases against euro	37	35	-	72
– sales against euro	35	30	12	77
b) other instruments (**)				
– purchases	38,384	199,965	593	238,942
– sales	21,355	243,062	8,517	272,934
Total	78,650	475,377	16,240	570,267

(*) They also include hedging derivatives belonging to the dealing portfolio for 5,084 million euro.

(**) They include basis swaps for 14,537 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 of 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 14,814 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 was 264 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. These contracts are in fact recorded on a consistent basis with those adopted for hedging transactions. It should be noted that if the assets and liabilities object of the above treatment should be valued in the same way, the consequent result would generally offset the loss revealed above.

Forward transactions as of 31 December 2003, as shown in the above table, mainly reflect the activities of the Parent Bank and its subsidiaries operating in the loans sector and in dealing activities.

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 (*)	24,067	3,340	-	-	27,407
- Swap (**)	305,875	629	-	-	306,504
- Options purchased	17,948	8,641	7,019	-	33,608
- Options sold	23,554	8,337	9,208	-	41,099
- Other	958	227	18	-	1,203
Exchange traded contracts					
- Futures purchased	3,569	2	33	-	3,604
- Futures sold	42,839	14	288	-	43,141
- Future currency against currency	-	6	-	-	6
- Options purchased	605	-	377	-	982
- Options sold	120	-	204	-	324
- Other	-	-	-	-	-
Total trading contracts	419,535	21,196	17,147	-	457,878
Total non-trading contracts	52,625	17,701	14,408	-	84,734
Total contracts (***)	472,160	38,897	31,555	-	542,612
- including OTC contracts	425,027	38,874	30,654	-	494,555

(*) The caption includes the F.R.A. contracts and forward currency purchase/sale transactions.

(**) The caption mainly includes the I.R.S., C.I.R.S. contracts and basis swaps.

(***) Includes basis swaps for 14,537 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 2,900 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>	<i>(€/mil)</i>			
	Up to 12 months	Between 1 and 5 years	Beyond 5 years	Total
Interest rate related	174,667	157,425	92,935	425,027
Exchange rate related	33,618	4,967	289	38,874
Stockmarket index related	4,684	23,146	2,824	30,654
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.

Notional amounts, market values and similar add on of OTC derivative contracts (€/mil)

	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total
Notional amounts	425,027	38,874	30,654	-	494,555
A. Market value of OTC trading contracts					
A.1 positive market value	5,374	343	426	-	6,143
A.2 negative market value	-5,450	-416	-302	-	-6,168
B. Add on	1,842	178	501	-	2,521
C. Market value of OTC non-trading contracts					
C.1 positive market value	659	284	533	-	1,476
C.2 negative market value	-905	-1,046	-195	-	-2,146
D. Add on	149	302	371	-	822
Credit risk equivalent (A.1+B+C.1+D)	8,024	1,107	1,831	-	10,962

The table below reports the positive and negative market value of quoted contracts:

Notional amounts and market values of quoted contracts (€/mil)

	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total
Notional amounts	47,133	23	901	-	48,057
A. Market value of trading contracts					
A.1 positive market value	-	-	17	-	17
A.2 negative market value	-	-	-14	-	-14
B. Market value of non-trading contracts					
B.1 positive market value	-	-	-	-	-
B.2 negative market value	-	-	-	-	-

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.

Credit quality of OTC derivative contracts, by counterparty (€/mil)

	Positive market value	Add on	Credit risk equivalent (*) (current value)
Governments and central banks	10	12	22
Banks	6,735	2,999	9,734
Other operators	874	332	1,206
Total	7,619	3,343	10,962

(*) The credit risk equivalent reported in this table includes transactions with an original life not exceeding 14 days. The existence of Master Netting Agreements allows a reduction in the above equivalent credit risk of 4,810 million euro in respect of banks and 153 million euro in respect of other operators.

The aforementioned transactions are not normally covered by real or personal guarantees. 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 2003 is reported in the special section of the Report on Group Operations (“Risk management and control”).

Credit derivatives

Transactions in credit derivatives carried out by the Group as of 31 December 2003, are analyzed below:

(Table 10.6 B.1.) *(€/mil)*

Categories of operations	Negotiation	Other transactions	Total
1. Hedging purchases			
1.1 With exchange of capital			
– credit default swap	321	351	672
1.2 Without exchange of capital			
– credit default swap	-	-	-
2. Hedging sales			
2.1 With exchange of capital			
– credit default swap	318	426	744
– credit linked note	-	40	40
2.2 Without exchange of capital			
– credit linked note	6	58	64
Total	645	875	1,520

Table 10.6 comprises credit derivatives recorded by the Parent Bank, included under structured financial instruments amounting to 356 million euro, at nominal value.

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.)

	31/12/03
a) Amount (€/mil)	7,290
b) Number	3

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.)

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Governments	7,551	7,237
b) Other public entities	6,275	6,244
c) Non-financial businesses	68,822	68,214
d) Financial institutions	10,222	13,985
e) Family businesses	5,910	5,466
f) Other operators	25,819	25,555
Total	124,599	126,701

Distribution of loans to resident non-financial companies 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.)

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Other services for sale	13,979	10,535
b) Commerce, renovation and repairs	9,693	9,553
c) Construction and public works	7,098	6,558
d) Energy products	4,656	5,642
e) Internal transport services	2,874	2,942
f) Other sectors	30,322	29,440
Total	68,622	64,670

Distribution of credit derivatives by category of borrower

Credit derivatives, equal to 1,520 million euro, classified in relation to category of counterparty are distributed as follows:

- 1,099 million euro to banks;
- 385 million euro to financial institutions;
- 36 million euro to other operators.

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.)

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Governments	-	1
b) Other public entities	219	84
c) Banks	726	812
d) Non-financial businesses	16,968	17,217
e) Financial institutions	1,204	1,307
f) Family businesses	161	163
g) Other operators	634	899
Total	19,912	20,483

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.)

	31/12/03 (€/mil)				31/12/02 (€/mil)			
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total
1. Assets								
1.1 due from banks	6,872	12,747	2,659	22,278	5,129	14,562	2,309	22,000
1.2 loans to customers	114,128	5,579	4,892	124,599	111,808	9,488	5,405	126,701
1.3 securities	19,028	3,799	2,431	25,258	14,368	5,053	3,139	22,560
Total	140,028	22,125	9,982	172,135	131,305	29,103	10,853	171,261
2. Liabilities								
2.1 due to banks	8,181	12,955	7,398	28,534	5,989	9,509	8,958	24,456
2.2 due to customers	70,169	5,096	4,728	79,993	72,667	8,318	4,295	85,280
2.3 securities issued	37,274	11,479	2,800	51,553	36,872	10,923	3,766	51,561
2.4 other accounts	5,160	429	1,000	6,589	4,937	884	1,000	6,821
Total	120,784	29,959	15,926	166,669	120,465	29,634	18,019	168,118
3. Guarantees and commitments	29,342	8,196	8,213	45,751	31,109	8,195	8,753	48,057

Maturities of assets and liabilities

The residual maturities of assets and liabilities are detailed in the following table:

(Table 11.6 B.I.)

									(€/mil)	
	On demand	Up to 3 months	Specified duration		Beyond 5 years		Unspecified duration	Total		
			Between 3 and 12 months	Between 1 and 5 years	Fixed rate	Indexed rate				
1. Assets										
1.1 Treasury bonds eligible for refinancing	41	391	569	713	1,126	655	428	-	3,923	
1.2 due from banks	7,218	11,225	2,100	288	623	1	385	438	22,278	
1.3 loans to customers	23,118	19,780	13,367	10,969	25,000	9,637	20,680	2,048	124,599	
1.4 bonds and other debt securities	183	670	4,228	6,323	3,730	2,043	1,411	-	18,588	
1.5 off-balance sheet transactions	11,776	168,655	151,623	81,034	25,525	45,235	1,921	-	485,769	
Total assets	42,336	200,721	171,887	99,327	56,004	57,571	24,825	2,486	655,157	
2. Liabilities										
2.1 due to banks	3,902	12,674	3,808	692	2,316	386	4,756	-	28,534	
2.2 due to customers	63,275	14,471	1,160	410	154	394	129	-	79,993	
2.3 securities issued:										
– bonds	301	1,121	6,682	12,523	13,660	2,876	2,816	-	39,979	
– certificates of deposit	120	4,542	1,174	1,162	50	93	8	-	7,149	
– other securities	659	3,530	236	-	-	-	-	-	4,425	
2.4 subordinated liabilities	-	-	564	1,114	75	1,930	2,731	-	6,414	
2.5 off-balance sheet transactions	12,286	166,651	148,374	72,389	32,735	52,003	1,331	-	485,769	
Total liabilities	80,543	202,989	161,998	88,290	48,990	57,682	11,771	-	652,263	

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.)

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Assets		
1. due from banks	3,970	3,936
2. loans to customers	6,920	8,833
3. securities	2,179	2,931
4. equity investments	69	90
5. other accounts	207	203
Total assets	13,345	15,993
b) Liabilities		
1. due to banks	6,595	7,658
2. due to customers	6,700	6,543
3. securities issued	6,819	6,551
4. other accounts	75	519
Total liabilities	20,189	21,271

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 2003 is reported in the special section of the Report on Group Operations (“Risk management and control”).

Securitization transactions

Group securitization transactions

As of 31 December 2003 there remained only one securitization transaction in the SANPAOLO IMI Group accounts, which was carried out by the subsidiary Sanpaolo Leasint S.p.A..

In 1997 the company 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 2003 no revolving assignments were made against the original securitization transaction, 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. The transaction was carried out in order to free part of the loan portfolio, generating sources of additional liquidity and, at the same time, benefiting from credit risk containment. 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 2003, loans to be collected amounted to 13 million euro.

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	Loan quality	(€/mil)			Total
		Senior securities	Mezzanine securities	Junior securities	
<i>book value</i>					
Investment securities portfolio					
Leasing	Performing	19	-	-	19
Other loans	Performing	1	-	-	1
		20	-	-	20
Dealing securities portfolio					
Central and local authorities	Performing	805	35	20	860
Building mortgage loans	Performing	1	-	-	1
Consumer loans	Performing	14	11	-	25
Leasing	Performing	2	-	-	2
Health care receivable	Performing	401	-	-	401
Public real estate	Performing	17	-	-	17
Social security contributions	Performing	56	-	-	56
	Problem loans	5	-	-	5
Other loans	Performing	1	-	-	1
		1,302	46	20	1,368
		1,322	46	20	1,388

The investment securities portfolio is shown net of adjustments in value totaling 18 million euro, of which 4 million euro were booked during the year.

The underlying activities to junior securities deriving from third party securitization transactions (pro quota value) amount to 354 million euro.

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.)

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Purchases		
1. settled	114,927	118,222
2. not settled	23	124
Total purchases	114,950	118,346
b) Sales		
1. settled	126,552	109,844
2. not settled	10	122
Total sales	125,562	109,966

Purchase and sale transactions performed on behalf of third parties include, respectively, 9,201 million euro and 21,406 million euro for dealings in derivative contracts.

Portfolio management

The total market value of portfolios managed on behalf of customers and inclusive of Fund-based Portfolio Management (GPF) is detailed below:

(Table 12.2 B.I.)

	31/12/03 (€/mil)	31/12/02 (€/mil)
Portfolio management (*)	33,241	34,283

(*) 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.)

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Third-party securities held on deposit	289,891	257,594
b) Third-party securities deposited with third parties	210,283	175,659
c) Portfolio securities deposited with third-parties (*)	24,607	21,703

(*) 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.)

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Debit adjustments		
1. current accounts	659	681
2. central portfolio	2,555	3,658
3. cash	827	1,395
4. other accounts	812	1,448
b) Credit adjustments		
1. current accounts	827	616
2. transferors of notes and documents	4,122	6,556
3. other accounts	141	296

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 2003, there are resolutions to be stipulated for 115 million euro, disbursements to be made for 587 million euro and loans for 697 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 2003, 113 applications were received for research investment for 386 million euro and MIUR deliberated on financing of 339 million euro.

Since the end of 2002 the Ministry has momentarily suspended acceptance of applications for projects outside of depressed areas in Southern Italy, owing to lack of funds.

Reserve for Technological Innovation

Since November 2001, SANPAOLO IMI has co-operated with the Ministry for Productive Activities (MAP) for the management of development projects utilizing the Reserve for Technological Innovation. During 2003, acceptance of applications was suspended owing to lack of funds; MAP deliberated on financing of 270 million euro.

During the year activities connected to the three reserves generated a total 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.

Since the beginning of 2000 acceptance of new applications was closed. As of 31 December 2003, there are 1,564 applications for 626 million euro, broken down as follows:

- 611 million euro relating to the consolidation of short-term debt (of which 610 million euro already being paid and 1 million euro waiting for the final documentation);
- 13 million euro for investment loans; an application for 1 million euro not yet completed;
- 1 million euro for the purchase of investments.

The management activities for this Ministry generated 0.3 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 33,700 million euro.

Furthermore, through the subsidiary Gest Line, the Group manages the collection and recovery of taxation and duties for 32,956 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 564 million euro at period end (671 million euro as of 31 December 2002).

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 2003 amounted to 4,704 million euro broken down as follows: 1,184 million euro of mutual funds, 917 million euro of fund-based portfolio management, 497 million euro of portfolio management schemes and 2,106 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:

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
Interest income and similar revenues (caption 10)	7,443	8,455	8,693
Interest expense and similar charges (caption 20)	3,701	4,837	4,955

Interest income and similar revenues (caption 10)

Analysis of caption 10 "interest income and similar revenues" (Table 1.1 B.I.)

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) On amounts due from banks	460	691
<i>of which:</i>		
- deposits with central banks	43	60
b) On loans to customers	6,215	6,936
<i>of which:</i>		
- loans using public funds	-	-
c) On debt securities	727	995
d) Other interest income	41	71
Total	7,443	8,693

Detail of caption 10 "interest income and similar revenues" (Table 1.3 B.I.)

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) On assets denominated in foreign currency	205	309

"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.)*

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) On amounts due to banks	659	1,029
b) On amounts due to customers	1,050	1,445
c) On securities issued (*)	1,493	1,945
<i>of which:</i>		
- certificates of deposit	110	221
d) On public funds administered	-	-
e) On subordinated liabilities	302	320
f) Net differential on hedging transactions (**)	197	216
Total	3,701	4,955

(*) *Excluding interest on subordinated securities included in 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.)*

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) On liabilities denominated in foreign currency	224	403

"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, is reported in captions 40 and 50 of the consolidated statement of income:

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
Commission income (caption 40)	3,722	3,652	3,467
Commission expense (caption 50)	685	772	671

Commission income (caption 40)

Analysis of caption 40 "commission income" (Table 2.1 B.I.)

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Guarantees given	80	77
b) Credit derivatives	8	10
c) Management, dealing and advisory services		
1. dealing in securities	97	129
2. dealing in currency	31	35
3. portfolio management:		
3.1 individual	204	229
3.2 collective	1,219	1,129
4. custody and administration of securities	67	66
5. depositary bank	115	121
6. placement of securities	34	13
7. acceptance of instructions	97	83
8. advisory services	35	23
9. third party service distribution:		
9.1 portfolio management:		
a) individual	18	23
b) collective	29	110
9.2 insurance products	285	159
9.3 other products	7	7
d) Collection and payment services	332	325
e) Servicing for securitization transactions	-	2
f) Tax collection services	179	122
g) Other services	885	804
Total	3,722	3,467

Subcaption "g) Other services" comprises, in particular:

	31/12/03 (€/mil)	31/12/02 (€/mil)
Loans granted	271	243
Deposits and current account overdrafts	316	297
Current accounts	173	141
Loan-arrangement activities	8	6
Other services	117	117
Total	885	804

The organization of commission income by distribution channels is:

Detail of caption 40 "commission income": "products and services distribution channels" (Table 2.2 B.I.)

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) with own branches:		
1. portfolio management	993	933
2. placement of securities	1	1
3. third party service distribution	188	192
b) outside supply:		
1. portfolio management	430	425
2. placement of securities	33	12
3. third party service distribution	151	107

Commission expense (caption 50)*Analysis of caption 50 "commission expense" (Table 2.3 B.I.)*

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Guarantees received	12	14
b) Credit derivatives	1	1
c) Management and dealing services:		
1. dealing in securities	33	36
2. dealing in currency	1	2
3. portfolio management:		
3.1 own portfolio	-	-
3.2 third party portfolio	79	71
4. custody and administration of securities	23	24
5. placement of securities	7	2
6. door-to-door sales of securities, financial products and services	314	319
d) Collection and payment services	93	98
e) Other services	122	104
Total	685	671

Subcaption "e) Other services" comprises, in particular:

	31/12/03 (€/mil)	31/12/02 (€/mil)
Loan-arrangement activities	56	65
Loans obtained	6	3
Intermediation on financing transactions	9	10
Other services	51	26
Total	122	104

SECTION 3 - PROFITS AND LOSSES FROM FINANCIAL TRANSACTIONS

Profits and losses from financial transactions, detailed below, are reported in caption 60 of the statement of income:

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
Profits (losses) on financial transactions (caption 60)	198	-80	-98

Profits and losses from financial transactions (caption 60)

Profits and losses in respect of the “official schedules” are analyzed as follows:

Analysis of caption 60 "profits (losses) from financial transactions" (Table 3.1 B.I.) (€/mil)

	Security transactions	Currency transactions	Other transactions	Total
A1. Revaluations	237		1,797	2,034
A2. Writedowns	-205		-1,942	-2,147
B. Other profits and losses	-54	70	295	311
Total	-22	70	150	198
<i>of which:</i>				
1. on government securities	-39			
2. on other debt securities	6			
3. on equities	170			
4. on security derivatives	-159			

This caption 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)	198
Reclassification from interest income and expense of the positive margin of Investment Banking (*)	26
Reclassification from the dividends on dealing shares caption	223
Caption of the reclassified statement of income "Profits and losses from financial transactions and dividends on shares"	447

(*) The reclassification refers to the net interest income for the Banca IMI group, which in the interests 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:

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
Personnel costs (caption 80.a)	2,841	2,814	2,856
Other administrative costs (caption 80.b)	1,769	1,764	1,792
Total	4,610	4,578	4,648

Personnel costs (caption 80.a)

	31/12/03 (€/mil)	31/12/02 (€/mil)
Wages and salaries	2,046	2,061
Social security charges	633	618
Termination indemnities	132	140
Pensions and similar	30	37
Total	2,841	2,856

Average number of employees by category (Table 4.1 B.I.)

	31/12/03	31/12/02 pro forma	31/12/02
a) Executives	836	832	857
b) Managers	5,671	6,070	6,114
c) Other employees	37,834	38,768	39,132
Total	44,341	45,670	46,103
<i>of which: of companies consolidated proportionally</i>	<i>705</i>	<i>695</i>	<i>698</i>

The average pro forma figures as of 31 December 2002 include the changes in the consolidation area (see Introduction - Background information on the consolidated financial statements).

Other administrative costs (caption 80.b)

	31/12/03 (€/mil)	31/12/02 (€/mil)
IT costs	426	404
Software maintenance and upgrades	122	110
External data processing	96	93
Maintenance of operating assets	68	67
Data transmission charges	66	62
Database access charges	49	53
Equipment leasing charges	25	19
Property costs	289	294
Rental of premises	172	172
Security services	39	39
Cleaning of premises	33	34
Maintenance of property owned by the Bank	29	34
Maintenance of leasehold premises	16	15
General expenses	268	279
Postage and telegraph charges	53	62
Office supplies	32	37
Transport and counting of valuables	23	31
Courier and transport services	21	18
Personnel on secondment	6	5
Other expenses	133	126
Professional and insurance fees	260	287
Professional fees	158	185
Legal and judiciary expenses	41	43
Insurance premiums banks and customers	40	40
Investigation/commercial information costs	21	19
Promotion, advertising and marketing expenses	91	96
Advertising and entertainment	77	82
Contributions and membership fees to trade unions and business associations	14	14
Indirect personnel costs	91	75
Indirect personnel expenses	91	75
Utilities	87	93
Energy	47	49
Telephone	40	44
Total	1,512	1,528
Indirect duties and taxes		
- stamp duties	176	190
- substitute tax (Pres. Decree 601/73)	32	26
- local property taxes	15	14
- tax on stock exchange contracts	7	8
- non-recoverable VAT on purchases	6	4
- other	21	22
Total	257	264
Total other administrative costs	1,769	1,792

SECTION 5 - ADJUSTMENTS, WRITEBACKS AND PROVISIONS

Adjustments and provisions, reported in captions 90, 100, 120, 140 and 150 of the statement of income, and writebacks, reported in captions 130 and 160, are detailed below:

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
Adjustments to tangible and intangible fixed assets (caption 90)	642	745	753
Provisions for risks and charges (caption 100)	195	261	261
Adjustments to loans and provisions for guarantees and commitments (caption 120)	1,126	858	889
Writebacks of adjustments to loans and provisions for guarantees and commitments (caption 130)	417	302	320
Provisions to reserves for probable loan losses (caption 140)	15	27	27
Adjustments to financial fixed assets (caption 150)	158	569	569
Writebacks of adjustments to financial fixed assets (caption 160)	218	8	8

Adjustments to tangible and intangible fixed assets (caption 90)

	31/12/03 (€/mil)	31/12/02 (€/mil)
Adjustments to intangible fixed assets		
- amortization of start-up and capital increase expenses	1	1
- amortization of goodwill	1	2
- long-term writedowns of goodwill	7	-
- amortization of merger differences	-	27
- amortization of software costs	199	198
- long-term writedowns of software costs	1	4
- amortization of other deferred charges	31	32
- long-term writedowns of other deferred charges	-	12
- amortization of goodwill arising on consolidation	131	154
- amortization of goodwill arising on application of the equity method	19	29
Adjustments to tangible fixed assets		
- depreciation of property	93	92
- long-term writedowns of property	3	-
- depreciation of furniture and installation	156	202
Total	642	753

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 of accelerated depreciation.

“Amortization of goodwill arising on consolidation” includes the investment in Banka Koper d.d. reflecting, in addition to the portion of ordinary amortization for 2003, the extraordinary adjustment of 8 million euro, made in order to align the value of the investment in the Slovenian bank to the estimated opinion obtained in view of transferring the company to Sanpaolo IMI Internazionale S.p.A..

Provisions for risks and charges (caption 100)

Provisions for risks and charges of 195 million euro during the year reflect the consolidation of the corresponding provisions of the Parent Bank for 117 million euro, designed as follows:

- 57 million euro to strengthen the fund against losses on legal disputes;
- 38 million euro to cover potential charges among which guarantees given in respect of extraordinary transactions and those relating to risks connected to dealing activities in securities with customers;
- 22 million euro to increase the reserve for other personnel costs, of which 16 million euro for charges relating to supplementary pension funds and 6 million euro to cover long-service bonuses to employees.

Provisions made by subsidiaries (78 million euro) comprise 21 million euro of provisions made by the "Bank Networks" held by Cardine Finanziaria and by SANPAOLO Banco di Napoli; the remaining 57 million euro refers to provisions made by subsidiaries against the risks involved in operating in the placement and management of financial products (37 million euro) and to provisions made by other subsidiaries (20 million euro).

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.)

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Adjustments to loans	1,112	803
<i>of which:</i>		
- general adjustments for country risk	-	7
- other general adjustments	169	189
b) Provisions for guarantees and commitments	14	86
<i>of which:</i>		
- general provisions for country risk	-	-
- other general provisions	5	67
Total	1,126	889

Writebacks of adjustments to loans and provisions for guarantees and commitments (caption 130)

	31/12/03 (€/mil)	31/12/02 (€/mil)
Revaluation of loans previously written down	149	95
Revaluation of loans previously written off	5	1
Revaluation of provisions for guarantees and commitments	21	18
Collection of loan principal previously written down	161	116
Collection of loan principal and interest previously written off	39	39
Collection of default interest previously written down	42	51
Total	417	320

Provisions for probable loan losses (caption 140)

Provisions for probable loan losses are made by certain subsidiaries against risks which are only potential. For this reason they do not involve any adjustment to the assets.

Adjustments to financial fixed assets (caption 150)

	31/12/03 (€/mil)	31/12/02 (€/mil)
Adjustments to equity investments	150	542
Adjustments to other investment securities	8	27
Total	158	569

Adjustments to equity investments for 150 million euro refer to the writedown of holdings in the following companies:

	31/12/03 (€/mil)	31/12/02 (€/mil)
Hutchison 3G Italia S.p.A. (*)	105	16
Fiat S.p.A.	12	82
Kredit Bamk S.A.	11	-
Compagnia Assicuratrice Unipol S.p.A.	7	-
Praxis Calcolo S.p.A.	4	2
Edison S.p.A.	2	-
Fata Group S.r.l.	2	-
Acegas-Aps S.p.A.	1	-
Eni S.p.A.	1	-
Finanziaria Aps S.p.A.	1	-
Kiwi II Ventura - Serviços de Consultoria S.A.	1	2
Lingotto S.p.A.	1	-
Santander Central Hispano	-	399
Olivetti S.p.A.	-	10
Idra Partecipazioni S.p.A.	-	6
AEM Torino S.p.A.	-	4
Convergenza S.C.A.	-	4
Enel S.p.A.	-	4
Engineering Ingegneria Informatica S.p.A.	-	3
Euromedia Venture Belgique S.A.	-	2
AC.E.GA.S S.p.A.	-	1
ACEA S.p.A.	-	1
Banca Popolare di Lodi S.c.r.l.	-	1
Metzler International A.G.	-	1
Other adjustments	2	4
Total	150	542

(*) The figure includes the effect of the writedown of the entire investment in Hutchison 3G Italia S.p.A., including the portion held through the subsidiary 3G Mobile Investments S.A. which was consolidated using the equity method. This treatment is aimed at disclosing the effect of the writedown in the value of the investment in a single balance sheet caption.

Writebacks of adjustments to financial fixed assets (caption 160)

Writebacks of fixed financial assets (218 million euro) refer to writebacks of equity investments for 216 million euro (of which 215 million euro refer to Santander Central Hispano S.A.) and to writebacks of investment securities for 2 million euro.

Change in the reserve for general banking risks (caption 230)

In 2003 movements in the reserve were made solely by subsidiaries, showing utilizations of 13 million euro and accruals of 4 million euro, with net utilization at consolidated level equal to 9 million euro.

SECTION 6 - OTHER STATEMENT OF INCOME CAPTIONS

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
Dividends and other revenues (caption 30)	309	565	565
Other operating income (caption 70)	396	411	422
Other operating expense (caption 110)	68	50	50
Extraordinary income (caption 190)	548	580	575
Extraordinary expense (caption 200)	580	241	248
Income taxes for the period (caption 240)	657	443	450

Dividends and other revenues (caption 30)

	31/12/03 (€/mil)	31/12/02 (€/mil)
Shares, quotas and other equities		
- dividends	146	268
- tax credits	77	142
On equity investments, other than those consolidated on a line by line basis or carried at equity		
- dividends	73	118
<i>Santander Central Hispano S.A.</i>	36	36
<i>CDC Ixis S.A.</i>	9	10
<i>Banca d'Italia</i>	7	8
<i>Eni S.p.A.</i>	6	7
<i>Banco del Desarrollo S.A.</i>	2	1
<i>Borsa Italiana S.p.A.</i>	2	2
<i>Autostrada BS-VR-VI-PD S.p.A.</i>	1	-
<i>Biat S.A.</i>	1	1
<i>Centro Leasing S.p.A.</i>	1	1
<i>Compagnia Assicuratrice Unipol S.p.A.</i>	1	1
<i>Enel S.p.A.</i>	1	1
<i>AMPS S.p.A.</i>	-	1
<i>Cardine Banca S.p.A.</i>	-	33
<i>Cartiere Fedrigoni S.p.A.</i>	-	1
<i>Fiat S.p.A.</i>	-	3
<i>Intesa Holding Asset Management S.p.A.</i>	-	1
<i>Monte Titoli S.p.A.</i>	-	1
<i>Serene S.p.A.</i>	-	1
<i>Other minor investments</i>	6	9
- tax credits	13	37
Total	309	565

Other operating income (caption 70)*Analysis of caption 70 "other operating income" (Table 6.1 B.I.)*

	31/12/03 (€/mil)	31/12/02 (€/mil)
Expenses recovered		
- stamp duties	162	180
- other taxes	44	32
- legal costs	24	25
- other recoveries	69	78
Income from merchant banking activities	15	13
Reimbursement of services rendered to third parties	15	11
Rent and other income from property	15	17
Other income from leasing activities	4	5
Income from IT companies	2	3
Income from option contracts	2	-
Other income	44	58
Total	396	422

Other operating expenses (caption 110)*Analysis of caption 110 "other operating expenses" (Table 6.2 B.I.)*

	31/12/03 (€/mil)	31/12/02 (€/mil)
Other charges on leasing transactions	41	24
IT companies expenses	1	1
Charges on option contracts	3	-
Losses on merchant banking activities	-	1
Other expenses	23	24
Total	68	50

Extraordinary income (caption 190)*Analysis of caption 190 "Extraordinary income"*

	31/12/03 (€/mil)	31/12/02 (€/mil)
Out-of-period income		
- use of reserves in excess	84	106
- disposal of derivative contracts connected with shareholdings (*)	-	96
- other out-of-period income	83	107
Reimbursement of prior years direct taxes	-	21
Amounts not payable	9	6
Out-of-court settlements	11	10
Price revision on property and investment transactions	-	10
Reimbursement of damages for natural disasters	-	5
Expropriation of former Banco di Napoli saving deposits	-	22
Disposal of branches	11	12
Gains on:		
- equity investments (**)	40	133
- investments in consolidated companies	284	16
- investment securities	19	5
- other financial fixed assets	1	-
- tangible and intangible fixed assets	6	26
Total	548	575

(*) *This caption refers to the disposal of contracts connected with the shareholding in Banca Agricola Mantovana, disposed of simultaneously with the booking of losses for the same amount.*

(**) *The detail of gains on investments is shown in Part B - Section 3 of the Consolidated Explanatory Notes.*

The use of excess reserves includes income of 62 million euro from the release of reserves for potential charges relating to the renegotiation of Parent Bank mortgage loans, in excess in respect of the most recent regulatory framework of reference.

Gains on investments realized on the companies already included in consolidation (line by line or proportionally) refer to the sale of 60% interest in Banque Sanpaolo (240 million euro) and 20% in Finconsumo Banca (44 million euro).

Gains on investment securities refer to the Parent Bank and essentially derive from the disposal of corporate bonds in the context of the redefinition of investment portfolio following the merger operations concluded in 2003.

Gains on other financial fixed assets refer to income generated by the Parent Bank in respect of closing derivative contracts hedging investment securities.

Extraordinary expense (caption 200)*Analysis of caption 200 "Extraordinary expense"*

	31/12/03 (€/mil)	31/12/02 (€/mil)
Tax amnesty	16	-
Amounts not collectible	8	7
Transactions for legal disputes	10	15
Restructuring	9	25
Expenses for voluntary incentive retirement schemes	475	31
Losses on:		
- investment securities	6	3
- equity investments (*)	4	96
- other financial fixed assets	3	4
- tangible and intangible fixed assets	2	1
Other out-of-period expenses	47	66
Total	580	248

(*) The figures as of 31 December 2002 refer 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.

With respect to the "Tax amnesty" initiatives (2003 Budget Law), SANPAOLO IMI and its subsidiaries incurred charges totaling 48 million euro, of which 27 million euro were charged to the statement of income for 2003 and 21 million euro economically neutralized as an effect of the use of pre-existing reserves. More specifically, such charge refers to companies consolidated on a line by line basis for 36 million euro (16 million euro of which is recorded to the statement of income as "extraordinary items" and 20 million euro compensated by the use of pre-existing funds) and to subsidiary companies consolidated using the net equity method for 12 million euro (11 million euro of which is recorded to the consolidated statement of income as "Profit (losses) from investments carried at equity" and 1 million euro compensated by the use of pre-existing reserves).

Charges for staff leaving incentives mainly include accruals to the "Income, employment and re-training fund" (Fondo di solidarietà) made by the Parent Bank (376 million euro) and by former Cardine bank networks (80 million euro).

Losses on investments refer mainly to the disposal of investments in Olivetti S.p.A. (3 million euro).

Losses on other financial fixed assets refer to Parent Bank charges in respect of closing derivative contracts hedging investment securities.

Income taxes for the period (caption 240)*Analysis of caption 240 "Income taxes for the period" (Bank of Italy regulation 03.08.99)*

	31/12/03 (€/mil)	31/12/02 (€/mil)
1. Current taxes	500	932
2. Change in deferred tax assets	290	368
3. Change in deferred tax liabilities	-133	-850
4. Income taxes for the period	657	450

Income taxes for the year, totaling 657 million euro, established a Group tax rate of 39.4%, lower than that registered in 2002 (44.2%). The improvement was the result of the two percentage point reduction in IRPEG (Corporate Income Tax) and the half percentage point reduction in IRAP (Regional Income Tax), and by the higher amount of income taxable at reduced rates or not subject to IRAP, such as writebacks of equity investments, gains for the sale of shareholdings and dividends, which balanced the non-deductibility in terms of IRAP of staff leaving expenses.

SECTION 7 - OTHER INFORMATION ON THE STATEMENT OF INCOME

Geographical distribution of revenues

The geographical distribution of the revenues, based on the location of Group's companies and their branches, is as follows:

(Table 7.1 B.I.)

	31/12/03 (€/mil)				31/12/02 (€/mil)			
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total
Interest income and similar revenues	6,990	177	276	7,443	7,779	557	357	8,693
Dividends and other revenues	286	22	1	309	539	9	17	565
Commission income	3,019	636	67	3,722	2,671	764	32	3,467
Profits (losses) on financial transactions	161	30	7	198	-142	42	2	-98
Other operating income	371	21	5	397	398	18	6	422
Total revenues	10,827	886	356	12,069	11,245	1,390	414	13,049

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 during the year, in the Parent Bank and in the subsidiary companies is as follows:

Remuneration (Table 1.1 B.I.)

	31/12/03 (€/mil)	31/12/02 (€/mil)	Change %
Directors (*) (**)	12	8	+50.0
Statutory auditors (**)	1	1	-

(*) *This caption does not include 1.6 million euro received by the Directors for similar activities performed at other Group companies which they paid back to the Parent Bank.*

(**) *These captions include the remuneration paid to the Directors and Auditors of Cardine Finanziaria, which was merged into SANPAOLO IMI S.p.A. in 2003.*

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.)

	31/12/03 (€/mil)	31/12/02 (€/mil)	Change %
Directors	21	39	-46.2
Statutory auditors	-	-	n.s.

The amounts indicated above refer to loans and guarantees for 0.1 million euro granted to the Directors and Statutory Auditors by the Parent Bank and, for 21.3 million euro, to subjects identified as being of extraordinary importance pursuant to Art. 136 of the Consolidated Banking Act.

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 AND STATEMENTS OF THE PRO FORMA
CONSOLIDATED STATEMENTS OF INCOME AND BALANCE SHEETS FOR 2002
AND THE FIRST THREE QUARTERS OF 2003

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	(€/mil)					
	Capital	Reserves and retained earnings	Reserve for general banking risks	Differences arising on consolidation and on application of the equity method	Net income	Total
Shareholders' equity as of 31/12/2002	5,144	4,396	14	94	889	10,537
Allocation of 2002 net income:						
- to reserves	-	339	-	-	(339)	-
- to shareholders	-	-	-	-	(550)	(550)
Reclassification between reserves	-	(119)	-	119	-	-
Change in reserves for general banking risks	-	-	(9)	-	-	(9)
Revaluation ex Law. 342 21/11/2000	-	54	-	-	-	54
Differences arising on the translation of foreign currency financial statements and other adjustments	-	(8)	(1)	-	-	(9)
Net income	-	-	-	-	972	972
Shareholders' equity as of 31/12/2003	5,144	4,662	4	213	972	10,995

STATEMENT OF CONSOLIDATED CASH FLOWS

(€/mil)

APPLICATION OF FUNDS

Use of funds generated by operations	914
Dividends distributed	550
Use of reserves for termination indemnities	122
Use of provisions for risks and charges	59
Use of reserves for general banking risks	9
Use of reserves for probable loan losses	-
Movements in pro forma shareholders' equity at beginning of the year	165
Exchange differences on translating the net equity of consolidated companies and other adjustments	9
Increase in funds applied	6,187
Due from banks	534
Loans to customers	1,131
Dealing securities	3,339
Investment securities	550
Equity investments	334
Own shares	3
Differences arising on consolidation and on application of the equity method	29
Tangible fixed assets	82
Intangible fixed assets	185
Decrease in funds taken	1,889
Due to customers and securities issued	1,515
Other liabilities	112
Subordinated liabilities	191
Minority interests	71
Total	8,990

(€/mil)

SOURCES OF FUNDS

Funds generated by operations	2,628
Net income	972
Monetary revaluation	54
Provisions for employee termination indemnities	101
Net adjustments to loans and provisions for guarantees and commitments	709
Provisions for risks and charges	195
Provisions for probable loan losses	15
Adjustments to tangible fixed assets	252
Adjustments to intangible fixed assets	240
Net adjustments to financial fixed assets	-60
Adjustments to goodwill arising on consolidation and on application of the equity method	150
Increase in funds taken	4,401
Due to banks	4,401
Decrease in funds applied	1,961
Cash and deposits with central banks and post offices	25
Other assets	1,936
Total	8,990

RECONCILIATION BETWEEN THE BANK'S FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS

	(€/mil)				
	Net income	Capital and reserves	Shareholders' equity	Reserve for probable loan losses	Total
FINANCIAL STATEMENT OF THE PARENT BANK	824	9,522	10,346	-	10,346
Balance of subsidiary companies consolidated line by line	1,084	10,950	12,034	281	12,315
Consolidation adjustments					
- book value of consolidated investments line by line	-	-8,108	-8,108	-	-8,108
- dividends of consolidated companies	-1,223	190	-1,033	-	-1,033
- amortization of goodwill arising on consolidation	-150	-481	-631	-	-631
- elimination of goodwill arising on consolidation	-	-1,326	-1,326	-	-1,326
- elimination of gains on sale investments	-69	-1,450	-1,519	-	-1,519
- valuation of investments at net equity	197	213	410	-	410
- writedowns of investments	240	69	309	-	309
- minority interests	-48	-223	-271	-	-271
- elimination of reserves for probable loan losses	68	122	190	-190	-
- reversal of Group company transfers and goodwill	-63	-54	-117	-	-117
- reversal of amortization of negative goodwill on BdN	149	155	304	-	304
- portion of tax benefits from the Banco di Napoli merger	-24	250	226	-	-
- reversal of writedowns of investments made for tax purposes in previous years	-	229	229	-	229
- other adjustments	-13	-35	-48	-	-48
CONSOLIDATED FINANCIAL STATEMENTS	972	10,023	10,995	91	11,086

**LIST OF EQUITY INVESTMENTS AS OF 31 DECEMBER 2003 HIGHER THAN 10%
IN UNLISTED COMPANIES, REPRESENTED BY SHARES WITH VOTING RIGHTS
AND IN LIMITED LIABILITY COMPANIES (CONSOB RESOLUTION NO. 11715
OF 24 NOVEMBER 1998) (1)**

Name	Held by	%
Agricola del Varano S.r.l.	Cassa di Risparmio Padova e Rovigo	26.58
Agricola Favorita S.r.l.	Cassa di Risparmio Padova e Rovigo	99.32
Alilaguna S.r.l.	Cassa di Risparmio Venezia	80.00
Ama International S.p.A.	FIN.OPI	14.97
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
	Cassa di Risparmio Venezia	50.00
		100.00
Biessefin S.p.A. (in liq.)	Sanpaolo IMI	36.10
Calitri Denim Industries S.p.A.	Isveimer (in liq.)	14.29
Calzaturificio Novella S.r.l.	Cassa di Risparmio Venezia	45.00
Calzaturificio Zampieri S.r.l.	Cassa di Risparmio Venezia	25.00
Cartasi S.p.A.	Sanpaolo IMI	11.16
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
Cive S.p.A.	Sanpaolo IMI	68.97
Cogemar S.p.A.	Sanpaolo IMI	98.00
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
Esatto S.p.A.	GEST Line	16.33
Esped Spedizioni S.r.l.	Cassa di Risparmio Padova e Rovigo	29.80
Eufigest S.A.	Eptafund S.G.R.	12.88
Evoluzione 94 S.p.A.	Sanpaolo IMI	5.99
	Cassa di Risparmio Bologna	2.55
	Friulcassa	1.97
		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
Finpaper S.p.A.	Friulcassa	51.00
Finplozner S.p.A.	Friulcassa	25.00
Fonti di Gaverina	Sanpaolo IMI	63.44

Name	Held by	%
Gerard H Polderman S.r.l.	Cassa di Risparmio Padova e Rovigo	100.00
Giraglia Immobiliare S.p.A.	Sanpaolo IMI	17.15
Guinness Peat Aviation ATR Ltd	Sanpaolo IMI Bank Ireland	12.50
I Guardì S.r.l.	Cassa di Risparmio Venezia	56.00
IAM Piaggio S.p.A. (in liq.)	Sanpaolo IMI Banca Fideuram	9.68 3.74
		13.42
Idra Partecipazioni S.p.A. (in liq.)	Ldv Holding	11.56
Immobiliare dell'Isola Cattaneo S.p.A.	Sanpaolo IMI	48.57
Immobiliare Femar S.p.A.	Cassa di Risparmio Padova e Rovigo	38.57
Immobiliare Meduna S.r.l.	Cassa di Risparmio Venezia	40.00
Immobiliare Peonia Rosa S.r.l.	Sanpaolo IMI	57.00
Immobiliare Santa Caterina S.r.l.	Sanpaolo Banco di Napoli	100.00
Impianti S.r.l. (in liq.)	Sanpaolo IMI	14.16
Integrated Shipping Company	Sanpaolo IMI	100.00
Istituto per l'Enciclopedia della Banca e della Borsa S.p.A.	Sanpaolo IMI Banca Fideuram	12.12 0.34
		12.46
Isveimer S.p.A. (in liq.)	Sanpaolo IMI Banca Popolare dell'Adriatico	65.22 0.17
		65.39
Italpower S.p.A. (in liq.)	IMI Investimenti	15.00
Ittica Ugento S.p.A.	Sanpaolo Banco di Napoli	26.96
Kall Kwik Italia S.p.A. (in liq.)	Sanpaolo Leasint	15.00
Kish Receivables Co.	Tobuk	20.83
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
Lingotto S.p.A.	FIN.OPI	17.02
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
Mirano Costruzioni S.r.l.	Cassa di Risparmio Venezia	100.00
Pantecna S.p.A. (bankrupt)	Sanpaolo IMI	15.50
Pdp Box Doccia S.p.A.	Cassa di Risparmio Padova e Rovigo	80.00
Pharmacom S.r.l.	Farbanca	17.00
Pila 2000 S.p.A.	Cassa di Risparmio Padova e Rovigo	37.19
Praxis Calcolo S.p.A.	Ldv Holding Sanpaolo IMI Private Equity	14.52 0.29
		14.81
Print S.r.l.	Banca Popolare dell'Adriatico	100.00
Raco S.p.A.	Ldv Holding	12.30
Sago S.p.A. (2)	Sanpaolo IMI	26.67
Serit S.p.A. - Servizi Riscoss. Imposte e Tesoreria (in liq.)	Sanpaolo IMI	18.64

Name	Held by	%
Siteba S.p.A.	Sanpaolo IMI	10.45
Soa Nordest S.p.A.	Cassa di Risparmio Padova e Rovigo	15.00
Società Capua Group Imbottigliamento Bevande Gassate S.p.A.	Sanpaolo Banco di Napoli	80.19
Sofimer S.p.A.	Isveimer (in liq.)	20.00
SSB - Società per i Servizi Bancari S.p.A.	Sanpaolo IMI	15.54
	Banca Fideuram	0.02
		15.56
Società Trasporto Telematico S.p.A.	Sanpaolo IMI	14.00
Stoà S.c.p.a.	Sanpaolo IMI	10.20
Tecnoalimenti S.c.p.A. (2)	Sanpaolo IMI	20.00
Tecnobiomedica S.p.A. (2)	Sanpaolo IMI	26.32
Tecnocittà S.r.l.	Sanpaolo IMI	12.00
Tecnofarmaci S.p.A. (2)	Sanpaolo IMI	20.50
Tecnogen S.c.p.a.	Sanpaolo IMI	29.96
Tecnotessile S.r.l. (2)	Sanpaolo IMI	40.00
Torsyl S.A. (in liq.)	Sanpaolo IMI International	15.79
Trieste Terminal Cereali S.r.l.	Cassa di Risparmio Padova e Rovigo	31.25
Venezia Tronchetto Real Estate S.p.A.	Cassa di Risparmio Padova e Rovigo	99.62

(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 Reserve).

Methodological notes and statements of the
pro forma consolidated statements of income
and balance sheets for 2002
and the first three quarters of 2003

Methodological notes to determine the pro forma consolidated statements of income and balance sheets for 2002 and for the first three quarters of 2003

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

The pro forma results for the year 2002 were prepared conventionally assuming the line by line consolidation of the Eptaconsors Group and Inter-Europa Bank, the proportional consolidation of Cassa dei Risparmi di Forlì and the non-consolidation of IW Bank, Banque Sanpaolo and Finconsumo Banca with effect from 1 January 2002. Furthermore, since the consolidated financial statements of the SANPAOLO IMI Group for the quarter as of 31 March 2003 and the half year as of 30 June 2003 did not reflect the line by line consolidation of Inter-Europa Bank, the proportional consolidation of Cassa dei Risparmi di Forlì and the non-consolidation of Banque Sanpaolo and Finconsumo Banca, a pro forma reconstruction of those results has also been made. Likewise, the values as of 30 September 2003 reflect the exit of Banque Sanpaolo from line by line consolidation. Finally, it is noted that the pro forma results as of 31 March 2002 also take into consideration the line by line consolidation of the former Cardine Group, which first took place on 30 June 2002, with accounting effect from the beginning of the year.

Attached to these Methodological notes are the statements to determine the pro forma consolidated statements of income and balance sheets for the four quarters of 2002 and for the first three quarters of 2003.

In particular, the pro forma results have been prepared using the statements of income and reclassified consolidated balance sheets of the SANPAOLO IMI Group for the year 2002 and for the first three quarters of 2003¹ (column "a" of the attached statements), and reflect the following:

- in column "b" of the attachments
 - the line by line consolidation of the 100% shareholding in Eptaconsors and its subsidiaries, following the reversal in the valuation in net equity of the 40.48% share already held in the previous year. For this purpose the purchase of the additional 59.52% shareholding has been simulated as of 01/01/2002, offset against "customer deposits" for an amount of 55 million euro;
 - the line by line consolidation of the 85.87% shareholding in Inter-Europa Bank, following the reversal in the value of net equity of the 32.51% share already held in the previous year. For this purpose the purchase of the additional 53.36% shareholding has been simulated as of 01/01/2002, offset against "customer deposits" for an amount of 30 million euro;
 - the proportional consolidation of the 29.77% shareholding in Cassa dei Risparmi di Forlì, following the reversal in the valuation in net equity of the 21.02% share already held in the previous year. For this purpose the purchase of the additional 8.75% shareholding has been simulated as of 01/01/2002, offset against "customer deposits" for an amount of 68 million euro;

¹ It should be reminded that the pro forma results for the first quarter of 2003 take into account exclusively the abovementioned considerations on Cassa dei Risparmi di Forlì, Inter-Europa Bank, Banque Sanpaolo and Finconsumo Banca, and the effects relating to the tranches of Eptaconsors (39.28%), purchased during the second quarter of 2003.

- in column “c” of the attachments
 - the full non-consolidation of IW Bank, following the disposal of 80% of the entire shareholding previously held, and the valuation in net equity of the residual 20%. In particular, the disposal of the majority shareholding has been simulated with effect from 01/01/2002 and offset against an increase in “loans to banks” for a total amount of 5 million euro, with the subsequent loss recorded directly to net equity reserves, in accordance with relevant accounting principles. Consistently, the consolidated statement of income has been reversed by the extraordinary charges arising from the financial statements as of 31/12/2002, for the alignment of the value of the shareholding disposed to the announced sale price, net of any tax effects;
 - the proportional non-consolidation of Finconsumo Banca, as an effect of the sale agreement (which was followed by the disposal of 20% of the investment) and of the end of joint control, with the consequent valuation of the entire investment held using the equity method;
- in column “d” of the attachments
 - the full non-consolidation of Banque Sanpaolo and its subsidiaries, following the disposal of 60% of the entire previously held shareholding, and the valuation in net equity of the remaining 40%. In particular, the disposal of the majority shareholding has been simulated with effect from 31 December 2002 and offset against an increase in “loans to banks” for a total amount of 481 million euro, with the subsequent net gain recorded directly to net equity reserves, in accordance with relevant accounting principles.

It should be remembered that the aforementioned pro forma schedules are unaudited.

31/12/2002: Statement of consolidated pro forma balance sheet - Official format

(€/mil)

	SANPAOLO IMI Group (1)	Expansion of the consolidation area using line by line and proportional method (2) (b)	Reduction in the consolidation area using line by line and proportional method (3) (c)	Exit of Banque Sanpaolo from line by line consolidation area (d)	SANPAOLO IMI Group pro forma (e) = (a+b+c+d)
	(a)	(b)	(c)	(d)	(e)
ASSETS					
10. Cash and deposits with central banks and post offices	1,406	102	-	-9	1,499
20. Treasury bills and similar bills eligible for refinancing with central banks	3,143	56	-	-	3,199
30. Due from banks	22,000	168	100	-524	21,744
a) repayable on demand	4,975	33	4	-479	4,533
b) other deposits	17,025	135	96	-45	17,211
40. Loans to customers <i>of which:</i>	127,349	1,059	-559	-3,672	124,177
- <i>loans using public funds</i>	206	-	-	-	206
50. Bonds and other debt securities	16,174	129	-2	-709	15,592
a) public entities	8,628	104	-	-122	8,610
b) banks	5,079	20	-	-113	4,986
<i>of which:</i>					
- <i>own bonds</i>	1,774	3	-	-	1,777
c) financial institutions	1,132	-	-2	-16	1,114
<i>of which:</i>					
- <i>own bonds</i>	8	-	-	-	8
d) other issuers	1,335	5	-	-458	882
60. Shares, quotas and other equities	2,595	11	-	-22	2,584
70. Equity investments	3,224	-82	33	-28	3,147
a) carried at equity	426	-86	33	-24	349
b) other	2,798	4	-	-4	2,798
80. Investments in Group companies	840	-	-	185	1,025
a) carried at equity	840	-	-	185	1,025
b) other	-	-	-	-	-
90. Goodwill arising on consolidation	842	158	-	-	1,000
100. Goodwill arising on application of the equity method	188	-108	-	-	80
110. Intangible fixed assets <i>of which:</i>	406	31	-4	-35	398
- <i>start-up costs</i>	2	1	-	-	3
- <i>goodwill</i>	16	-	-	-	16
120. Tangible fixed assets	2,229	26	-8	-105	2,142
140. Own shares or quotas	31	-	-	-	31
150. Other assets	20,494	37	-62	-217	20,252
160. Accrued income and prepaid expenses	2,852	11	-28	-60	2,775
a) accrued income	2,063	10	-4	-48	2,021
b) prepaid expenses	789	1	-24	-12	754
<i>of which:</i>					
- <i>discounts on bond issues</i>	236	-	-	-	236
Total assets	203,773	1,598	-530	-5,196	199,645

(1) On the basis of recent instructions received from the Bank of Italy, capitalization certificates subscribed by the Group (648 million euro) have been reclassified from the caption in the published statements "dealing securities" to the caption "loans to customers".

(2) The figures refer to the conventional assumption of the line by line consolidation of the Eptaconsors Group and of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì with effect from 1 January 2002.

(3) The figures refer to the conventional assumption of the non consolidation of IW Bank and Finconsumo Banca, with effect from 1 January 2002.

	(€/mil)					
	SANPAOLO IMI Group	Expansion of the consolidation area using line by line and proportional method (1) (b)	Reduction in the consolidation area using line by line and proportional method (2) (c)	Exit of Banque Sanpaolo from line by line consolidation area (d)	SANPAOLO IMI Group pro forma	(e) = (a+b+c+d)
LIABILITIES	(a)	(b)	(c)	(d)	(e)	(f)
10. Due to banks	24,456	231	-58	-496	24,133	
a) repayable on demand	2,952	34	166	-248	2,904	
b) time deposits or with notice period	21,504	197	-224	-248	21,229	
20. Due to customers	85,280	962	-176	-2,567	83,499	
a) repayable on demand	60,458	468	-169	-1,361	59,396	
b) time deposits or with notice period	24,822	494	-7	-1,206	24,103	
30. Securities issued	51,561	281	-232	-2,081	49,529	
a) bonds	39,447	248	-150	-384	39,161	
b) certificates of deposit	7,310	33	-	-1,697	5,646	
c) other	4,804	-	-82	-	4,722	
40. Public funds administered	208	-	-	-	208	
50. Other liabilities	18,807	45	-37	-161	18,654	
60. Accrued expenses and deferred income	2,164	11	-7	-84	2,084	
a) accrued expenses	1,622	11	-4	-71	1,558	
b) deferred income	542	-	-3	-13	526	
70. Provisions for employee termination indemnities	961	8	-2	-	967	
80. Provisions for risks and charges	2,781	30	-10	45	2,846	
a) pensions and similar commitments	343	5	-	-	348	
b) taxation	670	18	-7	61	742	
c) other	1,768	7	-3	-16	1,756	
90. Reserve for probable loan losses	71	5	-	-	76	
110. Subordinated liabilities	6,613	-	-8	-	6,605	
120. Negative goodwill arising on consolidation	-	-	-	-	-	
130. Negative goodwill arising on application of the equity method	94	4	-5	-2	91	
140. Minority interest	334	8	-	-	342	
Capital and reserves (captions 100, 150, 160, 170, 180)	9,554	18	-12	150	9,710	
200. Net income	889	-5	17	-	901	
Total liabilities and shareholders' equity	203,773	1,598	-530	-5,196	199,645	

GUARANTEES AND COMMITMENTS

10. Guarantees given	20,483	107	-	-530	20,060
<i>of which:</i>					
- acceptances	167	-	-	-1	166
- other guarantees	20,316	107	-	-529	19,894
20. Commitments	27,574	423	-	-710	27,287

(1) The figures refer to the conventional assumption of the line by line consolidation of the Eptaconsors Group and of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì with effect from 1 January 2002.

(2) The figures refer to the conventional assumption of the non consolidation of IW Bank and Finconsumo Banca, with effect from 1 January 2002.

2002: Statement of consolidated pro forma statement of income - Official format

	(€/mil)				
	SANPAOLO IMI Group	Expansion of the consolidation area using line by line and proportional method (1) (b)	Reduction in the consolidation area using line by line and proportional method (2) (c)	Exit of Banque Sanpaolo from line by line consolidation area (d)	SANPAOLO IMI Group pro forma
	(a)				(e) = (a+b+c+d)
10. Interest income and similar revenues	8,693	116	-67	-287	8,455
<i>of which:</i>					
– loans to customers	6,936	77	-48	-188	6,777
– debt securities	995	11	-12	-38	956
20. Interest expense and similar charges	-4,955	-70	23	165	-4,837
<i>of which:</i>					
– amounts due to customers	-1,445	-27	3	45	-1,424
– securities issued	-2,203	-12	5	54	-2,156
30. Dividends and other revenues	565	-	-	-	565
a) shares, quotas and other equities	410	-	-	-	410
b) equity investments	155	-	-	-	155
40. Commission income	3,467	209	-36	-78	3,562
50. Commission expense	-671	-140	24	15	-772
60. Profits (losses) on financial transactions	-98	15	-1	4	-80
70. Other operating income	422	7	-10	-8	411
80. Administrative costs	-4,648	-95	43	122	-4,578
a) personnel	-2,856	-49	17	74	-2,814
<i>of which:</i>					
– wages and salaries	-2,061	-34	13	54	-2,028
– social security charges	-618	-11	4	14	-611
– termination indemnities	-140	-3	-	5	-138
– pensions and similar	-37	-1	-	1	-37
b) other administrative costs	-1,792	-46	26	48	-1,764
90. Adjustments to tangible and intangible fixed assets	-753	-27	22	13	-745
100. Provisions for risks and charges	-261	-3	2	1	-261
110. Other operating expense	-50	-2	1	1	-50
120. Adjustments to loans and provisions for guarantees and commitments	-889	-10	10	31	-858
130. Writebacks of adjustments to loans and provisions for guarantees and commitments	320	2	-1	-19	302
140. Provisions to the reserve for probable loan losses	-27	-	-	-	-27
150. Adjustments to financial fixed assets	-569	-	-	-	-569
160. Writebacks of adjustments to financial fixed assets	8	-	-	-	8
170. Income (losses) from investments carried at equity	137	-1	2	21	159
180. Income from ordinary activities	691	1	12	-19	685
190. Extraordinary income	575	9	-2	-2	580
200. Extraordinary expense	-248	-4	10	1	-241
210. Extraordinary net income	327	5	8	-1	339
230. Change in reserves for general banking risks	364	-1	-	-	363
240. Income taxes	-450	-10	-3	20	-443
250. Income (loss) attributable to minority interests	-43	-	-	-	-43
260. Net income	889	-5	17	-	901

(1) The figures refer to the conventional assumption of the line by line consolidation of the Eptaconsors Group and of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì with effect from 1 January 2002.

(2) The figures refer to the conventional assumption of the non consolidation of IW Bank and Finconsumo Banca, with effect from 1 January 2002.

First quarter of 2002: statement of reclassified consolidated pro forma statement of income

(€/mil)

	SANPAOLO IMI Group (pro forma) (1)	Expansion of the line by line and proportional consolidation area (2)	Reduction of the line by line and proportional consolidation area (3)	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity (d)	SANPAOLO IMI Group pro forma (e)=(a+b+c+d)
	(a)	(b)	(c)	(d)	(e)
NET INTEREST INCOME	927	12	-10	-28	901
Net commissions and other net dealing revenues	697	17	-2	-19	693
Profits and losses from financial transactions and dividends on shares	84	2	-	-1	85
Profits from companies carried at equity and dividends from shareholdings	49	-1	1	5	54
NET INTEREST AND OTHER BANKING INCOME	1,757	30	-11	-43	1,733
Administrative costs	-1,120	-23	9	31	-1,103
- personnel	-699	-13	4	19	-689
- other administrative costs	-359	-10	4	11	-354
- indirect duties and taxes	-62	-	1	1	-60
Other operating income, net	78	2	-2	-	78
Adjustments to tangible and intangible fixed assets	-111	-4	3	3	-109
OPERATING INCOME	604	5	-1	-9	599
Adjustments to goodwill and merger and consolidation differences	-41	-1	-	-	-42
Provisions and net adjustments to loans and financial fixed assets	-156	-2	2	5	-151
INCOME BEFORE EXTRAORDINARY ITEMS	407	2	1	-4	406
Net extraordinary income/expense	56	-	-	-	56
INCOME BEFORE TAXES	463	2	1	-4	462
Income taxes for the period	-172	-2	1	4	-169
Change in reserves for general banking risks	-	-	-	-	-
Income attributable to minority interests	-14	-	-	-	-14
NET INCOME	277	-	2	-	279

(1) Pro forma figures prepared according to the criteria detailed in the Explanatory Notes to the consolidated financial statements as of 31/12/2002, assuming the merger with Cardine Banca from 1 January 2002.

(2) The figures refer to the conventional assumption of the line by line consolidation of the Eptaconsors group and of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì with effect from 1 January 2002.

(3) The figures refer to the conventional assumption of the non consolidation of IW Bank and Finconsumo Banca, with effect from 1 January 2002.

31/3/2002: statement of reclassified consolidated pro forma balance sheet

	(€/mil)				
	SANPAOLO IMI Group (pro forma) (1) (2)	Expansion of the line by line and proportional consolidation area (3)	Reduction of the line by line and proportional consolidation area (4)	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity (d)	SANPAOLO IMI Group pro forma (e)=(a+b+c+d)
	(a)	(b)	(c)	(d)	(e)
ASSETS					
Cash and deposits with central banks and post offices	1,454	58	-	-10	1,502
Loans	147,902	1,241	-316	-4,613	144,214
- due from banks	21,189	295	113	-895	20,702
- loans to customers	126,713	946	-429	-3,718	123,512
Dealing securities	25,028	278	-	-248	25,058
Fixed assets	11,732	-32	7	-186	11,521
- investment securities	3,931	21	-2	-466	3,484
- equity investments	4,837	-117	34	421	5,175
- intangible fixed assets	426	38	-17	-36	411
- tangible fixed assets	2,538	26	-8	-105	2,451
Differences arising on consolidation and on application of the equity method	1,120	55	-	-	1,175
Other assets	23,116	106	-47	-344	22,831
Total assets	210,352	1,706	-356	-5,401	206,301
LIABILITIES					
Payables	168,360	1,469	-279	-5,197	164,353
- due to banks	32,943	360	-87	-761	32,455
- due to customers and securities issued	135,417	1,109	-192	-4,436	131,898
Provisions	4,565	83	-13	-50	4,585
- for taxation	1,392	59	-6	-33	1,412
- for termination indemnities	993	7	-2	-	998
- for risks and charges	1,810	12	-5	-17	1,800
- for pensions and similar	370	5	-	-	375
Other liabilities	19,611	89	-41	-154	19,505
Subordinated liabilities	5,793	-	-8	-	5,785
Minority interests	797	8	-	-	805
Shareholders' equity	11,226	57	-15	-	11,268
Total liabilities	210,352	1,706	-356	-5,401	206,301

(1) Pro forma figures prepared according to the criteria detailed in the Explanatory Notes to the consolidated financial statements as of 31/12/2002, assuming the merger with Cardine Banca from 1 January 2002.

(2) On the basis of recent instructions received from Bank of Italy, capitalization certificates subscribed by the Group (629 million euro) have been reclassified from the caption in the published financial statements "dealing securities" to the caption "loans to customers".

(3) The figures refer to the conventional assumption of the line by line consolidation of the Eptaconsors group and of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì with effect from 1 January 2002.

(4) The figures refer to the conventional assumption of the non consolidation of IW Bank and Finconsumo Banca, with effect from 1 January 2002.

First half 2002: statement of reclassified consolidated pro forma statement of income

	(€/mil)				
	SANPAOLO IMI Group	Expansion of the line by line and proportional consolidation area (1)	Reduction of the line by line and proportional consolidation area (2)	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity (d)	SANPAOLO IMI Group pro forma
	(a)	(b)	(c)	(d)	(e)=(a+b+c+d)
NET INTEREST INCOME	1,877	24	-20	-60	1,821
Net commissions and other net dealing revenues	1,386	35	-5	-37	1,379
Profits and losses from financial transactions and dividends on shares	209	6	-1	-	214
Profits from companies carried at equity and dividends from shareholdings	184	-2	2	12	196
NET INTEREST AND OTHER BANKING INCOME	3,656	63	-24	-85	3,610
Administrative costs	-2,296	-46	20	62	-2,260
- <i>personnel</i>	-1,420	-24	8	38	-1,398
- <i>other administrative costs</i>	-743	-21	10	22	-732
- <i>indirect duties and taxes</i>	-133	-1	2	2	-130
Other operating income, net	171	2	-4	-	169
Adjustments to tangible and intangible fixed assets	-223	-10	5	7	-221
OPERATING INCOME	1,308	9	-3	-16	1,298
Adjustments to goodwill and merger and consolidation differences	-85	-2	-	-	-87
Provisions and net adjustments to loans and financial fixed assets	-312	-3	5	9	-301
INCOME BEFORE EXTRAORDINARY ITEMS	911	4	2	-7	910
Net extraordinary income/expense	136	-	1	-2	135
INCOME BEFORE TAXES	1,047	4	3	-9	1,045
Income taxes for the period	-415	-5	-	9	-411
Change in reserves for general banking risks	-2	-	-	-	-2
Income attributable to minority interests	-29	-	-	-	-29
NET INCOME	601	-1	3	-	603

(1) The figures refer to the conventional assumption of the line by line consolidation of the Eptaconsors group and of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì with effect from 1 January 2002.

(2) The figures refer to the conventional assumption of the non consolidation of IW Bank and Finconsumo Banca, with effect from 1 January 2002.

30/6/2002: statement of reclassified consolidated pro forma balance sheet

	(€/mil)				
	SANPAOLO IMI Group (1)	Expansion of the line by line and proportional consolidation area (2)	Reduction of the line by line and proportional consolidation area (3)	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity (d)	SANPAOLO IMI Group pro forma (e)=(a+b+c+d)
	(a)	(b)	(c)	(d)	(e)
ASSETS					
Cash and deposits with central banks and post offices	1,029	70	-1	-12	1,086
Loans	147,242	1,241	-439	-4,214	143,830
- due from banks	22,735	271	40	-596	22,450
- loans to customers	124,507	970	-479	-3,618	121,380
Dealing securities	24,465	232	-1	-312	24,384
Fixed assets	10,660	-29	8	-233	10,406
- investment securities	3,642	22	-2	-477	3,185
- equity investments	4,120	-112	35	385	4,428
- intangible fixed assets	407	35	-16	-37	389
- tangible fixed assets	2,491	26	-9	-104	2,404
Differences arising on consolidation and on application of the equity method	1,141	54	-	-	1,195
Other assets	22,995	75	-67	-222	22,781
Total assets	207,532	1,643	-500	-4,993	203,682
LIABILITIES					
Payables	166,657	1,459	-437	-4,742	162,937
- due to banks	30,201	319	-52	-313	30,155
- due to customers and securities issued	136,456	1,140	-385	-4,429	132,782
Provisions	4,159	68	-9	-37	4,181
- for taxation	1,058	43	-2	-21	1,078
- for termination indemnities	989	8	-2	-	995
- for risks and charges	1,769	12	-5	-16	1,760
- for pensions and similar	343	5	-	-	348
Other liabilities	19,755	57	-32	-214	19,566
Subordinated liabilities	6,155	-	-8	-	6,147
Minority interests	437	8	-	-	445
Shareholders' equity	10,369	51	-14	-	10,406
Total liabilities	207,532	1,643	-500	-4,993	203,682

(1) On the basis of recent instructions received from Bank of Italy, capitalization certificates subscribed by the Group (635 million euro) have been reclassified from the caption in the published financial statements "dealing securities" to the caption "loans to customers".

(2) The figures refer to the conventional assumption of the line by line consolidation of the Eptaconsors group and of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì with effect from 1 January 2002.

(3) The figures refer to the conventional assumption of the non consolidation of IW Bank and Finconsumo Banca, with effect from 1 January 2002.

First nine months of 2002: statement of reclassified consolidated pro forma statement of income

	(€/mil)				
	SANPAOLO IMI Group	Expansion of the line by line and proportional consolidation area (1)	Reduction of the line by line and proportional consolidation area (2)	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity (d)	SANPAOLO IMI Group pro forma
	(a)	(b)	(c)	(d)	(e)=(a+b+c+d)
NET INTEREST INCOME	2,813	35	-31	-90	2,727
Net commissions and other net dealing revenues	2,054	52	-9	-53	2,044
Profits and losses from financial transactions and dividends on shares	222	11	-	3	236
Profits from companies carried at equity and dividends from shareholdings	239	-3	3	17	256
NET INTEREST AND OTHER BANKING INCOME	5,328	95	-37	-123	5,263
Administrative costs	-3,424	-70	30	91	-3,373
- <i>personnel</i>	-2,111	-36	11	55	-2,081
- <i>other administrative costs</i>	-1,118	-33	15	32	-1,104
- <i>indirect duties and taxes</i>	-195	-1	4	4	-188
Other operating income, net	264	4	-6	-	262
Adjustments to tangible and intangible fixed assets	-350	-16	7	10	-349
OPERATING INCOME	1,818	13	-6	-22	1,803
Adjustments to goodwill and merger and consolidation differences	-124	-3	-	-	-127
Provisions and net adjustments to loans and financial fixed assets	-765	-6	7	10	-754
INCOME BEFORE EXTRAORDINARY ITEMS	929	4	1	-12	922
Net extraordinary income/expense	170	-	1	-1	170
INCOME BEFORE TAXES	1,099	4	2	-13	1,092
Income taxes for the period	-492	-8	2	13	-485
Change in reserves for general banking risks	11	-	-	-	11
Income attributable to minority interests	-43	-	-	-	-43
NET INCOME	575	-4	4	-	575

(1) The figures refer to the conventional assumption of the line by line consolidation of the Eptaconsors group and of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì with effect from 1 January 2002.

(2) The figures refer to the conventional assumption of the non consolidation of IW Bank and Finconsumo Banca, with effect from 1 January 2002.

30/9/2002: statement of reclassified consolidated pro forma balance sheet

	(€/mil)				
	SANPAOLO IMI Group (1)	Expansion of the line by line and proportional consolidation area (2)	Reduction of the line by line and proportional consolidation area (3)	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity (d)	SANPAOLO IMI Group pro forma (e)=(a+b+c+d)
	(a)	(b)	(c)	(d)	(e)
ASSETS					
Cash and deposits with central banks and post offices	1,042	84	-2	-159	965
Loans	146,321	1,227	-452	-4,261	142,835
- due from banks	21,977	244	68	-685	21,604
- loans to customers	124,344	983	-520	-3,576	121,231
Dealing securities	23,095	198	-	-225	23,068
Fixed assets	10,093	-35	10	-256	9,812
- investment securities	3,117	23	-2	-504	2,634
- equity investments	4,170	-115	36	387	4,478
- intangible fixed assets	390	31	-15	-35	371
- tangible fixed assets	2,416	26	-9	-104	2,329
Differences arising on consolidation and on application of the equity method	1,095	53	-	-	1,148
Other assets	23,128	79	-62	-163	22,982
Total assets	204,774	1,606	-506	-5,064	200,810
LIABILITIES					
Payables	163,743	1,412	-434	-4,808	159,913
- due to banks	26,902	250	-48	-418	26,686
- due to customers and securities issued	136,841	1,162	-386	-4,390	133,227
Provisions	4,291	55	-13	-40	4,293
- for taxation	1,194	31	-6	-24	1,195
- for termination indemnities	969	8	-2	-	975
- for risks and charges	1,786	11	-5	-16	1,776
- for pensions and similar	342	5	-	-	347
Other liabilities	19,765	82	-38	-216	19,593
Subordinated liabilities	6,218	-	-8	-	6,210
Minority interests	429	8	-	-	437
Shareholders' equity	10,328	49	-13	-	10,364
Total liabilities	204,774	1,606	-506	-5,064	200,810

(1) On the basis of recent instructions received from Bank of Italy, capitalization certificates subscribed by the Group (642 million euro) have been reclassified from the caption in the published financial statements "dealing securities" to the caption "loans to customers".

(2) The figures refer to the conventional assumption of the line by line consolidation of the Eptaconsors group and of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì with effect from 1 January 2002.

(3) The figures refer to the conventional assumption of the non consolidation of IW Bank and Finconsumo Banca, with effect from 1 January 2002.

2002: statement of reclassified consolidated pro forma statement of income

	(€/mil)				
	SANPAOLO IMI Group	Expansion of the line by line and proportional consolidation area (1)	Reduction of the line by line and proportional consolidation area (2)	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity (d)	SANPAOLO IMI Group pro forma
	(a)	(b)	(c)	(d)	(e)=(a+b+c+d)
NET INTEREST INCOME	3,773	46	-44	-122	3,653
Net commissions and other net dealing revenues	2,809	69	-12	-71	2,795
Profits and losses from financial transactions and dividends on shares	286	15	-1	4	304
Profits from companies carried at equity and dividends from shareholdings	292	-1	2	21	314
NET INTEREST AND OTHER BANKING INCOME	7,160	129	-55	-168	7,066
Administrative costs	-4,648	-95	43	122	-4,578
- <i>personnel</i>	-2,856	-49	17	74	-2,814
- <i>other administrative costs</i>	-1,528	-44	21	43	-1,508
- <i>indirect duties and taxes</i>	-264	-2	5	5	-256
Other operating income, net	358	5	-9	-	354
Adjustments to tangible and intangible fixed assets	-510	-21	10	13	-508
OPERATING INCOME	2,360	18	-11	-33	2,334
Adjustments to goodwill and merger and consolidation differences	-212	-6	-	-	-218
Provisions and net adjustments to loans and financial fixed assets	-1,426	-11	11	14	-1,412
INCOME BEFORE EXTRAORDINARY ITEMS	722	1	-	-19	704
Net extraordinary income/expense	296	5	20	-1	320
INCOME BEFORE TAXES	1,018	6	20	-20	1,024
Income taxes for the period	-450	-10	-3	20	-443
Change in reserves for general banking risks	364	-1	-	-	363
Income attributable to minority interests	-43	-	-	-	-43
NET INCOME	889	-5	17	-	901

(1) The figures refer to the conventional assumption of the line by line consolidation of the Eptaconsors group and of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì with effect from 1 January 2002.

(2) The figures refer to the conventional assumption of the non consolidation of IW Bank and Finconsumo Banca, with effect from 1 January 2002.

31/12/2002: statement of reclassified consolidated pro forma balance sheet

	(€/mil)				
	SANPAOLO IMI Group (1)	Expansion of the line by line and proportional consolidation area (2)	Reduction of the line by line and proportional consolidation area (3)	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity (d)	SANPAOLO IMI Group pro forma (e)=(a+b+c+d)
	(a)	(b)	(c)	(d)	(e)
ASSETS					
Cash and deposits with central banks and post offices	1,406	102	-	-9	1,499
Loans	149,349	1,227	-459	-4,196	145,921
- due from banks	22,000	168	100	-524	21,744
- loans to customers	127,349	1,059	-559	-3,672	124,177
Dealing securities	19,046	171	-	-202	19,015
Fixed assets	9,596	-	19	-512	9,103
- investment securities	2,897	25	-2	-529	2,391
- equity investments	4,064	-82	33	157	4,172
- intangible fixed assets	406	31	-4	-35	398
- tangible fixed assets	2,229	26	-8	-105	2,142
Differences arising on consolidation and on application of the equity method	1,030	50	-	-	1,080
Other assets	23,346	48	-90	-277	23,027
Total assets	203,773	1,598	-530	-5,196	199,645
LIABILITIES					
Payables	161,505	1,474	-466	-5,144	157,369
- due to banks	24,456	231	-58	-496	24,133
- due to customers and securities issued	137,049	1,243	-408	-4,648	133,236
Provisions	3,813	43	-12	45	3,889
- for taxation	670	18	-7	61	742
- for termination indemnities	961	8	-2	-	967
- for risks and charges	1,839	12	-3	-16	1,832
- for pensions and similar	343	5	-	-	348
Other liabilities	20,971	56	-44	-245	20,738
Subordinated liabilities	6,613	-	-8	-	6,605
Minority interests	334	8	-	-	342
Shareholders' equity	10,537	17	-	148	10,702
Total liabilities	203,773	1,598	-530	-5,196	199,645

(1) On the basis of recent instructions received from Bank of Italy, capitalization certificates subscribed by the Group (648 million euro) have been reclassified from the caption in the published financial statements "dealing securities" to the caption "loans to customers".

(2) The figures refer to the conventional assumption of the line by line consolidation of the Eptaconsors group and of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì with effect from 1 January 2002.

(3) The figures refer to the conventional assumption of the non consolidation of IW Bank and Finconsumo Banca, with effect from 1 January 2002.

First quarter of 2003: statement of reclassified consolidated pro forma statement of income

	(€/mil)				
	SANPAOLO IMI Group	Expansion of the line by line and proportional consolidation area (1)	Reduction of the line by line and proportional consolidation area (2)	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity (d)	SANPAOLO IMI Group pro forma
	(a)	(b)	(c)	(d)	(e)=(a+b+c+d)
NET INTEREST INCOME	955	12	-12	-31	924
Net commissions and other net dealing revenues	692	4	2	-16	682
Profits and losses from financial transactions and dividends on shares	83	1	-	1	85
Profits from companies carried at equity and dividends from shareholdings	48	-1	2	7	56
NET INTEREST AND OTHER BANKING INCOME	1,778	16	-8	-39	1,747
Administrative costs	-1,142	-10	5	31	-1,116
- <i>personnel</i>	-713	-6	2	20	-697
- <i>other administrative costs</i>	-361	-4	2	10	-353
- <i>indirect duties and taxes</i>	-68	-	1	1	-66
Other operating income, net	84	-	-3	-	81
Adjustments to tangible and intangible fixed assets	-111	-	1	3	-107
OPERATING INCOME	609	6	-5	-5	605
Adjustments to goodwill and merger and consolidation differences	-33	-1	-	-	-34
Provisions and net adjustments to loans and financial fixed assets	-135	-2	3	-	-134
INCOME BEFORE EXTRAORDINARY ITEMS	441	3	-2	-5	437
Net extraordinary income/expense	42	-	-	-	42
INCOME BEFORE TAXES	483	3	-2	-5	479
Income taxes for the period	-194	-2	2	5	-189
Change in reserves for general banking risks	-	-	-	-	-
Income attributable to minority interests	-9	-	-	-	-9
NET INCOME	280	1	-	-	281

(1) The figures refer to the line by line consolidation of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì not recorded to the quarterly report of the SANPAOLO IMI Group as of 31/3/2003.

(2) The figures refer to the non-consolidation of Finconsumo Banca not recorded in the quarterly report of the SANPAOLO IMI Group as of 31/3/2003.

31/3/2003: statement of reclassified consolidated pro forma balance sheet

	(€/mil)				
	SANPAOLO IMI Group	Expansion of the line by line and proportional consolidation area (1)	Reduction of the line by line and proportional consolidation area (2)	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity (d)	SANPAOLO IMI Group pro forma
	(a)	(b)	(c)	(d)	(e)=(a+b+c+d)
ASSETS					
Cash and deposits with central banks and post offices	891	83	-1	-6	967
Loans	152,571	1,082	-589	-4,797	148,267
- due from banks	23,638	72	32	-1,001	22,741
- loans to customers	128,933	1,010	-621	-3,796	125,526
Dealing securities	20,620	95	-	-226	20,489
Fixed assets	10,079	12	30	-255	9,866
- investment securities	3,455	22	-2	-525	2,950
- equity investments	4,059	-49	34	409	4,453
- intangible fixed assets	381	24	-1	-34	370
- tangible fixed assets	2,184	15	-1	-105	2,093
Differences arising on consolidation and on application of the equity method	999	56	-	-	1,055
Other assets	22,363	47	-51	-228	22,131
Total assets	207,523	1,375	-611	-5,512	202,775
LIABILITIES					
Payables	166,646	1,312	-569	-5,235	162,154
- due to banks	28,215	175	-273	-221	27,896
- due to customers and securities issued	138,431	1,137	-296	-5,014	134,258
Provisions	3,946	23	-11	-50	3,908
- for taxation	875	7	-9	-35	838
- for termination indemnities	969	4	-2	-	971
- for risks and charges	1,759	7	-	-15	1,751
- for pensions and similar	343	5	-	-	348
Other liabilities	19,196	64	-23	-227	19,010
Subordinated liabilities	6,541	-	-8	-	6,533
Minority interests	379	-25	-	-	354
Shareholders' equity	10,815	1	-	-	10,816
Total liabilities	207,523	1,375	-611	-5,512	202,775

(1) The figures refer to the line by line consolidation of Inter-Europa Bank and the proportional consolidation of Cassa dei Risparmi di Forlì not recorded to the quarterly report of the SANPAOLO IMI Group as of 31/3/2003.

(2) The figures refer to the non-consolidation of Finconsumo Banca not recorded in the quarterly report of the SANPAOLO IMI Group as of 31/3/2003.

First half 2003: statement of reclassified consolidated pro forma statement of income

	(€/mil)		
	SANPAOLO IMI Group	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity	SANPAOLO IMI Group pro forma
	(a)	(b)	(c)=(a+b)
NET INTEREST INCOME	1,919	-63	1,856
Net commissions and other net dealing revenues	1,428	-33	1,395
Profits and losses from financial transactions and dividends on shares	267	-4	263
Profits from companies carried at equity and dividends from shareholdings	139	16	155
NET INTEREST AND OTHER BANKING INCOME	3,753	-84	3,669
Administrative costs	-2,329	61	-2,268
- <i>personnel</i>	-1,449	39	-1,410
- <i>other administrative costs</i>	-745	20	-725
- <i>indirect duties and taxes</i>	-135	2	-133
Other operating income, net	162	-	162
Adjustments to tangible and intangible fixed assets	-230	7	-223
OPERATING INCOME	1,356	-16	1,340
Adjustments to goodwill and merger and consolidation differences	-80	-	-80
Provisions and net adjustments to loans and financial fixed assets	-320	6	-314
INCOME BEFORE EXTRAORDINARY ITEMS	956	-10	946
Net extraordinary income/expense	-172	-1	-173
INCOME BEFORE TAXES	784	-11	773
Income taxes for the period	-322	11	-311
Change in reserves for general banking risks	-	-	-
Income attributable to minority interests	-21	-	-21
NET INCOME	441	-	441

30/6/2003: statement of reclassified consolidated pro forma balance sheet

	SANPAOLO IMI Group	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity	(€/mil) SANPAOLO IMI Group pro forma
	(a)	(b)	(c)=(a+b)
ASSETS			
Cash and deposits with central banks and post offices	980	-6	974
Loans	151,344	-4,963	146,381
- <i>due from banks</i>	21,129	-1,079	20,050
- <i>loans to customers</i>	130,215	-3,884	126,331
Dealing securities	24,805	-225	24,580
Fixed assets	9,804	-218	9,586
- <i>investment securities</i>	3,369	-474	2,895
- <i>equity investments</i>	3,860	393	4,253
- <i>intangible fixed assets</i>	372	-33	339
- <i>tangible fixed assets</i>	2,203	-104	2,099
Differences arising on consolidation and on application of the equity method	1,027	-	1,027
Other assets	26,645	-185	26,460
Total assets	214,605	-5,597	209,008
LIABILITIES			
Payables	165,842	-5,324	160,518
- <i>due to banks</i>	28,597	-510	28,087
- <i>due to customers and securities issued</i>	137,245	-4,814	132,431
Provisions	3,718	-38	3,680
- <i>for taxation</i>	460	-24	436
- <i>for termination indemnities</i>	971	-	971
- <i>for risks and charges</i>	1,939	-14	1,925
- <i>for pensions and similar</i>	348	-	348
Other liabilities	27,546	-235	27,311
Subordinated liabilities	6,784	-	6,784
Minority interests	292	-	292
Shareholders' equity	10,423	-	10,423
Total liabilities	214,605	-5,597	209,008

First nine months of 2003: statement of reclassified consolidated pro forma statement of income

	(€/mil)		
	SANPAOLO IMI Group	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity (b)	SANPAOLO IMI Group pro forma (c)=(a+b)
	(a)		
NET INTEREST INCOME	2,889	-94	2,795
Net commissions and other net dealing revenues	2,234	-53	2,181
Profits and losses from financial transactions and dividends on shares	344	-5	339
Profits from companies carried at equity and dividends from shareholdings	196	26	222
NET INTEREST AND OTHER BANKING INCOME	5,663	-126	5,537
Administrative costs	-3,489	93	-3,396
- <i>personnel</i>	-2,165	59	-2,106
- <i>other administrative costs</i>	-1,121	31	-1,090
- <i>indirect duties and taxes</i>	-203	3	-200
Other operating income, net	244	-	244
Adjustments to tangible and intangible fixed assets	-347	11	-336
OPERATING INCOME	2,071	-22	2,049
Adjustments to goodwill and merger and consolidation differences	-115	-	-115
Provisions and net adjustments to loans and financial fixed assets	-390	5	-385
INCOME BEFORE EXTRAORDINARY ITEMS	1,566	-17	1,549
Net extraordinary income/expense	-211	-	-211
INCOME BEFORE TAXES	1,355	-17	1,338
Income taxes for the period	-541	17	-524
Change in reserves for general banking risks	6	-	6
Income attributable to minority interests	-34	-	-34
NET INCOME	786	-	786

30/9/2003: statement of reclassified consolidated pro forma balance sheet

	SANPAOLO IMI Group	Exit of Banque Sanpaolo from line by line consolidation and 100% evaluation at equity	(€/mil) SANPAOLO IMI Group pro forma
	(a)	(b)	(c)=(a+b)
ASSETS			
Cash and deposits with central banks and post offices	968	-5	963
Loans	144,654	-4,975	139,679
- <i>due from banks</i>	18,794	-1,187	17,607
- <i>loans to customers</i>	125,860	-3,788	122,072
Dealing securities	23,841	-199	23,642
Fixed assets	9,869	-179	9,690
- <i>investment securities</i>	3,310	-446	2,864
- <i>equity investments</i>	4,021	403	4,424
- <i>intangible fixed assets</i>	366	-32	334
- <i>tangible fixed assets</i>	2,172	-104	2,068
Differences arising on consolidation and on application of the equity method	992	-	992
Other assets	23,127	-234	22,893
Total assets	203,451	-5,592	197,859
LIABILITIES			
Payables	161,072	-5,336	155,736
- <i>due to banks</i>	27,105	-467	26,638
- <i>due to customers and securities issued</i>	133,967	-4,869	129,098
Provisions	4,070	-44	4,026
- <i>for taxation</i>	755	-30	725
- <i>for termination indemnities</i>	985	-	985
- <i>for risks and charges</i>	2,021	-14	2,007
- <i>for pensions and similar</i>	309	-	309
Other liabilities	20,767	-212	20,555
Subordinated liabilities	6,484	-	6,484
Minority interests	298	-	298
Shareholders' equity	10,760	-	10,760
Total liabilities	203,451	-5,592	197,859

