

# Parent Bank financial statements and reports

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**PARENT BANK RECLASSIFIED FINANCIAL STATEMENTS**

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**PARENT BANK REPORT ON OPERATIONS**

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**PROPOSAL FOR THE APPROVAL OF THE FINANCIAL STATEMENTS  
AND ALLOCATION OF NET INCOME FOR THE YEAR**

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**REPORT OF THE BOARD OF STATUTORY AUDITORS**

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**INDEPENDENT AUDITORS' REPORT**

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**PARENT BANK FINANCIAL STATEMENTS**

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**ATTACHMENTS**

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# Parent Bank reclassified financial statements

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PARENT BANK RECLASSIFIED STATEMENT OF INCOME

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PARENT BANK RECLASSIFIED BALANCE SHEET

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## Parent Bank reclassified statement of income

	2003 (€/mil)	2002 pro forma (1) (€/mil)	Change 2003 / 2002 pro forma (%)	2002 (€/mil)
<b>NET INTEREST INCOME</b>	<b>1,849</b>	<b>1,829</b>	<b>+1.1</b>	<b>2,103</b>
Net commissions and other net dealing revenues	1,467	1,322	+11.0	1,512
Profits and losses from financial transactions and dividends on shares	89	55	+61.8	62
Dividends from shareholdings	832	628	+32.5	700
<b>NET INTEREST AND OTHER BANKING INCOME</b>	<b>4,237</b>	<b>3,834</b>	<b>+10.5</b>	<b>4,377</b>
Administrative costs	-2,723	-2,713	+0.4	-2,866
- <i>personnel</i>	-1,665	-1,655	+0.6	-1,823
- <i>other administrative costs</i>	-918	-914	+0.4	-885
- <i>indirect duties and taxes</i>	-140	-144	-2.8	-158
Other operating income, net	375	390	-3.8	252
Adjustments to tangible and intangible fixed assets	-339	-352	-3.7	-330
<b>OPERATING INCOME</b>	<b>1,550</b>	<b>1,159</b>	<b>+33.7</b>	<b>1,433</b>
Adjustments to goodwill and merger differences	-115	-148	-22.3	-185
Provisions and net adjustments to loans and financial fixed assets	-579	-710	-18.5	-748
- <i>provisions for risks and charges</i>	-117	-143	-18.2	-151
- <i>net adjustments to loans and provisions for guarantees and commitments</i>	-401	-229	+75.1	-260
- <i>net adjustments to financial fixed assets</i>	-61	-338	-82.0	-337
<b>INCOME BEFORE EXTRAORDINARY ITEMS</b>	<b>856</b>	<b>301</b>	<b>+184.4</b>	<b>500</b>
Net extraordinary income/expense	233	425	-45.2	316
<b>INCOME BEFORE TAXES</b>	<b>1,089</b>	<b>726</b>	<b>+50.0</b>	<b>816</b>
Income taxes for the period	-265	-203	+30.5	-410
Change in reserve for general banking risks	-	-	n.s.	358
<b>NET INCOME</b>	<b>824</b>	<b>523</b>	<b>+57.6</b>	<b>764</b>

(1) The criteria for the preparation of the pro forma reclassified accounts are detailed in the Explanatory Notes.

The pro forma statement of income for 2002 is unaudited.



## Parent Bank reclassified balance sheet

	31/12/2003 (€/mil)	31/12/2002 pro forma (1) (€/mil)	Change 31/12/03-31/12/02 pro forma (%)	31/12/2002 (€/mil)
<b>ASSETS</b>				
Cash and deposits with central banks and post offices	741	835	-11.3	986
Loans	91,368	86,155	+6.1	97,110
- due from banks	27,385	20,512	+33.5	20,951
- loans to customers	63,983	65,643	-2.5	76,159
Dealing securities	8,816	11,950	-26.2	12,658
Fixed assets	14,820	13,690	+8.3	13,381
- investment securities	2,458	2,033	+20.9	2,039
- equity investments	10,291	9,344	+10.1	8,313
- intangible fixed assets	797	829	-3.9	1,613
- tangible fixed assets	1,274	1,484	-14.2	1,416
Other assets	9,235	8,921	+3.5	10,872
<b>Total assets</b>	<b>124,980</b>	<b>121,551</b>	<b>+2.8</b>	<b>135,007</b>
<b>LIABILITIES</b>				
Payables	97,470	94,750	+2.9	106,233
- due to banks	37,800	37,143	+1.8	31,020
- due to customers and securities issued	59,670	57,607	+3.6	75,213
Provisions	2,490	2,512	-0.9	3,115
- for taxation	660	790	-16.5	1,038
- for termination indemnities	529	512	+3.3	687
- for risks and charges	1,301	1,169	+11.3	1,349
- for pensions and similar	-	41	n.s.	41
Other liabilities	8,787	7,934	+10.8	9,613
Subordinated liabilities	5,887	6,090	-3.3	6,090
Shareholders' equity	10,346	10,265	+0.8	9,956
- capital	5,144	5,144	-	5,144
- reserves	4,378	4,164	+5.1	4,048
- net income	824	523	+57.6	764
- adjustment for alignment with net income	-	434	n.s.	-
<b>Total liabilities</b>	<b>124,980</b>	<b>121,551</b>	<b>+2.8</b>	<b>135,007</b>
<b>GUARANTEES AND COMMITMENTS</b>				
Guarantees given	29,298	29,383	-0.3	30,142
Commitments	14,057	13,359	+5.2	14,181

(1) The criteria for the preparation of the pro forma reclassified accounts are detailed in the Explanatory Notes.

The pro forma balance sheet for 2002 is unaudited.





# Parent Bank Report on Operations

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PARENT BANK RESULTS

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OPERATING VOLUMES AND ORGANIZATION

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CAPITAL AND RESERVES

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SUPPLEMENTARY INFORMATION

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DEVELOPMENTS AFTER THE END OF THE YEAR

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## Parent Bank results

In 2003, the Bank's income results registered a growth compared with the previous year, from March in a context of recovering financial markets and from the end of the first half thanks to a gradual improvement in the economic situation.

The positive trend of revenues and the substantial stability of costs generated an operating income of 1,550 million euro, up 33.7% compared with 2002 pro forma.

Net income reached 824 million euro, up 57.6% owing to fewer provisions and adjustments which more than offset the reduction in net extraordinary income.

To allow a consistent comparison of the 2003 results, a pro forma balance sheet for 2002 was prepared, taking account of:

- the merger by incorporation of Cardine Finanziaria, legally effective as of 31 December 2003 and effective for accounting and tax purposes as of 1 January 2003;
- the spin off of the branches operating in Southern regions of mainland Italy, to Sanpaolo Banco di Napoli, in two tranches: the first, effective as of 1 July 2003, regarded more than 600 operating points of the former Banco di Napoli; the second, effective as of 29 September 2003, involved about 130 SANPAOLO IMI operating points;
- the transfer of the company branch of the public works of the former Banco di Napoli to Banca OPI, with effect from 1 January 2003;
- the transfer of the tax collection sector of the former Banco di Napoli to Esaban (now GEST Line), with effect from 1 October 2002.

The criteria observed for the preparation of the pro forma statement are illustrated in the Explanatory Notes.

### Net interest income

The net interest income for 2003 was 1,849 million euro, up 1.1% compared with 2002 thanks to the stable spread, despite the continuing weakness of the market rates, and to the recomposition of the assets of deposits in favor of less costly sight deposits.

During the year the spread related to short-term transactions with customers increased, benefiting from the increase in the mark up, favored by the stability of the rates negotiated and the maximum overdraft commission application mechanism, which more than offset the decline in the mark down.

### Net interest and other banking income

Net interest and other banking income came to 4,237 million euro, with a growth of 10.5% compared with 2002.

Net commissions amounted to 1,467 million euro, registering an increase of 11% on an annual basis. The positive evolution of the aggregate favored by the gradual recovery of the financial markets, can be seen in all sectors. Compared to the previous year collection and payment (+32.7%), deposits and current accounts (+19.4%) and loans and guarantees (+18.6%) sectors show remarkably higher growth rates. Asset management, dealing and advisory, up 9.2%, has benefited from the positive trend of commissions related to asset management (+10.8%), mainly attributable to the insurance sector.

Profits from financial transactions and dividends on shares presented a considerable increase, climbing from 55 million euro in 2002 to 89 million in 2003 (+61.8%). This result was influenced positively by income from dealing activities in derivatives (about 40 million euro), and the

#### Net interest income

	2003 (€/mil)	2002 pro forma (€/mil)	Change 2003 / 2002 pro forma (%)	2002 (€/mil)
Interest income and similar revenues	4,159	4,922	-15.5	5,364
Interest expense and similar charges	-2,310	-3,093	-25.3	-3,261
<b>Net interest income</b>	<b>1,849</b>	<b>1,829</b>	<b>+1.1</b>	<b>2,103</b>

favorable trend of dealings in own shares. On the contrary the Parmalat shares in portfolio suffered writedowns of 9 million euro.

Dividends from shareholdings were 832 million euro, growing 32.5% compared with 2002. This movement is the result of the net influence of the increase of dividends from subsidiaries and the drop in those from other companies.

## Operating income

Operating income amounted to 1,550 million euro, registering a 33.7% increase compared with 2002.

The structural cost containment actions taken as of 2001 allowed the Bank to strictly control the trend of administrative costs, which reached 2,723 million euro, growing slightly (+0.4%) compared with 2002.

### Net interest and other banking income

	2003 (€/mil)	2002 pro forma (€/mil)	Change 2003 / 2002 pro forma (%)	2002 (€/mil)
Net interest income	1,849	1,829	+1.1	2,103
Net commissions and other net dealing revenues	1,467	1,322	+11.0	1,512
- management, dealing and advisory services	774	709	+9.2	779
- <i>asset management</i>	688	621	+10.8	679
- <i>brokerage and custody of securities and currencies</i>	86	88	-2.3	100
- loans and guarantees	217	183	+18.6	199
- collection and payment services	146	110	+32.7	165
- deposits and current accounts	302	253	+19.4	301
- other services and net dealing revenues	28	67	-58.2	68
Profits and losses from financial transactions and dividends on shares	89	55	+61.8	62
Dividends from shareholdings	832	628	+32.5	700
<b>Net interest and other banking income</b>	<b>4,237</b>	<b>3,834</b>	<b>+10.5</b>	<b>4,377</b>

### Operating income

	2003 (€/mil)	2002 pro forma (€/mil)	Change 2003 / 2002 pro forma (%)	2002 (€/mil)
Net interest and other banking income	4,237	3,834	+10.5	4,377
Operating costs	-2,687	-2,675	+0.4	-2,944
- administrative costs	-2,723	-2,713	+0.4	-2,866
- <i>personnel</i>	-1,665	-1,655	+0.6	-1,823
- <i>other administrative costs</i>	-918	-914	+0.4	-885
- <i>indirect duties and taxes</i>	-140	-144	-2.8	-158
- other operating income, net	375	390	-3.8	252
- adjustments to tangible fixed assets	-177	-194	-8.8	-189
- adjustments to intangible fixed assets	-162	-158	+2.5	-141
<b>Operating income</b>	<b>1,550</b>	<b>1,159</b>	<b>+33.7</b>	<b>1,433</b>

Personnel costs, equal to 1,665 million euro, showed a moderate increase of 0.6%. This trend is the result of the opposing movements of the increases induced by the current national collective labor contract and actions to optimize staff, reduced on average terms by 3.5% compared with 2002. The first benefits expected from the staff leaving incentives, also using the “Fund for staff in the banking industry”, were registered in 2003, but will become more intensely effective from 2004.

Other administrative costs increased 0.4%, mainly as a result of IT costs, indirect personnel costs and promotional initiatives for product development.

Amortization of tangible and intangible fixed assets came to 339 million euro, down 3.7% on the previous year. The decrease is in line with the trend of investments which, while high, were lower than in 2002.

### Income before extraordinary items

Income before extraordinary items reached 856 million euro, almost three times the 301 million realized in 2002.

Adjustments to goodwill and merger differences, 115 million euro, were down by 22.3% compared with 2002,

#### Other administrative costs

	2003 (€/mil)	2002 pro forma (€/mil)	Change 2003 / 2002 pro forma (%)	2002 (€/mil)
IT costs	275	259	+6.2	239
Property costs	185	183	+1.1	190
General expenses	172	184	-6.5	168
Professional and insurance fees	119	139	-14.4	133
Utilities	50	56	-10.7	54
Promotion, advertising and marketing expenses	52	41	+26.8	44
Indirect personnel costs	65	52	+25.0	57
<b>Other administrative costs</b>	<b>918</b>	<b>914</b>	<b>+0.4</b>	<b>885</b>

#### Income before extraordinary items

	2003 (€/mil)	2002 pro forma (€/mil)	Change 2003 / 2002 pro forma (%)	2002 (€/mil)
Operating income	1,550	1,159	+33.7	1,433
Adjustments to goodwill and merger differences	-115	-148	-22.3	-185
Provisions and net adjustments to loans and financial fixed assets	-579	-710	-18.5	-748
- provisions for risks and charges	-117	-143	-18.2	-151
- adjustments to loans and provisions for guarantees and commitments	-401	-229	+75.1	-260
- net writedowns	-516	-283	+82.3	-325
- net provisions for guarantees and commitments	3	-57	n.s.	-59
- recoveries	112	111	+0.9	124
- net adjustments to financial fixed assets	-61	-338	-82.0	-337
- net writedowns of equity investments	-56	-288	-80.6	-287
- net writedowns of investment securities	-5	-50	-90.0	-50
<b>Income before extraordinary items</b>	<b>856</b>	<b>301</b>	<b>+184.4</b>	<b>500</b>

mainly owing to the completion of the ten-year amortization of goodwill related to the merger of the former Banca Provinciale Lombarda and the former Banco Lariano.

Provisions and net adjustments to loans and financial fixed assets amounted to a total of 579 million euro, registering a reduction of 18.5%, resulting mainly from writebacks to the investment portfolio. The net flow for the year includes, in particular:

- 117 million euro provisions for risks and charges, which include forecasts of major outlay for legal action and possible charges in connection with guarantees given in the context of company transactions and dealing activities in securities with customers;
- 401 million euro of provisions and adjustments to loans, destined both to adjusting the estimated realizable value of specific accounts included in doubtful loans (among which 245 million euro representing 90% of the exposure to the Parmalat group and 8 million aimed to the full writedown of loans to the Cirio group), and to the coverage of the physiological risk of the performing loans portfolio;
- 61 million euro of adjustments to financial fixed assets, of which 56 million in relation to the investment portfolio and 5 million for investment securities. The main

writedowns concerned Banca Popolare dell'Adriatico (60 million euro) and IMI Investimenti (66 million); on the contrary, the stake held directly in Santander Central Hispano was revaluated for 83 million euro, aligning the book value to the average market price for the second half of the year (8.075 euro per share).

## Net income

Net income, 824 million euro, includes 233 million euro of net extraordinary income, compared with 425 million in 2002. Charges connected with staff leaving registered an increase, from about 15 million in 2002 to 376 million, against capital gains deriving from the sale of shares in Banque Sanpaolo (268 million euro) and in Finconsumo Banca (52 million), the extraordinary distribution of reserves (113 million) and the real estate spin off (51 million).

The Bank's tax rate was 24.3%, below the 28% of the previous year thanks to the drop in IRPEG (Corporate Income Tax) and IRAP (Regional Income Tax), and the effect of dividends from subsidiaries booked by pertinence, which, on the basis of the regulations of the tax reform, will only be taxed in relation to 5% of their value.

## Net income

	2003 (€/mil)	2002 pro forma (€/mil)	Change 2003 / 2002 pro forma (%)	2002 (€/mil)
Income before extraordinary items	856	301	+184.4	500
Net extraordinary items	233	425	-45.2	316
- net gains on disposal and transfer of equity investments	331	121	+173.6	121
- other net extraordinary items	-98	304	n.s.	195
<b>Income before taxes</b>	<b>1,089</b>	<b>726</b>	<b>+50.0</b>	<b>816</b>
Change in reserves for general banking risks	-	-	-	358
Income taxes for the period	-265	-203	+30.5	-410
<b>Net income</b>	<b>824</b>	<b>523</b>	<b>+57.6</b>	<b>764</b>

## Operating volumes and organization

To enable consistent comparison with 2003, the figures as of 31 December 2002 have been presented pro forma to reproduce the changes in the setting which characterized the year ended: the transfer of the public works company branch of the former Banco di Napoli to Banca OPI, the spin off of the branches operating in the Southern regions of mainland Italy to Sanpaolo Banco di Napoli during the year and the merger by incorporation of Cardine Finanziaria.

### Customer financial assets

At the end of 2003, customer financial assets amounted to 185.1 billion euro, up 8% from the end of December 2002. This movement can be attributed to the growth of all its components.

In greater detail, direct customer deposits amounted at the end of December 2003 to 59.7 billion euro, up 3.6% compared with the end of the previous year.

Within this context, the flow of the Italian branches reached 50.1 billion euro, up 0.7 billion compared with the

#### Customer financial assets

	31/12/2003		31/12/2002 pro forma		Change 31/12/03-31/12/02 pro forma (%)	31/12/2002	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Asset management	61,675	33.3	57,155	33.3	+7.9	71,087	34.2
Asset administration	63,745	34.5	56,654	33.1	+12.5	61,352	29.6
Direct deposits	59,670	32.2	57,607	33.6	+3.6	75,213	36.2
<b>Customer financial assets</b>	<b>185,090</b>	<b>100.0</b>	<b>171,416</b>	<b>100.0</b>	<b>+8.0</b>	<b>207,652</b>	<b>100.0</b>

#### Direct customer deposits

	31/12/2003 (€/mil)	31/12/2002 pro forma (€/mil)	Change 31/12/03-31/12/02 pro forma (%)	31/12/2002 (€/mil)
Italian branches' deposits	50,136	49,448	+1.4	67,054
- current accounts and deposits	29,715	28,248	+5.2	41,754
- certificates of deposit	483	925	-47.8	1,981
- bonds	15,099	13,812	+9.3	16,025
- repurchase agreements and securities lending	4,114	5,562	-26.0	6,215
- other deposits	725	901	-19.5	1,079
Foreign branches' deposits	9,534	8,159	+16.9	8,159
<b>Direct customer deposits</b>	<b>59,670</b>	<b>57,607</b>	<b>+3.6</b>	<b>75,213</b>

#### Asset management

	31/12/2003		31/12/2002 pro forma		Change 31/12/03-31/12/02 pro forma (%)	31/12/2002	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Mutual funds and fund-based portfolio management	44,573	72.3	42,538	74.4	+4.8	52,923	74.4
Portfolio management	2,693	4.4	3,117	5.5	-13.6	4,764	6.7
Life technical reserves	14,409	23.3	11,500	20.1	+25.3	13,400	18.9
<b>Asset management</b>	<b>61,675</b>	<b>100.0</b>	<b>57,155</b>	<b>100.0</b>	<b>+7.9</b>	<b>71,087</b>	<b>100.0</b>

end of December 2002 (+1.4%); this trend is largely attributable to the growth of current accounts and deposits, for 1.5 billion euro, and bonds, for 1.3 billion, more than offsetting the decline in certificates of deposit and repurchase agreements.

Direct customer deposits taken by the foreign network, 9.5 billion euro, registered an increase of 16.9%, thanks to the high number of issues of foreign currency certificates by the London branch.

The Bank's assets under management reached 61.7 billion euro at the end of December, up 7.9% since the end of 2002. The increase, 4.5 billion euro, is attributable to the net flow of 3.4 billion and revaluation of stocks for 1.1 billion.

Mutual funds and fund-based portfolio management amounted to 44.6 billion euro, up 4.8% thanks to a net flow of 1.3 billion. In relation to fund types, there was a positive trend of equity funds, thanks to the recovery of the financial markets, and liquidity funds, preferred by customers in the context of a still uncertain economic situation, while balanced and bond funds declined. The share held by the Bank on the domestic market of mutual funds was 9% at the end of the year.

Positive movement in life technical reserves continued in 2003: the inflow realized by the distribution network during the year, 3.4 billion euro, took the amount of the technical reserves to 14.4 billion euro, rising by 25.3% since the end of 2002.

#### Change in assets under management

	2003 (€/mil)	2002 pro forma (€/mil)	2002 (€/mil)
Net inflow for the period	3,380	1,045	1,869
- Mutual funds and fund-based portfolio management	1,329	-2,298	-1,709
- Portfolio management	-1,336	-644	-701
- Life policies	3,387	3,987	4,279
Performance effect	1,140	-3,954	-4,126
<b>Change in assets under management</b>	<b>4,520</b>	<b>-2,909</b>	<b>-2,257</b>

#### Mutual funds by type

	31/12/2003 (%)	31/12/2002 pro forma (%)	31/12/2002 (%)
Equity	17.0	14.3	14.3
Balanced	14.4	17.7	17.7
Bond	32.5	34.5	34.5
Liquidity	36.1	33.5	33.5
<b>Total mutual funds</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

#### Loans to customers

	31/12/2003 (€/mil)	31/12/2002 pro forma (€/mil)	Change 31/12/03-31/12/02 pro forma (%)	31/12/2002 (€/mil)
Short-term loans	28,947	32,128	-9.9	35,350
Medium- and long-term loans	34,584	33,078	+4.6	38,769
<b>Loans to customers excluding NPLs and loans to SGA</b>	<b>63,531</b>	<b>65,206</b>	<b>-2.6</b>	<b>74,119</b>
Non-performing loans	452	437	+3.4	788
Loans to SGA	-	-	-	1,252
<b>Loans to customers</b>	<b>63,983</b>	<b>65,643</b>	<b>-2.5</b>	<b>76,159</b>



Asset administration rose at the end of the year to 63.7 billion euro, with an increase of 7.1 billion (+12.5%) since the end of December 2002. This favorable evolution can be attributed both to the equity sector and to the bond sector, only marginally penalized by the loss of value of certain corporate bonds, which represented a limited share of the portfolios of the Bank's customers.

### Loans to customers

Net loans to customers, excluding non-performing loans, reached 63.5 billion euro, registering a drop of 2.6% since

the end of December 2002, attributable to the decline of short-term loans (-9.9%), only partially compensated for by the increase of medium- and long-term loans (+4.6%).

In medium- and long-term loans, good progress in financings directed to the retail sector continued: mortgage disbursements to households were 2.4 billion euro during the year, higher than the previous year. These results were favoured by a positive trend in the real estate market, in association with extremely contained interest rates.

Altogether loans issued to households, representing 20% of the total, registered an increase of 2.9% on an annual

#### Loans to customers by counterparty

	31/12/2003 (€/mil)	31/12/2002 pro forma (€/mil)	Change 31/12/03-31/12/02 pro forma (%)	31/12/2002 (€/mil)
Loans to households	12,774	12,419	+2.9	14,599
Loans to family businesses and non-financial companies	37,551	38,746	-3.1	43,368
Loans to financial companies	12,933	13,471	-4.0	14,914
Loans to governments and public bodies	586	847	-30.8	3,089
Other	139	160	-13.1	189
<b>Loans to customers</b>	<b>63,983</b>	<b>65,643</b>	<b>-2.5</b>	<b>76,159</b>

#### Loans to customers by type of lending

	31/12/2003 (€/mil)	31/12/2002 pro forma (€/mil)	Change 31/12/03-31/12/02 pro forma (%)	31/12/2002 (€/mil)
Loans to households	12,774	12,419	+2.9	14,599
- Domestic network	12,764	12,412	+2.8	14,592
- overdraft	426	554	-23.1	764
- personal loans	690	545	+26.6	693
- mortgage loans	11,219	10,913	+2.8	12,539
- other	429	400	+7.3	596
- Foreign network	10	7	+42.9	7
Loans to family businesses, companies, governments, public bodies and others	51,209	53,224	-3.8	61,560
- Domestic network	45,683	46,327	-1.4	54,663
- overdraft	7,073	8,107	-12.8	9,666
- repurchase agreements	436	289	+50.9	289
- import/export financing	1,867	1,806	+3.4	1,991
- mortgage loans	17,661	16,014	+10.3	20,571
- other	18,646	20,111	-7.3	22,146
- Foreign network	5,526	6,897	-19.9	6,897
<b>Loans to customers</b>	<b>63,983</b>	<b>65,643</b>	<b>-2.5</b>	<b>76,159</b>

basis compared with the decline in loans to other types of counterparty.

### Quality of the loan portfolio

Net doubtful loans reached 1,033 million euro, compared with the 1,158 million at the end of 2002, showing a drop of 10.8%. More specifically, in loans to customers:

- net non-performing loans, 452 million euro, showed a growth of 15 million euro compared with the end of December 2002 (+3.4%). At the end of 2003 they accounted for 0.7% of the Bank's net loans with a coverage ratio of 78.5%;
- problem, restructured and in course of restructuring loans reached 531 million euro, down by 101 million compared with the end of 2002; the coverage ratio was 30.8%;
- non-guaranteed loans to customers in countries subject

to country risk rose from 34 million euro at the end of 2002 to 20 million as of 31 December 2003.

The general reserve, 477 million euro, offers adequate coverage of the risk of deterioration in creditworthiness inherent in the Bank's performing loans portfolio, with particular reference to larger exposures to certain specific industrial sectors, including the automotive sector.

### Activities on financial markets

In line with the Group Finance organizational model, redefined in 2002 with the establishment of the integrated treasury, during 2003 the Parent Bank continued the centralization activity related to market operations with domestic banking networks and, generally, with the Group companies. Keeping direct access to said companies was considered to be not ideal.

### Analysis of loan portfolio

	31/12/2003		31/12/2002 pro forma		Change 31/12/03-31/12/02 pro forma (%)	31/12/2002	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Non-performing loans	452	0.7	437	0.7	+3.4	788	1.0
Problem, restructured and in course of restructuring loans	531	0.8	632	1.0	-16.0	854	1.1
Loans to countries at risk	20	0.1	34	0.0	-41.2	34	0.1
<b>Doubtful loans - customers</b>	<b>1,003</b>	<b>1.6</b>	<b>1,103</b>	<b>1.7</b>	<b>-9.1</b>	<b>1,676</b>	<b>2.2</b>
Performing loans	62,980	98.4	64,540	98.3	-2.4	74,483	97.8
<b>Total loans to customers</b>	<b>63,983</b>	<b>100.0</b>	<b>65,643</b>	<b>100.0</b>	<b>-2.5</b>	<b>76,159</b>	<b>100.0</b>
Non-performing and problem loans - banks	-		1		n.s.	1	
Loans to countries at risk - banks	30		54		-44.4	54	
<b>Total doubtful loans - customers and banks</b>	<b>1,033</b>		<b>1,158</b>		<b>-10.8</b>	<b>1,731</b>	

### Securities, interbank position and derivatives

	31/12/2003 (€/mil)	31/12/2002 pro forma (€/mil)	Change 31/12/03-31/12/02 pro forma (%)	31/12/2002 (€/mil)
Investment securities	2,458	2,033	+20.9	2,039
Dealing securities	8,816	11,950	-26.2	12,658
<b>Total securities</b>	<b>11,274</b>	<b>13,983</b>	<b>-19.4</b>	<b>14,697</b>
Loans to banks	27,385	20,512	+33.5	20,951
Funding from international banking organizations	1,804	2,474	-27.1	2,484
Funding from other banks	35,996	34,669	+3.8	28,536
Derivatives and forward transactions in foreign currencies (at nominal value)	185,743	125,627	+47.9	125,627

At the end of the year the Bank's securities portfolio came to 11.3 billion euro, with an annual reduction of 19.4%. This reduction is attributable to the adjustment of the portfolios acquired during the merger of Cardine Banca and Banco di Napoli to the management of the Parent Group's securities portfolio, in respect of the risk/return profile, according to the different holding purposes, authorized by the guidelines approved during 2002 by the Bank's Board of Directors. Investment securities, 2.5 billion euro, represented 21.8% of the total, up 14.5% on the end of 2002.

In the context of the dealing portfolio, the share of Government bonds accounted for 22%, while bonds from financial and banking issuers (including Group securities) represented 78%. Approximately 90% of the investment component was represented by Government and international organizations bonds, with the remaining 10% made up of corporate issues. The volume of the securities negotiated in 2003 was 31 billion euro, while transactions in repurchase agreements, entered into for retail and corporate customers and to support activity on the monetary markets, amounted to 429 billion euro, 298 billion of which were handled by the MTS/PCT platform.

### Equity investments

The investment portfolio reached 10.3 billion euro, up 0.9 billion euro compared with the pro forma value at the end of December 2002, comprising 1,079 million euro increases for purchases and subscriptions, 581 million euro decreases for disposals, 56 million euro net adjustments and 505 million euro other net decreases.

The most significant acquisition transactions, already described in detail in the Report on Group Operations, regarded:

- the take over of the 7% share of the capital of Banca delle Marche with an outlay of 92 million euro;
- the increase of the share held in Cassa dei Risparmi di

Forlì, from 21.02% to 29.77%;

- the increase of the share held in Banca Popolare dell'Adriatico, achieving complete control of the bank, through a voluntary Public Offer for the total shares in circulation and the subsequent exercise of the right to purchase shares not contributed in the Public Offer. At the time of the Offer, a 26.38% share was acquired with a total outlay of 74 million euro, together with a subsequent squeeze out of 5.4 million euro on 1.86% of the bank's capital;
- the acquisition from Reale Mutua Assicurazioni of 5% of Noricum Vita at the price of 3.6 million euro;
- the increase of the share held in Borsa Italiana, from 4.14% to 5.37%, by taking over a share from several minority shareholders at the price of 12 million euro;
- the pro quota subscription of the CDC Ixis capital increase for 5.1 million euro.

The major disposal transactions include:

- the sale to Caisse Nationale des Caisses d'Epargne (CNCE) of a first share, equal to 60% of the capital, of Banque Sanpaolo at the price of 500 million euro, as the difference between the arranged price of 510 million euro and the estimated 2003 dividend part-share pertinent to SANPAOLO IMI, realizing, in this first phase, a capital gain of 268 million euro;
- the sale to Santander Central Hispano of a first tranche, equal to 20% of the capital, of Finconsumo Banca at the price of 60 million euro, realizing a capital gain of 52 million euro;
- the sale on the market of part of the investments in Beni Stabili and Banca Popolare di Lodi for a total price of 7.5 million euro;
- the sale to Generali Assicurazioni of the 24.5% held in the capital of Adriavita; the sale, for a price of 4.7 million euro, realized a capital gain of 2.3 million euro.

For details of the other transactions within the context of the rationalization of the portfolio, see Section 3 of the Explanatory Notes.

### Equity investments

	31/12/2003 (€/mil)	31/12/2002 pro forma (€/mil)	Change 31/12/03-31/12/02 pro forma (%)	31/12/2002 (€/mil)
<b>Equity investments</b>	<b>10,291</b>	<b>9,344</b>	<b>+10.1</b>	<b>8,313</b>
- in Group companies	8,277	7,674	+7.9	6,693
- other	2,014	1,670	+20.6	1,620

## The distribution network

Following the restructuring process, involving the rationalization of the territorial organization of the whole Sanpaolo Network and the start-up, within this context, of Sanpaolo Banco di Napoli, the Bank's distribution structure, at the end of December, included a network of 1,438 banking branches in Italy as well as 12 offices and 18 representative offices abroad.

A policy for the reorganization of distribution aimed at obtaining a more widespread presence throughout the country also led to the opening of 16 new branches. The strengthening of the branch network has also been realized via the consolidation of the project for the specialization of branches based on the customers served and the services offered.

The Bank also confirmed its commitment towards innovative channels; at the end of the year, with regard to the private and retail segments, direct banking contracts managed by branches rose to about 400,000, while Internet banking contracts with companies and small businesses reached about 25,000 units. The retail customer service is also carried out through the network of automatic Bancomat tellers (1,943 ATMs at the end of the year) and through the POS terminals (28,736).

## Personnel

At the end of the year the Parent Bank employed 22,086 resources, down 1,221 units (-5.2%) compared with 31 December 2002, reclassified consistently.

This reduction can be attributed to rationalization and efficiency initiatives provided for within the context of the 2003-2005 Plan, with regard to which staff leaving incentives were adopted, also using the "Income, employment and re-training fund for staff in the banking industry".

The Group Agreement for activating the Fund, signed with the trade unions on 10 June 2003, was implemented by the Parent Bank on 14 June 2003.

The activation of the Fund enabled the Group to absorb redundancies directly, through the resignation of personnel in the structures in question, and indirectly, actuating intense professional conversion processes. These redundancies will also enable the creation of space in the distribution network for the entry of new staff, thus making an important investment for future growth and development, and speed up the acquisition of benefits from the most recent CCNL and CIA employment contracts.

### Distribution network

	31/12/2003	31/12/2002 pro forma	Change 31/12/03-31/12/02 pro forma (%)	31/12/2002
<b>Banking branches and area offices</b>	<b>1,450</b>	<b>1,401</b>	<b>+3.5</b>	<b>2,126</b>
- Italy	1,438	1,390	+3.5	2,115
- Abroad	12	11	+9.1	11
<b>Representative offices</b>	<b>18</b>	<b>17</b>	<b>+5.9</b>	<b>17</b>

### Personnel

	31/12/2003		31/12/2002 pro forma (1)		Change 31/12/03-31/12/02 pro forma (%)	31/12/2002	
		%		%			%
<b>Period-end headcount</b>	<b>22,086</b>	<b>100.0</b>	<b>23,307</b>	<b>100.0</b>	<b>-5.2</b>	<b>28,036</b>	<b>100.0</b>
- executives	451	2.0	462	2.0	-2.4	457	1.6
- third and fourth level managers	3,064	13.9	3,443	14.8	-11.0	3,901	13.9
- other personnel	18,571	84.1	19,402	83.2	-4.3	23,678	84.5

(1) Figures reconstructed pro forma to take into account the conferral of resources operating in the branches converged to Sanpaolo Banco di Napoli, the resources from the merger by incorporation of Cardine Finanziaria and the spin off of the resources of the public works sector to Banca OPI.

After the Fund was set up, about 2,000 applications were received in the Parent Bank, out of a total of about 2,450 people.

The first resignations were arranged in September 2003 while the remainder, forecast to take place over a period extended right through 2004, will be arranged to suit operating and organizational needs, giving priority to personnel belonging to the structures in which efficiency must be increased.

The staff leaving incentives, offered to staff who matured the right to a pension during 2003, ended on 31 December 2003. A total of approximately 550 redundancies was defined.

Altogether, following the above-mentioned staff leaving incentives, more than 1,300 resignations took place in 2003: about 700 through the “Fund for staff in the banking industry”, 111 pursuant to a previous initiative launched by the former Banco di Napoli in 2002 and about 500 through voluntary retirement.

## Capital and reserves

### Net shareholders' equity

The Bank's shareholders' equity, 10,346 million euro as of 31 December 2003, showed in the year the following movements:

<i>Movements in Bank's equity</i>	<i>(€/mil)</i>
Shareholders' equity as of 1 January 2003	9,956
<b>Decreases</b>	<b>-550</b>
- Dividends	-550
<b>Increases</b>	<b>940</b>
Cardine Finanziaria merger surplus	116
- Net income for the period	824
Shareholders' equity as of 31 December 2003	10,346

For more details on transactions during the year and all the Bank's equity accounts, see Part B - Section 8 of the Explanatory Notes.

### Own shares

As of 31 December 2002 the Bank held just one own share in its portfolio, with 2.8 euro nominal value, for a book value of 7.41 euro. This share was sold in 2003.

During 2003 the Bank pursued the aim of concentrating in the Parent Bank the possession of SANPAOLO IMI shares held by the Group.

The Parent Bank's dealing in own shares was aimed at purchasing securities for the dealing portfolio at the service of stock option plan and the extended employee stock plan.

In particular, in application of that established in the decisions made by the Shareholders' meeting regarding authorization to purchase and dispose of own shares, during 2003 it purchased 6,097,849 shares (nominal value 17.1 million euro), for a total cost of 48.6 million euro. The shares were destined as follows:

- 2,344,522 shares (6.6 million euro nominal value), for a

cost of 19 million euro, were assigned to employees in relation to the extended employee stock plan;

- 434,953 shares (1.2 million euro nominal value), for a cost of 3.7 million euro, were transferred to Fondazione CR Venezia as payment of the debt arising from the price revision clause in the former Cardine Banca share purchase agreement, entered into by the aforementioned Fondazione and completed in 2001;
- 97,455 shares (273,000 euro nominal value), for a book value of 0.8 million euro, were sold on the market for a cost of about 0.9 million euro.

At the end of 2003 therefore, the Parent Bank held 3,220,919 own shares (9 million euro nominal value) in its portfolio, equal to 0.18% of the share capital, recorded, among the assets in the Balance sheet, at market value for 34 million euro (10.413 euro unit cost).

### Regulatory capital and solvency ratios

At the end of 2003 the ratio of the Bank's regulatory capital to total weighted assets against credit and market risks showed a total solvency ratio of 15.1%. The ratio of the primary capital to total weighted assets was 11.0%.

#### *Regulatory capital and solvency ratios*

	31/12/2003	31/12/2002
<b>Regulatory capital (€/mil)</b>		
Tier 1 capital	9,799	8,793
Tier 2 capital	3,934	3,883
less: prescribed deductions	-440	-485
Regulatory capital	13,293	12,191
Tier 3 subordinated loans	140	211
Total regulatory capital	13,433	12,402
<b>Weighted assets (€/mil)</b>		
Credit risk	86,774	93,086
Market risk	1,997	3,016
Other requirements	1	2
Total assets	88,772	96,104
<b>Solvency ratios (%)</b>		
Tier 1 ratio	11.0	9.1
Total ratio	15.1	12.9

## Supplementary information

### Committees and management

In compliance with the recommendation issued by Consob with Communication 1574/1997, in accordance with Art. 15 of the Articles of Association, the Board of Directors has elected among its members the Executive Committee (comprising the Chairman, presiding, the Deputy Chairmen and the Managing Directors) and has a set number of components, powers of attorney, duration, operating standards and powers. The Board has also elected the Managing Directors, establishing their attributions.

The Board has attributed to the Executive Committee powers to be exercised within the context of the strategies, the addresses and plans laid out by the same Board, with faculty of sub-power of attorney and the obligation to report quarterly to the Board on the activity performed, the decision made and the powers of attorney conferred. In particular, the Executive Committee has been conferred powers concerning loan issue and, more generally, operational powers for the recovery of loans, other economic sacrifices, assets and liabilities in dispute and pre-litigation, not involving recoveries, administrative procedures against the company and equity investments – subject to the exclusive competence of the Board of Directors in the cases provided for by Art. 16 of the Articles of Association – as well as matters regarding personnel and expenditure and, generally, the faculty to make any urgent provisions in the Bank's interest, informing the Board at the first meeting.

Powers concerning the granting of loans have also been attributed to special Committees composed of the Managing Directors and the Managers of the competent company structures.

The Board of Directors has conferred to the Managing Directors, considered individually, powers to be exercised within the context of the respective competencies, strategies, addresses and plans laid out by the same Board, with faculty of sub-power of attorney and the obligation to report quarterly to the Board on the activities performed, the decisions made and the powers of attorney conferred.

In order to identify operating and market contexts with consistent characteristics and to exploit the respective

specializations and competencies, the areas of responsibility have been divided between the Managing Directors as follows:

- the Managing Director Pio Bussolotto is assigned responsibility for the North East Territorial Direction, established following the merger by incorporation of Cardine Finanziaria into SANPAOLO IMI in support of the bank networks belonging to the former Cardine group operating in the Triveneto (comprising the regions Veneto, Friuli Venezia Giulia and Trentino Alto Adige) and Emilia areas; his functions comprise supervising the related commercial and credit activities, coordinating the operations of the SANPAOLO branches in the respective territorial settings and promoting development activities, addressing and exploiting the business opportunities offered by the market of reference. The Managing Director in question is also assigned responsibility for shareholdings in other domestic banks and for the GEST Line tax collection company, as well as the control of Group operation and supervision of purchasing and logistics;
- the Managing Director Alfonso Iozzo is in charge of banking and lending activities to households, companies and public entities, through the direct responsibility for the Sanpaolo Network, Sanpaolo Banco di Napoli, Banca OPI and Banca Popolare dell'Adriatico, as well as the Group's corporate identity. In order to accentuate the operational integration between the various Group banks, the Managing Director in question has also been assigned the centralized control of Group lending, including large risks, and responsibility for the Macchina Operativa Integrata;
- the Managing Director Luigi Maranzana is assigned responsibility for specialist businesses, with particular reference to the financial planner networks (Banca Fideuram and Banca Sanpaolo Invest), investment banking (Banca Imi), asset management (Sanpaolo Imi Wealth Management), financial markets and international banking. The Financial Statements, as well as other central functions of the Group near to the above-mentioned markets, such as Group Finance, Risk Management and Correspondent Banks, refer to the Managing Director in question.

Considering the aforementioned competencies, the Board has conferred to the Managing Directors powers concerning loan issue and, more generally, operational, Group guarantees to financial institutions, financial risk management and control, recovery of loans, assumption of economic burdens, legal and prelegal proceedings on non-

recovered assets and liabilities, administration procedures against the Company, shareholdings and costs, as well as powers in matters concerning personnel and structures within the context of the management directions approved by the administrative bodies.

The Managing Directors have been assigned, in general and within the context of their respective attributions, or in the execution of decisions made by superior Bodies, all powers necessary for the ordinary management of the Company, unless otherwise reserved specifically to other Bodies pursuant to the Articles of Association or by exclusive mandate of the Board of Directors.

The Board of Directors, in accordance with Art. 20 of the Articles of Association, has elected a Central Management, establishing the number of members and also providing for attribution of the competencies as well as the allocation of the respective functions.

The Central Management – which answers to the Managing Directors – implements the decisions made by the Board of Directors, the Executive Committee, the Chairman and the Managing Directors; it manages all current affairs; it supervises the structure and operation of services; it organizes the assignments and destinations of personnel, excluding Executives. They can also delegate, with internal and continuing provisions, certain powers of theirs to Executives and other Head Office personnel, area and branch managers.

### Transactions with related parties

In accordance with and in observance of the Consob provisions (Communications dated 20 February 1997, 27 February 1998 and subsequent integrations), the transactions entered into by the Bank with related parties lie within the scope of the normal operations of the Parent Bank and are usually entered into under market conditions, on the basis of valuations made for mutual economic convenience, also in observance of the internal procedure provided for this purpose.

During 2003, no transactions of “atypical or unusual nature” were carried out, the relevance/importance of which might give rise to doubts with regard to the safety of the shareholder's equity and the protection of minority shareholders, neither with related parties nor with subjects other than related parties.

The balances and transactions between the Bank and the other companies in the SANPAOLO IMI Banking Group, which occurred during the year, are detailed in the Explanatory Notes.

Further information is given in the Group Report on Operations, to which reference must be made.

As regards transactions with subjects exercising functions of administration, management and control of the Bank, Art. 136 of the D. Lgs. 385/93 (Testo Unico Bancario - Consolidated Banking Law) will be applied. For these subjects (regardless of the fact that they are related counterparties) these transactions were approved unanimously by the Board of Directors, with the favorable vote of all the Statutory Auditors, subject to the obligations provided by the Italian Civil Code regarding the interests of the directors. The same procedure also applies to the parties who carry out the administrative, managerial, and executive duties within a bank or a company belonging to the Group, for actions taken in connection with the company itself or for financing transactions entered into with other companies or banks within the Group. In such cases, the transactions are decided upon by the boards of the contracting company or bank, with the prior consent of the Parent Bank.

Section D of the Explanatory Notes highlights the loans and guarantees issued to Directors and Auditors of the Bank.

The same Section D of the Explanatory Notes also reports, in accordance with Art. 78 of Consob Resolution 11971/99, the remuneration of the Directors and Auditors of the Parent Bank.

The shares of the Parent Bank and subsidiaries, held by Administrators and Auditors of the Parent Bank and by others, as provided for by Art. 79 of Consob Resolution 11971/99, are detailed in the Group Report on Operations.

### Offices held by Directors in other companies

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



foreign), in financial, banking, insurance and other significant-sized companies.

### **Stock incentive plans**

The Bank has set up four stock option plans reserved for executives, as well as a plan reserved for the Chairman and the Managing Directors. In 2003, as in 2002, there was a free assignment of SANPAOLO IMI shares reserved for all Parent Bank personnel. The details of these initiatives are illustrated in the Group Report on Operations, to which reference must be made.

### **Other information in accordance with the law**

Planning document on information security management

In the context of the standards provided for by law 675/1996 on privacy protection, the Bank has prepared the planning document on personal information security management, in accordance with Art. 6 of D.P.R. 318/1999. It is currently being updated in accordance with Sub. 1 of Art. 34 of D.Lgs. 196/2003 and rules 19 and 26 of the related technical regulations.

## Developments after the end of the year

In the first two months of 2004, the Bank registered an increase in the volumes of customer financial assets compared with the end of 2003, mainly because of asset administration and, to a lesser extent, asset management. The positive trend of the latter is mainly a consequence of the good performance of the financial markets.

As regards the economic results of the first two months of 2004, as well as the prospects for the evolution of the operating volumes and economic margins, the considerations regarding the Group are confirmed.

Turin, 26 March 2004

The Board of Directors

# Proposal for the approval of the financial statements and allocation of net income for the year

Shareholders,

we submit to your approval the SANPAOLO IMI financial statements for 2003.

Firstly, the incorporation of Cardine Finanziaria S.p.A., becoming legally effective from 31 December 2003, determined the cancellation of the book value of the investment in Cardine Finanziaria (2,439 million euro) against the net equity of the incorporated company (2,555 million euro, after distributing net income for 2002); this has determined a cancellation merger surplus of approximately 116 million euro.

Considering that the cancellation surplus is fully attributable to the incorporated company's profit reserves, it has been consistently added to the Bank's extraordinary reserve.

The net equity of SANPAOLO IMI S.p.A. as of 31 December 2003, before allocation of net income, is composed as follows:

	Share capital and reserves as of 31/12/03 before the allocation of the merger deficit	Allocation of cancellation deficit	Share capital and reserves before allocation of 2003 net income
Capital	5,144,064,800		5,144,064,800
Legal reserve	1,028,812,960		1,028,812,960
Additional paid-in capital	707,767,359		707,767,359
Other Reserves:	2,641,153,334		2,641,153,334
<i>Reserve D.Lgs. 153/99</i>	854,281,978		854,281,978
<i>Reserve ex Art. 21 D.Lgs. 213/98</i>	14,353,079		14,353,079
<i>Reserve ex Art.13 sub.6 D.Lgs. 124/93</i>	4,544,434		4,544,434
<i>Cardine Finanziaria merger surplus</i>	115,624,431	-115,624,431	-
<i>Reserve for purchase of own shares</i>	1,000,000,000 (*)		1,000,000,000
<i>Extraordinary reserve</i>	652,131,364	115,624,431	767,755,795
<i>Reserve pursuant to Law Decree 429/82</i>	218,048		218,048
Income for the period to be distributed	824,309,839		824,309,839
	10,346,108,292	-	10,346,108,292

(\*) Of which € 33,539,430 commitments for own shares held in portfolio as of 31/12/03.

Considering that the Legal Reserve has reached the maximum limit provided for by the first subsection of Art. 2430 of the Italian Civil Code (20% of the share capital), it is not necessary, in accordance with the law and with Art. 22 of the Articles of Association, to allocate a 10% share of the net income to the Legal Reserve. Consistently with this assumption, and taking account of the fact that Art. 22 of the Articles of Association provides for the attribution to the preference shares of 5% of their nominal value, we propose the allocation of net income for the year, 824,309,839 euro, to be distributed as follows:

- 716,494,740 euro to the Shareholders, with recognition of a dividend of 0.39 euro for each of the 1,448,831,982 ordinary shares and 388,334,018 preference shares part of the share capital, to be distributed to the shares in circulation, allocating to the extraordinary reserve the undistributed share against any own shares held by the Bank as of 24 May 2004, the dividend issue date;
- 873,421 euro to the Reserve provided for by subsection 6 of Art. 13 of D.Lgs. 124/93, to make use of the tax deduction deriving from the possibility for setting up this reserve subject to taxation, for 3% of the share for termination indemnities for employees' supplementary pensions;
- 106,941,678 euro to the Extraordinary reserve.

The dividends will be paid on 27 May 2004.

By effect of the tax reform effective from 1 January 2004, dividends are not usually entitled to tax credit. In a few cases, expressly regulated by legal provisions, they are entitled to "full" tax credit of 51.51%.

The proposal for the distribution of net income is consistent with the positive trend registered by the Bank in the early months of 2004 and with the levels of adequacy of the Bank's and the Group's regulatory capital and solvency ratio. In the case of approval of the proposal in question, after allocation of the net income for the year and regardless of specification of the own shares held by the Bank, SANPAOLO IMI's net equity will be formed as follows:

€	
Composition of the net equity of SANPAOLO IMI after the allocation of 2003 net income	
Capital	5,144,064,800
Legal reserve	1,028,812,960
Additional paid-in capital	707,767,359
Other Reserves:	2,748,968,433
<i>Reserve D.Lgs. 153/99</i>	<i>854,281,978</i>
<i>Reserve ex Art. 21 D.Lgs. 213/98</i>	<i>14,353,079</i>
<i>Reserve ex Art. 13 sub.6 D.Lgs. 124/93</i>	<i>5,417,855</i>
<i>Reserve for purchase of own shares</i>	<i>1,000,000,000</i>
<i>Extraordinary reserve</i>	<i>874,697,473</i>
<i>Reserve pursuant to Law Decree 429/82</i>	<i>218,048</i>
	<b>9,629,613,552</b>

Turin, 26 March 2004

The Board of Directors

# Report of the Board of Statutory Auditors in accordance with Art. 153 of Decree Law 58 dated 24 February 1998 and with Art. 2429 of the Civil Code

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Shareholders,

the 2003 financial statements submitted for your examination and approval, as well as the consolidated financial statements for the year 2003 which are at your disposal, have been submitted by us in compliance with legislation and have been prepared in accordance with D. Lgs. 87 of 27 January 1992 and with the Bank of Italy regulation of 30 July 1992 and subsequent amendments.

The Report on Operations of the Parent Bank and of the Group, presented with the financial statements, fully and exhaustively illustrate the financial position and results of operations and the performance of the Parent Bank and of the Group during 2003, as well as the developments after the end of the year.

The financial statements also comprise the Report on Corporate Governance and the compliance with the Code of Conduct for Listed Companies which reveal that the SANPAOLO IMI Corporate Governance structure as a whole conforms to the indications of the Code.

In compliance with the recommendations set forth in the Code of Conduct, and following the amendments to the Regulations for markets organized and managed by Borsa Italiana S.p.A., the Bank:

- has approved the Code for Conduct in respect of insider dealing, aimed at giving transparency to purchase and sale transactions of stocks of listed Companies and subsidiaries by the Directors, the Statutory Auditors and other “relevant people” of such Companies, with effect from 1 January 2003;
- has adopted an internal procedure, which reaffirms the principle of discretion to which the Directors and Statutory Auditors are bound in respect of withholding confidential information;
- has revealed in the Explanatory Notes to the financial statements the positions held by Directors of the Parent Bank on Boards of Directors or Statutory Auditors in listed companies, financial institutions, banks, insurance companies or other significant businesses.

As far as the performance of the company bodies is concerned, commencing from 2001, the Bank established Regulations for meetings.

In the context of the activity undertaken by the Board of Directors and the Ethical Committee in 2003, the Bank has defined a Group Ethical Code and published a "Social Report" which, together constitute the general frame of reference for the principles and ethical values of the Group. This Code also forms the corpus for the criteria of conduct of the Directors, employees and co-workers in every operating and geographical area.

\* \* \*

Considering the amendments to the framework of legislation in respect of operations with related companies, the Bank approved a specific organizational procedure for the Group which identifies the consolidation area of the related parties, defines the duties and responsibilities and indicates the flow of information between the Bank and its directly and indirectly controlled subsidiaries. The specific organizational procedure provides that, in line with the regulations of the Code of Conduct, operations with significant related parties (defined on the basis of threshold analyses according to the type of operations and counterparties) referring to the Parent Bank shall be reserved to the resolution and approval of the Board of Directors, after close examination by the Audit Technical Committee. Significant operations performed by subsidiary companies with related parties shall be resolved and approved by the Board of Directors of the subsidiary, after duly submitting its proposal for approval.

\* \* \*

With respect to the adequacy of the organization, the Board of Statutory Auditors reminds that the Bank has Group Regulations which define the entire organizational structure, the basic principles on which it operates, the areas of competency and the responsibilities of the central functions, as well as the mechanisms and instruments used to coordinate the entire Group. These Regulations are aimed at providing the regulatory framework of reference which, together with the definitions of procedures, directives and preventive authorizations, will characterize the Group by its common entrepreneurial design, a strong internal cohesiveness and a single leadership, consistent with the Bank of Italy directives and with the needs of a good and prudent management.

With reference to the adequacy of the system internal controls on the administration-accounting system and the reliability of the latter to correctly represent the operations, we highlight that in 2003 the Bank began a project to "Analyse a model to govern administration-accounting and formalize administration-accounting procedures", with particular regard to the preparation of the consolidated and Parent Bank financial statements and the Annual Report on Form 20-F, prepared by the Parent Bank in its capacity as company listed on the NYSE and registered with the United States Security Exchange Commission.

\* \* \*

The Parent Bank and consolidated Reports on Operations, and the relevant Explanatory Notes, contain the information required by the regulations issued by the Bank of Italy and by Consob. The Board of Statutory Auditors has especially noted that the Explanatory Notes to the Parent Bank and consolidated financial statements include the information requested by Consob (Communication no. 1011405 dated 15 February 2001) to banks listed on regulated markets, in respect of tax benefits provided by "Legge Ciampi" and of the renegotiation of subsidized loans and included in the usury and anatocism phenomena. With reference to the latter, the Board of Statutory Auditors has taken note of the information contained in the Explanatory Notes to the Parent Bank and consolidated financial statements on the basis of which, in light of existing jurisprudence and in consideration of the current status of the legal proceedings, the Bank estimates the potential risks in relation to the dispute to be covered by the prudent accruals made to the provisions for other risks and charges, in proportion to each case, where quantifiable, whereby they are covered by 69 million euro of the provision (of which 50.5 refer to the Parent Bank) accrued for disputes whose amount cannot be determined.

As indicated in the Explanatory Notes, taking into consideration the considerable balance of the general reserve (1,102 million euro), the Directors decided that the amount was also sufficient to cover the risk view of the greater exposure toward some production sectors, including the automobile sector.

It should be highlighted that, following the heavy repercussions of the defaults by leading domestic and international companies on savers' portfolios, the Group has taken some precautions to protect its customers, paying particular attention, even by resorting to a proper course of investigation supervised by the Audit Technical Committee, 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. Because of the potential risk to assets from the global framework, the Bank accrued around 30 million euro at Group level to the provision for risks and charges.

With regard to the Parmalat case, SANPAOLO IMI's openness towards its customers has been confirmed by the agreement stipulated with the "Committee to defend SANPAOLO IMI Group Parmalat bondholders". This committee was founded on 2 February 2004 as the result of the initiative of several Group customers, with the aim of taking all actions necessary for the admission of credits into the extraordinary administration procedures and instigating any collective legal proceedings for compensation. In accordance with this agreement, SANPAOLO IMI has undertaken to provide organizational and financial support to guarantee the protection of the interests of its customers free of charge.

In 2003, on the occasion of the merger by incorporation of Cardine Finanziaria S.p.A. and the transfer to Sanpaolo Banco di Napoli S.p.A. of the business branches operating in the Southern regions of mainland Italy, the Board of Statutory Auditors supervised the compliance with current regulations in respect of fulfilling requirements for merger operations and transfers.

Considering the requirements for comparability of the 2003 financial statements with the prior year, the Board of Statutory Auditors verified that the Explanatory Notes provide all information necessary to illustrate the criteria used to prepare the pro forma schedules for 2002, which were prepared taking into account the indications provided by Consob.

In relation to transactions with Group companies and related companies, the global framework is fully illustrated in the relevant paragraphs in the Report on Operations and in the Explanatory Notes. It is highlighted that these are encompassed in the ordinary operating activities of the Group and are executed under market conditions and are, in any case, valued on the basis of reciprocal economic convenience. The Report on Operations in the consolidated financial statements reveals the transactions with related parties of particular relevance mainly as regards the organizational-business model. Receivable and payable balances at the end of the year in the consolidated accounts with related parties amount to a total which is not relevant to the entity of the Group's portfolio. No transactions of an atypical or unusual nature were carried out, including those with Group or related companies.

As regards transactions with subjects who fulfill administrative, managerial, and executive duties for the Bank, or for Group companies, the Board of Statutory Auditors is assured that these have been recorded in compliance with Art. 136 of D.Lgs. 385/93 (Testo Unico Bancario - Consolidated Banking Law). Accordingly, any such transactions were the subject of unanimous decisions by the Board of Directors, with the favorable vote of all of the Statutory Auditors, subject to the abstention obligations provided by the Italian Civil Code regarding the interests of the directors. The same procedure also applies to the parties who carry out the administrative, managerial, and executive duties within a bank or a company belonging to the Group, for actions taken in connection with the Bank itself or with other banks or companies within the Group. In such cases, the transactions are discussed and resolved by the Boards of the Bank or contracting party, with the prior consent of the Parent Bank. The appropriate Section of the Explanatory Notes highlights, in addition to emoluments, the loans and guarantees issued to directors and statutory auditors of the Parent Bank.

During the year the Board of Statutory Auditors, in accordance with Art. 2389 of the Italian Civil Code and Art. 15, subsection 9 of the Bank's Articles of Association, issued their opinions in respect of the remuneration of Directors holding particular offices such as Chairman and Managing Directors, as decided by the Board of Directors with the approval of the Remuneration and Personnel Policies Committee.

The information required according to Art. 10 of Law 72/83 is provided in the sections of the Explanatory Notes relating to the revaluated assets.

The Reports on Operations to the Parent Bank and consolidated financial statements for the first half of 2003, received by us from the Board of Directors



within the terms of law, were prepared and published in compliance with Consob recommendations. The quarterly reports were published within the terms established.

Shareholders, during the year ended on 31 December 2003, we performed our supervisory activities required by law and for this purpose:

- we attended the 17 meetings of the Board of Directors and the 20 meetings of the Executive Committee held during the year. During the same period the Board of Statutory Auditors met 19 times to perform its examinations and received from the Directors, in accordance with Art. 150 of D.Lgs. 58/98, information on a quarterly basis on the activities performed during the year, on the delegated powers within the Parent Bank and on the most significant economic, financial and capital transactions carried out by the Bank (and by its subsidiaries). We also assured ourselves that all activities deliberated and carried out were done so in compliance with the law and with the company Articles of Association and that they were not openly imprudent, hazardous or incompatible with the resolutions of Shareholders' meetings;
  - we gained knowledge of and supervised, in respect of our duties, the adequacy of the organizational structure of the Bank and the observance of the principles of correct management, by directly monitoring, gathering information from the heads of departments and through meetings with the independent auditors in order to exchange information on reporting data and significant issues;
  - we supervised the adequacy of the system of internal control and of the administration-accounting system of the Bank, as well as the reliability of the latter to correctly represent the operations, through obtaining information from the heads of the respective departments, by examining company documents and by analyzing the results of the work performed by the independent auditors. The Internal Audit Management verifies that the organizational structure of the Bank is suitable to guarantee against all risks and that business is carried out in accordance with internal and external procedures and regulations; the department is also responsible for evaluating the effectiveness of the entire system of internal control and for revealing any irregularities. The Management provides quarterly reports to the Board of Directors, the Board of Statutory Auditors, and the Audit Technical Committee on the business performed by the Parent Bank, the foreign Branches and Group companies and reports on any problems in relation to their respective areas of concern. With respect to significant issues relating to the system of internal control, the reciprocal and timely reporting between the Audit Technical Committee and the Board of Statutory Auditors is assured by the participation of the Chairman of the Board at Committee meetings, and by the disclosure of the areas of concern to the other members of the Board.
- During 2003 we received detailed information on the controls performed by the Audit Management through the examination of the aforementioned quarterly reports, illustrated during the periodical Board meetings and of the analytical reports made available to us. In this respect, particular attention was paid to the inspections performed on foreign Branches and Group Companies;
- we verified, by checking directly and reviewing information provided by the Independent auditors, the compliance with laws concerning the preparation and

layout of the financial statements and the report on operations, as well as the adequacy of the provisions imparted by the Bank to the subsidiary companies in accordance with Art. 114, subsection 2 of D. Lgs. 58/98. Our controls revealed that the administration-accounting system is adequate and reliable to correctly represent the operations.

The work performed did not reveal any significant issues which might require reporting to Regulatory Authorities or specific mention in this report.

Having reported the above, and having examined the contents of the report issued by the Independent Auditors PricewaterhouseCoopers S.p.A. and considering that the information provided therein does not reveal any critical issues, we express an opinion in favor of approving the financial statements for the year 2003, formally acknowledging that the proposal for distribution of dividends expressed by the Board of Directors is in compliance with current legislation and the company Articles of Association and is adequately motivated in relation to the economic and financial position of the Bank. The derogation in respect of the preparation and layout of the financial statements according to Art. 2423, subsection 4 of the Italian Civil Code has not been exercised.

The Board of Statutory Auditors also expresses a favorable opinion in respect of the criteria used to allocate the merger goodwill arising from the incorporation of Cardine Finanziaria S.p.A., which is accurately illustrated in the relevant Sections of the Explanatory Notes to the financial statements of SANPAOLO IMI S.p.A..

It is noted that, on 8 August 2003 Mr Massimo Cellini, in the interests of his client Mr Maurizio Cantini, addressed a complaint to the Chairman of the Board of Statutory Auditors in compliance with Art. 2408, subsection 1 of the Italian Civil Code, in relation to a loan of modest value which is subject to recovery procedures by the Bank. This matter – which does not refer to any reprehensible behavior by SANPAOLO IMI staff – is subject to examination by the Judge.

By way of another statement received on 30 December 2003, ex Art. 2408, subsection 1 of the Italian Civil Code, Mr Cellini writes of a general grievance in respect of the Public Offer carried out by SANPAOLO IMI on the shares of the Banca Popolare dell'Adriatico (in May-June 2003), complaining that the exercising of the right to purchase the residual shares ex Art. 111 of the Consolidated Banking Act, would have resulted in a loss in the investments made by members of his family. Once again, the examinations of the circumstances referred to in the complaint confirmed that the operations were performed in full compliance with current regulations and therefore, the motives for the complaints made in respect of the reprehensible behavior of the Bank are groundless.

We also inform you that in 2003 no reports were received by the Board of Statutory Auditors.

In respect of the request for authorization to purchase own shares, we express that the resolution is in accordance with the provisions of Articles 2357 and 2357-ter of the Italian Civil Code, Art. 132 of D. Lgs. 58 of 24 February 1998 and with the regulations issued by Consob. The Reports prepared by the Directors in respect of all the items on the agenda for the Shareholders' meeting called to approve the financial statements are complete and have been prepared in accordance with the law and the Articles of Association.

The Board of Statutory Auditors does not have any proposals to submit to the Shareholders' Meeting according to Art. 153 subsection 2 of D.Lgs. n. 58/98.

\* \* \*

In compliance with Consob Recommendation 1025564 of 6 April 2001, you are informed that during 2003 your Bank instructed PricewaterhouseCoopers S.p.A. to perform, over and above the audit of the financial statements, additional activities required by law in respect of the following:

- release of appropriate Comfort Letters in connection with the Offering Circular relating to the long-term program for the placing of Euro Medium Term Notes. The fees for this work totaled 147,000 euro;
- accounting and tax due diligence work on Banca delle Marche S.p.A. in respect of the purchase of 7% of the shareholding. The fees for this work totaled 215,000 euro;
- examination procedures for the purpose of issuing an opinion on the Social Report of SANPAOLO IMI for the years 2002 and 2003; the fees agreed for this work totaled 20,000 euro for each year.

The Board of Statutory Auditors supervised the assignment of these appointments by approving the request for opinions. Lastly, the Board of Statutory Auditors reports that in 2003 the Bank did not assign new engagements to subjects or companies connected to PricewaterhouseCoopers SpA by continuative collaboration.

Turin, 9 April 2004

The Board of Statutory Auditors

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

To the Shareholders of  
Sanpaolo IMI SpA

- 1 We have audited the financial statements of Sanpaolo IMI SpA (the "Bank") as of 31 December 2003. These financial statements are the responsibility of Sanpaolo IMI's directors. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the Auditing Standards and criteria recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

The responsibility for the audit of the financial statement of certain subsidiaries, representing 4 per cent of the caption "Investments in Group Companies" and 0.3 per cent of "Total assets", rests with other auditors.

For the opinion on the financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to our report dated 10 April 2003.

- 3 In our opinion, the financial statements of Sanpaolo IMI SpA as of 31 December 2003 comply with the laws governing the criteria for their representation; accordingly, they give a true and fair view of the financial position and of the results of operations of the bank.

Turin, 8 April 2004

PricewaterhouseCoopers SpA

Signed by  
Sergio Duca  
(Partner)

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



# Parent Bank financial statements

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PARENT BANK BALANCE SHEET

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PARENT BANK STATEMENT OF INCOME

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PARENT BANK EXPLANATORY NOTES

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## Parent Bank balance sheet

(Euro)

ASSETS	31/12/2003	31/12/2002 pro forma	31/12/2002
10. Cash and deposits with central banks and post offices	741,061,563	985,719,740	985,719,740
20. Treasury bills and similar bills eligible for refinancing with central banks	2,191,213,836	1,553,698,471	1,553,698,471
30. Due from banks:	27,384,886,332	21,031,579,984	20,951,323,060
a) repayable on demand	8,930,400,397	5,001,737,282	4,921,480,358
b) other deposits	18,454,485,935	16,029,842,702	16,029,842,702
40. Loans to customers	63,982,919,330	76,806,767,958	76,158,636,358
<i>of which:</i>			
– loans using public funds	32,100,438	90,404,572	90,404,572
50. Bonds and other debt securities	9,047,597,319	12,165,781,481	12,813,913,081
a) public entities	2,005,491,053	4,563,621,199	4,563,621,199
b) banks	6,531,126,488	6,434,321,388	6,434,321,388
<i>of which:</i>			
– own bonds	768,758,229	986,187,745	986,187,745
c) financial institutions	202,412,256	487,524,975	487,524,975
<i>of which:</i>			
– own bonds	-	-	-
d) other issuers	308,567,522	680,313,919	1,328,445,519
60. Shares, quotas and other equities	807,678	329,736,031	329,736,031
70. Equity investments	2,013,834,465	1,669,779,042	1,619,592,372
80. Investments in Group companies	8,277,025,695	6,416,892,969	6,693,119,740
90. Intangible fixed assets	796,715,430	1,645,991,252	1,612,606,208
<i>of which:</i>			
– start-up costs	-	-	-
– goodwill	565,245,215	1,411,283,306	1,411,283,306
100. Tangible fixed assets	1,273,642,861	1,484,169,967	1,416,269,773
120. Own shares or quotas (nominal value 9,018,573.20 euro)	33,539,430	7	7
130. Other assets	7,460,680,759	9,002,121,539	9,044,329,784
140. Accrued income and prepaid expenses:	1,776,121,286	1,828,095,749	1,828,037,680
a) accrued income	1,447,246,271	1,451,080,451	1,451,080,451
b) prepaid expenses	328,875,015	377,015,298	376,957,229
<i>of which:</i>			
– discounts on bond issues	17,506,412	6,426,867	6,426,867
<b>Total assets</b>	<b>124,980,045,984</b>	<b>134,920,334,190</b>	<b>135,006,982,305</b>

The pro forma balance sheet as of 31/12/2002, unaudited, has been prepared in order to enable comparability with the balance sheet as of 31/12/2003.



(Euro)			
<b>LIABILITIES</b>	31/12/2003	31/12/2002 pro forma	31/12/2002
10. Due to banks:	37,799,877,102	31,020,049,520	31,020,049,520
a) repayable on demand	4,336,225,692	2,661,073,661	2,661,073,661
b) time deposits or with notice period	33,463,651,410	28,358,975,859	28,358,975,859
20. Due to customers:	40,499,322,667	55,690,036,510	55,741,833,510
a) repayable on demand	30,220,655,729	40,438,544,035	40,490,341,035
b) time deposits or with notice period	10,278,666,938	15,251,492,476	15,251,492,476
30. Securities issued:	19,131,734,612	19,375,280,452	19,375,280,452
a) bonds	15,098,732,104	16,024,777,812	16,024,777,812
b) certificates of deposit	3,716,975,365	2,845,383,004	2,845,383,004
c) other	316,027,143	505,119,636	505,119,636
40. Public funds administered	32,150,975	90,528,461	90,528,461
50. Other liabilities	7,538,892,559	8,336,621,202	8,279,336,152
60. Accrued expenses and deferred income:	1,254,881,271	1,338,243,873	1,338,243,873
a) accrued expenses	1,034,662,707	1,092,277,336	1,092,277,336
b) deferred income	220,218,564	245,966,537	245,966,537
70. Provisions for employee termination indemnities	529,121,440	687,423,706	686,918,780
80. Provisions for risks and charges:	1,960,464,126	2,180,723,365	2,427,868,887
a) pensions and similar commitments	-	41,237,000	41,237,000
b) taxation	659,599,280	789,136,533	1,037,458,900
c) other	1,300,864,846	1,350,349,832	1,349,172,987
100. Reserve for general banking risks	-	-	-
110. Subordinated liabilities	5,887,492,939	6,090,475,262	6,090,475,262
120. Capital	5,144,064,800	5,144,064,800	5,144,064,800
130. Additional paid-in capital	707,767,359	707,767,359	707,767,359
140. Reserves:	3,669,966,295	3,301,641,905	3,340,535,833
a) legal reserve	1,028,812,960	1,028,812,960	1,028,812,960
b) reserve for own shares or quotas	33,539,430	7	7
c) statutory reserves	-	-	-
d) other reserves	2,607,613,905	2,272,828,938	2,311,722,866
170. Income for the period	824,309,839	918,597,775	764,079,416
Adjustments for alignment with net income	-	38,880,000	-
<b>Total liabilities and shareholders' equity</b>	<b>124,980,045,984</b>	<b>134,920,334,190</b>	<b>135,006,982,305</b>
<b>GUARANTEES AND COMMITMENTS</b>			
	31/12/2003	31/12/2002 pro forma	31/12/2002
10. Guarantees given	29,298,297,442	30,142,155,929	30,142,155,929
of which:			
– acceptances	101,812,094	129,978,307	129,978,307
– other guarantees	29,196,485,348	30,012,177,622	30,012,177,622
20. Commitments	14,056,523,002	14,180,937,609	14,180,832,609
of which:			
– for derivatives on loans	530,147,753	789,098,156	789,098,156
– for sales with obligation to repurchase	-	-	-

The pro forma balance sheet as of 31/12/2002, unaudited, has been prepared in order to enable comparability with the balance sheet as of 31/12/2003.

## Parent Bank statement of income

(Euro)

ITEMS	2003	2002 pro forma	2002
10. Interest income and similar revenues	4,158,712,007	5,364,650,288	5,363,502,175
<i>of which:</i>			
– loans to customers	3,182,852,727	4,003,533,530	4,003,533,530
– debt securities	372,879,320	644,111,676	644,111,676
20. Interest expense and similar charges	-2,309,876,098	-3,260,654,484	-3,260,552,884
<i>of which:</i>			
– amounts due to customers	-630,426,024	-996,073,132	-996,073,132
– securities issued	-765,180,337	-1,081,949,799	-1,081,949,799
30. Dividends and other revenues	832,552,209	638,071,007	709,742,039
a) shares, quotas and other equities	291,388	9,533,702	9,533,702
b) equity investments	78,224,172	172,348,512	171,259,198
c) investments in Group companies	754,036,649	456,188,793	528,949,139
40. Commission income	1,569,038,623	1,629,967,463	1,629,952,170
50. Commission expense	-102,281,598	-118,485,513	-117,600,220
60. Profits (losses) on financial transactions	89,413,766	43,917,660	43,917,660
70. Other operating income	385,088,588	319,319,041	257,529,983
80. Administrative costs	-2,723,238,361	-2,958,984,731	-2,866,395,942
a) personnel	-1,665,091,707	-1,850,913,423	-1,823,065,521
<i>of which:</i>			
– wages and salaries	-1,188,535,389	-1,338,461,035	-1,311,896,430
– social security charges	-391,836,808	-416,584,878	-415,616,600
– termination indemnities	-84,719,511	-95,557,340	-95,552,491
– pensions and similar		-283,325	-
b) other administrative costs	-1,058,146,654	-1,108,071,308	-1,043,330,421
90. Adjustments to tangible and intangible fixed assets	-453,381,249	-555,674,041	-534,010,971
100. Provisions for risks and charges	-117,465,213	-152,227,607	-151,077,607
110. Other operating expense	-9,687,915	-5,935,063	-5,934,964
120. Adjustments to loans and provisions for guarantees and commitments	-590,568,066	-424,571,182	-424,571,182
130. Writebacks of adjustments to loans and provisions for guarantees and commitments	189,611,407	173,210,939	173,210,939
140. Provisions to the reserve for probable loan losses	-	-	-
150. Adjustments to financial fixed assets	-145,432,134	-339,376,737	-338,475,902
160. Writebacks of adjustments to financial fixed assets	84,264,640	861,243	861,243
<b>170. Income from ordinary activities</b>	<b>856,750,606</b>	<b>354,088,284</b>	<b>480,096,538</b>
180. Extraordinary income	636,391,869	608,595,985	496,084,660
190. Extraordinary expense	-403,332,366	-160,425,467	-160,241,059
<b>200. Extraordinary net income</b>	<b>233,059,503</b>	<b>448,170,519</b>	<b>335,843,602</b>
210. Change in reserve for general banking risks	-	358,369,442	358,369,442
220. Income taxes for the period	-265,500,270	-242,030,471	-410,230,167
<b>230. Income for the period</b>	<b>824,309,839</b>	<b>918,597,775</b>	<b>764,079,416</b>

Adjustment for alignment with aggregate income for 2002

(SANPAOLO IMI + Cardine Finanziaria) 38,880,000

**Aggregate net income for 2002 (SANPAOLO IMI + Cardine Finanziaria) 957,477,775**

The pro forma statement of income for 2002, unaudited, has been prepared in order to enable comparability with the statement of income for the year 2003.

# Parent Bank Explanatory Notes

## Introduction – Background information on the financial statements

Form and content of the financial statements  
Merger by incorporation of Cardine Finanziaria S.p.A.  
Pro forma balance sheet and income schedules  
Adjustments following company transactions  
Other adjustments  
Audit of the financial statements  
Half year report

## Part A – Accounting policies

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

## Part B – Information on the balance sheet

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Section 2 – Securities  
Section 3 – Equity investments  
Section 4 – Tangible and intangible fixed assets  
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Section 6 – Payables  
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Section 10 – Guarantees and commitments  
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## Part D – Other information

Section 1 – Directors and statutory auditors  
Section 2 – Parent Bank



# Introduction – Background information on the financial statements

## Form and content of the financial statements

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

The financial statements comprise the balance sheet, statement of income, these explanatory notes and also include the Board of Directors report on operations.

The financial statements correspond to the company accounts, which fully reflect the transactions executed during the year.

In accordance with Bank of Italy and Consob regulations, the financial statements are stated in euro. The Explanatory notes are stated in millions of euro.

These explanatory notes are presented with comparative figures taken from the financial statements as of 31 December 2002 and from the pro forma schedules as of the same date, as illustrated hereafter, and provide all the information required by law, including any supplementary information considered necessary to give a true and fair view of the company's financial position. The tables provided for by law and the details required by the Bank of Italy are numbered in accordance with the Bank of Italy instructions, or based on the relevant measures.

The following schedules are attached to the financial statements:

- Statement of changes in shareholders' equity;
- Statement of cash flows;
- List of property owned.

In accordance with legislation, the Bank's financial statements will be deposited at the company's registered offices, together with a complete set of the latest approved financial statements of the subsidiary companies and a summary sheet of essential data relating to the 2003 financial statements of the subsidiary companies which are subject to the approval of the respective Shareholders' meetings after the financial statements of the Bank.

In compliance with Consob regulations (Art. 77, Resolution no. 11971 of 14 May 1999 and subsequent modifications), the consolidated financial statements shall also be deposited at the registered offices, together with the independent auditors' report and the summary sheet of essential data relating to the latest financial statements of the subsidiary companies.

## Merger by incorporation of Cardine Finanziaria S.p.A.

SANPAOLO IMI merged with Cardine Finanziaria S.p.A. by deed on 22 December 2003. The merger became legally effective as of 31 December 2003, while the booking and tax effects were backdated to 1 January 2003.

As regards the legal/balance sheet effects of the merger on SANPAOLO IMI, the transaction involved the cancellation of the book value of the investment in Cardine Finanziaria (2,439 million euro) against the net equity of the merged company (2,555 million euro after distribution of 2002 net income); this determined a merger surplus from the cancellation of around **116 million euro**.

Considering that:

- the book value of the investment in Cardine Finanziaria represents the cost of the business branch transferred to that company from the former Cardine Banca with effect from 1 June 2002 (2,400 million euro), increased by the merger deficit following the incorporation of Cardine Banca by SANPAOLO IMI on the same date (39 million euro);
- such book value, with the exception of the portion referring to the merger deficit, covers the share capital and the reserve for additional paid-in capital of the former Cardine Finanziaria;
- against a net income for the year 2002 of 193 million euro, Cardine Finanziaria distributed a dividend to SANPAOLO IMI equal to 39 million euro, allocating the remainder (154 million euro) to the legal reserve (10 million euro) and to the extraordinary reserve (144 million euro),

the resulting surplus from cancellation is wholly referable to the income reserves of the merged company. On the basis of such consideration, the merger surplus has been booked to increase the extraordinary reserve of the Bank.

As far as Cardine Finanziaria's contribution to the gross income of the Bank for the year 2003 is concerned, it should be noted that this totaled around **185 million euro**, after recording 205 million euro for dividends matured in respect of the bank networks of the former Cardine Group and taking into account an operating loss of 20 million euro.

### Pro forma balance sheet and income schedules

#### Pro forma schedules used for the Report on operations

In order to ensure the most consistent comparability between the figures from the balance sheet and income statement as of 31 December 2003 and the relevant values for the year 2002 – for the purposes of analyzing trends in operations – reclassified pro forma schedules have been prepared (statement of income for the year 2002 and balance sheet as of 31 December 2002) which reflect the effects of the company transactions detailed below and the other adjustments necessary for reasons of comparison:

- a) the merger by incorporation of Cardine Finanziaria, completed on 31 December 2003, effective for accounting and tax purposes as of 1 January 2003;
- b) transfer of the company branch of the public works of the former Banco di Napoli to Banca Opi, with effect from 1 January 2003;
- c) transfer of the tax collection sector of the former Banco di Napoli to Esaban (now called GEST Line), with effect from 1 October 2002;
- d) transfer of the business branch made up of the branch networks, human resources and legal bodies belonging to the Southern Territorial Direction to Sanpaolo Banco di Napoli S.p.A., completed in two tranches legally effective from, respectively, 1 July 2003 and 29 September 2003.

The pro forma schedules were prepared, in accordance with regulations, assuming the transfer completed in 2002 to have been effective as from 1 January 2002 and that the transfer and mergers carried out in 2003 became effective on the same date in the year 2002.

### Adjustments following company transactions

#### a) Incorporation of Cardine Finanziaria

As already mentioned, for the purpose of the pro forma adjustments, it was assumed that the merger took place on 31 December 2002, with economic effect from 1 January 2002. Consequently a simulation was made of the cancellation of shares in Cardine Finanziaria, equal to 2,439 million euro, against a net equity in the same company, recording a resulting merger surplus of 116 million euro.

Adjustments made to the balance sheet as of 31 December 2002:

- increase in amounts due from banks of 44 million euro (net of those from SANPAOLO IMI, equal to 52 million euro);
- decrease in shareholdings of 226 million euro (through the cancellation of the investment in Cardine Finanziaria, net of the investments purchased from the same during the merger);
- increase in intangible fixed assets of 33 million euro;
- increase in tangible fixed assets of 68 million euro;
- increase in other assets of 227 million euro;
- decrease in customer deposits of 52 million euro;
- increase in the tax reserve of 23 million euro;
- increase in provisions for termination indemnities of 1 million euro;
- increase in provisions for other risks and charges of 1 million euro;
- increase in other liabilities of 57 million euro;
- recording of merger goodwill of 116 million euro;

Adjustments made to the statement of income as of 31 December 2002:

- increase in net interest income (+ 1 million euro);
- decrease in net commission (- 1 million euro);
- increase in dividends from shareholdings (+ 350 million euro);
- increase in personnel costs (- 28 million euro);
- increase in other administrative costs (- 64 million euro);
- increase in other net revenues (+ 62 million euro);
- increase in adjustments to the value of fixed assets (- 22 million euro);
- increase in provisions for risks and charges (- 1 million euro);
- increase in adjustments to the value of fixed assets (- 1 million euro).

Net of the tax effect (- 103 million euro), the impact on net income as of 31 December 2002 is **+ 193 million euro**.

In order to provide a comparison of the caption dividends, 113 million euro has been reclassified to extraordinary income collected in 2002 by Cardine Finanziaria by way of extraordinary distribution of reserves by subsidiary companies.

#### b) Transfer of the company branch of the public works of the former Banco di Napoli to Banca OPI, with effect from 1 January 2003

Adjustments made to the balance sheet as of 31 December 2002:

- decrease in current accounts of 4 million euro;
- decrease in loans to customers of 1,943 million euro;
- decrease in dealing securities of 60 million euro;
- decrease in investment securities of 6 million euro;
- decrease in other assets of 36 million euro;
- increase in payables to banks of 40 million euro;
- decrease in customer deposits of 1,978 million euro;
- decrease in provisions for termination indemnities of 1 million euro;
- decrease in other liabilities of 50 million euro.

To fund the transfer, the shareholdings were increased by the net value of the business transferred, equal to 60 million euro.

Adjustments made to the statement of income as of 31 December 2002:

- decrease in net interest income (- 23 million euro);
- decrease in administrative costs (+ 3 million euro).

Net of the tax effect (+ 7 million euro), the impact on net income as of 31 December 2002 is **- 13 million euro**.

c) Transfer of the tax collection sector of the former Banco di Napoli to Esaban (now called GEST Line), with effect from 1 October 2002

Adjustments made to the statement of income as of 31 December 2002:

- increase in net interest income (+ 2 million euro);
- decrease in commission income (- 31 million euro);
- decrease in administrative costs (+ 34 million euro).
- decrease in other operating income (- 2 million euro);
- decrease in provisions for risks and charges (+ 1 million euro).

Net of the tax effect (- 1 million euro), the impact on income as of 31 December 2002 is **+ 3 million euro**.

d) Transfer of the assets and liabilities to Sanpaolo Banco di Napoli S.p.A.

Adjustments made to the statement of income as of 31 December 2002:

- decrease in net interest income (- 253 million euro);
- decrease in net commission (- 158 million euro);
- decrease in profits and losses from financial transactions (- 7 million euro);
- decrease in personnel costs (+ 167 million euro);
- decrease in other administrative costs (+ 121 million euro);
- decrease in indirect duties and taxes (+ 14 million euro);
- decrease in other net operating income (- 15 million euro);
- decrease in adjustments to the value of goodwill (+ 37 million euro);
- decrease in provisions for risks and charges (+ 8 million euro);
- decrease in adjustments to the value of loans and provisions for guarantees and commitments (+ 30 million euro);
- decrease in extraordinary net income (- 3 million euro).

Net of the tax effect (+ 31 million euro), the impact on net income as of 31 December 2002 is **- 28 million euro**.

*d.1) Assets and liabilities attributable to the 626 branches of the former Banco di Napoli (first tranche of the transfer of the "Southern Territorial Direction" business branch) transferred to Sanpaolo Banco di Napoli S.p.A., with effect from 1 July 2003*

Adjustments made to the balance sheet as of 31 December 2002:

- decrease in cash and deposits with central banks and post offices of 113 million euro;
- decrease in loans to customers of 6,764 million euro;
- decrease in intangible fixed assets (goodwill) of 731 million euro;
- decrease in other assets of 1,674 million euro;
- increase in payables to banks of 6,479 million euro;
- decrease in customer deposits of 13,226 million euro;
- decrease in provisions for termination indemnities of 149 million euro;
- decrease in provisions for risks and other charges of 112 million euro;
- decrease in other liabilities of 1,233 million euro.

To fund the transfer, the shareholdings were increased by the net value of the business transferred, equal to 1,041 million euro.

*d.2) Assets and liabilities attributable to the 129 branches of SANPAOLO IMI (second tranche of the transfer of the "Southern Territorial Direction" business branch) transferred to Sanpaolo Banco di Napoli S.p.A., with effect from 29 September 2003*



Adjustments made to the balance sheet as of 31 December 2002:

- decrease in cash and deposits with central banks and post offices of 28 million euro;
- decrease in loans to customers of 2,457 million euro;
- decrease in loans to banks of 520 million euro;
- decrease in other assets of 439 million euro;
- decrease in payables to banks of 396 million euro;
- decrease in customer deposits of 2,350 million euro;
- decrease in provisions for termination indemnities of 26 million euro;
- decrease in provisions for risks and other charges of 69 million euro;
- decrease in other liabilities of 453 million euro.

To fund the transfer, the shareholdings were increased by the net value of the business transferred, equal to 150 million euro.

By way of reasons for comparison of the investment and goodwill captions, the balance sheet as of 31 December 2002 has been adjusted to take into account on one side, the fully paid-in increase in capital of Sanpaolo Banco di Napoli subscribed before the aforementioned transfers (increase in investment of 6 million euro to the cash balance contra-entry) and, on the other side, the different amount in residual goodwill of Banco di Napoli which would have arisen under the assumption of the transfer as of 1 July 2002 (decrease in goodwill of 86 million euro to the contra-entry in other assets).

Taking into account that following the aforementioned transfers, a number of activities relating to the organization and management of Sanpaolo Banco di Napoli were outsourced to SANPAOLO IMI, it has been assumed that such services had already been performed in 2002. This resulted in an increase in other administrative costs and other net operating income of 94 million euro.

### Other adjustments

The caption dividends from shareholdings in the 2002 financial statements has been adjusted by **39 million euro** in relation to the Cardine Finanziaria dividends distributed to SANPAOLO IMI and recorded to the year on the basis of their maturity. Furthermore, considering that in the statement of income for the year 2003 dividends from subsidiary companies to be recorded on the basis of their maturity (collectible in 2004) were booked net of their related tax credits (on the basis of the contents of the tax reform which established the abolition with effect from 1 January 2004), dividends recorded in 2002 on the basis of the same criteria have also been reduced by the corresponding amount of such tax credit, equal to **271 million euro**; this adjustment did not have any effect on net income, since income taxes have been reduced by the same amount.

With the aim of providing the most consistent comparison of gross and net income, it was deemed necessary to adjust such margins for the year 2002 by neutralizing the extraordinary, unrepeatable component, represented by the utilization of the reserve for general banking risks of **358 million euro** made in 2002. This adjustment did not have any effect on taxation, considering that the relevant deferred taxation has been appropriately accrued.

In compliance with instructions issued by the Bank of Italy in letter 3147 dated 3 March 2003, capitalization contracts subscribed by the Bank and recorded in the financial statements as of 31 December 2002 for **648 million euro**, have been reclassified from the caption Securities to the caption Loans to customers.

### Pro forma schedules used for the official financial statements and the Explanatory Notes

In order to prepare the schedules for the official financial statements and the tables to the Explanatory Notes, the pro forma figures for the year 2002 have been adjusted attributing a different importance in respect of the following:

- I. “realization” transactions, which determine the definitive transfer of assets/liabilities;

- II. transactions which have resulted in the integration of other companies;
- III. reclassification of financial statement captions;
- IV. extraordinary components.

With respect to the different aims for the presentation of the official financial statements and the Explanatory Notes, in the construction of the 2002 comparative financial statements, the criteria followed to distinguish between company transactions which represent the sale/purchase of assets (eg. transfer of business branches) and those transactions which result in the bank taking over the assets/liabilities of the merged company.

In the first case (point I), taking into consideration that the transactions resulted in the definitive transfer of the assets/liabilities of the Bank, no pro forma adjustments were made to the 2002 figures: this permits, among others, a clearer indication of the movements during the year.

In the second case (point II) however, given that the incorporating company acquires the assets/liabilities in the same manner in which they were recorded by the merged company, it is considered correct and appropriate to adjust the pro forma figures of the previous year, increasing them to reflect the results of the incorporated company.

Lastly, in line with that envisaged by IAS 1, the reclassifications to financial statement captions (point III) led to adjustments to pro forma figures for the previous year, whilst no adjustments were made to the extraordinary components for the year 2002 (point IV).

To conclude, compared with the pro forma adjustments made for the purpose of the Report on Operations, the schedules used for the financial statements and the preparation of the tables for the Explanatory Notes have taken into consideration exclusively those adjustments referring to the incorporation of Cardine Finanziaria, the 2002 dividends and the reclassification of capitalization contracts.

Provided below are the diagrams determining the pro forma schedules, in reclassified and “official” versions, it should however be noted that, for the purposes of the tables for the Explanatory Notes, the pro forma figures have been omitted in the assumption that they would have coincided with those published last year.

Lastly, it is pointed out that the aforementioned pro forma schedules are unaudited.

## Reclassified pro forma balance sheet as of 31/12/2002

	31/12/02 SANPAOLO IMI (€/mil)	31/12/02 Cardine Finanziaria (€/mil)	31/12/02 pro forma adjustments (€/mil)	31/12/02 pro forma (€/mil)
<b>ASSETS</b>				
Cash and deposits with central banks and post offices	986	-	-151	835
Loans	97,110	96	-11,051	86,155
– due from banks	20,951	96	-535	20,512
– loans to customers	76,159	-	-10,516	65,643
Dealing securities	12,658	-	-708	11,950
Fixed assets	13,381	2,314	-2,005	13,690
– investment securities	2,039	-	-6	2,033
– equity investments	8,313	2,213	-1,182	9,344
– intangible fixed assets	1,613	33	-817	829
– tangible fixed assets	1,416	68	-	1,484
Other assets	10,872	265	-2,216	8,921
<b>Total assets</b>	<b>135,007</b>	<b>2,675</b>	<b>-16,131</b>	<b>121,551</b>
<b>LIABILITIES</b>				
Payables	106,233	-	-11,483	94,750
– due to banks	31,020	-	6,123	37,143
– due to customers and securities issued	75,213	-	-17,606	57,607
Provisions	3,115	25	-628	2,512
– for taxation	1,038	23	-271	790
– for termination indemnities	687	1	-176	512
– provisions for risks and charges	1,349	1	-181	1,169
– for pensions and similar	41	-	-	41
Other liabilities	9,613	57	-1,736	7,934
Subordinated liabilities	6,090	-	-	6,090
Shareholders' equity	9,956	2,593	-2,284	10,265
of which:				
– capital	5,144	1,800	-1,800	5,144
– reserves	4,048	600	-484	4,164
– net income for the period	764	193	-434	523
– adjustment for alignment with net income	-	-	434	434
<b>Total liabilities and shareholders' equity</b>	<b>135,007</b>	<b>2,675</b>	<b>-16,131</b>	<b>121,551</b>
<b>GUARANTEES AND COMMITMENTS</b>				
Guarantees given	30,142	-	-759	29,383
Commitments	14,181	-	-822	13,359

The pro forma balance sheet as of 31/12/2002 is unaudited.



## Reclassified pro forma statement of income as of 31/12/2002

	2002 SANPAOLO IMI (€/mil)	2002 Cardine Finanziaria (€/mil)	2002 pro forma adjustments (€/mil)	2002 pro forma (€/mil)
<b>NET INTEREST INCOME</b>	<b>2,103</b>	<b>1</b>	<b>-275</b>	<b>1,829</b>
Net commissions and other net dealing revenues	1,512	-1	-189	1,322
Profits and losses from financial transactions and dividends on shares	62	-	-7	55
Dividends from shareholdings	700	351	-423	628
<b>NET INTEREST AND OTHER BANKING INCOME</b>	<b>4,377</b>	<b>351</b>	<b>-894</b>	<b>3,834</b>
Administrative costs	-2,866	-93	246	-2,713
<i>of which:</i>				
– <i>personnel</i>	-1,823	-5	173	-1,655
– <i>other administrative costs</i>	-885	-88	59	-914
– <i>indirect duties and taxes</i>	-158	-	14	-144
Other operating income, net	252	62	76	390
Adjustments to tangible and intangible fixed assets	-330	-22	-	-352
<b>OPERATING INCOME</b>	<b>1,433</b>	<b>298</b>	<b>-572</b>	<b>1,159</b>
Adjustments to goodwill and merger differences	-185	-	37	-148
Provisions for risks and charges	-151	-1	9	-143
Net adjustments to loans and provisions for guarantees and commitments	-260	-	31	-229
Net adjustments to financial fixed assets	-337	-1	-	-338
<b>INCOME BEFORE EXTRAORDINARY ITEMS</b>	<b>500</b>	<b>296</b>	<b>-495</b>	<b>301</b>
Net extraordinary income	316	-	109	425
<b>INCOME BEFORE TAXES</b> before the use of reserve for general banking risks	<b>816</b>	<b>296</b>	<b>-386</b>	<b>726</b>
Use of reserve for general banking risks	358	-	-358	-
<b>INCOME BEFORE TAXES</b>	<b>1,174</b>	<b>296</b>	<b>-744</b>	<b>726</b>
Income taxes for the period	-410	-103	310	-203
<b>NET INCOME</b>	<b>764</b>	<b>193</b>	<b>-434</b>	<b>523</b>
			Adjustment for alignment with aggregate income for 2002 (SANPAOLO IMI + Cardine Finanziaria)	434
			<b>Aggregate net income 2002 (SANPAOLO IMI + Cardine Finanziaria)</b>	<b>957</b>

The pro forma statement of income for 2002 is unaudited.

## Pro forma balance sheet as of 31/12/2002

(Euro)

ASSETS	31/12/02 SANPAOLO IMI	31/12/02 Cardine Finanziaria	31/12/02 Pro forma adjustments	31/12/02 Total pro forma
10. Cash and deposits with central banks and post offices	985,719,740	-	-	985,719,740
20. Treasury bills and similar bills eligible for refinancing with central banks	1,553,698,471	-	-	1,553,698,471
30. Due from banks:	20,951,323,060	95,416,924	-15,160,000	21,031,579,984
a) repayable on demand	4,921,480,358	95,416,924	-15,160,000	5,001,737,282
b) other deposits	16,029,842,702	-	-	16,029,842,702
40. Loans to customers	76,158,636,358	-	648,131,600	76,806,767,958
of which:				
- loans using public funds	90,404,572	-	-	90,404,572
50. Bonds and other debt securities	12,813,913,081	-	-648,131,600	12,165,781,481
a) public entities	4,563,621,199	-	-	4,563,621,199
b) banks	6,434,321,388	-	-	6,434,321,388
of which:				
- own bonds	986,187,745	-	-	986,187,745
c) financial institutions	487,524,975	-	-	487,524,975
of which:				
- own bonds	-	-	-	-
d) other issuers	1,328,445,519	-	-648,131,600	680,313,919
60. Shares, quotas and other equities	329,736,031	-	-	329,736,031
70. Equity investments	1,619,592,372	50,186,670	-	1,669,779,042
80. Investments in Group companies	6,693,119,740	2,162,677,068	-2,438,903,839	6,416,892,969
90. Intangible fixed assets	1,612,606,208	33,385,044	-	1,645,991,252
of which:				
- start-up costs	-	-	-	-
- goodwill	1,411,283,306	-	-	1,411,283,306
100. Tangible fixed assets	1,416,269,773	67,900,194	-	1,484,169,967
120. Own shares or quotas (nominal value 2.8 euro)	7	-	-	7
130. Other assets	9,044,329,784	265,172,451	-307,380,696	9,002,121,539
140. Accrued income and prepaid expenses:	1,828,037,680	58,069	-	1,828,095,749
a) accrued income	1,451,080,451	-	-	1,451,080,451
b) prepaid expenses	376,957,229	58,069	-	377,015,298
of which:				
- discounts on bond issues	6,426,867	-	-	6,426,867
<b>Total assets</b>	<b>135,006,982,305</b>	<b>2,674,796,420</b>	<b>-2,761,444,535</b>	<b>134,920,334,190</b>

The pro forma balance sheet as of 31/12/2002 is unaudited.

(Euro)

<b>LIABILITIES</b>	31/12/02 SANPAOLO IMI	31/12/02 Cardine Finanziaria	31/12/02 Pro forma adjustments	31/12/02 Total pro forma
10. Due to banks:	31,020,049,520	-	-	31,020,049,520
a) repayable on demand	2,661,073,661	-	-	2,661,073,661
b) time deposits or with notice period	28,358,975,859	-	-	28,358,975,859
20. Due to customers:	55,741,833,510	-	-51,797,000	55,690,036,510
a) repayable on demand	40,490,341,035	-	-51,797,000	40,438,544,035
b) time deposits or with notice period	15,251,492,476	-	-	15,251,492,476
30. Securities issued:	19,375,280,452	-	-	19,375,280,452
a) bonds	16,024,777,812	-	-	16,024,777,812
b) certificates of deposit	2,845,383,004	-	-	2,845,383,004
c) other	505,119,636	-	-	505,119,636
40. Public funds administered	90,528,461	-	-	90,528,461
50. Other liabilities	8,279,336,152	57,285,050	-	8,336,621,202
60. Accrued expenses and deferred income:	1,338,243,873	-	-	1,338,243,873
a) accrued expenses	1,092,277,336	-	-	1,092,277,336
b) deferred income	245,966,537	-	-	245,966,537
70. Provisions for employee termination indemnities	686,918,780	504,926	-	687,423,706
80. Provisions for risks and charges:	2,427,868,887	23,598,174	-270,743,696	2,180,723,365
a) pensions and similar commitments	41,237,000	-	-	41,237,000
b) taxation	1,037,458,900	22,421,329	-270,743,696	789,136,533
c) other	1,349,172,987	1,176,845	-	1,350,349,832
100. Reserve for general banking risks	-	-	-	-
110. Subordinated liabilities	6,090,475,262	-	-	6,090,475,262
120. Capital	5,144,064,800	1,800,000,000	-1,800,000,000	5,144,064,800
130. Additional paid-in capital	707,767,359	600,000,000	-600,000,000	707,767,359
140. Reserves:	3,340,535,833	20,000	-38,913,928	3,301,641,905
a) legal reserve	1,028,812,960	-	-	1,028,812,960
b) reserve for own shares or quotas	7	-	-	7
c) statutory reserves	-	-	-	-
d) other reserves	2,311,722,866	20,000	-38,913,928	2,272,828,938
160. Losses carried forward	-	-10,089	10,089	-
170. Income for the period	764,079,416	193,398,359	-38,880,000	918,597,775
Adjustment for alignment with net income	-	-	38,880,000	38,880,000
<b>Total liabilities and shareholders' equity</b>	<b>135,006,982,305</b>	<b>2,674,796,420</b>	<b>-2,761,444,535</b>	<b>134,920,334,190</b>
<b>GUARANTEES AND COMMITMENTS</b>				
10. Guarantees given	30,142,155,929	-	-	30,142,155,929
<i>of which:</i>				
– acceptances	129,978,307	-	-	129,978,307
– other guarantees	30,012,177,622	-	-	30,012,177,622
20. Commitments	14,180,832,609	105,000	-	14,180,937,609
<i>of which:</i>				
– for derivatives on loans	789,098,156	-	-	789,098,156
– for sales with obligation to repurchase	-	-	-	-

The pro forma balance sheet as of 31/12/2002 is unaudited.

## Pro forma statement of income as of 31/12/2002

(Euro)				
CAPTIONS	2002 SANPAOLO IMI	2002 Cardine Finanziaria	2002 Pro forma adjustments	2002 Total pro forma
10. Interest income and similar revenues	5,363,502,175	1,148,113	-	5,364,650,288
of which:				
– loans to customers	4,003,533,530	-	-	4,003,533,530
– debt securities	644,111,676	-	-	644,111,676
20. Interest expense and similar charges	-3,260,552,884	-101,600	-	-3,260,654,484
of which:				
– amounts due to customers	-996,073,132	-	-	-996,073,132
– securities issued	-1,081,949,799	-	-	-1,081,949,799
30. Dividends and other revenues	709,742,039	350,452,664	-422,123,696	638,071,007
a) shares, quotas and other equities	9,533,702	-	-	9,533,702
b) equity investments	171,259,198	1,089,314	-	172,348,512
c) investments in Group companies	528,949,139	349,363,350	-422,123,696	456,188,793
40. Commission income	1,629,952,170	15,293	-	1,629,967,463
50. Commission expense	-117,600,220	-885,293	-	-118,485,513
60. Profits (losses) on financial transactions	43,917,660	-	-	43,917,660
70. Other operating income	257,529,983	61,789,058	-	319,319,041
80. Administrative costs	-2,866,395,942	-92,588,789	-	-2,958,984,731
a) personnel	-1,823,065,521	-4,603,902	-23,244,000	-1,850,913,423
of which:				
– wages and salaries	-1,311,896,430	-3,320,605	-23,244,000	-1,338,461,035
– social security charges	-415,616,600	-968,278	-	-416,584,878
– termination indemnities	-95,552,491	-4,849	-	-95,557,340
– pensions and similar	-	-283,325	-	-283,325
b) other administrative costs	-1,043,330,421	-87,984,887	23,244,000	-1,108,071,308
90. Adjustments to tangible and intangible fixed assets	-534,010,971	-21,663,070	-	-555,674,041
100. Provisions for risks and charges	-151,077,607	-1,150,000	-	-152,227,607
110. Other operating expense	-5,934,964	-99	-	-5,935,063
120. Adjustments to loans and provisions for guarantees and commitments	-424,571,182	-	-	-424,571,182
130. Writebacks of adjustments to loans and provisions for guarantees and commitments	173,210,939	-	-	173,210,939
140. Provisions to the reserve for probable loan losses	-	-	-	-
150. Adjustments to financial fixed assets	-338,475,902	-900,835	-	-339,376,737
160. Writebacks of adjustments to financial fixed assets	861,243	-	-	861,243
170. Income from ordinary activities	480,096,538	296,115,442	-422,123,696	354,088,284
180. Extraordinary income	496,084,660	11,325	112,500,000	608,595,985
190. Extraordinary expense	-160,241,059	-184,408	-	-160,425,467
200. Extraordinary net income	335,843,602	-173,083	112,500,000	448,170,519
210. Change in reserve for general banking risks	358,369,442	-	-	358,369,442
220. Income taxes for the period	-410,230,167	-102,544,000	270,743,696	-242,030,471
<b>230. Income for the period</b>	<b>764,079,416</b>	<b>193,398,359</b>	<b>-38,880,000</b>	<b>918,597,775</b>

Adjustment for alignment with aggregate net income for 2002  
(SANPAOLO IMI + Cardine Finanziaria)

38,880,000

**Aggregate net income 2002 (SANPAOLO IMI + Cardine Finanziaria)**

**957,477,775**

The pro forma statement of income for 2002 is unaudited.



### **Audit of the financial statements**

The financial statements of the Bank have been audited by PricewaterhouseCoopers S.p.A., in accordance with the shareholders' resolution of 28 April 2000, which appointed them as auditors of the year end, half year financial statements and of Form 20-F for the 2001/2003 three-year period.

### **Half year report**

In accordance with legislation and with the methods established by Consob, SANPAOLO IMI prepared and published the report on operations for the first six months of 2003.

The aforementioned half year report was subjected to a limited audit by PricewaterhouseCoopers S.p.A., in accordance with CONSOB Recommendations 97001574 of 20 February 1997 and 10867 of 31 July 1997, and with the aforementioned shareholders' resolution of 28 April 2000.

## Part A - Accounting policies

### SECTION 1 - DESCRIPTION OF ACCOUNTING POLICIES

The financial statements of the Bank as of 31 December 2003 have been prepared using the same accounting policies as those adopted for the 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 by the countries in which borrowers are resident. The assessment performed also takes into consideration any guarantees received, market prices and negative market trends involving the consistent loan categories. Estimated realizable value is determined following a detailed review of outstanding loans, considering the degree of risk associated with the various forms of lending and the risk of default inherent in loans that are currently performing normally. The estimated realizable value of non-performing loans, problem, restructured loans and loans being restructured, not only take into consideration 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 on the basis of a historical/statistical method 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 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 evolution of the economic cycle.

For the purpose of classifying loans as being non-performing, problem, restructured or exposed to country-risk, the Bank refers to current Bank of Italy regulations on the subject integrated with 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 management of doubtful 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 reversed from the statement of income since, for the sake of prudence, unless otherwise stated, 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 write-backs, when the reasons for such writedowns cease to apply.

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

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

The net present value of financial flows is determined by reference to expected cash receipts (future financial flows), the timing of such receipts and the applicable discounting rate.

The timing and extent of expected cash receipts are determined on the analytical assumptions provided by the departments responsible for loan evaluation and, where these are unavailable, on 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 Bank used the 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 Bank on medium-long term loans (fixed and floating rate) and on short term loans (floating rate). Considering the need to simplify and reduce data processing

costs, it is deemed that such average rate is sufficiently approximate to the result which would have been obtained had current contractual rates been applied to transactions now classified as doubtful loans.

The 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 Bank has acquired protection against the risk of non-performance as part of derivative contracts (“buyer protection”) continue to be booked in the financial statements among loans secured by personal guarantees.

#### Loans deriving from financing and deposit contracts

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

#### Repurchase agreements on securities 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.

#### Guarantees and commitments

Guarantees and commitments acquired by the Bank and which give rise to credit risks are recorded at the total value of the exposure, while the related risk is assessed on the basis described in relation to loans. Expected losses in relation to guarantees and commitments are covered by the related reserve. Commitments include exposures to underlying borrowers for credit derivatives for which the Bank has taken over the credit risk (“seller protection”).

#### Credit derivatives

As highlighted above, credit derivatives which involve hedging sales are booked to caption 20 “commitments” at their theoretical value, while those which involve hedging purchases are booked to the underlying asset among loans secured by personal guarantees.

Credit derivatives are classified as belonging to the dealing portfolio (“trading book”) when the bank is holding them for trading. Credit derivatives 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 financial risk inherent in those 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 130 under assets and caption 50 under liabilities of the balance sheet).

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

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

### 2.1 Investment securities

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

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

### 2.2 Dealing securities

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

- securities quoted in organized markets: the official price quoted on the last trading day of the period;
- securities not quoted in organized markets: at the lower between cost and market value. The latter value is estimated 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 accounting treatment of the contracts concerned.

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

### Commitments to buy or sell for security transactions to be settled

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

### 3. Equity investments

Equity investments are stated at cost, as revalued in the past at the time of transformation into a limited company or as a result of mergers, determined on a LIFO basis with annual increments. Cost is written down to reflect any permanent losses in value, taking into account any reductions in the equity value of the companies concerned and in the trend in exchange rates for those investments held at historical rates. The original value of equity investments is reinstated if the reasons for any writedowns cease to apply.

Equity investments may also be written down in consideration of the market trend, in accordance with the first subsection of Art. 18 of D. Lgs. 87/92, or rather exclusively for tax purposes as allowed by subsection three of Art. 15 of D. Lgs 87/92.

With reference to investments held in Isveimer and in S.G.A., any charges which the Bank may be called on to bear to cover losses incurred by companies will be covered through measures taken in accordance with Law 588/96, accomplished with the procedures provided by the Ministerial Decree of 27 September 1974, as revealed in Part B, section 9 of these notes.

The differences between the carrying value of “significant investments” and the lower value of the corresponding portion of net equity from the latest financial statements of subsidiary companies, are normally justified by the goodwill and greater market value of the assets held by those subsidiaries.

Dividends of directly controlled investments are recorded on the basis of their maturity, on the condition that the Boards of Directors of the directly controlled investments approve the proposals for the distribution of profit which are submitted before the respective Shareholders’ Meetings held before the Board of Directors of the Bank approve the financial statements.

Dividends from other investments are recorded, together with the related tax credits, to the year in which the tax credit becomes collectible, usually the year in which the dividends are collected.

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

#### Assets and liabilities denominated in foreign currency

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

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

#### Unsettled spot and forward currency transactions

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

Transactions not carried out for hedging purposes are valued:

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

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

## 5. Tangible fixed assets

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

Operating assets by destination or by nature 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 capital increase expenses 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. Costs incurred for the development of software before the year in which the development project was completed, are capitalized when a positive outcome of the development/creation of software is expected and the benefits of the products under completion will spread over the long term. On this assumption, the costs are amortized over not more than 5 years. During the year in which software is completed, costs incurred and not yet amortized are recorded to assets and the relevant cost is amortized over three years;
- the merger deficit deriving from the merger with Banco di Napoli, which was concluded in 2002, is amortized on a straight-line basis. Amortization is provided over a period of ten years in relation to the duration of the goodwill inherent to the merged bank and is in line with the period adopted by the advisors within the scope of determining exchange ratios, for the purpose of the valuation of the companies.

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

### 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.

### 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, the timing and extent of which cannot be determined at period-end or at the time the financial statements are prepared.

#### Provisions for taxation

The provisions for taxation are to cover corporate income taxes (IRPEG) and the tax on business activities (IRAP), including local taxes payable by foreign branches, as well as deferred taxes and existing or potential fiscal disputes.

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

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



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

Deferred tax liabilities are calculated by applying the tax rates established by current law to the taxable temporary differences likely to generate a tax burden and to the deductible temporary differences if these are likely to be recovered. Deferred tax assets and liabilities relating to the same tax and expiring in the same period are offset against each other.

In the years in which deductible provisional differences are higher than taxable provisional differences, the relevant deferred tax assets are recorded to caption 130 – other assets- as an asset item of the balance sheet and offset against income tax. On the other hand, in the years in which taxable provisional differences are higher than deductible provisional differences, the relevant deferred tax liabilities are recorded to caption 80.b – provisions for taxation - and offset against income tax.

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

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

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

#### Other provisions

Provisions for guarantees and commitments cover losses on guarantees given and, more generally, the contingencies associated with guarantees and commitments and exposures to credit derivatives on loans for which the Bank 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 in respect of company transactions and of the sale of equity investments; potential liabilities deriving from the renegotiation of subsidized home mortgage loans (Law 133/99 and that dictated by Budget Law 2001) and from unsubsidized fixed rate mortgages (Law Decree 394 dated 29 December 2000, converted to Law 24 dated 28 February 2001); other potential liabilities deriving from customer disputes in respect of dealing activities in securities, and other connected charges and contingent liabilities.

The "provisions for other personnel charges" mainly comprise:

- provisions recorded on the basis of an independent actuarial report, in order to cover the technical deficit of the independent supplementary pension fund for Istituto Bancario San Paolo di Torino employees (an independent entity which integrates the compulsory pension fund) as well as provisions for other welfare and social contributions;
- provisions made to set up a reserve to provide cover for employee seniority bonuses payable after completion of 25 and 35 years service;

- provisions to cover discretionary employee bonuses, commitments for staff leaving incentives offered during the year and in prior years and other contingent liabilities.

## 11. Other aspects

### 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:

- intent to enter into a hedge;
- 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 accrued 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 Bank has adopted an organizational structure based on specialized trading desks that have exclusive authorization to deal in specific derivatives. The arrangement is inspired mainly by the goals of efficiency (lower transaction costs), improved management of market and counterparty risks, and the optimal allocation of specialized human resources. These desks manage portfolios consisting of various types of derivatives (and sometimes securities) and operate within defined net risk limits.

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

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

- internal deals involving derivatives held in specialized desk portfolios are stated at market value when entered into for trading/dealing purposes;

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

#### Settlement date

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

## SECTION 2 - ADJUSTMENTS AND PROVISIONS RECORDED FOR FISCAL PURPOSES

### 2.1 Adjustments to value recorded solely for fiscal purposes

During the year the investment in IMI Investimenti was written down by 66 million euro, which corresponds to the difference between the book value and the net equity of the company as of 31 December 2003.

This write down, which does not refer to a permanent loss in value, was made solely to take advantage of tax benefits.

### 2.2 Provisions recorded solely for fiscal purposes

No provisions solely for fiscal purposes have been recorded during the year.

## Part B - Information on the balance sheet

### SECTION 1 - LOANS

#### Due from banks (caption 30)

Amounts due from banks are analyzed below by type of counterparty and technical form of the transaction:

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
Deposits with central banks			
– compulsory reserve	133	143	143
– other	16	14	14
Deposits with other banks			
– repurchase agreements and securities loaned	5,445	4,871	4,871
– current accounts	1,188	738	657
– deposits	19,014	14,060	14,060
– loans	1,386	1,008	1,008
– subordinated loans	198	194	194
– other	5	4	4
<b>Total</b>	<b>27,385</b>	<b>21,032</b>	<b>20,951</b>

The compulsory reserve with the Bank of Italy identified above reflects the year-end precise position.

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

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) deposits with central banks	149	157
b) bills eligible for refinancing with central banks	-	-
c) repurchase agreements	5,445	4,871
d) securities loaned	-	-

## Degree of risk in loan portfolio to banks

## Analysis of loans to banks (Table 1.2 B.I.)

(€/mil)

Categories / Values	31/12/03			31/12/02 pro forma			31/12/02		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
A. Doubtful loans	45	15	30	79	24	55	79	24	55
A.1 Non-performing loans	5	5	-	9	8	1	9	8	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	70	16	54	70	16	54
B. Performing loans	27,355	-	27,355	20,977	-	20,977	20,896	-	20,896
<b>Total loans to banks</b>	<b>27,400</b>	<b>15</b>	<b>27,385</b>	<b>21,056</b>	<b>24</b>	<b>21,032</b>	<b>20,975</b>	<b>24</b>	<b>20,951</b>

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

## Movements in doubtful loans to banks (Table 1.3 B.I.)

(€/mil)

Description / Categories	Non-performing loans	Problem loans	Loans in course of restructuring	Restructured loans	Unsecured loans exposed to country risk
A. Gross exposure as of 1/1/03	9	-	-	-	70
A.1 of which: for default interest	-	-	-	-	-
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	5	1	-	-	33
C.1 outflows to performing loans	-	-	-	-	-
C.2 write-offs	-	-	-	-	-
C.3 collections	1	-	-	-	33
C.4 disposals	-	-	-	-	-
C.5 transfer to other categories of doubtful loans	3	-	-	-	-
C.6 other decreases	1	1	-	-	-
D. Gross exposure as of 31/12/03	5	1	-	-	39
D.1 of which: for default interest	-	-	-	-	1

## Movements in total adjustments made to loans granted to banks (Table 1.4 B.I.)

(€/mil)

Description / Categories	Non-performing loans	Problem loans	Loans in course of restructuring	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A. Total pro forma adjustments as of 1/1/03	8	-	-	-	16	-
A.1 of which: for default interest	-	-	-	-	-	-
B. Increases	1	2	-	-	2	-
B.1 adjustments	-	-	-	-	-	-
B.1.1 of which: for default interest	-	-	-	-	-	-
B.2 use of reserves for probable loan losses	-	-	-	-	-	-
B.3 transfer from other categories of loans	-	1	-	-	-	-
B.4 other increases	1	1	-	-	2	-
C. Decreases	4	1	-	-	9	-
C.1 writebacks from valuations	-	-	-	-	7	-
C.1.1 of which: for default interest	-	-	-	-	-	-
C.2 writebacks of collections	-	-	-	-	-	-
C.2.1 of which: for default interest	-	-	-	-	-	-
C.3 write-offs	-	-	-	-	-	-
C.4 transfer to other categories of doubtful loans	1	-	-	-	-	-
C.5 other decreases	3	1	-	-	2	-
D. Total adjustments as of 31/12/03	5	1	-	-	9	-
D.1 of which: for default interest	-	-	-	-	1	-

## Loans to customers (caption 40)

Loans to customers are analyzed below, by technical form:

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
Mortgage loans	28,918	33,155	33,155
Other forms of finance not flowing through current accounts - Italian branches	15,461	17,171	17,171
Current accounts	7,636	10,569	10,569
Other forms of finance not flowing through current accounts - Foreign branches	4,392	5,706	5,706
Import-export loans	1,874	1,997	1,997
Advances with recourse	1,438	2,642	2,642
Repurchase agreements and securities loaned	1,109	957	957
Loans repurchased by third parties	938	839	839
Personal loans	741	735	735
Risk on portfolio	478	803	803
Non-performing loans	453	788	788
Other loans to customers	545	1,445	797
<b>Total</b>	<b>63,983</b>	<b>76,807</b>	<b>76,159</b>



The decrease in loans to customers is mainly attributable to the transfer during the year of the business branches to Banca OPI and Sanpaolo Banco di Napoli. As a matter of fact 11,164 million euro of loans to customers were transferred, the detail of which is as follows: 6,083 million of euro mortgage loans, 1,704 million euro of current accounts, 1,690 million euro of other forms of finance not included in current accounts, 380 million euro of loans subject to collection, 351 million euro of non-performing loans, 261 million euro of risk in loan portfolio, 184 million euro of import-export financing and 511 million euro of other types of loans.

*Detail of caption 40 "loans to customers" (Table 1.5 B.I.)*

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Bills eligible for refinancing with central banks	-	18
b) Repurchase agreements	1,109	957
b) Securities loaned	-	-

The detail of "secured loans to customers" excluding those granted directly to Governments or other public bodies for 586 million euro (3,089 million euro as of 31 December 2002), is the following:

*Secured loans to customers (Table 1.6 B.I.)*

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Mortgages	17,347	20,505
b) Pledged assets:		
1. cash deposits	50	238
2. securities (a)	2,580	2,543
3. other instruments	74	317
c) Guarantees given by:		
1. Governments	1,548	3,153
2. other public entities	52	44
3. banks	622	854
4. other operators	8,364	9,873
<b>Total</b>	<b>30,637</b>	<b>37,527</b>

(a) These include 1,109 million euro as of 31 December 2003 and 957 million euro as of 31 December 2002 of repurchase and similar agreements guaranteed by underlying securities.

Loans to customers guaranteed by banks and other operators include 99 million euro of positions for which the Bank purchased buyer protection against the risk of non-performance, by means of derivative contracts.

The negative changes in this caption also refer mainly to the aforementioned transfer during the year of the business branches in which guaranteed loans to customers and to Governments or other Public Bodies amounting to 6,496 million euro and 299 million euro, respectively, were transferred to Sanpaolo Banco di Napoli and loans to Governments or other public bodies for 1,943 million euro were transferred to Banca OPI.

"Secured loans to customers" and those granted directly to Governments or other public bodies represent 49% of total loans to customers (53% at the end of 2002, which drops to 49% taking into account the transfers made during 2003).

### Degree of risk in loan portfolio to customers

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

The estimated realizable value of doubtful loans takes into account not only the likelihood of recovery, but also 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 69 million euro (173 million euro as of 31 December 2002, of which 75 million euro refer to loans transferred to Sanpaolo Banco di Napoli S.p.A.).

#### Analysis of loans to customers (Table 1.7 B.I.)

(€/mil)

Categories / Values	31/12/03			31/12/02 pro forma			31/12/02		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
A. Doubtful loans	2,898	1,895	1,003	4,154	2,478	1,676	4,154	2,478	1,676
A.1 Non-performing loans	2,104	1,651	453	2,933	2,145	788	2,933	2,145	788
A.2 Problem loans	612	203	409	1,012	287	725	1,012	287	725
A.3 Loans in course of restructuring	17	3	14	19	1	18	19	1	18
A.4 Restructured loans	137	30	107	139	28	111	139	28	111
A.5 Unsecured loans exposed to country risk	28	8	20	51	17	34	51	17	34
B. Performing loans	63,457	477	62,980	75,793	662	75,131	75,145	662	74,483
<b>Total loans to customers</b>	<b>66,355</b>	<b>2,372</b>	<b>63,983</b>	<b>79,947</b>	<b>3,140</b>	<b>76,807</b>	<b>79,299</b>	<b>3,140</b>	<b>76,159</b>

Problem and non-performing loans include unsecured loans to residents of nations exposed to risk for a gross exposure of 8 million euro, of which 4 million euro on problem loans, written down by 1 million euro and 4 million euro on non-performing loans written down in full.

*Coverage of loans*

Categories	31/12/03 (%)	31/12/02 (%)
Non-performing loans	78.47	73.13
Problem, restructured and in course of restructuring loans	30.81	27.01
Unsecured loans exposed to country risk	28.57	33.33
Performing loans (a)	0.83	0.97

(a) Total performing loans do not include loans to Group companies, equal to 5,717 million euro (5,567 million euro as of 31/12/2002).

As regards the various types of loans, the highest levels of coverage are for ordinary loans, while the percentages on construction loans are lower given the existence of mortgage guarantees on these positions.

*Movements in doubtful loans to customers (Table 1.8 B.I.)*

(€/mil)

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 1/1/03	2,933	1,012	19	139	51
A.1 of which: for default interest	-	-	-	-	-
B. Increases	803	745	35	53	-
B.1 inflows from performing loans	352	510	-	17	-
B.2 default interest	75	6	-	-	-
B.3 transfer from other categories of doubtful loans	261	66	28	25	-
B.4 other increases	115	163	7	11	-
C. Decreases	1,632	1,145	37	55	23
C.1 outflows to performing loans	6	152	-	13	-
C.2 write-offs	71	32	-	1	2
C.3 collections	210	343	10	15	21
C.4 disposals	-	-	-	-	-
C.5 transfer to other categories of doubtful loans	48	294	19	19	-
C.6 other decreases	1,297	324	8	7	-
D. Gross exposure as of 31/12/03	2,104	612	17	137	28
D.1 of which: for default interest	335	19	-	-	-

*Movements in total adjustments made to loans granted to customers (Table 1.9 B.I.)*

(€/mil)

Description / Categories	Non-performing loans	Problem loans	Loans in course of restructuring	Restructured loans	Unsecured loans exposed to country risk	Performing loans
A. Total pro forma adjustments as of 1/1/03	2,145	287	1	28	17	662
<i>A.1 of which: for default interest</i>	-	-	-	-	-	-
B. Increases	613	198	7	11	-	23
B.1 adjustments	478	163	3	7	-	22
<i>B.1.1 of which: for default interest</i>	75	6	-	-	-	4
B.2 use of reserves for probable loan losses	-	-	-	-	-	-
B.3 transfer from other categories of loans	108	29	3	3	-	-
B.4 other increases	27	6	1	1	-	1
C. Decreases	1,107	282	5	9	9	208
C.1 writebacks from valuations	32	19	-	4	5	4
<i>C.1.1 of which: for default interest</i>	-	-	-	-	-	-
C.2 writebacks of collections	64	27	-	-	-	5
<i>C.2.1 of which: for default interest</i>	15	7	-	-	-	1
C.3 write-offs	71	32	-	1	2	4
C.4 transfer to other categories of doubtful loans	23	110	4	3	-	3
C.5 other decreases	917	94	1	1	2	192
D. Total adjustments as of 31/12/03	1,651	203	3	30	8	477
<i>D.1 of which: for default interest</i>	335	19	-	-	-	2

As already discussed, total adjustments include 69 million euro relating to the adoption of a policy for discounting doubtful loans. More specifically, writedowns for discounting purposes total 52 million euro on non-performing loans, 13 million euro on problem loans, 3 million euro on restructured loans and 1 million euro on loans in course of restructuring.

Default interest accrued on performing loans and written-down in full amount to 2 million euro.

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 27 million euro, after a writedown of 245 million euro, corresponding to around 90% of the gross exposure. The Cirio group loans (gross exposure of around 19 million euro) have also been classified as non-performing and are written-down almost in full.

## 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	49	38	38
Venezuela	10	9	9
Russia	249	4	4
Argentina	60	3	3
Philippines	9	2	1
Algeria	17	2	2
Angola	6	2	2
Serbia and Montenegro	3	2	2
Peru	2	2	2
Costarica	2	2	-
Lebanon	5	-	-
Pakistan	5	-	-
Other	10	1	-
<b>Total gross exposure</b>	<b>427</b>	<b>67</b>	<b>63</b>
Total adjustments	17	17	
<b>Net exposure as of 31/12/03</b>	<b>410</b>	<b>50</b>	

For the purposes of the report on the "country risk", the countries considered are those listed by the Italian Bankers Association, for which, in the absence of specific guarantees, general adjustments have to be made. Adjustments have been made, normally, by applying the weighting criteria and the writedown percentages agreed industry-wide by the Italian Bankers Association, as mentioned above. Such writedowns are to cover all of the losses that might arise from those events that are typical to "country risk".

Secured loans amount to 360 million euro, of which 268 million euro are insured by SACE or by guarantees from operators in the OECD area. The remaining 92 million euro refer to loans granted to a prime customer resident in Russia that are guaranteed by receivables deriving from supply contracts with leading West European companies. This collateral is deemed adequate to cover the 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 Bank 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)	2,191	1,554	1,554
Bonds and other debt securities (caption 50)	9,048	12,165	12,813
Shares, quotas and other equities (caption 60)	1	330	330
<b>Total</b>	<b>11,240</b>	<b>14,049</b>	<b>14,697</b>
<i>of which:</i>			
– investment securities	2,458	2,039	2,039
– dealing securities	8,782	12,010	12,658

“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

Investment securities, totaling 2,458 million euro, are held for the long term as a stable investment and, as such, are generally held through to redemption. The allocation to the investment portfolio is made on the basis of criteria defined in a specific framework resolution approved by the Board of Directors in the following circumstances:

- in the case of related forms of funding;
- in the case of specific control regulations;
- in the case of not readily marketable securities.

#### Investment securities (Table 2.1 B.I.)

Item/Value	31/12/03		31/12/02	
	Book value	Market value	Book value	Market value
<b>1. Debt securities</b>				
1.1 Government securities				
– quoted	2,007	2,055	996	1,050
– unquoted	-	-	-	-
1.2 Other securities				
– quoted	43	45	135	141
– unquoted	408	420	908	919
<b>2. Equities</b>				
– quoted	-	-	-	-
– unquoted	-	-	-	-
<b>Total</b>	<b>2,458</b>	<b>2,520</b>	<b>2,039</b>	<b>2,110</b>

The portfolio as of 31 December 2003, consisting of 82% Italian Government bonds and 18% other securities, shows a net unrealized gain of 3 million euro on the portion not covered by hedging contracts and an unrealized gain of 59 million euro on the portion hedged by derivative contracts. The valuation of these contracts reveals an unrealized loss of 39 million euro.

A positive difference between the market value and book value reveals a profit of 3 million euro which will be recorded in the statement of income on an accrual basis.

*Changes in investment securities during the year (Table 2.2 B.1.)* (€/mil)

A. Pro forma opening balance	2,039
B. Increases	
B1. purchases	1,049
B2. writebacks	1
B3. transfers from dealing portfolio	-
B4. other changes	42
C. Decreases	
C1. sales	405
C2. redemptions	123
C3. adjustments	6
<i>of which:</i>	
<i>long-term writedowns</i>	6
C4. transfers to dealing portfolio	38
C5. other changes	101
D. Closing balance	2,458

The purchases for 1,049 million euro refer to 1,011 million euro of Italian Government bonds, to suit the liquidity policy and transactions in repurchase agreements, 4 million euro of securities deriving from the restructuring of the Marconi Plc loan and 34 million euro of securities of a highly valued rating on a plafond destined for investments in corporate bonds.

The sales for 405 million euro refer to 189 million euro and 190 million euro of securities deriving from the incorporation of, respectively, Banco di Napoli and Cardine Banca, 20 million euro of securities issued by emerging countries and 6 million euro of BOC securities transferred to Banca OPI on 1 January 2003. Disposals, mainly made in the context of the redefinition of the investment portfolio following the merger operations concluded by the Bank in 2002, led to the recording of 12 million euro net extraordinary income.

Reimbursements of 123 million euro refer to 51 million euro mainly of structured securities deriving from the former Banco di Napoli, 25 million euro of securities held by the London branch of the former Banca Cardine, corporate bonds of which 14 million euro held by the Hong Kong branch, 14 million euro held by the Singapore branch and 13 million euro held by the Nassau branch and 6 million euro of Optimum Finance securities.

Transfers to the dealing portfolio of 38 million euro refer to securities deriving from the former Banco di Napoli (of which 20 million euro refer to bonds from corporate issuers and 18 million euro bonds from banking issuers). The transfers were stipulated at book value, on the basis of the valuation policies for the portfolio of origin.

Subcaption B4. "Increases - other changes" includes exchange rate differences on securities denominated in foreign currencies for 14 million euro, issue and dealing discounts and capitalization of interest on zero coupon bonds recorded to the statement of income for 11 million euro and gains on disposal of 17 million euro.

Subcaption C5. "Decreases - other changes" includes exchange rate differences on securities denominated in foreign currencies for 90 million euro, dealing discounts recorded to the statement of income for 6 million euro and losses on disposals of 5 million euro.

The “adjustments in value” at subcaption C3., amounting to 6 million euro, refer to losses in value of a long-term nature. 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 valuation of securities disposed of at the beginning of 2004 considered realizable prices, while for issues remaining in portfolio, the valuation also considered the prices supplied by the arrangers.

It is worth remembering that by resolution of the Board of Directors of the Bank, the maximum size of the investment securities portfolio has been established as the lower of:

- 25% of the total securities owned;
- the Bank’s regulatory capital.

## Dealing securities

Dealing securities, held for treasury and negotiation purposes, amount to 8,782 million euro and comprise:

- 3,283 million euro linked to derivative contracts;
- 5,499 million euro not linked to derivative contracts.

Dealing securities (Table 2.3 B.I.)

Item/Value	31/12/03		31/12/02 pro forma		31/12/02	
	Book value	Market value	Book value	Market value	Book value	Market value
1. Debt securities						
1.1 Government securities						
– quoted	1,965	1,965	4,673	4,673	4,673	4,673
– unquoted	40	40	40	40	40	40
1.2 Other securities						
– quoted (a)	999	999	789	789	789	789
– unquoted	5,777	5,793	6,179	6,203	6,827	6,851
2. Equities						
– quoted	1	1	299	299	299	299
– unquoted	-	-	30	30	30	30
<b>Total</b>	<b>8,782</b>	<b>8,798</b>	<b>12,010</b>	<b>12,034</b>	<b>12,658</b>	<b>12,682</b>

(a) With exclusive regard to foreign securities quoted in organized markets for which the latest listings do not represent the realizable values in transactions between independent counterparties (inactive market situations), the market values have been identified on the basis of the methods used to value unquoted securities.

Unquoted dealing securities not linked to derivative contracts, valued at the lower of cost and market value, have led to writedowns of 3 million euro, net.

The book value of other unquoted securities includes the own issues for 608 million euro and Group company issues for 3,492 million euro.



*Changes in dealing securities during the year (Table 2.4 B.1.)*

(€/mil)

A. Pro forma opening balance	12,010
B. Increases	
B1. purchases	
– debt securities	
– Government securities	12,735
– other securities	7,103
– equities	13
B2. writebacks and revaluations	30
B3. transfers from investment portfolio	38
B4. other changes	112
C. Decreases	
C1. sales and reimbursements	
– debt securities	
– Government securities	15,500
– other securities	7,321
– equities	6
C2. adjustments	34
C3. transfers to investment portfolio	-
C5. other changes	398
D. Closing balance	8,782

Subcaption C.2 "Adjustments" includes writedowns of 9 million euro attributable to bonds issued by the PARMALAT group (for a nominal value of 10 million euro) held in portfolio by the Bank; after such adjustments the bonds have been recorded for a value of 1 million euro.

Subcaption B4. "Increases - other changes" is detailed as follows:

<i>B4. "Increases - other changes"</i>	(€/mil)
Exchange differences	15
Capitalization of accrued interest on treasury bills (BOT) and zero coupon bond (BTZ)	55
Gains on disposals	33
Accrued issue discounts	2
Other	7
<b>Total other changes</b>	<b>112</b>

Subcaption C5. "Decreases - other changes" is detailed as follows:

<i>C5. "Decreases - other changes"</i>	(€/mil)
Exchange differences	362
Losses on disposals	30
Other	6
<b>Total other changes</b>	<b>398</b>

### Operations in own shares

Transactions in own shares carried out by the Bank during 2003 involved the individual portfolios in which such shares are classified on the basis of the main reason for their purchase.

With reference to the portfolio valued at cost, in that it is related to shares considered as fixed and used to conclude strategic transactions, as of 1 January 2003 the Bank held one single share with a nominal value 2.8 euro, for a total cost of 7.41 euro which was sold during 2003.

In relation to the portfolio valued at market value, during 2003 the Bank:

- purchased 6,097,849 shares (nominal value of around 17.1 million euro) for the sum of 48.6 million;
- assigned to employees 2,344,522 shares (nominal value approximately 6.6 million euro), for an outlay of 19 million euro, in relation to the share incentive plan, which assigned after application by those entitled, a number of own shares in relation to the bonus due to each employee;
- sold 97,455 shares (nominal value of around 273,000 euro) for the sum of 0.9 million euro;
- transferred 434,953 shares (1.2 million euro nominal value) to Fondazione CR Venezia, for an outlay of 3.7 million euro, as payment of the debt arising from the price revision clause in the former Cardine Banca share purchase agreement, entered into by the aforementioned Fondazione and completed on 15 January 2001.

At year end the Bank held 3,220,919 own shares for a nominal value, according to the market quotations on the last day of the period, of around 9 million euro and a book value of 34 million euro.

Transactions in own shares carried out during the year showed a net gain of 2 million euro (of which 1 million euro was recorded to extraordinary income and 1 million euro booked to profits from financial transactions) and gains from valuation adjustments of 9 million euro (recorded to profits from financial transactions).

### 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 (a) (€/mil)	31/12/02 (a) (€/mil)
Equity investments (caption 70)	2,014	1,670	1,620
Investments in Group companies (caption 80)	8,277	8,856	6,693
<b>Total</b>	<b>10,291</b>	<b>10,526</b>	<b>8,313</b>
<i>of which:</i>			
– significant investments	9,099	9,491	7,313
– other equity investments	1,192	1,035	1,000

(a) The difference between the corresponding information recorded to the “official” and “reclassified” balance sheet pro forma schedules, as of 31 December 2002 of 2,439 million euro, refers to the cancellation of the investment in Cardine Finanziaria as a result of the merger.

### Significant investments

Significant investments held by the Bank, being those in subsidiary companies or in companies subject to significant influence, as defined in articles 4 and 19 of D. Lgs. 87/92 are indicated in the table below:

Significant investments (Table 3.1 B.I.)

Name	Registered offices	Activity	shareholders' equity (a)	Income / Loss	Percentage ownership	Pro quota shareholders' equity (a)	Book value (€/mil)
<b>A. Subsidiary companies</b>							
<b>A.1 Group companies</b>							
Banca Comerciála Sanpaolo Imi Bank Romania S.A. (former West Bank S.A.)	Romania	Banking	7	-3	97.86	7	7
Banca di Intermediazione Mobiliare Imi S.p.A.	Milan	Banking	379	59	100.00	379	305
Banca Fideuram S.p.A.	Rome	Banking	793	168	64.10	508	94
Banca OPI S.p.A.	Rome	Banking	653	40	100.00	653	529
Banca Popolare dell'Adriatico S.p.A.	Teramo	Banking	229	2	100.00	229	372
Cassa di Risparmio di Padova e Rovigo S.p.A.	Padua	Banking	712	99	100.00	712	700
Cassa di Risparmio di Venezia S.p.A.	Venice	Banking	267	43	100.00	267	260
Cassa di Risparmio in Bologna S.p.A.	Bologna	Banking	580	49	100.00	580	555
Consorzio Studi e Ricerche Fiscali Gruppo SANPAOLO IMI	Rome	Operating	-	-	55.00	-	-
CSP Investimenti S.r.l.	Turin	Non-finance	202	-	100.00	202	203
Farbanca S.p.A. (b)	Bologna	Banking	11	-	15.00	2	2
Finemiro Banca S.p.A.	Bologna	Banking	115	18	96.68	112	73
Friulcassa S.p.A.	Gorizia	Banking	219	22	100.00	219	297
GEST Line S.p.A.	Naples	Finance	22	40	100.00	22	22
IMI Investimenti S.p.A.	Turin	Finance	973	-58	100.00	973	973
Invesp S.p.A.	Turin	Finance	409	43	100.00	409	248
Noricum Vita S.p.A. (f)	Turin	Insurance	35	1	42.15	15	16
Prospettive 2001 S.p.A.	Turin	Finance	49	4	100.00	49	40
Sanpaolo Banco di Napoli S.p.A.	Naples	Banking	1197	28	100.00	1197	1,197

## Significant investments (Table 3.1 B.I.) - cont.: A1 Group companies

(€/mil)

Name	Registered offices	Activity	shareholders' equity (a)	Income / Loss	Percentage ownership	Pro quota shareholders' equity (a)	Book value
Sanpaolo Bank S.A.	Luxembourg	Banking	159	47	50.00	80	77
Sanpaolo Fiduciaria S.p.A.	Milan	Finance	5	2	100.00	5	4
Sanpaolo Imi Bank (International) S.A.	Madeira	Banking	177	5	69.01	122	95
Sanpaolo Imi Bank Ireland Plc	Ireland	Banking	518	21	100.00	518	515
Sanpaolo Imi Capital Company I LLC ( c)	United States	Finance	1050	-	4.31	45	45
Sanpaolo Imi Insurance Broker S.p.A. (f)	Bologna	Insurance	2	1	45.00	1	1
Sanpaolo Imi International S.A.	Luxembourg	Finance	826	156	100.00	826	810
Sanpaolo Imi Internazionale S.p.A.	Padua	Finance	83	-4	100.00	83	83
Sanpaolo Imi Private Equity S.p.A.	Bologna	Finance	238	4	100.00	238	248
Sanpaolo Imi Us Financial Co.	United States	Finance	-	-	100.00	-	-
Sanpaolo Imi Wealth Management S.p.A.	Milan	Finance	601	102	100.00	601	417
Sanpaolo Leasint S.p.A.	Milan	Finance	93	17	100.00	93	82
Sep - Servizi e Progetti S.p.A.	Turin	Operating	3	-	100.00	3	2
S.G.A. S.p.A. Società per la Gestione di Attività (d)	Naples	Finance	1	-	100.00	1	1
Studi e Ricerche per il Mezzogiorno (f)	Naples	Non-finance	-	-	16.67	-	-
Veneto Nanotech Scpa	Padua	Non-finance	-	-	65.00	-	-
West Trade Center S.A.	Romania	Operating	-	-	100.00	-	-
Bn Finrete S.p.A. - in liq.	Naples	Finance	1	-	99.00	1	1
Cardine Finance Plc - in liq.	Ireland	Finance	-	-	99.98	-	-
Cardine Suisse S.A. - in liq.	Switzerland	Finance	1	-	99.00	1	-
Cariparo Ireland Plc - in liq.	Ireland	Finance	-	-	99.94	-	-
Imifin S.p.A. - in liq.	Rome	Finance	-	-	100.00	-	-
Innovare S.r.l. - in liq.	Naples	Non-finance	1	-	90.00	1	1
ISC Euroservice GmbH - in liq.	Germany	Operating	-	-	80.00	-	-
Isveimer S.p.A. - in liq. (e)	Naples	Banking	53	6	65.22	34	-
Sanpaolo U.s. Holding Co. - in liq.	United States	Finance	4	-	100.00	4	2
<b>Total</b>							<b>8,277</b>

(a) Excluding share of net income and reserves due for distribution.

(b) Company included as a significant investment in that it is subject to single leadership under Art. 26 – subsection 1 of D.Lgs 87/92.

(c) The percentage ownership refers to the total capital. The percentage ownership on ordinary capital amounts to 100%.

(d) Financial statements as of 31 December 2002 – Voting rights on 100% of share capital is exercised by the Treasury Ministry.

(e) Financial statements as of 31 December 2002.

(f) Company included as significant investment in that globally the Group holds the controlling portion of shares.

*Significant investments (Table 3.1 B.I.)*

Name	Registered offices	Activity	shareholders' equity (a)	Income / Loss	Percentage ownership	Pro quota shareholders' equity (a)	Book value (€/mil)
<i>A.2 Jointly held companies</i>							
Banka Koper D.D.	Slovenia	Banking	143	18	62.60	89	151
Centradia Group Ltd	United Kingdom	Finance	14	-7	29.03	4	4
<b>Total</b>							<b>156</b>

*B. Companies subject to significant influence*

Banque Sanpaolo S.A.	France	Banking	392	22	40.00	157	154
Cassa dei Risparmi di Forlì S.p.A.	Forlì	Banking	209	21	29.77	62	237
Cassa di Risparmio di Firenze S.p.A.	Florence	Banking	939	91	19.50	183	228
Cbe Service S.p.r.l. (b)	Belgium	Non-finance	-	-	31.70	-	-
Cr Firenze Gestion Internationale S.A.	Luxembourg	Finance	1	7	20.00	-	-
Finconsumo Banca S.p.A.	Turin	Banking	81	18	30.00	24	8
Hdi Assicurazioni S.p.A. (b)	Rome	Insurance	142	5	28.32	40	38
Liseuro S.p.A. (b)	Udine	Finance	3	-	35.11	1	-
Società Gestione per il Realizzo S.p.A. (b)	Rome	Non-finance	19	-2	28.31	5	1
Trivimm S.r.l.	Verona	Non-finance	1	-	23.00	-	-
Aeroporto di Napoli S.p.A. - in liq.	Naples	Non-finance	-	-	20.00	-	-
Consorzio Bancario Sir S.p.A. - in liq. (b)	Rome	Finance	-249	-250	32.84	-82	-
Finexpance S.p.A. - in liq.	Chiavari	Non-finance	-	9	30.00	-	-
G.E.Cap. - Gestioni Esattoriali della Capitanata S.p.A. - in liq. (b)	Foggia	Finance	2	4	37.25	1	-
Galileo Holding S.p.A. - in liq. (b)	Venice	Non-finance	-23	1	31.52	-7	-
Italinfra Grandi Progetti S.p.A. - in liq.	Naples	Non-finance	4	-	30.00	1	-
Sofimer S.p.A. - in liq. (c)	Naples	Finance	-	-	20.00	-	-
<b>Total</b>							<b>666</b>

(a) Excluding share of net income and reserves due for distribution.

(b) Financial statements as of 31 December 2002.

(c) Financial statements in liquidation as of 31 October 2003.

As described in Part A, Section 1 of these Notes, the differences between book value of significant investments and the lower value of the corresponding portion of net equity reported in the latest available financial statements of the subsidiaries, is generally justified in the goodwill and higher market value of the assets owned by the subsidiaries. In particular:

- the differences of 175 million euro for Cassa dei Risparmi di Forlì S.p.A., 62 million euro for Banka Koper D.D., 78 million euro for Friulcassa S.p.A. and 45 million euro for Cassa di Risparmio di Firenze S.p.A., reflect purchased goodwill representing the income-earning potential of these companies;
- as far as the 10 million euro difference relating to Sanpaolo Imi Private Equity S.p.A. is concerned, it is not considered necessary to make any adjustment to value in light of the forecast recovery in profitability of the company, as confirmed by the net income for 2003 (4 million euro) and by the budgets for the years 2004 and 2005;
- as regards the investment in Galileo Holding S.p.A., acquired as part of the restructuring of that group, the company's equity deficit should be offset on completion of the debt restructuring, which entails the shareholder banks waiving their receivables;
- the difference of 82 million euro for Consorzio Bancario Sir S.p.A. refers to the IMI Sir dispute illustrated in Section 5 – "Other assets";
- as far as the investment in Banca Popolare dell'Adriatico S.p.A. is concerned, the difference of 143 million euro is justified in the higher market value of the investment as confirmed by the appraisal prepared by JP Morgan (financial advisor in the Public Offer launched on the company in June 2003). During the year this investment was written down by 60 million euro in line with the advisor's appraisal and taking into account a majority premium equal to 20% of the value of the shareholding.

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 Cassa dei Risparmi 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 Cassa dei Risparmi 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 Cassa dei Risparmi 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 D.D., 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 D.D. 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 S.p.A., a right of pre-emption at "fair price" was granted to SANPAOLO IMI on CR Firenze shares transferred by Ente CR Firenze. 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 CR Firenze 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 CR Firenze 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 CR Firenze 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 S.p.A., 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 S.p.A. 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).

## Other equity investments

The remaining major equity investments of the Bank, are:

			(€/mil)
Name and location of registered offices	Activity	Percentage ownership	Book value
Santander Central Hispano S.A.	Banking	1.10	425
CDC Ixis	Banking	3.45	328
Banca d'Italia	Banking	8.33	185
Banca delle Marche S.p.A.	Banking	7.00	92
Borsa Italiana S.p.A.	Non-finance	5.37	52
Infracom Italia S.p.A. - Verona	Non-finance	7.35	25
Banco del Desarrollo S.A.	Banking	15.72	23
Istituto per il credito sportivo	Banking	10.81	19
Other			43
<b>Total</b>			<b>1,192</b>

## 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 pro forma (€/mil)	31/12/02 (€/mil)
a) in banks			
1. quoted	94	444	94
2. unquoted	4,983	3,661	1,849
b) in financial institutions			
1. quoted	-	-	-
2. unquoted	2,977	4,747	4,746
c) other			
1. quoted	-	-	-
2. unquoted	223	4	4
<b>Total</b>	<b>8,277</b>	<b>8,856</b>	<b>6,693</b>

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

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
a) in banks			
1. quoted	805	767	767
2. unquoted	1,046	731	731
b) in financial institutions			
1. quoted	-	-	-
2. unquoted	17	22	20
c) other			
1. quoted	1	2	2
2. unquoted	145	148	100
<b>Total</b>	<b>2,014</b>	<b>1,670</b>	<b>1,620</b>



## Changes during the year in the equity investment portfolio

<i>Investments in Group companies (Table 3.6.1 B.1.)</i>		<i>(€mil)</i>
A. Pro forma opening balance (a)		8,856
B. Increases		
B1. purchases		886
B2. writebacks		-
B3. revaluations		-
B4. other changes		2,177
C. Decreases		
C1. sales		501
C2. adjustments		138
<i>of which:</i>		
– long-term writedowns		72
C3. other changes		3,003
D. Closing balance		8,277
E. Total revaluations		117
F. Total adjustments		876

(a) The difference of 2,439 million euro between the "official" and "reclassified" balance sheet pro forma schedules as of 31 December 2002, refers to the Cardine Finanziaria shareholding cancelled on the merger.

Subcaption B.1 "Purchases" is made up of the following transactions:

- payment of **607 million euro** to the share capital of **IMI Investimenti S.p.A.** in the context of the redefinition of the capital structure of the subsidiary;
- subscription of an increase in **Sanpaolo Bank S.A.** capital for **77 million euro**, reserved to the Parent Bank;
- purchase by Public Offer of 26.38% of **Banca Popolare dell'Adriatico S.p.A.** share capital for an outlay of **74 million euro**; subsequent completion of the squeeze out transaction on the shares still in circulation, for a total outlay of **5 million euro**, and achievement of direct control of the shareholding through the purchase of shares held in portfolio by the same company for a value, in line with the previous acquisitions, of **3 million euro**.
- payment of **50 million euro** to the share capital of **Sanpaolo IMI Wealth Management S.p.A.** aimed at supporting current financial management and the shareholding investments of the subsidiary;
- payment of **32 million euro** to the share capital of **Sanpaolo Imi Internazionale S.p.A.** aimed at financing the Public Offer on Inter-Europa Bank Rt;
- payment to cover the losses and to reinstate the capital of the companies involved in the restructuring of the tax collection sector: **Esaban S.p.A.** for **10 million euro** and **Ge.Ri.Co. S.p.A.** for **3 million euro**; the restructuring operation consisted of the merger by incorporation of Ge.Ri.Co S.p.A., Sanpaolo Riscossioni Prato S.p.A. and Sanpaolo Riscossioni Genova S.p.A. into Esaban S.p.A. and changing the name of the latter to GEST Line S.p.A.;
- the purchase of 23% of the share capital of **West Bank S.A.** (now Banca Commerciale Sanpaolo Imi Bank Romania S.A.), held by Sif Banat Crisana for a book value of **5 million euro** and the subsequent subscription of a capital increase for an outlay of **5 million euro**;
- subscription of **6 million euro** as the entire share capital for the establishment of **Sanpaolo Banco di Napoli S.p.A.**;
- acquisition of complete control of **CSP Investimenti S.r.l.** by FIN.OPI S.p.A., for an outlay of **3 million euro**;
- acquisition of complete control of **Eptafid S.p.A.** by Eptaconsors S.p.A., for an outlay of **2 million euro**;
- purchase from Sanpaolo Riscossioni Genova S.p.A. of its shareholding in **Sanpaolo Riscossioni Prato S.p.A.** for a cost of **2 million euro** with the aim of achieving complete control of the company.

Subcaption C1. "Sales" refers mainly to the sale to Caisse Nationale des Caisses d'Épargne (CNCE) of 60% shares in **Banque Sanpaolo S.A.** for **500 million euro**, making a capital gain of 268 million euro.

Subcaption C.2 “adjustments” refers to the 9 million euro writedown of West Bank S.A. (now called Banca Commerciale Sanpaolo Imi Bank Romania S.A.), made to align the book value to the value attributed to the company by the appraisal valuation made in accordance with art. 2343 of the Civil Code in the context of the completion of the transfer of the shareholding to Sanpaolo Imi Internazionale. The effect on the statement of income is **5 million euro**, taking into account that, against the writedown of the investment adjustments, 4 million euro was released in 2002 on commitments from the purchase of further shares in the investment, completed in 2003.

Other negative adjustments, detail of which is provided in Part C – Section 5 of these Notes, refer to IMI Investimenti S.p.A. (66 million euro), Banca Popolare dell’Adriatico S.p.A. (60 million euro), Sanpaolo Imi Internazionale S.p.A. (4 million euro) and GEST Line S.p.A. (3 million euro).

Subcaptions B4. “Increases - other changes” and C3. “Decreases - other changes” are detailed as follows:

<i>B4. "Increases - other changes"</i>	<i>(€/mil)</i>
Transfer to Sanpaolo Banco di Napoli S.p.A. of the company branch "Southern Territorial Direction"	1,191
Merger of Cassa di Risparmio di Gorizia S.p.A. and Cassa di Risparmio di Udine e Pordenone S.p.A. into Friulcassa S.p.A.	298
Profit from the disposal of Banque Sanpaolo S.A.	268
Transfer of the real estate business branch to CSP Investimenti S.r.l.	200
Merger by incorporation of Banca Agricola di Cerea S.p.A. into Cassa di Risparmio di Padova e Rovigo S.p.A.	80
Transfer to Banca OPI S.p.A. of the company branch of public works	60
Conferral of Inter Europa Bank Rt, Biat S.A. and Kredyt Bank S.A. to Sanpaolo Imi Internazionale S.p.A.	45
Transfer of Noricum Vita S.p.A. from “other investments” portfolio	16
Merger by incorporation of Ge.Ri.Co. S.p.A., Sanpaolo Riscossioni Prato S.p.A. and Sanpaolo Riscossioni Genova S.p.A. into GEST Line S.p.A.	12
Conferral of Esatri S.p.A. to GEST Line S.p.A.	4
Merger by incorporation of Eptafid S.p.A. into Sanpaolo Fiduciaria S.p.A.	2
Merger of Brokerban S.p.A. into Poseidon Insurance Brokers S.p.A. (now Sanpaolo Imi Insurance Broker S.p.A.)	1
<b>Total</b>	<b>2,177</b>

<i>C3. "Decreases - other changes"</i>	<i>(€/mil)</i>
Cancellation of Cardine Finanziaria S.p.A.	2,439
Merger of Cassa di Risparmio di Udine e Pordenone S.p.A. in Friulcassa S.p.A.	184
Transfer of Banque Sanpaolo S.A. from “other investments” portafoglio	154
Merger of Cassa di Risparmio di Gorizia S.p.A. in Friulcassa S.p.A.	114
Merger by incorporation of Banca Agricola di Cerea S.p.A. into Cassa di Risparmio di Padova e Rovigo S.p.A.	80
Merger by incorporation of Ge.Ri.Co. S.p.A., Sanpaolo Riscossioni Prato S.p.A. and Sanpaolo Riscossioni Genova S.p.A. into GEST Line S.p.A.	12
Reimbursement of capital contributions from Cardine Finance Plc – in liquidation	10
Recovery in value of commitments relating to the purchase of 23% of West Bank S.A.	4
Utilization of provisions for risks related to tax collection services offset against the adjustment to the value of GEST Line S.p.A.	2
Merger by incorporation of Eptafid S.p.A. into Sanpaolo Fiduciaria S.p.A.	2
Merger of Brokerban S.p.A. into Poseidon Insurance Brokers S.p.A. (now Sanpaolo Imi Insurance Broker S.p.A.)	1
Final portion of liquidation of Cariparo Ireland Plc	1
<b>Total</b>	<b>3,003</b>

<i>Other equity investments (Table 3.6.2 B.I.)</i>	<i>(€/mil)</i>
A. Pro forma opening balance	1,670
B. Increases	
B1. purchases	193
B2. writebacks	83
B3. revaluations	-
B4. other changes	224
C. Decreases	
C1. sales	80
C2. adjustments	1
<i>of which:</i>	
– <i>long-term writedowns</i>	1
C3. other changes	75
D. Closing balance	2,014
E. Total revaluations	292
F. Total adjustments	533

Subcaption B.1 "Purchases" mainly refers to:

- the purchase of 7% of the capital of **Banche delle Marche S.p.A.**, for an outlay of **92 million euro**;
- purchase from Fondazione Cassa dei Risparmi di Forlì of 8.75% of the capital of **Cassa dei Risparmi Forlì S.p.A.**, for **68 million euro**;
- the purchase of 1.23% of **Borsa Italiana S.p.A.** for **12 million euro**;
- purchase of a minority shareholding (0.5%) in **Banca Popolare di Lodi S.c.a r.l.** for **6 million euro**;
- subscription of **5 million euro** to an increase in capital of **CDC Ixis** within the limit of the option rights and equal to the extraordinary dividend paid by the company in which the investment is held;
- subscription of **4 million euro** to the increase in capital of **Banco del Desarrollo S.A.**;
- the purchase of 5% of the capital of **Noricum Vita S.p.A.** from Società Reale Mutua di Assicurazioni, for an outlay of **4 million euro**.

Subcaption B.2 "Writebacks of adjustments" refers to the investment in **Santander Central Hispano S.A.** which was written back according to the same criteria adopted in 2002 (the average market price of the shares in the second half of the year).

Subcaption C.1 "Sales" reflects the following transactions:

- sale to Santander Consumer Finance of the first tranche, equal to 20% of share capital, of **Finconsumo S.p.A.** for the sum of **60 million euro** and generating a capital gain of 52 million euro;
- disposal of the investment in **Adriavita S.p.A.** to Generali Assicurazioni for **5 million euro** and generating a profit of **2 million euro**;
- disposal of 930,900 **Meliiorbanca S.p.A.** shares for **4 million euro** and generating a profit of **3 million euro**;
- disposal of the investment in **Banca Popolare di Lodi S.c.a r.l.** for **6 million euro** in line with book value;
- disposal of the total shareholding in **Intesa Holding Asset Management S.p.A.** (0.56%) to Banca Intesa S.p.A. for **3 million euro** and generating a profit of **3 million euro**.

Subcaption C.2 "Adjustments" reflects the writedown of the investment in **Centradia Group Ltd** to align the book value of the shareholding to the pro quota net equity of the company.

Subcaption B4. "Increases - other changes" and subcaption C3. "Decreases - other changes" are detailed as follows:

<i>B4. "Increases - other changes"</i>	<i>(€/mil)</i>
Transfer of Banque Sanpaolo S.A. from "investment in Group companies" portfolio	154
Gains of disposal of Finconsumo S.p.A.	52
Gains of conferral of Inter-Europa Bank Rt to Sanpaolo Imi Internazionale S.p.A.	9
Gains of disposal of Meliorbanca S.p.A.	3
Gains of disposal of Intesa Holding Asset Management S.p.A.	3
Gains of disposal of Adriavita S.p.A.	2
Gains of conferral of Biat S.A. to Sanpaolo Imi Internazionale S.p.A.	1
<b>Total</b>	<b>224</b>

<i>C3. "Decreases - other changes"</i>	<i>(€/mil)</i>
Conferral of Kredyt Bank S.A. to Sanpaolo Imi Internazionale S.p.A.	20
Conferral of Inter-Europa Bank Rt to Sanpaolo Imi Internazionale S.p.A.	17
Transfer of Noricum Vita S.p.A. from "investment in Group companies" portfolio	16
Conferral of Biat S.A. to Sanpaolo Imi Internazionale S.p.A.	8
Losses on conferral of Kredyt Bank S.A. to Sanpaolo Imi Internazionale S.p.A.	7
Conferral of Esatri S.p.A. to GEST Line S.p.A.	4
Exchange rate effect	3
<b>Total</b>	<b>75</b>

**Amounts due to and from Group companies and investments (non-Group companies)**

The amounts due to and from companies belonging to the Group as of 31 December 2003, as established in art. 4 of D. Lgs. 87/92, and the amounts due to and from investments subject to significant influence, are analyzed in the following tables:

Group companies	(€/mil)				
	Assets (a)	Liabilities	Guarantees and commitments (b)	Income (c)	Expenses
Banca Comerciala Sanpaolo Imi Bank Romania S.A.	6	-	-	1	-
Banca di Intermediazione Mobiliare Imi S.p.A.	1,132	115	664	115	77
Banca Fideuram S.p.A.	12	253	-	1	5
Banca OPI S.p.A.	11,499	2	3,032	301	4
Banca Popolare dell'Adriatico S.p.A.	87	363	7	14	14
Cassa di Risparmio di Padova e Rovigo S.p.A.	897	2,536	14	45	84
Cassa di Risparmio di Venezia S.p.A.	99	1,405	7	16	46
Cassa di Risparmio in Bologna S.p.A.	1,146	413	147	41	25
Farbanca S.p.A.	33	1	-	-	-
Fideuram Bank (Suisse) A.G.	-	-	10	-	-
Fideuram Bank S.A.	-	118	-	-	-
Fideuram Vita S.p.A.	-	159	-	-	-
FIN.OPI S.p.A.	-	2	-	-	-
Finemiro Banca S.p.A.	1,456	-	296	36	-
Finemiro Leasing S.p.A.	1,550	-	-	39	1
Friulcassa S.p.A.	122	776	5	14	19
GEST Line S.p.A.	1	97	318	13	1
Imi Bank (Lux) S.A.	35	432	-	1	11
IMI Investimenti S.p.A.	2	58	2	4	1
Inter-Europa Bank Rt	32	3	7	1	-
Invesp S.p.A.	1	8	5	1	-
Ldv Holding B.V.	-	9	-	-	-
NHS Mezzogiorno Sgr S.p.A.	-	4	-	-	-
Sanpaolo Banco di Napoli S.p.A.	1,311	7,768	13	103	79
Sanpaolo Bank (Austria) A.G.	3	-	-	-	-
Sanpaolo Bank S.A.	355	2,328	73	6	52
Sanpaolo Fiduciaria S.p.A.	-	3	-	-	1
Sanpaolo Imi Alternative Investments Sgr S.p.A.	-	5	-	-	-
Sanpaolo Imi Asset Management Sgr S.p.A.	-	109	-	456	2
Sanpaolo Imi Bank (International) S.A.	185	8,082	8,126	3	206
Sanpaolo Imi Bank Ireland Plc	48	111	-	2	12
Sanpaolo Imi Capital Company I LLC	-	1,000	-	-	79
Sanpaolo Imi Institutional Asset Management Sgr S.p.A.	-	13	-	-	-
Sanpaolo Imi International S.A.	-	-	-	-	5
Sanpaolo Imi Internazionale S.p.A.	-	9	-	2	-

(a) Excluding the book value of the investment.

(b) Excluding commitments to subscribe to increases in capital.

(c) Excluding dividends received.

Group companies	(€/mil)				
	Assets (a)	Liabilities	Guarantees and commitments (b)	Income (c)	Expenses
Sanpaolo Imi Private Equity S.p.A.	9	-	4	1	-
Sanpaolo Imi Us Financial Co.	-	2,361	2,361	-	24
Sanpaolo Imi Wealth Management S.p.A.	-	6	-	3	-
Sanpaolo Imi WM Luxembourg S.A.	-	-	-	58	-
Sanpaolo Invest Sim S.p.A.	-	-	-	1	1
Sanpaolo Leasint GmbH	9	-	2	-	-
Sanpaolo Leasint S.p.A.	4,154	5	197	88	6
Sanpaolo Vita S.p.A.	65	856	1	99	3
Sep - Servizi e Progetti S.p.A.	1	2	-	1	9
S.G.A. S.p.A. Società per la Gestione di Attività	-	-	-	6	-
<b>Total Group companies</b>	<b>24,250</b>	<b>29,412</b>	<b>15,291</b>	<b>1,472</b>	<b>767</b>

#### Jointly held subsidiaries

Banka Koper D.D.	19	5	15	2	-
<b>Total</b>	<b>24,269</b>	<b>29,417</b>	<b>15,306</b>	<b>1,474</b>	<b>767</b>

Other companies subject to significant influence	(€/mil)				
	Assets (a)	Liabilities	Guarantees and commitments (b)	Income (c)	Expenses
Banque Sanpaolo S.A.	573	15	1	10	1
Cassa di Risparmio di Firenze S.p.A.	1	27	7	-	-
Cassa dei Risparmi di Forlì S.p.A.	48	1	-	1	-
Finconsumo Banca S.p.A.	-	11	11	3	-
Hdi Assicurazioni S.p.A.	-	58	1	-	1
Società Gestione per il Realizzo S.p.A.	4	-	-	-	-
<b>Total</b>	<b>626</b>	<b>112</b>	<b>20</b>	<b>14</b>	<b>2</b>

(a) Excluding the book value of the investment.

(b) Excluding commitments to subscribe to increases in capital.

(c) Excluding dividends received.

## Amounts due to and from Group companies (Table 3.2 B.I.)

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
<b>a) Assets</b>			
1. due from banks	14,795	11,510	11,430
<i>of which:</i>			
– subordinated	189	148	148
2. due from financial institutions	5,726	6,857	6,857
<i>of which:</i>			
– subordinated	25	-	-
3. due from other customers	66	79	79
<i>of which:</i>			
– subordinated	65	65	65
4. bonds and other debt securities	3,663	2,953	2,953
<i>of which:</i>			
– subordinated	403	3	3
<b>Total assets</b>	<b>24,250</b>	<b>21,399</b>	<b>21,319</b>
<b>b) Liabilities</b>			
1. due to banks	24,706	17,868	17,868
2. due to financial institutions	2,689	3,463	3,515
3. due to other customers	45	41	41
4. securities issued	972	-	-
5. subordinated liabilities	1,000	1,000	1,000
<b>Total liabilities</b>	<b>29,412</b>	<b>22,372</b>	<b>22,424</b>
<b>c) Guarantees and commitments</b>			
1. guarantees given	12,809	15,346	15,346
2. commitments	2,482	718	718
<b>Total guarantees and commitments</b>	<b>15,291</b>	<b>16,064</b>	<b>16,064</b>

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

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
<b>a) Assets</b>			
1. due from banks (a)	779	441	441
<i>of which:</i>			
– subordinated	-	46	46
2. due from financial institutions	686	1,280	1,280
<i>of which:</i>			
– subordinated	-	-	-
3. due from other customers	117	178	178
<i>of which:</i>			
– subordinated	-	-	-
4. bonds and other debt securities	37	15	15
<i>of which:</i>			
– subordinated	-	-	-
<b>Total assets</b>	<b>1,619</b>	<b>1,914</b>	<b>1,914</b>
<b>b) Liabilities</b>			
1. due to banks	694	814	814
2. due to financial institutions	64	36	36
3. due to other customers	184	286	286
4. securities issued	-	-	-
5. subordinated liabilities	-	-	-
<b>Total liabilities</b>	<b>942</b>	<b>1,136</b>	<b>1,136</b>
<b>c) Guarantees and commitments</b>			
1. guarantees given	360	390	390
2. commitments	23	121	121
<b>Total guarantees and commitments</b>	<b>383</b>	<b>511</b>	<b>511</b>

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

Assets and liabilities outstanding in relation to Group companies and investments in non-Group companies are indicated in Part C, Section 7 of these notes.



### Amounts due to and from indirectly affiliated companies

The amounts due to and from indirectly affiliated companies are analyzed in the following table:

Other indirectly affiliated companies	Assets	Liabilities	Guarantees and commitments (a)	Income (b)	Expenses
Acquisizione Prima S.r.l.	-	1	-	-	-
Aeffe S.p.A.	14	6	-	-	-
Egida Compagnia di Assicurazione S.p.A.	-	2	-	3	5
Esatri S.p.A.	398	-	168	3	-
Iw Bank S.p.A.	-	2	-	-	-
Sinloc - Sistemi iniziative locali S.p.A.	-	11	-	-	2
<b>Total</b>	<b>412</b>	<b>22</b>	<b>168</b>	<b>6</b>	<b>7</b>

(a) Excluding commitments to subscribe to increases in capital.

(b) Excluding dividends received.

### Other information relating to equity investments

The information required pursuant to Art. 10 of Law 72/83 is as follows:

	31/12/03 (€/mil)	31/12/02 (€/mil)
Historical cost	9,882	7,904
Law 72/83	43	43
Law 218/90	336	336
Cancellation deficit on merger of Crediop S.p.A.	30	30
<b>Total revaluations</b>	<b>409</b>	<b>409</b>
Gross book value	10,291	8,313

## SECTION 4 - TANGIBLE AND INTANGIBLE FIXED ASSETS

### Tangible fixed assets (caption 100)

Tangible fixed assets comprise:

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
Property			
– operating	769	1,206	1,155
– non-operating	370	129	118
Furniture and installation			
– office furniture and equipment	21	27	21
– electronic equipment	85	95	95
– general and specific installations	29	27	27
<b>Total</b>	<b>1,274</b>	<b>1,484</b>	<b>1,416</b>

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

*(€/mil)*

<b>A. Pro forma opening balance</b>	<b>1,484</b>
<b>B. Increases</b>	
B1. purchases	101
B2. writebacks	-
B3. revaluations	-
B4. other changes	14
<b>C. Decreases</b>	
C1. sales	6
C2. adjustments	
a) amortization	177
b) long-term writedowns	-
C3. other changes	142
<b>D. Closing balance</b>	<b>1,274</b>
<b>E. Total revaluations</b>	<b>1,351</b>
<b>F. Total adjustments</b>	
a) amortization	2,086
b) long-term writedowns	1

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

	(€/mil)	
	Property	Furniture and installation
<b>Pro forma opening balance</b>	<b>1,335</b>	<b>149</b>
<b>Increases</b>		
– purchases	-	101
– other changes		
– incremental costs	11	-
– gains on disposals	3	-
– exchange differences	-	-
<b>Decreases</b>		
– sales	6	-
– adjustments		
– amortization	62	115
– long-term writedowns	-	-
– other changes		
– losses on disposals	-	-
– conferral to CSP Investimenti	142	-
<b>Closing balance</b>	<b>1,139</b>	<b>135</b>
Total revaluations	1,341	10
Total adjustments		
– amortization	735	1,351
– long-term writedowns	1	-

Instrumental assets refer to those used directly by the Bank for performing its business. Non-instrumental assets comprise all other assets, including those rented to Group companies for performing their businesses.

The transfer of the business branch composed of property considered not to be functional for the activities of the Bank to the subsidiary CSP Investimenti S.r.l. was completed on 31 December 2003. 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 net 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.

The gain deriving from this transaction was 51 million euro.

The table attached shows the list of properties, with indication of book values.

**Intangible fixed assets (caption 90)**

Intangible fixed assets comprise:

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
Goodwill	565	1,411	1,411
Software in use	143	102	69
Software not yet in use	65	104	104
Other deferred charges	24	29	29
<b>Total</b>	<b>797</b>	<b>1,646</b>	<b>1,613</b>

The goodwill recorded in the financial statements following the merger of Banco di Napoli in SANPAOLO IMI (originally 1,564 million euro – as of 31 December 2002 1,407 million euro), is subject to amortization on a ten year basis commencing from the year 2002. Commencing from 1 July 2003, the goodwill was transferred pro-quota to Sanpaolo Banco di Napoli, for 731 million euro (corresponding to an original value of around 860 million euro).

From that date the remaining amount shall continue to be amortized over a period of ten years commencing from the 2002 financial year. Amortization accrued in 2003 totaled 113 million euro (78 million euro in the first half of the year and 35 million in the second half). Therefore the net goodwill recorded to the SANPAOLO IMI financial statements as of 31 December 2003 is 563 million euro.

Goodwill also includes the higher price paid in respect of net equity at the time of the take over of the Hong Kong branch by Banco di Napoli S.p.A. in 2001. Such amount, originally equal to 6 million euro, is carried in the financial statements for a total net value of 2 million euro.

Software investments refer mainly to the development of the central 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 to the SANPAOLO IMI systems and the subsequent spin off of the branches located in the regions of Campania, Apulia, Basilicata and Calabria into Sanpaolo Banco di Napoli, and to the integration of information technology and operation activities of the former Cardine bank networks into the SANPAOLO IMI IT system.

“Other deferred charges” refers mainly to costs incurred for leasehold improvements.

Changes in intangible fixed assets during the year (Table 4.2 B.I.)

(€/mil)

<b>A. Pro forma opening balance</b>	<b>1,646</b>
<b>B. Increases</b>	
B1. purchases	158
B2. writebacks	-
B3. revaluations	-
B4. other changes	138
<b>C. Decreases</b>	
C1. sales	-
C2. adjustments	
a) amortization	276
b) long-term writedowns	-
C3. other changes	869
<b>D. Closing balance</b>	<b>797</b>
<b>E. Total revaluations</b>	<b>-</b>
<b>F. Total adjustments</b>	
a) amortization	456
b) long-term writedowns	-

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

	Goodwill	Software in use	Software not yet in use	Other deferred charges
<b>Pro forma opening balance</b>	<b>1,411</b>	<b>102</b>	<b>104</b>	<b>29</b>
<b>Increases</b>				
– purchases	-	35	116	7
– other changes:				
– transfer of software developed in 2003	-	138	-	-
<b>Decreases</b>				
– sales	-	-	-	-
– adjustments:				
– amortization	115	132	17	12
– long-term writedowns	-	-	-	-
– other changes				
– transfer of software developed in 2003	-	-	138	-
– conferral to Sanpaolo Banco di Napoli	731	-	-	-
<b>Closing balance</b>	<b>565</b>	<b>143</b>	<b>65</b>	<b>24</b>
Total revaluations	-	-	-	-
Total adjustments				
– amortization	144	255	19	38
– long-term writedowns	-	-	-	-

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 and interventions to develop programs mainly ordered from third parties and not yet completed, the release and subsequent use of which is expected in the long term.

No advances have been paid for the purchase of intangible fixed assets.

### Other information relating to tangible and intangible fixed assets

Pursuant to Article 10 of Law 72/83, information relating to revaluations on property included in the Bank’s equity as of 31 December 2003 is given below:

	31/12/03 (€/mil)	31/12/02 (€/mil)
Historical cost	534	505
Law 823/73 (a)	12	14
Law 576/75 (a)	16	18
Law 72/83 (a)	163	170
Other (a)	61	60
Law 218/90 (b)	800	871
Law 408/90 (a)	117	170
Law 413/91 (a)	80	61
Merger of Banca Provinciale Lombarda and Banco Lariano	92	94
<b>Total revaluations</b>	<b>1,341</b>	<b>1,458</b>
Gross book value	1,875	1,963

(a) Revaluations carried out by the Bank and by the merged banks.

(b) Higher values attributed on transformation from a public credit institution into a limited company.

It must be highlighted that in accordance with Law 218/90, revaluations have been made to the works of art owned by the former Banco di Napoli for 10 million euro.

## SECTION 5 - OTHER ASSETS

## Other assets (caption 130)

Analysis of caption 130 "other assets" (Detail 5.1 B.I.)

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
Unprocessed transactions and transactions by foreign branches:	2,126	1,966	1,963
– unprocessed transactions - Italian branches (a)	1,551	1,005	1,002
– amounts in transit between Italian branches (a)	568	953	953
– transactions by foreign branches	7	8	8
Due from tax authorities:	2,039	1,922	2,152
– prepaid current year direct taxes	98	233	233
– tax credits on dividends and taxes withheld	464	828	1,058
– tax withholdings overpaid during the year on bank interest income	54	51	51
– tax credits relating to prior years	1,385	749	749
– taxes paid in advance on termination indemnities - Law 662/96	38	61	61
Deferred tax assets	862	1,118	1,113
Items relating to derivative contracts and currency transactions:	849	862	862
– effect of currency hedges, forex swap and cross-currency swap	53	144	144
– valuation of derivatives on interest rates and stockmarket indices	743	686	686
– premiums paid on purchased options	53	32	32
Loans to subsidiaries for dividends matured	754	526	374
Deposit with the Bank of Italy relating to the liquidation of Isveimer	58	58	58
Items relating to securities transactions	21	5	5
Net effect of translating funds from international agencies using current rates, with the exchange borne by third parties	13	31	31
Checks and other instruments held	13	65	65
Loans to be restored ex Law 588/96	-	580	580
Deposits with clearing-houses	-	833	833
Other (b)	726	1,036	1,008
<b>Total</b>	<b>7,461</b>	<b>9,002</b>	<b>9,044</b>

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

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

Valuation of the assets in question did not give rise to any adjustments.

### IMI Sir dispute

Other assets include 1.3 million euro which refer to the estimated realizable value of 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 July 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 concrete 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 140)***Analysis of caption 140 "accrued income and prepaid expenses" (Detail 5.2 B.I.)*

	31/12/03 (€/mil)	31/12/02 (€/mil)
Accrued income		
– income from derivative contracts (a)	803	700
– interest from loans to customers	322	418
– interest on securities	87	147
– bank interest	62	79
– other	173	107
Prepaid expenses		
– charges on derivative contracts	29	32
– commission on placement of securities and mortgage loans	187	227
– discounts on bond issues	18	13
– other expenses	95	105
<b>Total</b>	<b>1,776</b>	<b>1,828</b>

(a) *Accrued income from derivative contracts is recognized on a contract-by-contract basis with reference to the interest rates applicable at the time.*

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

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Due from banks	198	194
b) Loans to customers	90	65
c) Bonds and other debt securities	444	88
<b>Total</b>	<b>732</b>	<b>347</b>

## SECTION 6 - PAYABLES

### 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	191	470
– other deposits from the Italian Exchange Office	355	28
– other deposits from central banks	1,918	898
Due to other banks		
– deposits	19,793	15,121
– other forms of finance not included in current accounts	6,299	6,570
– repurchase agreements and securities loaned	4,063	2,910
– medium and long-term loans from international bodies	1,803	2,484
– current accounts	949	745
– other	17	16
– other loans	2,412	1,778
<b>Total</b>	<b>37,800</b>	<b>31,020</b>

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

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Repurchase agreements	4,254	3,380
b) Securities loaned	-	-

Loans from international bodies include loans used by the Bank to finance investment projects in industrial sectors and in public utility services.

### Due to customers and securities issued (captions 20 and 30)

Funds obtained directly from customers, comprising deposits from customers and securities issued, are detailed below:

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
Due to customers			
– current accounts	27,251	35,357	35,409
– repurchase agreements and securities loaned	4,114	6,215	6,215
– deposits	8,750	13,590	13,590
– short-term payables relating to special management services carried out for the Government	230	313	313
– other	154	215	215
Securities issued			
– bonds	15,099	16,025	16,025
– certificates of deposit	3,717	2,845	2,845
– banker's drafts	298	493	493
– other securities	18	12	12
<b>Total</b>	<b>59,631</b>	<b>75,065</b>	<b>75,117</b>

The changes refer mainly to the transfer during the year of the business branches to Banca OPI and Sanpaolo Banco di Napoli, which included customer deposits and securities for, respectively, 1,978 million euro and 15,576 million euro.

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

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Repurchase agreements	4,114	6,215
b) Securities loaned	-	-

Securities issued comprise those due or ready for repayment totaling 2 million euro.

There have been no issues of bonds convertible into shares of the Bank or other companies, or similar securities or bonus shares.

### Public funds administered (caption 40)

Public funds administered are provided by the State and by other Public bodies mainly to act as a source of subsidized loans to customers. These funds are analyzed below:

	31/12/03 (€/mil)	31/12/02 (€/mil)
Funds provided by the State	11	35
Funds provided by regional public agencies	21	18
Other funds	-	38
<b>Total</b>	<b>32</b>	<b>91</b>
<i>of which: funds with risk borne by the Government under Law 19 of 6/2/87</i>	<i>10</i>	<i>11</i>

### Other information relating to payables

Information regarding the distribution of deposits by geographical area, type of currency and degree of liquidity, is reported in Part B, Section 11 of these notes.

## SECTION 7 - PROVISIONS

The Bank's provisions are analyzed below:

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
Provisions for employee termination indemnities (caption 70)	529	688	687
Provisions for risks and charges (caption 80)			
– pensions and similar commitments (caption 80.a)	-	41	41
– provisions for taxation (caption 80.b)	660	789	1,038
– other provisions (caption 80.c)			
– provisions for guarantees and commitments	73	108	108
– provisions for other risks and charges	490	736	735
– provisions for other personnel charges	738	506	506
<b>Total</b>	<b>2,490</b>	<b>2,868</b>	<b>3,115</b>

### Provisions for termination indemnities (caption 70)

*Changes in "reserve for termination indemnities" during the year* (€/mil)

Pro forma opening balance	688
Increases	
– provisions	55
– employment contract acquisition (a)	35
– other changes	3
Decreases	
– advances allowed under Law 297/82	9
– indemnities to employees leaving the Group	62
– employment contract acquisition	4
– conferral to Banca OPI	1
– conferral to Sanpaolo Banco di Napoli 01/07/2003	149
– conferral to Sanpaolo Banco di Napoli 29/09/2003	25
– other changes	2
<b>Closing balance</b>	<b>529</b>

(a) Employment contract acquisition refers mainly to employees from the Cardine Bank Networks, whose employment contracts were transferred to Cardine Finanziaria during the year.

## Provisions for risks and charges (caption 80)

### Pensions and similar commitments (caption 80.a)

<i>Changes in the reserve for pensions and similar commitments during the year</i>		<i>(€/mil)</i>
Pro forma opening balance		41
Increases		
– provisions		-
Decreases		
– utilizations		2
– transfer of former Banco di Napoli employees to Section A of the Pensions Reserve		39
<b>Closing balance</b>		<b>-</b>

This reserve, which has been accrued 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 staff from the former Banco di Napoli (an independent entity), subject to the Bank's original obligation in respect of access to the fund.

As a matter of fact, the adequacy of the technical reserves of the fund is calculated annually based on the valuations of an independent professional actuary. As of 31 December 2003 the valuations did not reveal any need for intervention by the Bank.

### Provisions for taxation (caption 80.b)

<i>Changes in "reserve for taxation" during the year</i>						<i>(€/mil)</i>
	Income taxes	Other reserves - Reserve ex Law 169/83	Other reserves - Reserve ex Decree 213/98	Deferred taxes relating to dividends matured	Total	
Pro forma opening balance (a)	1,044	4	9	3	1,060	
Increases						
– provisions for 2003 income taxes	348	-	-	-	348	
– deferred taxes on dividends for 2003	-	-	-	-	-	
– exchange differences	-	-	-	-	-	
– other changes (b)	-	-	-	266	266	
Decreases						
– payment of income taxes	731	-	-	266	997	
– exchange differences	-	-	-	-	-	
– other changes	14	-	-	3	17	
<b>Closing balance</b>	<b>647</b>	<b>4</b>	<b>9</b>	<b>-</b>	<b>660</b>	

(a) The opening balance differs by 271 million euro compared to the pro forma figures in respect of the adjustments for the abolition of the tax credit on dividends. This amount is in fact equal to the tax credits booked in 2002.

(b) Following the collection and consequent taxation of the dividends for the year 2002, the tax credit has been booked to an appropriate caption to offset the provision for deferred taxation (other increases). The deferred taxation referring to matured dividends not yet collected as of 31 December 2003, has been offset against the deferred tax assets.

The provisions for taxation as of 31 December 2003 is considered sufficient to cover current income taxes, including local taxes payable by foreign branches and existing and potential tax disputes.

Other decreases refer to 13 million euro for the tax charge for the year 2002 and to 1 million euro utilization of the excess reserves of foreign branches.

It should also be noted that current income taxes include the tax charges for the year (approximately 7 million euro), substitute tax relating to the disposal of the portion of merger deficit arising from the incorporation of Banco di Napoli, which was not recognized for tax purposes (approximately 362 million euro). This tax, totaling around 69 million euro, is booked to the statement of income over a period consistent with the amortization of the Banco di Napoli merger deficit (10 years); this in compliance with the Bank of Italy decisions expressed in its Letter 9426 dated 27 July 2000. As of 31 December 2003, 55 million euro of taxation payable in future years was booked as an asset item – prepaid expenses.

Movements on deferred tax assets credited to the statement of income are as follows:

<i>Changes during the year in "Deferred tax assets credited in the statement of income" (Table 7.4 B.1.)</i>		<i>(€/mil)</i>
1. Pro forma initial amount		1,118
2. Increases		
2.1 Deferred tax assets arising during the year		253
2.2 Other increases		-
3. Decreases		
3.1 Deferred tax assets reversing during the year		414
3.2 Other decreases		95
<b>4. Final amount</b>		<b>862</b>

The pro forma opening balance of deferred tax assets includes 5 million euro which refers to the former Cardine Finanziaria and which was recorded against tax credit on dividends booked to the financial statements on the basis of their maturity.

The other decreases refer to the transfer of deferred tax assets of 60 million euro for the business branches transferred during the year to Sanpaolo Banco di Napoli S.p.A., to the tax charge for the year 2002 (13 million euro), to the recalculation of the deductible timing differences taking into account, among others, the changes introduced in the tax regulations (15 million euro) and the deferred taxation and tax credits on dividends (7 million euro).

The financial statements of the Bank as of 31 December 2003 reveal deferred tax assets totaling 862 million euro; this reflects the effect of timing differences between the book value and the value for tax purposes of assets and liabilities matured in 2003 and in prior years and which it is reasonably certain will become deductible in future years.

The table below reports the fiscal effects of deductible and taxable timing differences at the end of the year, broken down by type.

	(€/mil)	
	IRPEG (corporate income taxes)	IRAP (regional income taxes)
<b>A. Deductible timing differences</b>		
Adjustments of receivables deductible in future years	187	23
Provisions for future charges	276	-
Writedowns of securities, property and equity investments	88	1
Extraordinary expenses for voluntary incentive retirement schemes	124	-
Other	183	-
<b>B. Taxable timing differences</b>		
Dividends matured	15	-
Accrued capital gains	5	-
<b>Total</b>	<b>838</b>	<b>24</b>

Deductible timing differences have been offset against taxable timing differences according to the type of tax and by year of reversal. According to our estimates, there will not be any taxable timing differences in future years higher than the deductible timing differences.

The deferred tax reserves refer to specific reserves which are in suspense for tax purposes and are booked in offset against their corresponding asset captions.

Deferred tax liabilities did not show any movements for the year 2003:

<i>Changes during the year in "Deferred tax liabilities charged to shareholders' equity" (Table 7.5 B.I.)</i>		(€/mil)
1. Pro forma initial amount		13
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		-
<b>4. Final amount</b>		<b>13</b>

Deferred tax reserves charged to the statement of income referred to tax charges relating to subsidiary dividends are booked on an accruals basis. More specifically, the reserve comprised the excess of deferred taxes on dividends in respect of the prepaid tax credits recognized on the dividends themselves.

As a result of the change to the tax regulations in respect of the taxation of dividends, which involved the abolition of tax credit with effect from the 2004 financial year, deferred taxation on dividends of subsidiary companies recorded to the financial statements on the basis of their maturity has been booked to reduce the deferred tax assets.

<i>Changes during the year in "Deferred tax liabilities charged to the statement of income" (Table 7.5 B.I.)</i>		<i>(€/mil)</i>
1. Initial amount		3
2. Increases		266
2.1 Deferred tax liabilities arising during the year		-
2.2 Other increases		266
3. Decreases		269
3.1 Deferred tax liabilities deferred during the year		266
3.2 Other decreases		3
<b>4. Final amount</b>		<b>-</b>

The other increases refer to the reclassifications among prepaid tax credits on dividends for the year 2002 collected during the year, while other decreases refer to taxes in respect of dividends not yet collected which have been offset to reduce deferred tax assets.

Deferred taxation writeoffs during the year refer to dividends for prior years collected and taxed in 2003.

### **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 (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 the 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 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 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 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 Community.

As far as the effect on the financial statements is concerned, considering that the recovery of the tax relief has been applied in the presence of disputes brought against the European Commission by the Italian Government and the banks concerned and that in any case the amount paid cannot be considered definitive, such amounts have been recorded to other assets and wholly offset by accruals to the tax reserve.

#### Provisions for risks and charges - other reserves (caption 80.c)

*Analysis of caption 80.c "provisions for risks and charges: other provisions" (detail 7.3 B.I.)* (€/mil)

	Guarantees and commitments	Other risks and charges	Other personnel charges	Total
Pro forma opening balance	108	736	506	1,350
<b>Increases</b>				
– provisions	3	96	21	120
– other changes (a)	-	4	415	419
<b>Decreases</b>				
– revaluation of guarantees	6	-	-	6
– used to cover charges on settlement of disputes	-	54	-	54
– used to cover long-service bonuses and other payments and for surplus	-	98	198	296
– utilization to cover other liabilities	3	47	-	50
– other changes (b)	29	147	6	182
<b>Closing balance</b>	<b>73</b>	<b>490</b>	<b>738</b>	<b>1,301</b>

(a) Other increases include 39 million euro offset against personnel costs, mainly in respect of accruals for bonuses and incentives in favor of employees; 376 million euro offset against "extraordinary expenses" referring to staff leaving incentives and 4 million euro offset against other administrative costs.

(b) In addition to exchange rate fluctuations, the decrease in other changes refers to the transfer of the portion of the reserve attributable to Sanpaolo Banco di Napoli.

Provisions for "guarantees and commitments" of 73 million euro cover expected losses in respect of guarantees and more generally, the contingencies associated with guarantees and commitments, including exposures to derivative contracts on loans for which the Bank has taken over the 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 490 million euro, include:

- 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.

Provisions for "other personnel charges", of 738 million euro, include:

- 494 million euro for staff leaving incentives offered to employees during the year and in prior years. With reference to initiatives realized 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.

#### 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 Bank'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 – the Bank 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 spontaneous 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 Bank has proceeded at year end to adjust the accrual to the provision for risks and charges by 20 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 Bank has 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 30 million euro, 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, SANPAOLO IMI 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 Lire, 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 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, equal to around 50.5 million euro, destined, in its entirety, to hedge disputes of an undetermined amount and of an uncertain outcome.

## SECTION 8 - CAPITAL, EQUITY RESERVES, RESERVE FOR GENERAL BANKING RISKS AND SUBORDINATED LIABILITIES

Net shareholders' equity is detailed below:

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
Shareholders' equity			
– Capital (caption 120)	5,144	5,144	5,144
– Additional paid-in capital (caption 130)	708	708	708
– Reserves (caption 140)			
a) legal reserve	1,029	1,029	1,029
b) reserve for own shares	34	-	-
c) statutory reserves	-	-	-
d) other reserves:	2,607	2,272	2,311
– reserve ex art. 13 sub. 6 D.Lgs. 124/93	5	4	4
– reserve D.Lgs. 153/99	854	854	854
– extraordinary reserve	768	828	983
– unrestricted reserve for the acquisition of own shares	966	456	456
– reserve D.Lgs. 213/98	14	14	14
– other reserves (a)	-	116	-
– Revaluation reserves (caption 150)	-	-	-
– Reserve for general banking risks (caption 100)	-	-	-
– Retained earnings (caption 160)	-	-	-
<b>Total Capital and Reserves</b>	<b>9,522</b>	<b>9,153</b>	<b>9,192</b>
– Income for the period (caption 170)	824	919	764
<b>Total shareholders' equity</b>	<b>10,346</b>	<b>10,072</b>	<b>9,956</b>
Own shares or quotas (caption 120 - Assets)	34	-	-
Subordinated liabilities (caption 110)	5,887	6,090	6,090

(a) The other reserves relating to 2002 include the effect of the pro forma adjustments to net equity.

As already anticipated in the Introduction to the Explanatory Notes, following the cancellation of the investment in Cardine Finanziaria S.p.A., the merger goodwill of 116 million euro has been allocated to increase the Extraordinary reserve of the Bank.

### Share Capital and Additional paid-in capital

As of 31 December 2003, the Bank's share capital amounts to 5,144,064,800.00 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.

### Other Reserves

Other reserves comprise:

- the reserve Art. 13 subsection 6 D. Lgs 124/93, created to take advantage of the tax benefits deriving from the allocation of portions of termination indemnities to pension funds;

- the reserve ex D. Lgs. 213/98, created in 1998 following the revaluation of equity investments expressed in Euro-zone currencies at the fixed euro exchange rate.

The most significant changes in other reserves concerned:

- the net decrease in the Extraordinary Reserve of 215 million euro from the allocation of net income for the year 2002 (213 million euro), the merger surplus (116 million euro) net of utilization to increase the Reserve for the acquisition of own shares (544 million euro);
- the increase in the Reserve for purchase of own shares from 456 million euro to 1,000 million euro, following the approval of the decision to purchase own shares on 29 April 2003. As of 31 December 2003, the restricted portion of the Reserve for own shares amounted to 34 million euro, while the unrestricted portion amounted to 966 million euro.

### Other information

A breakdown of the regulatory capital and a description of the minimum requirements for supervisory purposes is provided below:

*Net shareholders' equity and minimum regulatory requirements (Table 8.1 B.I.)*

Categories / Values	31/12/03 (€/mil)	31/12/02 (€/mil)
<b>A. Regulatory capital</b>		
A.1 Tier 1 capital	9,799	8,793
A.2 Tier 2 capital	3,934	3,883
A.3 Items to be deducted	440	485
A.4 Regulatory capital	13,293	12,191
<b>B. Minimum regulatory requirements</b>		
B.1 Credit risk	6,074	6,516
B.2 Market risk (a)	140	211
of which:		
– risks on dealing portfolio	140	211
– exchange risks	-	-
B.3 Tier 3 subordinated loans	140	211
B.4 Other minimum requirements	-	-
B.5 Total minimum requirements	6,214	6,727
<b>C. Risk assets and capital adequacy-ratios</b>		
C.1 Risk-weighted assets	88,772	96,104
C.2 Tier 1 capital / Risk weighted assets	11.0%	9.1%
C.3 Regulatory capital / Risk weighted assets	15.1%	12.9%

(a) Market risks are fully covered by issues of Tier 3 subordinated liabilities. The latter, equal to 600 million euro, cover market risks attributable both to the Parent Bank and to other Group companies.

An attachment provides a statement of changes in shareholders' equity for the year.

## Subordinated liabilities (caption 110)

	Original currency	Amount in the financial statements as of 31/12/03 (€/mil)	Amount in original currency (millions)	Interest rate	Issue date	Maturity date	Effective date of early redemption
Subordinated deposits linked to the issuance of Preferred Shares	EUR	1,000	1,000	up to 10/11/2010: 7.88% p.a. subsequently: 1 year Euribor + 3.25 % p.a.	10/11/2000	31/12/2100	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	361	361	6 months Euro LIBOR + 0.50% p.a.	30/06/1994	30/06/2004	(*)
Debenture loan	EUR	150	150	5.75%	15/09/1999	15/09/2009	(*)
Notes	EUR	500	500	6.375% p.a.	6/04/2000	6/04/2010	(*)
Notes	EUR	350	350	up to 6/4/2005: 3 months Euribor + 0.50% p.a. subsequently: 3 months Euribor + 1.25% p.a.	6/04/2000	6/04/2010	6/4/2005
Notes	EUR	1,000	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	27/9/2005
Debenture loan	EUR	300	300	5.55% p.a.	31/07/2001	31/07/2008	(*)
Debenture loan	EUR	200	200	5.16% p.a.	2/10/2001	2/10/2008	(*)
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	28/6/2007
Debenture loan	EUR	54	54	up to 15/7/2007: 4.90% subsequently: 6 months Euribor + 0.76% p.a.	15/07/2002	15/07/2012	15/7/2007
Debenture loan	EUR	147	147	up to 4/12/2007: 4.32% p.a. subsequently: 6 months Euribor + 0.85% p.a.	4/12/2002	4/12/2012	4/12/2007
Notes	EUR	300	300	5.375% p.a.	13/12/2002	13/12/2012	(*)
Notes	EUR	350	350	up to 9/6/2010: 3.75% p.a. subsequently: 3 months Euribor + 1.05 p.a.	9/06/2003	9/06/2015	9/6/2010
<i>Total subordinated liabilities (Tier 2)</i>		<i>4,287</i>					
Debenture loan	EUR	350	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	200	200	2.42%	30/06/2003	30/12/2005	(*)
<i>Total Tier 3 subordinated liabilities</i>		<i>600</i>					
<b>Total</b>		<b>5,887</b>					

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

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

During the year, SANPAOLO IMI issued new subordinated loans for 350 million euro in the form of Tier 2 subordinated loans and 600 million euro in the form of Tier 3 subordinated loans.

Subordinated liabilities not included in the calculation of regulatory capital amount to 317 million euro, excluding Tier 3 subordinated loans.

Tier 2 subordinated loans provide that:

- where permitted, early redemption can only take place on the initiative of the Bank and with Bank of Italy authorization;
- the loan period must not be less than five years; if no maturity is stated, the contract must state that a notice period of at least five years has to be given;
- in the event that the Bank is put into liquidation, these subordinated loans can only be reimbursed once all other creditors, not similarly subordinated, have been satisfied.

Tier 3 subordinated loans, issued to cover market risks, meet the following conditions:

- the original duration is not less than 2 years;
- the payment of interest and capital is suspended if the capital requirements of SANPAOLO IMI should fall below 7% on an individual basis or 8% on a consolidated basis;
- in the event that the Bank is put into liquidation, the loan can only be reimbursed once all other creditors, not similarly subordinated, have been satisfied.

### **Other information on subordinated liabilities**

Information regarding the distribution of subordinated liabilities by geographical area, type of currency and degree of liquidity, is reported in Part B, Section 11 of these notes.



## SECTION 9 - OTHER LIABILITIES

## Other liabilities (caption 50)

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

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
Amounts available for third parties	2,205	1,632	1,632
Unprocessed transactions and transactions by foreign branches:	2,089	3,748	3,748
– unprocessed transactions (a)	1,562	1,930	1,930
– amounts in transit between Italian branches (a)	511	1,803	1,803
– transactions by foreign branches	16	15	15
Items relating to derivative contracts and currency transactions:	1,675	1,157	1,127
– Effect of currency hedges, forex swap and cross-currency swap	868	400	370
– Valuation of derivatives on interest rates and stockmarket indices	746	725	725
– Premiums collected on options sold	61	32	32
Amounts due to employees	253	171	171
Non-liquid balances from portfolio transactions	221	313	313
Due to tax authorities	90	212	212
Amounts payable to Bank of Italy in respect of Isveimer liquidation	58	58	58
Deposits guaranteeing agricultural and construction loans	31	36	36
Amounts payable due to settlement value date	27	-	-
Items relating to securities transactions	7	9	9
of which "short position"	7	6	6
Amounts payable to the Bank of Italy - loans to be restored S.G.A. L. 588/96	7	-	-
Other	876	1,000	973
<b>Total</b>	<b>7,539</b>	<b>8,336</b>	<b>8,279</b>

(a) The amounts were mostly settled at the beginning of 2004.

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

	31/12/03 (€/mil)	31/12/02 (€/mil)
Accrued expenses		
– charges on derivative contracts (a)	576	450
– interest on securities issued	290	432
– interest on amounts due to banks	128	130
– interest on amounts due to customers	31	59
– other expenses	10	21
Deferred income		
– interest on discounted notes	21	39
– income from derivative contracts	119	125
– bond issue premium	-	-
– other	80	82
<b>Total</b>	<b>1,255</b>	<b>1,338</b>

*(a) Accrued income from derivative contracts is recognized on a contract-by-contract basis with reference to the interest rates applicable at the time.***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 for "Other assets" as of 31 December 2002), which represents the residual capital and interest, for the recovery made by the Bank of Italy in relation to the interventions made in the past by the former Banco di Napoli to cover the liquidation deficit of Isveimer and the losses of Società per la Gestione di Attività S.p.A. (S.G.A.). 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 S.G.A. 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 S.G.A. losses during the year.

From an accounting point of view, the advances received from the Bank of Italy and the Government securities purchased are shown under the memorandum accounts, while the financial flows deriving from collection of coupons on such securities and from the payment of interest on the advances are, respectively, debited and credited directly to the "loans to be restored". 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 (S.G.A.)

Società per la Gestione di Attività S.p.A. (S.G.A.) 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 S.G.A., 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 S.G.A. 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 S.G.A. 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 S.G.A. 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 S.G.A. 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. (S.G.A.) 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 bases 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 (a)	-	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 (b)	-	410

(a) 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.

(b) 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 (a)*

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

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

(b) 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 (a)*

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

(a) The amounts refer to accruals for the respective years

## SECTION 10 - GUARANTEES AND COMMITMENTS

### Guarantees (caption 10)

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

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Commercial guarantees	10,155	10,407
a) Financial guarantees	19,139	19,729
c) Assets lodged in guarantee	4	6
<b>Total</b>	<b>29,298</b>	<b>30,142</b>

Unsecured guarantees given by the Bank, together with assets lodged to guarantee third-party commitments, comprise the following:

	31/12/03 (€/mil)	31/12/02 (€/mil)
Endorsements and sureties	20,650	20,077
Documentary credits	388	529
Acceptances	102	130
Other guarantees	8,154	9,400
Assets lodged in guarantee:	-	-
– securities	-	-
– other assets	4	6
<b>Total</b>	<b>29,298</b>	<b>30,142</b>

### Commitments (caption 20)

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

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Commitments to grant finance (certain to be called on)	3,889	2,707
b) Commitments to grant finance (not certain to be called on)	10,168	11,474
<b>Total</b>	<b>14,057</b>	<b>14,181</b>

Firm commitments undertaken by the Bank are detailed below:

	31/12/03 (€/mil)	31/12/02 (€/mil)
Undrawn lines of credit granted	8,412	9,419
Deposits and loans to be made	2,346	490
Purchase of securities	355	727
Put options issued	426	392
Mortgage loans to be disbursed	1,230	1,553
Membership of Interbank Deposit Guarantee Fund	100	99
Commitments for derivatives on loans	530	789
Other commitments certain to be called on	658	702
Other commitments not certain to be called on	-	10
<b>Total</b>	<b>14,057</b>	<b>14,181</b>

### Assets lodged to guarantee the Group's liabilities

(Detail 10.3 B.I.)

	31/12/03 (€/mil)	31/12/02 (€/mil)
Portfolio securities lodged with third parties to guarantee repurchase agreements	3,573	6,157
Securities lodged with central banks to guarantee advances	50	51
Securities lodged with the Bank of Italy to guarantee bankers' drafts	59	97
Securities guaranteeing other transactions	160	60
<b>Total</b>	<b>3,842</b>	<b>6,365</b>

### Unused lines of credit

SANPAOLO IMI has unused lines of credit, excluding operating limits, as detailed below:

(Table 10.4 B.I.)

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Central banks	28	29
b) Other banks	317	160
<b>Total</b>	<b>345</b>	<b>189</b>

## Forward transactions

Forward transactions, excluding transactions between the Bank's head office and foreign branches as well as those carried out within organizational units and on behalf of third parties, are detailed below:

(Table 10.5 B.I.)

Categories of operations	Hedging transactions	Dealing transactions	Other transactions	Total
<b>1. Purchase/sale of</b>				
1.1 Securities				
– purchases	-	355	-	355
– sales	-	167	-	167
1.2 Currency				
– currency against currency	1,974	964	-	2,938
– purchases against euro	7,980	436	-	8,416
– sales against euro	1,962	341	-	2,303
<b>2. Deposits and loans</b>				
– to be disbursed	-	-	2,346	2,346
– to be received	-	-	914	914
<b>3. Derivative contracts</b>				
3.1 With exchange of capital				
a) securities				
– purchases	-	-	427	427
– sales	-	-	824	824
b) currency				
– currency against currency	-	154	-	154
– purchases against euro	2,431	2,029	-	4,460
– sales against euro	116	2,035	-	2,151
c) other instruments				
– purchases	-	-	-	-
– sales	-	-	-	-
3.2 Without exchange of capital				
a) currency				
– currency against currency	-	64	-	64
– purchases against euro	13	39	-	52
– sales against euro	-	23	13	36
b) other instruments				
– purchases	48,238	41,404	147	89,789
– sales	26,381	44,373	3,376	74,130
<b>Total (a)</b>	<b>89,095</b>	<b>92,384</b>	<b>8,047</b>	<b>189,526</b>

(a) Interest rate related basis swaps (shown in point 3.2 b) are included in both purchases and sales for a total of 16,811 million euro.

Derivative contracts include those entered into to hedge the dealing portfolio (mainly asset swap) for a nominal value of 3,434 million euro. 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.

Derivative contracts entered into to hedge against assets and liabilities valued at cost show a net potential loss of 64 million euro. In compliance with the accounting policies, this amount has not been recorded in the financial statements since the purpose of the derivatives contracts in question is to hedge interest and/or exchange rate risks with regard to funding activities and/or lending activities: 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.

“Other transactions” principally include derivative contracts included under structured financial instruments. The nominal value of derivative contracts included under financial instruments totals 3,804 million euro (a portion of which is included in dealing transactions), which is equivalent to a lesser nominal value of the incorporating instrument (equal to 3,530 million euro). The difference is attributable to the breakdown of derivatives implied in “reverse convertible” type bonds, on the basis of Bank of Italy instructions.

#### Internal deals

Internal deals amount to a total of 374 million euro at nominal value. The following table provides a breakdown of internal deals, reporting the same contract in both purchases and sales:

	(€/mil)	
	Hedging transactions	Dealing transactions
Derivatives with exchange of capital		
a) securities		
– purchases	-	-
– sales	-	-
b) currency		
– currency against currency	-	-
– purchases against euro	362	12
– sales against euro	362	12
Derivatives without exchange of capital		
b) other instruments		
– purchases	-	-
– sales	-	-
<b>Total</b>	<b>724</b>	<b>24</b>

The valuation to market of internal deals carried out to cover assets/liabilities valued at cost is shown to be equal to the potential losses and gains.



## 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
<b>OTC trading contracts</b>					
– Forward (a)	7,218	428	-	-	7,646
– Swap (b)	67,174	210	-	-	67,384
– Options purchased	2,959	2,073	534	-	5,566
– Options sold	2,964	2,062	471	-	5,497
<b>Exchange traded contracts</b>					
– Future purchased	-	-	-	-	-
– Future sold	-	-	-	-	-
– Options purchased	-	-	-	-	-
– Options sold	-	-	-	-	-
<b>Total trading contracts</b>	<b>80,315</b>	<b>4,773</b>	<b>1,005</b>	<b>-</b>	<b>86,093</b>
<b>Total non-trading contracts</b>	<b>67,928</b>	<b>14,471</b>	<b>7,517</b>	<b>-</b>	<b>89,916</b>
<b>Total contracts (c)</b>	<b>148,243</b>	<b>19,244</b>	<b>8,522</b>	<b>-</b>	<b>176,009</b>
– including OTC contracts	148,243	19,244	8,522	-	176,009

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

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

(c) Including basis swaps for 8,405 million euro and excluding forward currency transactions with a duration of less than 2 working days, for 1,330 million euro.

The table below shows the residual duration of the above OTC transactions:

<i>Residual maturity of notional amounts underlying OTC derivative contracts</i>	<i>(€/mil)</i>			
	Up to 12 months	Between 1 and 5 years	Beyond 5 years	Total
Interest rate related	75,590	49,418	23,235	148,243
Exchange rate related	15,887	3,063	294	19,244
Stockmarket index related	909	5,487	2,126	8,522
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*

	(€/mil)				
	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total
<b>Notional amounts</b>	<b>148,243</b>	<b>19,244</b>	<b>8,522</b>	-	<b>176,009</b>
A. Market value of trading contracts					
A.1 positive market value	847	135	18	-	1,000
A.2 negative market value	-924	-135	-18	-	-1,077
B. Add on	291	34	42	-	367
C. Market value of non-trading contracts:					
C.1 positive market value	912	271	192	-	1,375
C.2 negative market value	-985	-1,097	-192	-	-2,274
D. Add on	217	270	297	-	784
<b>Credit risk equivalent (A.1+B+C.1+D)</b>	<b>2,267</b>	<b>710</b>	<b>549</b>	-	<b>3,526</b>

Market values of hedging and negotiation transactions arranged with third parties have been calculated using the criteria established by the Bank of Italy to determine the solvency ratio. The market values identified in the table above derive from the application of the aforementioned criteria which provide for inclusion in the calculation of the market value of accrued income and expenses currently maturing as well as the result deriving from the current rate revaluation of the principal amount of cross-currency interest rate swaps to be exchanged at maturity.

Lastly, the table below shows the breakdown of credit risk equivalent on unquoted contracts by type of counterparty.

*Credit quality of OTC derivative contracts, by counterparty*

	(€/mil)		
	Positive market value	Add on	Credit risk equivalent (a) (current value)
Governments and central banks	9	12	22
Banks	1,938	904	2,841
Other operators	428	235	663
<b>Total</b>	<b>2,375</b>	<b>1,151</b>	<b>3,526</b>

(a) The credit risk equivalent reported in this table includes transactions with an original life not exceeding 14 days. The existence of Master Netting Agreements allows a reduction in the equivalent credit risk of 2,094 million euro in respect of banks and 151 million euro in respect of other operators.

The derivative contracts analyzed above are not covered by real nor 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 the Bank, including those "hedging contracts" whose current value is not shown in the financial statements, are subject to monitoring within the context of the complete system of risk management and control set up by the Group.

A description of the organizational model and the results of monitoring the evolution of risks for 2003 is reported in the special section of the Report on Group Operations ("Risk management and control").

## Credit derivatives

In relation to the contracts through which the credit risk inherent in certain outstanding loans is transferred, the following table shows the notional capital referring to contracts signed by the Bank.

*(Table 10.6 B.I.)*

Categories of operations	Dealing transactions	Other transactions	Total
<b>1. Hedging purchases</b>			
1.1 With exchange of capital			
– credit default swap	-	351	351
<b>2. Hedging sales</b>			
2.1 With exchange of capital			
– credit default swap	-	426	426
– credit linked note	-	40	40
2.2 Without exchange of capital			
– credit linked note	6	58	64
<b>Total</b>	<b>6</b>	<b>875</b>	<b>881</b>

Table 10.6 comprises credit derivatives 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

Major lines of credit that exceed 10% of the Bank's equity and defined by the Bank of Italy as "significant exposures", are as follows:

(Table 11.1 B.I.)

	31/12/03	31/12/02
a) Amount (in million €)	6,495	8,636
b) Number	3	5

These positions comprise total assets at risk (loans, shares, bonds, etc.) outstanding in relation to customers and groups of related customers (including banks).

### Distribution of loans to customers, by category of borrower

Loans to customers are distributed by main category of borrower as follows:

(Table 11.2 B.I.)

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
a) Governments	370	1,505	1,505
b) Other public entities	216	1,584	1,584
c) Non-financial businesses	35,074	40,202	40,202
d) Financial institutions	12,933	15,562	14,914
e) Family businesses	2,477	3,166	3,166
f) Other operators	12,913	14,788	14,788
<b>Total</b>	<b>63,983</b>	<b>76,807</b>	<b>76,159</b>

### 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	6,264	5,821
b) Commerce, renovation and repairs	4,384	5,634
c) Energy products	2,821	3,807
d) Construction and public works	2,730	3,355
e) Transport	2,351	2,314
f) Other sectors	14,465	16,815
<b>Total</b>	<b>33,015</b>	<b>37,746</b>

### Distribution of credit derivatives by category of borrower

Credit derivatives are distributed as follows:

	31/12/03 (€/mil)	31/12/02 (€/mil)
Banks	705	879
Financial institutions	140	205
Other operators	36	80
<b>Total</b>	<b>881</b>	<b>1,164</b>

### Distribution of guarantees issued, by category of counterparty

Guarantees given by the Bank are classified by category of counterparty as follows:

(Table 11.4 B.I.)

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Governments	-	-
b) Other public entities	177	52
c) Banks	10,520	11,511
d) Non-financial businesses	14,229	12,249
e) Financial institutions	4,073	5,761
f) Family businesses	82	107
g) Other operators	217	462
<b>Total</b>	<b>29,298</b>	<b>30,142</b>

### Geographical distribution of assets and liabilities

The geographical distribution of the Bank's assets and liabilities is detailed below, by reference to the countries of residence of the counterparties concerned:

(Table 11.5 B.I.)

	31/12/03				31/12/02			
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total
<b>1. Assets</b>								
1.1 due from banks	18,343	8,045	997	27,385	13,256	6,452	1,243	20,951
1.2 loans to customers	56,729	3,795	3,459	63,983	68,139	3,978	4,042	76,159
1.3 securities	9,002	437	1,801	11,240	11,210	959	2,528	14,697
<b>Total</b>	<b>84,074</b>	<b>12,277</b>	<b>6,257</b>	<b>102,608</b>	<b>92,605</b>	<b>11,389</b>	<b>7,813</b>	<b>111,807</b>
<b>2. Liabilities</b>								
2.1 due to banks	16,767	14,240	6,793	37,800	9,016	13,289	8,715	31,020
2.2 due to customers	34,139	1,667	4,693	40,499	48,074	1,840	5,828	55,742
2.3 securities issued	16,137	2,576	419	19,132	18,509	188	678	19,375
2.4 other accounts	4,483	436	1,000	5,919	4,300	881	1,000	6,181
<b>Total</b>	<b>71,526</b>	<b>18,919</b>	<b>12,905</b>	<b>103,350</b>	<b>79,899</b>	<b>16,198</b>	<b>16,221</b>	<b>112,318</b>
<b>3. Guarantees and commitments</b>	<b>20,561</b>	<b>12,932</b>	<b>9,862</b>	<b>43,355</b>	<b>19,936</b>	<b>13,195</b>	<b>11,192</b>	<b>44,323</b>

## 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			
<b>1. Assets</b>									
1.1 Treasury bonds eligible for refinancing	-	71	126	386	876	327	405	-	2,191
1.2 due from banks	8,999	7,882	1,939	623	4,198	802	2,753	189	27,385
1.3 loans to customers	9,867	18,466	5,670	5,074	12,389	3,588	8,005	924	63,983
1.4 bonds and other debt securities	113	334	2,461	1,126	2,889	1,052	1,073	-	9,048
1.5 off-balance sheet transactions	1,585	53,869	61,100	23,681	3,874	9,864	798	-	154,771
<b>Total assets</b>	<b>20,564</b>	<b>80,622</b>	<b>71,296</b>	<b>30,890</b>	<b>24,226</b>	<b>15,633</b>	<b>13,034</b>	<b>1,113</b>	<b>257,378</b>
<b>2. Liabilities</b>									
2.1 due to banks	4,470	17,007	6,300	1,680	6,403	142	1,798	-	37,800
2.2 due to customers	30,719	9,139	514	109	-	2	16	-	40,499
2.3 securities issued:									
– bonds	119	154	1,421	5,602	4,070	1,723	2,010	-	15,099
– certificates of deposit	30	3,133	477	67	10	-	-	-	3,717
– other	316	-	-	-	-	-	-	-	316
2.4 subordinated liabilities	-	-	361	1,100	75	950	3,401	-	5,887
2.5 off-balance sheet transactions	2,429	55,160	60,741	20,449	3,337	11,979	676	-	154,771
<b>Total liabilities</b>	<b>38,083</b>	<b>84,593</b>	<b>69,814</b>	<b>29,007</b>	<b>13,895</b>	<b>14,796</b>	<b>7,901</b>	<b>-</b>	<b>258,089</b>

### Assets and liabilities denominated in foreign currencies

The Bank's assets and liabilities denominated in foreign currencies are detailed below:

(Table 11.7 B.I.)

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Assets		
1. due from banks	2,972	3,464
2. loans to customers	5,047	7,228
3. securities	1,749	2,491
4. equity investments	184	222
5. other accounts	157	170
<b>Total assets</b>	<b>10,109</b>	<b>13,575</b>
b) Liabilities		
1. due to banks	8,721	10,861
2. due to customers	6,475	8,062
3. securities issued	2,265	775
4. other accounts	75	520
<b>Total liabilities</b>	<b>17,536</b>	<b>20,218</b>

The "liquidity", "rates" and "exchange" risks inherent in the distribution by expiry, type of rate and currency of the Bank's 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").

The principal spot exchange rates of the Euro, as of 31 December 2003, used to translate the Bank's foreign currency assets and liabilities are indicated below:

	31/12/03	31/12/02
US dollar	1.263	1.049
Swiss franc	1.558	1.452
Pound sterling	0.705	0.651
Japanese yen	135.050	124.390

**Portfolio securities representing third party securitization transactions**

(Bank of Italy Letters 10155 of 3/8/2001, 3147 of 3/3/2003 and 93659 of 3/2/2004)

Type of underlying activities	Credit quality	<i>book value</i>			Total
		Senior securities	Mezzanine securities	Junior securities (a)	
<b>Investment securities portfolio</b>					
Leasing	Performing	19	-	-	19
Receivable for commercial film rights	Performing	1	-	-	1
Securities	Performing	-	-	-	-
<b>Total investment portfolio</b>		<b>20</b>	<b>-</b>	<b>-</b>	<b>20</b>
<b>Dealing securities portfolio</b>					
Building mortgage loans	Performing	1	-	-	1
Consumer loans	Performing	14	-	-	14
Health care receivable	Performing	2	-	-	2
Public real estate	Performing	12	-	-	12
Social security contributions	Performing	50	-	-	50
<b>Total dealing portfolio</b>		<b>79</b>	<b>-</b>	<b>-</b>	<b>79</b>
<b>Total</b>		<b>99</b>	<b>-</b>	<b>-</b>	<b>99</b>

(a) Total securitizations under junior type securities amount to 20 million euro.

In compliance with Bank of Italy regulations, it is noted that as of 31 December 2003, as summarized in the table, the Bank held the following securities representing securitizations booked to portfolio, or rather deriving from packaging transactions (ABS – Asset Backed Securities, MBS – Mortgage Backed Securities and CDO – Collateralized Debt Obligations).



## Investment portfolio:

- Securities representing the securitization of financing and leasing contracts to the aeronautical sector (ABS) for a total value of 19 million euro. These senior securities, written down by 6 million euro, have been adjusted by 3 million euro during 2003 in respect of an issue by United Airlines;
- Securities which represent securitizations carried out on commercial exploitation of film rights in the Cecchi Gori Group. These senior securities have been written down by 8 million euro and carried in the balance sheet at a value of 1 million euro, which reflects their market value;
- Securities which represent securitizations carried out on performing emerging markets and high yield bonds and loans portfolios (CDO). These junior type securities show a book value of less than 1 million euro as a result of a writedown of 4 million euro mainly from previous years. It should be noted that the underlying securitizations amounted to 20 million; however it is believed, in considering the above writedowns, that such indication is not significant.

## Dealing portfolio:

- Securities which represent securitizations on mortgage loans (MBS). These are senior securities carried in the balance sheet at a value of 1 million euro, which reflects market values;
- Securitizations carried out on consumer credit granted by Findomestic S.p.A.. These are senior securities carried in the balance sheet at a value of 14 million euro, which reflects market values;
- Securities which represent securitizations on health care receivable (ABS). These are senior securities carried in the balance sheet at a value of 2 million euro, which reflects market values. A junior security relating to the same securitization was entirely written off in prior years; thus the underlying securitization activity is not significant;
- Securitizations carried out by the State on receivables deriving from the sale of public real estate assets. These are senior securities carried in the balance sheet at a value of 12 million euro, which reflects market values;
- Securitizations carried out by the State on Social Security receivables. These are senior securities carried in the balance sheet at a value of 50 million euro, which reflects market values.

It should be highlighted that the Bank has not carried out securitization transactions as per Law 133/99, does not hold interests in vehicle companies and does not carry out servicer or arranger activities on such transactions.

## SECTION 12 - ADMINISTRATION AND DEALING ON BEHALF OF THIRD PARTIES

### Custody and administration of securities

The nominal value of securities held in custody and for administration, including those received as guarantees, is detailed below:

(Table 12.3 B.I.)

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Third-party securities held on deposit (excluding portfolio management)		
1. securities issued by the Bank that prepares the financial statements	11,747	13,449
2. other securities	150,810	141,856
b) Third-party securities deposited with third parties	123,893	108,591
c) Portfolio securities deposited with third-parties	13,886	13,974

Third party securities deposited as of 31 December 2003 include mutual funds held by customers for a nominal value of 36,466 million euro, and securities on deposit with the Bank acting as a depository bank, broken down as follows:

- 97 million euro of securities issued by the Bank;
- 32,389 million euro of other securities.

### Collection of loans on behalf of third parties: debit and credit adjustments

The Bank has received instructions to collect third-party loans as part of its portfolio transactions. The nominal value of such loans is 9,017 million euro.

The notes portfolio has been reclassified on the basis of the related settlement date, by recording the following adjustments:

(Table 12.4 B.I.)

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Debit adjustments		
1. current accounts	601	638
2. central portfolio	121	99
3. cash	-	-
4. other accounts	-	-
b) Credit adjustments		
1. current accounts	121	71
2. transferors of notes and documents	601	652
3. other accounts	-	14

## Other transactions

(detail 12.5)

### 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.

#### Third-party portion of syndicated loans

The portion of syndicated loans arranged by the Bank for third parties without a representation mandate totaled 564 million euro at year end (671 million euro as of 31 December 2002).

#### Portfolio management services rendered by third parties

The value of asset management services rendered to customers by Group companies amounts to 2,693 million euro.

## Part C - Information on the statement of income

### SECTION 1 - INTEREST

#### Interest income and similar revenues (caption 10)

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

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
a) On amounts due from banks	581	667	666
<i>of which:</i>			
– deposits with central banks	25	40	40
b) On loans to customers	3,183	4,004	4,004
<i>of which:</i>			
– loans using public funds	-	-	-
c) On debt securities	373	644	644
d) Other interest income	22	49	49
e) Net differential on hedging transactions	-	-	-
<b>Total</b>	<b>4,159</b>	<b>5,364</b>	<b>5,363</b>

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	71	143

Default interest accrued during the year amounting to 85 million euro has been prudently eliminated from the statement of income, since collection is considered unlikely.

Interest income includes 156 million euro relating to repurchase agreements with an obligation to resell.

## 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	834	1,071
b) On amounts due to customers	543	901
c) On securities issued	590	911
<i>of which:</i>		
– certificates of deposit	47	88
d) On public funds administered	-	-
e) On subordinated liabilities	284	295
f) Net differential on hedging transactions	59	82
<b>Total</b>	<b>2,310</b>	<b>3,260</b>

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	143	211

Interest expense includes the annual charge of 5 million euro relating to issue discounts on bonds and certificates of deposit. The caption also includes charges of 223 million euro relating to repurchase agreements with an obligation to resell.

## Other information relating to interest

Information concerning the interest arising on transactions with Group companies is reported in Part C, Section 7 of these notes.

## SECTION 2 - COMMISSION

## Commission income (caption 40)

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

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Guarantees given	62	54
b) Credit derivatives	8	10
c) b) Management, dealing and advisory services:	786	793
1. dealing in securities	4	6
2. dealing in currency	17	21
3. portfolio management	-	-
3.1. individual	-	-
3.2. collective	-	-
4. custody and administration of securities	17	20
5. depositary bank	52	52
6. placement of securities (a)	436	469
7. acceptance of instructions	37	34
8. advisory services	-	-
9. third party service distribution:	223	191
9.1. portfolio management:	88	110
9.1.1. individual	88	110
9.1.2. collective	-	-
9.2. insurance products	130	76
9.3. other products	5	5
d) Collection and payment services	205	228
e) Servicing for securitization transactions	-	-
f) Tax collection services	-	32
g) Other services	508	513
<b>Total</b>	<b>1,569</b>	<b>1,630</b>

(a) The commission earned on the placement of securities also includes the commission earned on the placement of mutual fund units for 418 million euro (437 million euro as of 31/12/02).

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

	31/12/03 (€/mil)	31/12/02 (€/mil)
Loans granted	167	161
Deposits and current account overdrafts	206	214
Current accounts	95	87
Other services - Italian branches	38	49
Other services - Foreign branches	2	2
<b>Total</b>	<b>508</b>	<b>513</b>

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

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) with own branches:	658	657
1. portfolio management	-	-
2. placement of securities	436	467
3. third party service distribution	222	190
b) outside supply:	1	3
1. portfolio management	-	-
2. placement of securities	-	2
3. third party service distribution	1	1
<b>Total</b>	<b>659</b>	<b>660</b>

**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	11	14
b) Credit derivatives	1	1
c) Management and dealing services:	12	17
1. dealing in securities	-	3
2. dealing in currency	1	1
3. portfolio management:		
3.1. own portfolio	-	-
3.2. third party portfolio	-	-
4. custody and administration of securities	10	9
5. placement of securities	-	1
6. door-to-door sales of securities, financial products and services	1	3
d) Collection and payment services	58	63
e) Other services	20	23
<b>Total</b>	<b>102</b>	<b>118</b>

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

	31/12/03 (€/mil)	31/12/02 (€/mil)
Intermediation on financing transactions	-	1
Loans obtained	1	2
Loan-arrangement activities	1	3
Other services - Italian branches	17	16
Other services - Foreign branches	1	1
<b>Total</b>	<b>20</b>	<b>23</b>

**Other information relating to commission**

Details of commission arising from transactions with Group companies are included in Part C, Section 7 of these notes.



## SECTION 3 - PROFITS AND LOSSES FROM FINANCIAL TRANSACTIONS

## Profits and losses from financial transactions (caption 60)

*Analysis of caption 60 "profits (losses) from financial transactions" (Table 3.1 B.1.)* (€/mil)

Captions / Transactions	Security transactions	Currency transactions	Other transactions	Total
A1. Revaluations	39 (a)	-	27	66
A2. Writedowns	-37 (b)	-	-13	-50
B. Other profits / losses	4 (c)	40 (d)	29 (e)	73
<b>Total</b>	<b>6</b>	<b>40</b>	<b>43</b>	<b>89</b>
1. Government securities	13			
2. Other debt securities	-14			
3. Equities	10			
4. Security derivatives	-3			

(a) Revaluations refer to the evaluation of the investment securities portfolio for 30 million euro and to the repurchase of own shares for 9 million euro.

(b) Writedowns refer to 34 million euro for losses on investment securities and 3 million euro for negative valuation of derivative contracts.

(c) Profits refer to 3 million euro from dealing in securities and to 1 million euro from the disposal of own shares previously re-purchased.

(d) Includes exchange gains of 30 million euro and income on transactions in foreign currency derivative contracts of 10 million euro.

(e) Profits from other transactions refer to gains from dealings in derivative contracts.

## SECTION 4 - ADMINISTRATIVE COSTS

### Personnel costs (caption 80.a)

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
Wages and salaries	1,188	1,339	1,312
Social security charges	392	417	416
Termination indemnities			
– provisions to the reserve for termination indemnities	54	65	65
– indemnities accrued and paid during the year	2	2	2
– provisions for supplementary pension fund	29	28	28
<b>Total</b>	<b>1,665</b>	<b>1,851</b>	<b>1,823</b>

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

	31/12/03	31/12/02
a) Executives	452	444
b) Third and fourth level managers	3,611	4,046
c) Other employees	21,518	24,032
<b>Total</b>	<b>25,581</b>	<b>28,522</b>

## Other administrative costs (caption 80.b)

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
<b>IT costs</b>	<b>275</b>	<b>260</b>	<b>239</b>
Software maintenance and upgrades	85	72	70
External data processing	75	70	53
Maintenance of fixed assets	48	49	48
Data transmission charges	37	38	38
Database access charges	21	22	21
Equipment leasing charges	9	9	9
<b>Property expenses</b>	<b>185</b>	<b>192</b>	<b>190</b>
Rented property:	117	113	112
– rental of premises	106	105	104
– maintenance of leasehold premises	11	8	8
Property owned by the Bank:	21	25	24
– maintenance of property owned by the Bank	21	25	24
Security services	27	32	32
Cleaning of premises	20	22	22
<b>General expenses</b>	<b>172</b>	<b>197</b>	<b>168</b>
Personnel on secondment	62	67	42
Postage and telegraph charges	32	37	37
Office supplies	17	19	19
Transport and counting of valuables	13	21	21
Courier and transport services	13	8	8
Other expenses	35	45	41
<b>Professional and insurance fees</b>	<b>119</b>	<b>144</b>	<b>133</b>
Professional fees	76	94	83
Legal and judiciary expenses	20	25	25
Investigation/commercial information costs	13	13	13
Insurance premiums banks and customers	10	12	12
<b>Utilities</b>	<b>50</b>	<b>56</b>	<b>54</b>
Energy	31	35	34
Telephone	19	21	20
<b>Promotion, advertising and marketing expenses</b>	<b>52</b>	<b>44</b>	<b>44</b>
Advertising and entertainment	47	38	38
Contributions and membership fees to trade unions and business associations	5	6	6
<b>Indirect personnel costs</b>	<b>65</b>	<b>57</b>	<b>57</b>
Other expenses for personnel training, travel and assignments	65	57	57
<b>Total</b>	<b>918</b>	<b>950</b>	<b>885</b>
<b>Indirect duties and taxes</b>			
– stamp duties	98	120	120
– substitute tax (Pres. Decree 601/73)	17	15	15
– local property taxes	10	9	9
– tax on stock exchange contracts	5	5	5
– other indirect duties and taxes	10	9	9
<b>Total</b>	<b>140</b>	<b>158</b>	<b>158</b>
<b>Total other administrative costs</b>	<b>1,058</b>	<b>1,108</b>	<b>1,043</b>

## SECTION 5 - ADJUSTMENTS, WRITEBACKS AND PROVISIONS

### Adjustments to intangible and tangible fixed assets (caption 90)

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
Adjustments to intangible fixed assets			
– amortization of merger differences and goodwill	115	185	185
– amortization of software in use	132	100	87
– amortization of software not yet in use	17	42	42
– amortization of other deferred charges	12	16	12
Adjustments to tangible fixed assets			
– depreciation of property	62	61	59
– depreciation of furniture and installation	115	152	149
<b>Total</b>	<b>453</b>	<b>556</b>	<b>534</b>

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.

### Provisions for risks and charges (caption 100)

Provisions for risks and charges during the year of 117 million euro, include the following:

- 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 company 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.

### 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	588	358
<i>of which:</i>		
– general adjustments for country risk	-	6
– other general adjustments	17	43
b) Provisions for guarantees and commitments	3	67
<i>of which:</i>		
– general provisions for country risk	-	-
– other general provisions	3	62
<b>Total</b>	<b>591</b>	<b>425</b>

Adjustments to loans include losses on transactions and disposals for 5 million euro.

In addition to the above adjustments, default interest of 85 million euro due during the year has been reversed from interest income.

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

	31/12/03 (€/mil)	31/12/02 (€/mil)
Revaluation of loans previously written down	71	42
Revaluation of loans previously written off	-	-
Revaluation of guarantees	6	7
Collection of default interest previously written down	23	33
Collection of loans previously written off	16	22
Collection of loan principal previously written down	74	69
<b>Total</b>	<b>190</b>	<b>173</b>

### Adjustments to financial fixed assets (caption 150)

#### Adjustments to investment securities

The writedowns recorded were mainly calculated on the negative trend in the conditions of solvency of borrowers in relation to securities or collaterals. When determining the adjustments, the valuation of securities disposed of at the beginning of 2004 considered realizable prices, while for issues remaining in portfolio, the valuation also considered the prices supplied by the arrangers.

Adjustments totaling 6 million euro mainly refer to the loss in value considered permanent, of which 3 million euro refer to securities deriving from securitization operations on loans relating to businesses operating in the air transport sector (see Section 11.8).

#### Adjustments to equity investments

Adjustments to equity investments relate to the writedown of holdings in the following companies:

	31/12/03 (€/mil)	31/12/02 (€/mil)
IMI Investimenti S.p.A.	66	-
Banca Popolare dell'Adriatico S.p.A.	60	-
Banca Comerciala Sanpaolo Imi Bank Romania S.A. (former West Bank S.A.)	5	10
Sanpaolo Imi Internazionale S.p.A.	4	-
GEST Line S.p.A.	3	9
Centradia Group Ltd	1	6
Sanpaolo Imi International S.A.	-	134
Santander Central Hispano S.A.	-	115
Ge.Ri.Co. S.p.A.	-	8
<b>Total</b>	<b>139</b>	<b>282</b>

In particular:

- **IMI Investimenti S.p.A.** was written down by **66 million euro**, corresponding to the difference between the book value and the net equity of the company as of 31 December 2003. This writedown was made solely to take advantage of tax benefits;
- **Banca Popolare dell'Adriatico S.p.A.** was written down by **60 million euro**, in order to align the average book value following the incorporation of Cardine Finanziaria, to the estimated value after the acquisition of the remaining portion of the investment by third parties by Public Offer (calculated by the financial advisor taking into account a majority premium equal to 20%);
- **Banca Comerciala Sanpaolo Imi Bank Romania S.A.** (former West Bank S.A.) was written down by **9.4 million euro**. In relation to this investment, which was transferred to Sanpaolo Imi Internazionale in February 2004, the book value was adjusted to reflect the evaluation made by the appointed expert as a result of the merger and approved by the Board of Directors of Sanpaolo Imi Internazionale on 18 December 2003, in compliance with Art. 2343 of the Italian Civil Code, subsections 3 and 4. The effect on the statement of income, is **5.2 million euro**, taking into account that, against the writedown of the investment, adjustments of 4.2 million euro were released at the end of 2002 on commitments from the purchase of further shares in the investment, completed in 2003;
- **Sanpaolo Imi Internazionale S.p.A.** was written down by **3.5 million euro**, in line with the losses recorded by the shareholding, mainly referring to the adjustment to book value of the investment in **Kredyt Bank S.A.**;
- **GEST Line S.p.A.** was written down by **2.8 million euro**, to align the book value to the net equity of the company;
- **Centradia Group Ltd** was written down by **0.7 million euro**, equal to the negative result of the company as of 31 December 2003.

#### Writebacks to investment securities

During the year a writeback of 1 million euro was made in relation to a structured security, the recovery of which is considered to be of a long-term nature.

#### Writebacks to equity investments

The writeback of 83 million euro refers to the investment in **Santander Central Hispano S.A.**, and derives from the application of the same valuation criteria as of 31 December 2003 (average of market prices for the second half of 2002), as that used in 2002, when voluntary writedowns were recorded for a total of 115 million euro.

## SECTION 6 - OTHER STATEMENT OF INCOME CAPTIONS

## Dividends and other revenues (caption 30)

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
On shares	-	5	5
On equity investments			
– Sanpaolo Imi International S.A.	140	-	-
– Banca Fideuram S.p.A.	101	101	101
– Sanpaolo Imi Wealth Management S.p.A.	97	140	140
– Cassa di Risparmio di Padova e Rovigo S.p.A.	93	75	-
– Cassa di Risparmio in Bologna S.p.A.	47	22	-
– Cassa di Risparmio di Venezia S.p.A.	41	42	-
– Banca OPI S.p.A.	40	25	25
– GEST Line S.p.A.	34	-	-
– Sanpaolo Banco di Napoli S.p.A.	28	-	-
– Banca di Intermediazione Mobiliare Imi S.p.A.	27	-	-
– Friulcassa S.p.A.	22	-	-
– Sanpaolo Bank S.A.	21	-	-
– Sanpaolo Imi Bank Ireland Plc	20	-	-
– Sanpaolo Leasint S.p.A.	16	12	12
– Finemiro Banca S.p.A.	16	6	6
– Santander Central Hispano S.A.	15	15	15
– Cassa di Risparmio di Firenze S.p.A.	11	11	11
– CDC Ixis	8	10	10
– Banca Koper D.D.	6	2	2
– Esatri S.p.A.	5	4	4
– Prospettive 2001 S.p.A.	4	-	-
– Sanpaolo Imi Bank (International) S.A.	3	3	3
– Cassa dei Risparmi di Forlì S.p.A.	3	3	3
– Banca Popolare dell'Adriatico S.p.A.	2	7	-
– Banque Sanpaolo S.A.	-	33	33
– Cardine Finanziaria S.p.A.	-	-	39
– Invesp S.p.A.	-	20	20
– Cardine Banca S.p.A.	-	31	31
– Cassa di Risparmio di Udine e Pordenone S.p.A.	-	7	-
– Cassa di Risparmio di Gorizia S.p.A.	-	1	-
– other dividends received	16	24	24
Tax credits	16	39	225
<b>Total</b>	<b>832</b>	<b>638</b>	<b>709</b>

From 2001 the Bank books dividends from subsidiaries on an accruals basis. When applying this accounting principle, in accordance with CONSOB instructions, dividends from subsidiaries must be approved by the Boards of Directors and shareholders' meetings of the companies concerned, before the meetings of the Board of Directors and shareholders of the Parent Bank.

The following table shows the dates on which the subsidiaries' boards approved the distribution of 2003 dividends to the Bank.

Dividends distributed by subsidiaries	31/12/03 (€/mil)	Board of Directors dates	Meeting dates (a)
Sanpaolo IMI International S.A.	140	3-feb-04	23-mar-04
Banca Fideuram S.p.A.	101	12-mar-04	22-apr-04
Sanpaolo IMI Wealth Management S.p.A.	97	10-mar-04	8-apr-04
Cassa di Risparmio di Padova e Rovigo S.p.A.	93	11-mar-04	8-apr-04
Cassa di Risparmio in Bologna S.p.A.	47	5-mar-04	9-apr-04
Cassa di Risparmio di Venezia S.p.A.	41	26-feb-04	8-apr-04
Banca OPI S.p.A.	40	11-mar-04	7-apr-04
GEST Line S.p.A.	34	8-mar-04	22-apr-04
Sanpaolo Banco di Napoli S.p.A.	28	24-mar-04	28-apr-04
Banca di Intermediazione Mobiliare Imi S.p.A.	27	10-mar-04	8-apr-04
Friulcassa S.p.A.	22	12-mar-04	7-apr-04
Sanpaolo Bank S.A.	21	3-mar-04	30-mar-04
Sanpaolo IMI Bank Ireland Plc	20	8-mar-04	7-apr-04
Finemiro Banca S.p.A.	16	10-mar-04	7-apr-04
Sanpaolo Leasint S.p.A.	16	10-mar-04	5-apr-04
Prospettive 2001 S.p.A.	4	11-mar-04	6-apr-04
Sanpaolo IMI Bank (International) S.A.	3	2-mar-04	6-apr-04
Banca Popolare dell'Adriatico S.p.A.	2	10-mar-04	7-apr-04

(a) The above dates refer to the 1<sup>st</sup> calling for the Meetings.



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

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
Expenses recovered from customers			
– stamp duties	87	113	113
– other taxes	26	19	19
– legal costs	8	7	7
– other recoveries	11	26	26
Reimbursement of services rendered to third parties	2	13	71
Property rental income	12	14	13
Income from services rendered to Group businesses (*)	226	117	-
Other income	13	10	8
<b>Total</b>	<b>385</b>	<b>319</b>	<b>257</b>

(\*) The income refers mainly to the supply of outsourcing services in favor of Sanpaolo Banco di Napoli S.p.A. and the banks referring to the North East Territorial Direction.

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

	31/12/03 (€/mil)	31/12/02 (€/mil)
Finance leasing charges	7	5
Other expenses	3	-
<b>Total</b>	<b>10</b>	<b>5</b>

**Extraordinary income (caption 180)***Analysis of caption 180 "extraordinary income" (Detail 6.3 B.I.)*

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
Out-of-period income			
– use of reserves in excess	71	100	100
– disposal of derivative contracts connected with shareholdings (a)	-	96	96
– other	28	124	124
Dividends received from subsidiaries (including tax credit):			
– INVESP S.p.A.	65	-	-
– Banca Popolare dell'Adriatico S.p.A.	47	-	-
– GEST Line S.p.A.	1	-	-
– Banque Sanpaolo S.A.	-	13	13
– Banca Sanpaolo Invest S.p.A.	-	11	11
– Cassa di Risparmio di Padova e Rovigo S.p.A.	-	91	-
– Cassa di Risparmio di Venezia S.p.A.	-	22	-
Gains on transfer/disposal of company branches	63	14	14
Gains on disposal of:			
– financial fixed assets - equity investments (b)	339	107	107
– financial fixed assets - investment securities (b)	18	5	5
– tangible fixed assets	3	26	26
– own shares in portfolio	1	-	-
<b>Total</b>	<b>636</b>	<b>609</b>	<b>496</b>

(a) The figures for the year 2002 refer to the disposal to Banca Imi of derivative contracts connected to the shareholding in Banca Agricola Mantovana; at the same time the investment was also disposed of, with losses booked for the same amount.

(b) Detail of the utilization of gains from the sale of equity investments is provided in Part B, Section 3 of these Notes.

(c) This caption includes 1 million euro referring to income from the closure of derivative contracts to cover investment securities.

**Extraordinary expense (caption 190)***Analysis of caption 190 "extraordinary expense" (Detail 6.4 B.I.)*

	31/12/03 (€/mil)	31/12/02 (€/mil)
Provisions for voluntary incentive retirement schemes	376	15
Other out-of-period expenses	12	42
Losses on disposal of:		
– financial fixed assets - equity investments	7	96
– financial fixed assets - investment securities (a)	8	7
<b>Total</b>	<b>403</b>	<b>160</b>

(a) This caption includes 3 million euro referring to charges in relation to the closure of derivative contracts to cover investment securities.

**Income taxes for the period (caption 220)**

Analysis of caption 220 "Income taxes for the period" (Table 6.5 B.I.)

(€/mil)

1. Current taxes	342
2. Change in deferred tax assets	189
3. Change in deferred tax liabilities	-266
4. Income taxes for the period	265

Current income taxes include the tax charges for the year (approximately 7 million euro), substitute tax relating to the disposal of the portion of merger deficit arising from the merger of Banco di Napoli, which was not recognized for tax purposes (approximately 362 million euro).

This tax, totaling around 69 million euro, is booked to the statement of income over a period consistent with the amortization of the Banco di Napoli merger deficit (10 years), in compliance with the Bank of Italy decisions expressed in Letter no. 9426 of 27 July 2000.

	31/12/03 (€/mil)	31/12/02 (€/mil)
Current income taxes and charges from probable fiscal disputes	324	884
Substitute tax on merger deficit (quota for the year)	7	7
Local taxes applicable to foreign branches	11	11
<b>Total current income taxes and charges from probable fiscal disputes</b>	<b>342</b>	<b>902</b>
Deferred tax assets that reversed during the year and other reductions	442	869
Deferred tax assets that arose during the year and other increases	-253	-429
Deferred taxes on dividends matured during the year	-	185
Decrease in deferred taxes on dividends matured during the previous year	-266	-1,007
Use of the deferred tax reserve on the Reserve for general banking risks	-	-110
<b>Total income taxes for the period (a)</b>	<b>265</b>	<b>410</b>

Reconciliation of theoretical tax rate with actual tax rate	Taxes	%
<b>Income taxes at standard rate</b>	<b>422</b>	<b>38.7</b>
<b>Increases in taxes</b>		
Higher tax base and rate for the regional tax on business activities (a)	33	3.0
Non-deductible costs (losses on investments, ICI, personnel costs, etc.)	23	2.1
Re-definition of tax assets (tax reform, changes to rates of taxation, etc.)	22	2.0
Substitute tax on Banco di Napoli merger deficit	7	0.6
Adjustment to accrual for tax litigation	6	0.6
Other changes	1	0.1
<b>Decreases in taxes</b>		
Dividends taxed at a lower rate (by Italian subsidiaries matured in 2003 and foreign dividends)	-245	-22.5
Income subject to special rate (12.5%)	-4	-0.4
<b>Total changes in taxes</b>	<b>-157</b>	<b>-14.4</b>
<b>Income taxes shown in statement of income</b>	<b>265</b>	<b>24.3</b>

(a) The effective IRAP (Regional Income Tax) is equal to 4.7% and takes into account the increases in the ordinary rate of 4.25% applied by some regions.

## SECTION 7 - OTHER INFORMATION ON THE STATEMENT OF INCOME

Other information provided below regarding the statement of income covers the geographical distribution of the Bank's revenues and transactions with companies of the SANPAOLO IMI Group and with other non-Group companies.

### Geographical distribution of revenues

The geographical distribution of the Bank's revenues, based on the location of branches, is as follows:

(Detail 7.1 B.I.) (€/mil)

	31/12/03				31/12/02 pro forma				31/12/02			
	Italy countries	Other EU countries	Other countries	Total	Italy countries	Other EU countries	Other countries	Total	Italy countries	Other EU countries	Other countries	Total
Interest income and similar revenues	3,951	119	89	4,159	4,681	404	280	5,365	4,679	404	280	5,363
Dividends and other revenues	832	-	-	832	638	-	-	638	709	-	-	709
Commission income	1,530	22	17	1,569	1,590	23	17	1,630	1,590	23	17	1,630
Profits (losses) on financial transactions	91	-2	-	89	43	1	-	44	43	1	-	44
Other operating income	382	3	-	385	317	2	-	319	255	2	-	257
<b>Total revenues</b>	<b>6,786</b>	<b>142</b>	<b>106</b>	<b>7,034</b>	<b>7,269</b>	<b>430</b>	<b>297</b>	<b>7,996</b>	<b>7,276</b>	<b>430</b>	<b>297</b>	<b>8,003</b>

### Income and charges arising from transactions with Group companies and non-Group companies

Income and expenses arising from transactions with companies of the SANPAOLO IMI Group, as defined in article 4 of Decree 87/92, are detailed below, together with those relating to non-Group companies:

(€/mil)

	31/12/03			31/12/02 pro forma			31/12/02		
	Group companies	Non-Group companies	Total	Group companies	Non-Group companies	Total	Group companies	Non-Group companies	Total
<b>Income</b>									
- interest income and similar revenues	614	54	668	648	66	714	648	66	714
- dividends and other revenues	754	78	832	770	16	786	534	15	549
- commission income	628	-	628	624	1	625	624	1	625
- other operating income	230	2	232	126	3	129	65	2	67
- extraordinary income (dividends)	113	-	113	138	-	138	25	-	25
<b>Total</b>	<b>2,339</b>	<b>134</b>	<b>2,473</b>	<b>2,306</b>	<b>86</b>	<b>2,392</b>	<b>1,896</b>	<b>84</b>	<b>1,980</b>
<b>Expenses</b>									
- interest expense and similar charges	685	29	714	711	44	755	711	44	755
- commission expense	3	-	3	7	-	7	6	-	6
- other operating expense	79	-	79	52	-	52	52	-	52
<b>Total</b>	<b>767</b>	<b>29</b>	<b>796</b>	<b>770</b>	<b>44</b>	<b>814</b>	<b>769</b>	<b>44</b>	<b>813</b>

Assets and liabilities outstanding at 2003 year end in relation to Group companies and non-Group companies are indicated in Part B, Section 3 of these notes.

## Part D - Other information

### SECTION 1 - DIRECTORS AND STATUTORY AUDITORS

#### Remuneration

The annual remuneration of the Directors and the Statutory Auditors of the Bank is reported below:

*(Table 1.1 B.I.)*

	31/12/03 (€/mil)	31/12/02 pro forma (€/mil)	31/12/02 (€/mil)
a) Directors (a)	11	9	8
b) Statutory auditors (a)	-	1	1

*(a) Including remuneration paid during the year by the merged Cardine Finanziaria.*

In compliance with Art. 78 of CONSOB resolution no. 11971 of 14/5/99, we provide below the detail of the remuneration pertaining to 2003 paid to Directors, Statutory Auditors and General Managers.

**COMPENSATION OF DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS**

(pursuant to Article 78 of Consob Resolution 11971 of 14 May 1999, amended by CONSOB Resolution 13616 of 12 June 2002)

Surname and name	Description of office	Office		Compensation (thousands of euro)				
		Period in office	Expiry of office (*)	Remuneration for the office in the company that prepares the financial statements	Non-monetary benefits	Bonuses and other incentives (1)	Other compensation (2)	
<b>Directors</b>								
MASERA Rainer Stefano	Chairman of the Board of Directors (3)	1/1/03-31/12/03	2003	742	15	899	(a)	
ROSSI Orazio	Deputy Chairman of the Board of Directors (3)	1/1/03-31/12/03	2003	181	-	63	290 (b)	
SALZA Enrico	Deputy Chairman of the Board of Directors (3)	1/1/03-31/12/03	2003	184	-	85	6	
BUSSOLOTTO Pio	Managing Director (3)	1/1/03-31/12/03	2003	742	-	899	(c)	
IOZZO Alfonso	Managing Director (3)	1/1/03-31/12/03	2003	742	-	899	(d)	
MARANZANA Luigi	Managing Director (3)	1/1/03-31/12/03	2003	742	-	899	(e)	
CARMI Alberto	Director	1/1/03-31/12/03	2003	63	-	80	-	
FONTANA Giuseppe	Director	1/1/03-31/12/03	2003	101	-	85	36	
GARDNER Richard	Director	1/1/03-31/12/03	2003	63	-	54	-	
MANULI Mario	Director	1/1/03-31/12/03	2003	83	-	80	-	
MAROCCO Antonio Maria	Director	29/4/03-31/12/03	2003	44	-	-	-	
MARRONE Virgilio	Director (3)	1/1/03-31/12/03	2003	98 (f)	-	(f)	-	
MATUTES Abel	Director	1/1/03-31/12/03	2003	62	-	49	-	
MIHALICH Ili	Director (3)	1/1/03-31/12/03	2003	94	-	80	11	
ORSATELLI Anthony	Director	12/9/03-31/12/03	2003	17	-	-	-	
OTTOLENGHI Emilio	Director	1/1/03-31/12/03	2003	79	-	85	6	
SACCHI MORSIANI Gian Guido	Director	1/1/03-31/12/03	2003	53	-	71	311 (g)	
VERMEIREN Remi François	Director	1/1/03-31/12/03	2003	64	-	4	-	
BOUILLOT Isabelle	Director (4)	1/1/03-2/9/03		(h)	-	(h)	-	
GALATERI DI GENOLA E SUNIGLIA Gabriele	Director (4)	1/1/03-13/4/03		12	-	36	6	

**Statutory auditors**

PAOLILLO Mario	Chairman of Statutory Auditors	1/1/03-31/12/03	2004	109	-	-	223
BENEDETTI Aureliano	Statutory Auditor	1/1/03-31/12/03	2004	72	-	-	78
DALLOCCCHIO Maurizio	Statutory Auditor	1/1/03-31/12/03	2004	74	-	-	41
MAZZI Paolo	Statutory Auditor	1/1/03-31/12/03	2004	75	-	-	-
VITALI Enrico	Statutory Auditor	1/1/03-31/12/03	2004	71	-	-	-

(\*) Date of Shareholders' meeting called to approve the financial statements for the year.

(1) This includes:

- for the **Chairman and Managing Directors**, the variable part of the emolument for 2003, as decided by the Board of Directors on 2/3/2004;
- for the **Directors**, the emolument corresponding to the profit for the year 2002 of € 889,000, divided proportionally to their presence at meetings held during the year, on the basis of a motion of the Board of Directors following the approval of the financial statements for 2002. For the year 2003, the amount due calculated according to Group results totals € 1,458,000. Since the distribution to each member will be made after the Shareholders' meeting to approve the 2003 financial statements, such consideration will be reported in the relevant table attached to the financial statements for the year 2004.

(2) Emoluments matured with SANPAOLO IMI S.p.A. subsidiary companies.

(3) Members of the Executive Committee.

(4) Members of the Board of Directors stepping down from office in 2003.

(a) € 164,000 paid to SANPAOLO IMI S.p.A..

(b) In addition to the amount shown in the table, € 162,000 was paid by the former Cardine Finanziaria S.p.A. merged into SANPAOLO IMI S.p.A. legally effective from 31 December 2003.

(c) € 707 paid to SANPAOLO IMI S.p.A., of which € 434,000 paid by the former Cardine Finanziaria S.p.A. merged into SANPAOLO IMI S.p.A. legally effective from 31 December 2003.

(d) € 343,000 paid to SANPAOLO IMI S.p.A..

(e) € 341,000 paid to SANPAOLO IMI S.p.A..

(f) In addition to the amount shown in the table, € 19,000 in emoluments of office and € 80,000 in bonus and other incentives (relating to the variable part of the emolument for 2002) paid by IFI S.p.A..

(g) In addition to the amount shown in the table, € 197,000 paid by the former Cardine Finanziaria S.p.A. merged into SANPAOLO IMI S.p.A. legally effective from 31 December 2003.

(h) € 77,000 paid to CDC IXIS Italia Holding S.A., of which € 41,000 in emoluments of office and € 36,000 in bonus and other incentives (variable part of the emolument for 2002).

In compliance with Art. 78 of CONSOB resolution no. 11971 of 14 May 1999, it is hereby noted that the Directors and Chairman of the Bank enjoyed the benefits of the following stock option plans:

- 1999/2001 Plan: within the scope of this plan, each Managing Director (Mr. Rainer Stefano MASERA and Mr. Luigi MARANZANA) received 370,000 rights to subscribe the Bank's shares at a price of 12.396 euro per share, with the right to exercise one third from 2000, one third from 2001 and the remaining third from 2002 and not after 31 March 2003. The latter term was deferred to 31 March 2004 by the Board of Directors meeting of 30 July 2002;
- 2000 Plan: within the scope of this plan, each Managing Director (Mr. Rainer Stefano MASERA and Mr. Luigi MARANZANA), received 188,285 rights to subscribe the Bank's shares at a price of 16.45573 euro per share, with the right to exercise such rights from 2003 until 31 March 2005.

During 2002, on the basis of the power of attorney conferred by the Ordinary Shareholders' meeting of 30 April 2002 to utilize own shares for such plan, the Board of Directors of the Bank passed a stock option plan for the Chairman and Managing Directors for the three year period 2001-2003. On the basis of this plan, Mr. Rainer Stefano MASERA, Mr. Alfonso IOZZO and Mr. Luigi MARANZANA were assigned 450,000 fixed rights for the three year period 2001-2003, plus another 150,000 rights for each three year period, on condition that (in the 30 days prior to the date of the Shareholders' meeting to approve the 2003 financial statements) the stock reaches an average price of 20 euro. Mr. Pio BUSSOLOTTO on the other hand, was assigned 300,000 fixed rights for the three year period 2001-2003, with the possibility to increase them of 100,000 under the same conditions. These rights can be exercised at the end of the 2001/2003 three year period, at a price of 12.6244 euro per share on detachment of the dividend relating to the year 2003 and not after 31 March 2006.

Additional and more detailed information on these plans are contained in the Report on operations, as recommended by CONSOB.

The following table shows the stock options assigned to the Directors and General Managers on the basis of Attachment 3C – Schedule 2, of Consob resolution no. 13616 dated 12 June 2002.

Name and surname	Description of office	Options at the beginning of the year			Options assigned during the year			Expired or exercised (b)	Options at the end of the year		
		Number of options (a)	Average exercise price	Expiry	Number of options	Average exercise price	Expiry		Number of options	Average exercise price	Expiry
<b>1999/2001 Plan</b>				by 31/3/2004						by 31/3/2004	
MASERA Rainer Stefano	Managing Director	123,334	12.396		-		-	123,334	12.396		
MARANZANA Luigi	Managing Director	370,000	12.396		-		-	370,000	12.396		
<b>2000 Plan</b>				from March 2003 to 31/3/2005						from March 2003 to 31/3/2005	
MASERA Rainer Stefano	Managing Director	188,285	16.45573		-		-	188,285	16.45573		
MARANZANA Luigi	Managing Director	188,285	16.45573		-		-	188,285	16.45573		
<b>2001/2003 Plan</b>				from May 2004 to 31/3/2006						from May 2004 to 31/3/2006	
MASERA Rainer Stefano	Chairman	450,000	12.6244		-		-	450,000	12.6244		
BUSSOLOTTO Pio	Managing Director	300,000	12.6244		-		-	300,000	12.6244		
IOZZO Alfonso	Managing Director	450,000	12.6244		-		-	450,000	12.6244		
MARANZANA Luigi	Managing Director	450,000	12.6244		-		-	450,000	12.6244		

(a) Description of office at the moment rights are assigned.

(b) Options expired or exercised during 2003.

## Loans and guarantees given

(Table 1.2 B.I.)

	31/12/03 (€/mil)	31/12/02 (€/mil)
a) Directors	21	39
b) Statutory auditors	-	-

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

## Other information

In accordance with the recommendations of the Code of Conduct for Listed Companies promoted by Borsa Italiana S.p.A., a list is provided below of the offices held by Directors or Statutory Auditors of the Board of Directors of SANPAOLO IMI in other companies listed on regulated markets (even abroad), in financial institutions, banks, insurance companies or other significantly large companies.

DIRECTOR	OFFICE	COMPANY
MASERA Rainer	Chairman Member of the Board of Directors	Banca Fideuram S.p.A. BEI – European Investment Bank
BUSSOLOTTO Pio	Managing Director Director Director	Cassa di Risparmio di Padova e Rovigo S.p.A. Cassa di Risparmio di Firenze S.p.A. Banca delle Marche S.p.A.
CARMI Alberto	/	/
FONTANA Giuseppe	Director Director	Banca Fideuram S.p.A. Banca Popolare di Sondrio S.c.r.l.
GARDNER Richard	/	/
IOZZO Alfonso	Chairman Chairman Director Member of the Supervisory Board	Sanpaolo Banco di Napoli S.p.A. Banca OPI S.p.A. Nhs Mezzogiorno Sgr S.p.A. CDC Ixis
MANULI Mario	Chairman and Managing Director Director Director Director Director Director	Fin.M. S.r.l. Manuli Rubber Industries S.p.A. Manuli Stretch S.p.A. Terme di Saturnia S.r.l. Tamburi Investment Partners S.p.A. Cassa di Risparmio di Firenze S.p.A.
MARANZANA Luigi	Chairman Chairman Director and Member of the Executive Committee Director	Banca d'Intermediazione Mobiliare Imi S.p.A. Sanpaolo Imi Wealth Management S.p.A. Banca Fideuram S.p.A. Sanpaolo Imi Internazionale S.p.A.
MAROCCO Antonio Maria	Director Director	Ifil S.p.A. Reale Mutua di Assicurazioni
MARRONE Virgilio	/	/
MATUTES Abel	/	/





## SECTION 2 - PARENT BANK

### 2.1 – Company name

SANPAOLO IMI S.p.A.

### 2.2 – Head office

Piazza San Carlo 156  
10121 Turin

#### Secondary offices

Viale dell'Arte 25  
00144 Rome

Via Farini 22  
40124 Bologna

Italian Bankers Association registry number: 1025/6

# Attachments

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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STATEMENT OF CASH FLOWS

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LIST OF PROPERTIES OWNED BY THE BANK

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## Statement of changes in shareholders' equity

	(€/mil)										
	capital	legal reserve	additional paid-in capital	extraor- dinary reserve	unrestrict- ed reserve for the acquisition of own shares	restricted reserve for the acquisition of own shares	reserve ex Art.13 sub.6 D.Lgs. 124/93	reserve D.Lgs. 213/98	reserve D.Lgs. 153/99	income for the period	Total
Shareholders' equity as of 1 January 2003	5,144	1,029	708	983	456		4	14	854	764	9,956
Allocation of 2002 net income:											
– extraordinary reserve				213						-213	-
– reserve ex art.13 c.6 D.Lgs. 124/93							1			-1	-
– dividends distributed										-550	-550
Increase in the reserve for purchase of own shares				-544	544						-
Own shares in the Parent Bank's portfolio as of 31/12/03					-34	34					-
Allocation of merger surplus Cardine Finanziaria S.p.A.				116							116
Income for the period as of 31 December 2003										824	824
Shareholders' equity as of 31 December 2003	5,144	1,029	708	768	966	34	5	14	854	824	10,346

# Statement of cash flows<sup>(\*)</sup>

(€/mil)

## APPLICATION OF FUNDS

<b>Use of funds generated by operations</b>		<b>948</b>
SANPAOLO IMI and Cardine Finanziaria dividends paid	550	
Use of reserves for termination indemnities and pensions	75	
Use of provisions for risks and charges	323	
<b>Increase in funds applied</b>		<b>9,427</b>
Loans due from banks	6,866	
Intangible fixed assets	244	
Tangible fixed assets	109	
Equity investments	803	
Investment securities	430	
Other assets	975	
<b>Decrease in funds taken</b>		<b>202</b>
Subordinated liabilities	202	
<b>Total</b>		<b>10,577</b>

(€/mil)

**SOURCES OF FUNDS**

<b>Funds generated by operations</b>		<b>1,695</b>
Net income for the period	824	
Provisions for termination indemnities	56	
Net adjustments to loans and provisions for guarantees and commitments	514	
Provisions for risks and charges	117	
Adjustments to tangible and intangible fixed assets	453	
Net adjustments to financial fixed assets	61	
Provisions for tax reserves	69	
Prepaid taxes	197	
Net adjustments to dealing securities and derivative contracts	-21	
Current year dividends	-754	
Foreign taxes paid	-42	
Capital gain from transfer of business branch to CSP	-52	
Differences in accruals	-36	
Utilization of excess provisions for risks and charges	-70	
Collection of prior year dividends	379	
<b>Increase in funds taken</b>		<b>4,512</b>
Payables due to banks	657	
Customer deposits and securities issued	2,056	
Other liabilities	1,799	
<b>Decrease in funds applied</b>		<b>4,370</b>
Loans to customers	1,139	
Dealing securities	3,137	
Cash	94	
<b>Total</b>		<b>10,577</b>

(\*) Prepared on the basis of pro forma figures included in the reclassified balance sheet for the year 2002.

## List of properties owned by the Bank

LOCATION	INVESTMENT	REVALUATIONS (*)	BOOK VALUE	ADJUSTMENTS	Amount in €
					NET SHAREHOLDERS' EQUITY
ACERRA Corso Italia 67/75	174,093	187,426	361,519	67,532	293,987
ACERRA Via Duomo 56	5,878	185,408	191,286	51,530	139,756
ACQUAVIVA DELLE FONTI Via Maselli Campagna 19	44,272	337,763	382,035	102,918	279,117
ACQUI TERME Piazza Italia 10	849,412	2,033,539	2,882,951	1,509,375	1,373,576
AGNADELLO Piazza della Chiesa 5/15	57,439	181,033	238,472	106,846	131,626
AIROLA Piazza della Vittoria 19/20	4,990	191,089	196,079	52,826	143,253
ALASSIO Via Don Bosco 2	197,019	2,764,136	2,961,155	1,382,459	1,578,696
ALBA ADRIATICA Via della Vittoria 119	53,411	344,477	397,888	107,205	290,683
ALBA Corso Torino 14/1	101,340	-	101,340	3,040	98,300
ALBA Piazza Savona 1	449,762	1,750,827	2,200,589	1,086,787	1,113,802
ALBA Via Cuneo 9 / Vicolo San Biagio	4,132	36,637	40,769	22,196	18,573
ALBENGA Via Genova 86	38,044	142,126	180,170	62,741	117,429
ALBENGA Via Valle d'Aosta 6	2,857,520	-	2,857,520	1,024,362	1,833,158
ALBESE Via Vittorio Veneto 6/a	27,531	343,585	371,116	151,612	219,504
ALBINO Via Mazzini 182	1,125,876	491,047	1,616,923	552,292	1,064,631
ALESSANDRIA Piazza Garibaldi 57/58 / Via Savona	4,702,421	4,308,845	9,011,266	4,268,740	4,742,526
ALESSANDRIA Corso Roma 17/19	361,391	2,337,334	2,698,725	989,402	1,709,323
ALEZIO Via Senape de Pace 52	3,636	143,575	147,211	39,661	107,550
ALMENNO SAN BARTOLOMEO Via Martiri della Libertà	383,874	315,395	699,269	467,197	232,072
ALPIGNANO Via Mazzini 5	1,048,209	1,044,667	2,092,876	1,385,065	707,811
ALTAMURA Piazza Unità d'Italia 22/23	10,384	273,722	284,106	76,536	207,570
ANACAPRI Via Orlandi 150	2,891	490,634	493,525	132,924	360,601
ANCONA Via Montebello 49/63	1,900,240	2,024,756	3,924,996	1,986,200	1,938,796
ANDRIA Via Cavour 112	22,628	504,062	526,690	141,847	384,843
ANTEY SAINT ANDRE' Via Grandi Mulini	30,833	90,431	121,264	63,452	57,812
AOSTA Corso Battaglione Aosta 65	247,085	912,346	1,159,431	577,564	581,867
AOSTA Piazza Chanoux 38 / Via del Collegio 2	1,374,507	4,845,708	6,220,215	2,726,703	3,493,512
APPIANO GENTILE Via Volta 14	121,705	300,541	422,246	168,300	253,946
ARCONATE Piazza Libertà 1	58,567	697,808	756,375	312,068	444,307
ARENA PO Via Roma 10	225,860	108,316	334,176	158,211	175,965
AREZZO via Mecenate 2	280,242	-	280,242	41,302	238,940
ARGEGNO Via Lungotelo di Destra 6	20,669	97,819	118,488	55,002	63,486
ARONA Corso Repubblica 1	456,387	1,562,959	2,019,346	1,042,228	977,118
ARQUATA SCRIVIA Via Libarna 211	148,512	401,501	550,013	269,573	280,440
ARZANO Via Rimini 6	569,593	351,353	920,946	562,973	357,973
ASCOLI PICENO Via Napoli / Via 3 Ottobre	59,531	1,045,825	1,105,356	297,568	807,788
ASCOLI SATTIANO Piazza Cecco d'Ascoli 25/ab	136,343	34,088	170,431	31,837	138,594
ASTI Via Cesare Battisti 3 / Corso Dante 6	1,566,281	2,809,100	4,375,381	2,026,668	2,348,713
ATRIPALDA Piazza Umberto I 15/13	2,401	204,000	206,401	55,617	150,784
AVELLINO Corso Italia 129/131	27,079	634,209	661,288	178,055	483,233
AVELLINO Via Due Principati 2/2bis	931,961	5,513,216	6,445,177	1,603,098	4,842,079
AVELLINO Via Guarini 40 / Via De Conciliis 14	1,365,834	339,923	1,705,757	665,469	1,040,288
AVERSA Piazza Magenta 35/40	35,856	1,606,697	1,642,553	442,429	1,200,124
AVEZZANO Via Vittorio Veneto	19,333	693,602	712,935	192,015	520,920
AVIGLIANA Corso Torino 158	992,880	1,834,966	2,827,846	1,784,544	1,043,302
AZZANELLO Via Valcarenghi 10	340	120,867	121,207	48,266	72,941
BARDONECCHIA Via Medail 53	156,949	826,849	983,798	518,288	465,510
BARI Corso Sonnino 134 / Via Gorizia	50,594	507,161	557,755	150,070	407,685
BARI Via Abate Gimma 101	4,650,429	17,562,633	22,213,062	5,976,971	16,236,091
BARI Via Amendola 168/5	114,605	-	114,605	21,950	92,655
BARI Via Giovanni XXXIII 261	259,589	267,198	526,787	98,405	428,382
BARI Via Roppo 76	86,858	62,915	149,773	27,978	121,795
BARI Viale Unità d'Italia 82	373,263	597,676	970,939	181,371	789,568
BARLETTA Corso Garibaldi 123	65,249	4,020,100	4,085,349	1,082,623	3,002,726
BATTIPAGLIA Via Roma 80/84	100,012	2,089,585	2,189,597	588,929	1,600,668
BELGIOIOSO Via XX Settembre 30	377,014	-	377,014	90,327	286,687
BELLAGIO Lungo Lario Manzoni 32/34	58,377	682,962	741,339	301,896	439,443
BENEVENTO Corso Garibaldi 112	87,912	3,403,451	3,491,363	940,181	2,551,182
BENEVENTO Via Atlantici 47	18,199	113,621	131,820	35,499	96,321
BERGAMO Via Camozzi 27 / Piazza Cavour 9	9,399,925	14,300,568	23,700,493	9,742,621	13,957,872
BERGAMO Via San Bernardino 72/d	57,423	1,252,893	1,310,316	590,382	719,934
BERGAMO Via Statuto 18	46,226	530,697	576,923	237,656	339,267
BERGAMO Via Suardi 85/87	467,508	1,233,039	1,700,547	791,920	908,627

(\*) L. 19/12/73 n. 823; L. 2/12/75 n. 576; L. 19/03/83 n. 72; L. 30/07/90 n. 218; L. 29/12/90 n. 408; L. 30/12/91 n. 413; other.



LOCATION	INVESTMENT	REVALUATIONS (*)	BOOK VALUE	ADJUSTMENTS	Amount in €
					NET SHAREHOLDERS' EQUITY
BERGAMO Via XX Settembre 57	439,999	7,926,401	8,366,400	4,105,286	4,261,114
BIELLA Via Cottolengo	435,655	55,625	491,280	199,389	291,891
BIELLA Via Lamarmora / Torino / Delleani	570,829	-	570,829	85,624	485,205
BIELLA Via Marconi 9	236,209	2,457,725	2,693,934	997,768	1,696,166
BISCEGLIE Via De Gasperi 246	9,498	483,920	493,418	132,897	360,521
BISTAGNO Corso Italia 46	23,116	209,617	232,733	112,775	119,958
BITONTO Piazza Marconi 59/61	18,799	402,320	421,119	113,440	307,679
BOLLATE Via Vittorio Veneto 2	304,750	1,098,518	1,403,268	566,581	836,687
BOLOGNA Via Parigi	8,747	981,301	990,048	207,910	782,138
BOLOGNA Via Rizzoli 20	425,825	3,678,600	4,104,425	1,464,665	2,639,760
BONATE SOTTO Via Vittorio Veneto 57/b	52,844	599,467	652,311	230,399	421,912
BORDIGHERA Corso Italia 32	1,501,502	299,923	1,801,425	789,848	1,011,577
BORGHETTO LODIGIANO Piazza Dalla Chiesa 1/a	2,167	305,515	307,682	102,904	204,778
BORGHETTO SANTO SPIRITO Via IV Novembre 8	99,490	1,171,107	1,270,597	547,770	722,827
BORGO SAN DALMAZZO Corso Barale 22	992,307	785,597	1,777,904	749,764	1,028,140
BORGO SAN GIACOMO Via Ferrari 5	413	222,672	223,085	74,729	148,356
BORGOFRANCO D'IVREA Via Aosta 28	110,812	314,750	425,562	197,119	228,443
BORGONE DI SUSA Via Abegg 5 bis	82,072	324,214	406,286	207,659	198,627
BORGOSIESA Viale Carlo Fassò 2	1,124,384	2,627,497	3,751,881	2,055,894	1,695,987
BOSCOMARENGO Via Roma 6 bis	204,815	86,498	291,313	169,768	121,545
BOSCOREALE Via Cirillo 12 / Via San Felice 2	462,373	316,558	778,931	432,998	345,933
BOSCOTRECASE Via Umberto I 155/157	5,060	201,418	206,478	55,641	150,837
BOSISIO PARINI Piazza Parini 12	413,246	155,778	569,024	257,716	311,308
BRA Via Principi di Piemonte 32	242,935	1,679,278	1,922,213	822,325	1,099,888
BRANDIZZO Via Torino 196	185,833	618,311	804,144	378,086	426,058
BREMBIO Via Garibaldi 10	258	202,166	202,424	72,822	129,602
BRESCIA Piazza Garibaldi 5 / Via Tartaglia	5,090,934	-	5,090,934	1,820,375	3,270,559
BRESSO Via XXV Aprile	31,443	-	31,443	943	30,500
BRIGA NOVARESE Via Borgomanero 19/21	180,562	612,411	792,973	424,534	368,439
BRINDISI Corso Garibaldi 1 / Piazza Vittoria	40,905	6,094,708	6,135,613	1,651,727	4,483,886
BRINDISI Viale Commenda 208/210	12,940	162,684	175,624	47,299	128,325
BRONI Piazza Garibaldi 7 / Via Cavour	557,772	1,468,747	2,026,519	930,785	1,095,734
BRUSCIANO Via Cucca 28/32 / Via De Gasperi	6,966	140,741	147,707	76,985	70,722
BURAGO DI MOLGORA Via Enrico Toti 2/3	348,771	578,372	927,143	424,208	502,935
BUSTO ARSIZIO Borsano - Via Novara 1	516	327,373	327,889	125,150	202,739
BUSTO ARSIZIO Piazza Manzoni / Via Matteotti	2,393,155	-	2,393,155	574,329	1,818,826
BUSTO ARSIZIO Sacconago - Piazza Chiesa Vecchia 6/b	67,500	575,735	643,235	257,806	385,429
BUSTO ARSIZIO Via Gavinana 8	358,294	316,705	674,999	312,063	362,936
BUSTO ARSIZIO Via Milano 14	834,552	7,060,357	7,894,909	3,100,029	4,794,880
BUSTO ARSIZIO Via Torino 48	194,204	479,338	673,542	255,353	418,189
BUSTO GAROLFO Piazza Lombardia 3	128,460	277,931	406,391	169,164	237,227
CABIAATE Via Grandi 6	92,466	346,141	438,607	186,579	252,028
CAGLIARI Largo Carlo Felice 58	182,755	5,870,049	6,052,804	1,627,277	4,425,527
CAGLIARI Piazza Deffenu 4	4,787,402	8,895,982	13,683,384	5,883,182	7,800,202
CAGLIARI Via Amat 1	15,907	428,143	444,050	119,511	324,539
CAGLIARI Via Avendrace 281/283	13,305	322,269	335,574	90,274	245,300
CAGLIARI Via Paoli 31/33	664,607	375,021	1,039,628	374,266	665,362
CAIAZZO Via Latina 1	4,569	160,618	165,187	44,475	120,712
CAIRO MONTENOTTE Piazza della Vittoria 24	129,842	876,957	1,006,799	419,802	586,997
CAIVANO Via Matteotti 54	47,390	747,830	795,220	214,172	581,048
CALOSSO Via Regina Margherita 24/26	56,555	109,390	165,945	87,029	78,916
CALUSCO D'ADDA Via Marconi 36/38	355,554	786,934	1,142,488	426,009	716,479
CALUSO Via San Clemente 1	134,914	375,565	510,479	221,386	289,093
CALVATONE Via Umberto I 83	6,823	185,280	192,103	87,444	104,659
CAMPI SALENTINA Viale della Stazione 1/3	25,659	384,760	410,419	110,548	299,871
CAMPOBASSO Corso Bucci 3	175,380	5,108,275	5,283,655	1,212,230	4,071,425
CAMPOMORONE Via Gavino 110/d	167,138	887,393	1,054,531	524,793	529,738
CANDELO Via Mazzini / Via Moglia 1	149,025	255,015	404,040	143,886	260,154
CANELLI Piazza Amedeo d'Aosta 20 / Via Massimo d'Azeglio 2	324,973	437,056	762,029	331,677	430,352
CANICATTI' Via Carlo Alberto 4/12	237,494	372,526	610,020	347,736	262,284
CANICATTI' Via Regina Margherita 2	118,519	1,078,155	1,196,674	625,421	571,253
CANOSA DI PUGLIA Via Bovio 14	13,382	588,244	601,626	162,059	439,567
CANTOIRA Via Roma 21	42,741	40,954	83,695	57,274	26,421
CANTU' Piazza degli Alpini 1	71,208	1,410,596	1,481,804	597,538	884,266
CAPRI Via Vittorio Emanuele 37/39	68,501	5,044,235	5,112,736	1,376,798	3,735,938

(\*) L. 19/12/73 n. 823; L. 2/12/75 n. 576; L. 19/03/83 n. 72; L. 30/07/90 n. 218; L. 29/12/90 n. 408; L. 30/12/91 n. 413; other.

LOCATION	INVESTMENT	REVALUATIONS (*)	BOOK VALUE	ADJUSTMENTS	Amount in €
					NET SHAREHOLDERS' EQUITY
CAPRIOLO Via IV Novembre 90	142,603	628,622	771,225	305,142	466,083
CARAGLIO Piazza Garibaldi 10 / Via Roma	500,963	-	500,963	165,035	335,928
CARAMAGNA Via Luigi Ornato 37	1,019,058	152,817	1,171,875	410,848	761,027
CARBONIA Piazza Rinascita	317,032	700,316	1,017,348	266,641	750,707
CARESANA Corso Italia 32	5,501	99,561	105,062	47,757	57,305
CARIGNANO Via Umberto I 118	176,124	649,770	825,894	457,506	368,388
CARMAGNOLA Piazza Martiri della Libertà 31	223,694	941,106	1,164,800	611,576	553,224
CAROVIGNO Via di Vagno / Via Caputi	18,322	397,672	415,994	112,053	303,941
CARRU' Piazza Generale Perotti 11	12,853	352,144	364,997	195,292	169,705
CASALE MONFERRATO Via Magnocavallo 23	1,387,050	2,911,375	4,298,425	2,098,465	2,199,960
CASALECCHIO DI RENO Via del Lavoro 45	7,317,887	231,950	7,549,837	2,827,660	4,722,177
CASALMAGGIORE Via Cairoli 7	457,911	579,848	1,037,759	436,681	601,078
CASALNUOVO Corso Umberto I 475	1,346	212,780	214,126	57,671	156,455
CASALNUOVO Via Napoli 59	192,749	349,530	542,279	101,298	440,981
CASALPUSTERLENGO Via Garibaldi 22	102,221	486,338	588,559	274,391	314,168
CASAZZA Via della Pieve 1	1,031,881	321,174	1,353,055	467,611	885,444
CASELLE LANDI Via IV Novembre 10	3,357	144,002	147,359	55,404	91,955
CASELLE TORINESE Via Cuorgné 86 bis	213,015	669,070	882,085	407,570	474,515
CASERTA Piazza Amico / Via Battisti	2,229,593	8,218,379	10,447,972	2,813,480	7,634,492
CASERTA Via Bosco	125,379	2,338,000	2,463,379	663,522	1,799,857
CASERTA Via Laviano	7,258,759	-	7,258,759	226,307	7,032,452
CASNIGO Piazza Caduti 7	97,310	305,215	402,525	140,253	262,272
CASOREZZO Piazza San Giorgio 9	9,933	368,537	378,470	151,868	226,602
CASORIA Via Principe di Piemonte 54	118,110	483,404	601,514	162,027	439,487
CASSINA DE' PECCCHI Via Trento 2 / Via Venezia	698,699	1,983,075	2,681,774	1,468,804	1,212,970
CASSINO Corso della Repubblica 48/56	336,337	1,115,030	1,451,367	390,924	1,060,443
CASTAGNOLE MONFERRATO Piazza Statuto 1/b	31,888	107,000	138,888	61,156	77,732
CASTEL GOFFREDO Piazza Gonzaga 3	516,457	364,877	881,334	404,858	476,476
CASTELLAMMARE Corso Vittorio Emanuele 76/80	22,901	1,454,343	1,477,244	397,920	1,079,324
CASTELLAMMARE Viale Europa 132	399,118	995,316	1,394,434	260,480	1,133,954
CASTELLAMONTE Piazza Martiri della Libertà 2	87,140	438,749	525,889	242,624	283,265
CASTELLANZA Via Matteotti 16/b	166,860	759,713	926,573	389,735	536,838
CASTELLEONE Via Cappi 4	1,122,261	258,914	1,381,175	614,048	767,127
CASTELNUOVO BOCCA D'ADDA Via Umberto I 1	767	184,427	185,194	73,431	111,763
CASTELNUOVO SCRIVIA Via Nino Bixio 15	293,370	528,871	822,241	446,233	376,008
CASTELVETRANO Piazza Matteotti 9/10	477,598	397,819	875,417	547,154	328,263
CASTIGLIONE D'ADDA Via della Chiesa 1	3,109	218,886	221,995	81,777	140,218
CASTROFILIPPO Corso Umberto 42	12,527	109,751	122,278	66,404	55,874
CASTROVILLARI Via XX Settembre	140,470	71,278	211,748	39,554	172,194
CATANZARO Corso Mazzini / Via Tribunali	1,519,667	4,298,471	5,818,138	1,566,737	4,251,401
CATANZARO Piazza Garibaldi	222,853	154,161	377,014	70,426	306,588
CAVA DEI TIRRENI Piazza Duomo 1	8,770	347,575	356,345	95,976	260,369
CAVA MANARA Via Garibaldi 19	168,417	258,534	426,951	204,570	222,381
CAVENAGO D'ADDA Via Conti 6/4	211	117,004	117,215	43,412	73,803
CEGLIE MESSAPICO Via Umberto I 41/43	104,608	219,494	324,102	87,780	236,322
CENTALLO Via Bonifanti 3/5/7	260,130	30,851	290,981	114,440	176,541
CERAMI Via Roma 88/90/92	70,575	114,984	185,559	114,411	71,148
CERCOLA Via Riccardi 127	1,041,393	285,923	1,327,316	643,231	684,085
CERIGNOLA Via Roma 8	7,477	653,834	661,311	178,062	483,249
CERMENATE Via Matteotti 45	468,735	128,407	597,142	196,379	400,763
CERNOBBIO Via Dell'Orto 3	8,557	655,505	664,062	273,404	390,658
CERNUSCO SUL NAVIGLIO Piazza Ghezzi 5	983,202	1,373,131	2,356,333	1,315,704	1,040,629
CERRO MAGGIORE Via San Bartolomeo 8	14,564	201,473	216,037	84,740	131,297
CERVINARA Via Del Balzo 10	87,213	165,851	253,064	47,272	205,792
CESANA TORINESE Via Roma 14	79,161	358,516	437,677	212,915	224,762
CEVA Via Moretti 7	200,483	458,351	658,834	390,547	268,287
CHIARI Via delle Battaglie 3/e	1,331,426	142,893	1,474,319	522,080	952,239
CHIAVARI Corso Dante Alighieri 73	369,381	1,588,965	1,958,346	817,438	1,140,908
CHIERI Piazza Cavour 8	5,016,192	1,941,281	6,957,473	2,852,389	4,105,084
CHIETI Corso Marruccini 102	246,559	3,739,148	3,985,707	1,073,629	2,912,078
CHIGNOLO PO Via Garibaldi 143	13,025	175,662	188,687	75,670	113,017
CHIOGGIA Corso del Popolo 1260/63	133,579	1,026,659	1,160,238	366,625	793,613
CHIUSI Centro Commerciale Etrusco	389,239	-	389,239	95,391	293,848
CHIVASSO Piazza Carletti 1/c	237,386	1,649,516	1,886,902	833,070	1,053,832
CIGLIANO Corso Umberto I 46	103,625	481,364	584,989	286,158	298,831

(\*) L. 19/12/73 n. 823; L. 2/12/75 n. 576; L. 19/03/83 n. 72; L. 30/07/90 n. 218; L. 29/12/90 n. 408; L. 30/12/91 n. 413; other.

LOCATION	INVESTMENT	REVALUATIONS (*)	BOOK VALUE	ADJUSTMENTS	Amount in €
					NET SHAREHOLDERS' EQUITY
CILAVEGNA Piazza Garibaldi 5	63,388	253,441	316,829	146,762	170,067
CIRIE' Via San Ciriaco 25	1,206,079	2,049,313	3,255,392	1,226,179	2,029,213
CISTERNINO Piazza Lagravinese 1	116,773	156,949	273,722	51,131	222,591
CODOGNO Via Alberici 28	332,120	1,409,709	1,741,829	612,732	1,129,097
COGNE Via Grappein	191,849	160,738	352,587	195,161	157,426
COLLEGNO Via Manzoni 1	1,321,784	1,642,511	2,964,295	1,752,952	1,211,343
COMO Albate / Via Canturina 186	372,221	168,080	540,301	232,781	307,520
COMO Piazza Cavour 15	491,041	14,536,785	15,027,826	5,707,298	9,320,528
COMO Via Bellinzona 349	22,977	318,511	341,488	168,222	173,266
COMO Via Milano 178	108,784	575,323	684,107	302,011	382,096
CONVERSANO Corso Dante 2	51,207	444,669	495,876	133,521	362,355
CORNAREDO Piazza Libertà 54	520,404	1,325,625	1,846,029	689,803	1,156,226
CORNAREDO Via Milano 95	183,686	503,117	686,803	235,772	451,031
CORSICO Via Caboto 37/41	1,846,623	3,102,633	4,949,256	2,815,735	2,133,521
CORSICO Via Dante / via Monti 31/b	1,677,635	-	1,677,635	578,120	1,099,515
COSENZA Corso Umberto I 17	161,056	5,421,765	5,582,821	1,503,773	4,079,048
COSSATO Via del Mercato 40	464,580	127,332	591,912	232,213	359,699
COSTIGLIOLE D'ASTI Piazza Umberto I 21	234,619	425,510	660,129	386,243	273,886
COURMAYEUR Via Monte Bianco 29 / Piazza Brocherelle 3	208,699	1,941,270	2,149,969	847,909	1,302,060
CREMA Piazza Duomo 1 / Via dei Racchetti 1	298,631	1,329,412	1,628,043	639,386	988,657
CREMA Via De Gasperi 62	145,771	-	145,771	52,220	93,551
CREMONA Corso Garibaldi 232 / Via Montello	1,104,141	2,012,235	3,116,376	1,804,001	1,312,375
CREMONA Piazza Cavour 1 / Via Gramsci	438,075	5,333,302	5,771,377	2,613,995	3,157,382
CREMONA Via dei Tigli 3	85,353	62,641	147,994	89,096	58,898
CRESCENTINO Corso Roma 55/57	97,379	567,887	665,266	305,051	360,215
CROTONE Piazza Pitagora 6/9	199,595	1,169,258	1,368,853	368,708	1,000,145
CUNEO Corso Giolitti / Piazza Europa	1,323,996	4,558,279	5,882,275	3,007,589	2,874,686
CUNEO Madonna dell'Olmo - Via Battaglia 13/15	31,144	-	31,144	934	30,210
CUORGNE' Via Ivrea 7	159,055	761,652	920,707	412,608	508,099
DAIRAGO Via XXV Aprile 52/c	52,139	410,583	462,722	195,607	267,115
DALMINE Via Betelli 11	834,228	1,441,818	2,276,046	767,545	1,508,501
DOGLIANI Piazza Carlo Alberto 30 / Via 31 Luglio 21	393,484	520,251	913,735	602,843	310,892
DOMODOSSOLA Piazza Matteotti 16 / Via Gramsci	1,153,246	455,363	1,608,609	573,263	1,035,346
DONNAS Via Roma 36	317,286	1,083,002	1,400,288	785,092	615,196
DOSOLO Via XXIII Aprile 6/8/10	10,302	154,121	164,423	63,485	100,938
ENDINE GAIANO Via Tonale 49	5,852	190,096	195,948	76,242	119,706
ENNA Piazza VI Dicembre 6	2,027,243	93,584	2,120,827	905,613	1,215,214
ERBA Corso XXV Aprile 64	705,420	1,978,059	2,683,479	1,151,084	1,532,395
ERCOLANO Via IV Novembre 3/5	29,261	1,008,640	1,037,901	279,595	758,306
ESTE Via Matteotti 49/51	1,361,328	-	1,361,328	480,384	880,944
FAGNANO OLONA Piazza XX Settembre 5	66,910	561,447	628,357	265,875	362,482
FALOPPIO Via Roma 4	167,330	-	167,330	49,508	117,822
FASANO Via Roma 17 / Via Macallè	167,413	235,423	402,836	75,250	327,586
FERRERA ERBOGNONE Corso della Repubblica 27	105,777	121,392	227,169	109,686	117,483
FINALE LIGURE Via Concezione 34/35	435,163	971,678	1,406,841	711,597	695,244
FINO MORNASCO Via Garibaldi 135	73,422	867,137	940,559	409,415	531,144
FIORANO AL SERIO Via Roma 11/B	125,725	696,111	821,836	285,989	535,847
FIRENZE Piazza della Repubblica 4	89,609	3,240,455	3,330,064	1,220,241	2,109,823
FIRENZE Via Cavour 20/24	469,627	9,616,944	10,086,571	2,706,545	7,380,026
FIRENZE Via de' Conti 3 / Via dell'Alloro	452,834	1,683,987	2,136,821	942,707	1,194,114
FIRENZE Via Morgagni 4	907,951	662,098	1,570,049	422,315	1,147,734
FIRENZE Via Pratese 191	130,404	-	130,404	11,736	118,668
FOGGIA Corso Vittorio Emanuele II 35	145,039	5,727,854	5,872,893	1,581,493	4,291,400
FOGGIA Piazza Puglia / via Bari 62	2,656,028	2,314,962	4,970,990	3,278,202	1,692,788
FOGGIA Via Bari 34/36	6,234	543,829	550,063	148,123	401,940
FOGGIA Via Masi 36	184,581	1,255,676	1,440,257	387,835	1,052,422
FOGGIA Via Napoli	217,845	117,852	335,697	62,708	272,989
FONDI Corso Italia	161,250	226,092	387,342	72,356	314,986
FONTANELLA Piazza Matteotti 18 / via Lazzari 2	573,449	267,434	840,883	380,620	460,263
FORIO D'ISCHIA Via Giuseppe Castellaccio	15,609	645,571	661,180	178,029	483,151
FORMIA Via Vitruvio 9/17	387,832	1,419,740	1,807,572	486,861	1,320,711
FORNO CANAVESE Via Truchetti 7	49,471	351,676	401,147	203,272	197,875
FOSSACESIA Viale dei Pioppi 15	246,823	-	246,823	37,862	208,961
FOSSANO Via Roma 81 / Via Cavour 1	322,957	1,838,768	2,161,725	959,045	1,202,680
FRANCAVILLA FONTANA Piazza Giovanni XXIII 12	11,060	453,966	465,026	125,265	339,761

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LOCATION	INVESTMENT	REVALUATIONS (*)	BOOK VALUE	ADJUSTMENTS	Amount in €
					NET SHAREHOLDERS' EQUITY
FRATTAMAGGIORE Via Roma / Via Fiume	1,583,256	1,030,016	2,613,272	488,157	2,125,115
FRESONARA Via Boscomarengo 5	142,253	66,301	208,554	103,286	105,268
GAETA Piazza Libertà 8/10	264,704	303,399	568,103	106,122	461,981
GALATINA Via Garibaldi 91	18,775	696,700	715,475	192,659	522,816
GALATINA Via Roma 146/148	-	30,987	30,987	-	30,987
GALLARATE Corso Sempione 9	2,231,538	518,802	2,750,340	1,049,523	1,700,817
GALLIATE Via Leonardo da Vinci 21 / Via Volta	367,530	1,024,642	1,392,172	799,264	592,908
GAMBARA Piazza IV Novembre 5	516	201,364	201,880	78,685	123,195
GAMBOLO* Corso Umberto I 4	254,724	344,941	599,665	234,445	365,220
GARLASCO Corso Cavour 172	104,712	646,169	750,881	266,545	484,336
GATTINARA Piazza Italia 10 / Corso Cavour 1	106,174	434,486	540,660	281,383	259,277
GENOVA Piazza Matteotti 2	1,727,120	-	1,727,120	530,857	1,196,263
GENOVA Via Cairoli 6	212,175	1,498,893	1,711,068	802,423	908,645
GENOVA Via Camozzini 11/r / Via Cialdini	404,704	642,998	1,047,702	633,771	413,931
GENOVA Via Cantore 44 / Via Pedemonte	1,596,390	3,791,994	5,388,384	2,738,602	2,649,782
GENOVA Via Cavallotti 46r/48/13/4	419,735	817,151	1,236,886	615,071	621,815
GENOVA Via Fieschi 4	4,146,086	17,254,898	21,400,984	9,685,836	11,715,148
GENOVA Via Gran Madre di Dio	71,512	263,115	334,627	175,223	159,404
GENOVA Via Magnaghi 1 / Via Cecchi 60	591,621	1,736,535	2,328,156	1,152,570	1,175,586
GENOVA Via Rossini 8 - Rivarolo	1,022,588	593,608	1,616,196	764,174	852,022
GENOVA Via Sestri 225/r / Via d'Andrade	374,304	1,488,676	1,862,980	977,062	885,918
GENOVA Viale Causa 2 / Via Albaro 38	369,379	1,750,329	2,119,708	897,122	1,222,586
GIAVENO Piazza San Lorenzo 15	191,130	502,196	693,326	416,661	276,665
GIOIA DEL COLLE Via Garibaldi 91	7,442	158,036	165,478	44,557	120,921
GIOIA TAURO Via Nazionale 111 bivio Rizziconi	238,175	242,130	480,305	89,721	390,584
GIOIOSA IONICA Via Gramsci / Via Mancini 1/2	6,516	241,702	248,218	66,825	181,393
GIUGLIANO Via Vittorio Veneto 32/33	28,390	1,206,443	1,234,833	332,563	902,270
GIULIANOVA Piazza Roma 1/5	13,519	1,024,650	1,038,169	279,668	758,501
GORLE Via Don Mazza 1/B	252,518	528,040	780,558	350,914	429,644
GRAGNANO Via Tommaso Sorrentino 38	5,741	301,611	307,352	82,774	224,578
GRASSOBBIO Via Roma 5/7	126,843	340,804	467,647	187,624	280,023
GRESSONEY SAINT JEAN Strada Eyematten	14,843	246,714	261,557	116,918	144,639
GROMO Piazza Marconi 2	44,263	163,605	207,868	61,822	146,046
GRONTARDO Piazza Roma 11	105	167,338	167,443	57,020	110,423
GROPELLO CAIROLI Via Libertà 108	366,228	373,200	739,428	353,435	385,993
GROTTAGLIE Via Parini 26 / Via Matteotti	9,214	429,692	438,906	118,203	320,703
GROTTAMINARDA Via Giardino	112,364	238,826	351,190	65,602	285,588
GRUGLIASCO Viale Gramsci 108	4,354	177,417	181,771	53,750	128,021
GRUGLIASCO Viale Gramsci 78/80	727,469	1,453,765	2,181,234	1,143,304	1,037,930
GUIDONIA MONTECELIO Via Giusti	808,018	2,460,136	3,268,154	1,504,740	1,763,414
GUSPINI Via Matteotti 28	85,992	181,793	267,785	71,525	196,260
IMPERIA Via Cascione 11 / Piazza Marconi 2	1,646,622	2,318,309	3,964,931	1,673,968	2,290,963
INCISA SCAPACCINO Via della Repubblica 3	32,136	209,654	241,790	129,456	112,334
INVERIGO Via Generale Cantore 52	6,921	262,306	269,227	118,545	150,682
IRSINA Corso Musacchio 68	15,938	257,712	273,650	73,711	199,939
ISCHIA PORTO Via Iasolino	7,307	351,707	359,014	96,653	262,361
ISCHIA PORTO Via Vittorio Colonna 242	37,948	1,620,642	1,658,590	446,291	1,212,299
ISERNIA Corso Garibaldi 7	516,523	1,190,367	1,706,890	318,846	1,388,044
ISOLA LIRI Via Roma 7	190,671	243,153	433,824	81,038	352,786
IVREA Piazza Balla 7	4,981,302	3,209,109	8,190,411	3,147,296	5,043,115
IVREA Vicolo Baratonio 3	12,911	9,425	22,336	13,671	8,665
LA MADDALENA Via Amendola	52,854	608,386	661,240	178,045	483,195
LA SPEZIA Viale Italia 162	1,625,665	2,428,770	4,054,435	2,409,008	1,645,427
LAIGUEGLIA Via Roma 102	203,459	839,815	1,043,274	355,413	687,861
LAINATE Via Meda 1/A	341,537	680,210	1,021,747	364,041	657,706
LAMEZIA TERME Via Adige 1/15	108,767	661,065	769,832	207,300	562,532
LANCIANO Corso Trieste e Trento 37/39	7,706	596,508	604,214	162,717	441,497
LANDRIANO Via Rocca 6	83,373	295,906	379,279	186,342	192,937
LANZO INTELVI Piazza Novi 8	9,435	142,907	152,342	67,382	84,960
LANZO TORINESE Via Roma 6/a	64,114	577,703	641,817	291,144	350,673
L'AQUILA Corso Vittorio Emanuele	131,513	5,283,899	5,415,412	1,425,741	3,989,671
L'AQUILA Via Simonetto 6 / Via Tommasi 3	51,592	1,456,380	1,507,972	343,968	1,164,004
LARINO Largo Garibaldi 2	3,654	161,651	165,305	44,508	120,797
LATIANO Piazza Capitano Ippolito 12	5,501	268,041	273,542	73,679	199,863
LATINA Via Matteotti 47	124,494	590,827	715,321	192,617	522,704

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					NET SHAREHOLDERS' EQUITY
LATINA Via Priverno / Via Isonzo 20	1,304,695	3,013,010	4,317,705	1,162,676	3,155,029
LECCE Piazza Mazzini / Via Nazario Sauro	1,717,728	3,754,941	5,472,669	2,948,117	2,524,552
LECCE Via XXV Luglio 13/a	128,384	4,272,131	4,400,515	1,184,976	3,215,539
LECCO Corso Martiri della Libertà	3,769,774	2,347,136	6,116,910	2,990,282	3,126,628
LEGNAGO Via Fiume 10	987,026	105,109	1,092,135	386,776	705,359
LEGNANO Via Monte Rosa / Via Battisti	229,907	399,635	629,542	280,221	349,321
LEGNANO Via Venegoni 51	200,713	428,873	629,586	301,151	328,435
LENNO Via Statale Regina 91	40,521	340,249	380,770	137,320	243,450
LEONFORTE Corso Umberto 201/b	152,565	92,058	244,623	161,757	82,866
LIONI Via San Rocco 40	90,965	115,617	206,582	38,590	167,992
LIVORNO FERRARIS Via Giordano 72	107,528	388,204	495,732	213,758	281,974
LIVORNO Via Bagnetti 4	147,131	111,098	258,229	48,237	209,992
LIVORNO Via Cairoli 20	88,244	3,686,986	3,775,230	1,016,047	2,759,183
LOANO Corso Europa 1	270,989	1,987,512	2,258,501	981,239	1,277,262
LOANO Via Aurelia 356	42,474	458,995	501,469	237,742	263,727
LOCATE TRIULZI Via Giardino 2	529,098	527,305	1,056,403	489,182	567,221
LOCATE VARESINO Via Cesare Battisti 38	402,034	217,787	619,821	249,213	370,608
LOCRI Corso Vittorio Emanuele 81	17,016	421,945	438,961	118,219	320,742
LODI Piazza Mercato 13 / via Strepponi 2	1,170,029	3,238,425	4,408,454	1,462,816	2,945,638
LOMAZZO Piazza Stazione 2	35,201	681,612	716,813	281,328	435,485
LOMELLO Via Roma 6/8	15,388	184,007	199,395	67,801	131,594
LUCERA Piazza Gramsci 15/19	18,013	420,912	438,925	118,210	320,715
LURATE CACCIVIO Via Unione 2	417,953	612,413	1,030,366	318,790	711,576
MAGENTA Via Volta / Via Cavallari	785,436	166,522	951,958	339,487	612,471
MAGLIE Via Scorrano 5	226,082	218,071	444,153	82,968	361,185
MALEO Piazza XXV Aprile 6/8	1,969	147,919	149,888	49,119	100,769
MANDELLO DEL LARIO Piazza Manara 5	437,129	303,526	740,655	370,227	370,428
MANDURIA Via XX Settembre 20	31,283	1,063,901	1,095,184	294,995	800,189
MANFREDONIA Corso Manfredi 152	2,427	327,950	330,377	88,956	241,421
MANTOVA Via Frattini 7	3,546,785	1,257,030	4,803,815	1,641,246	3,162,569
MANTOVA Via Isabella d'Este 10	113,621	-	113,621	27,269	86,352
MAPELLO Via Bravi 3	106,360	417,782	524,142	215,476	308,666
MARANO Via Merolla 9/11	477,500	789,476	1,266,976	611,669	655,307
MARANO Viale Duca d'Aosta	178,942	275,540	454,482	84,897	369,585
MARIANO COMENSE Piazza Roma 47	547,831	46,421	594,252	218,835	375,417
MARIANO DEL FRIULI Via Verdi (land)	914	28,378	29,292	-	29,292
MARIGLIANO Corso Umberto I 347/351	12,287	480,821	493,108	132,813	360,295
MASSAFRA Corso Roma 260/264	104,953	117,123	222,076	41,484	180,592
MASSALUBRENSE Viale Filangieri 15/17	5,474	487,535	493,009	132,787	360,222
MATERA Piazza Vittorio Veneto 51	66,804	3,507,259	3,574,063	962,448	2,611,615
MATERA Via Generale Passarelli 11	204,742	178,986	383,728	68,862	314,866
MEDE Via Cavour 18	1,179,553	553,750	1,733,303	699,786	1,033,517
MEDIGLIA Frazione Triginto / Piazza Pertini 6	604,255	165,473	769,728	303,316	466,412
MELEGNANO Piazza Garibaldi 1	1,863,587	1,103,223	2,966,810	1,365,703	1,601,107
MELITO PORTO SALVO Corso Garibaldi 44	99,102	120,334	219,436	59,100	160,336
MELZO Via Magenta 2/8	1,063,196	1,522,170	2,585,366	1,109,410	1,475,956
MENAGGIO Via IV Novembre 38/40	32,998	859,767	892,765	358,825	533,940
MENFI Via della Vittoria 254	252,002	225,507	477,509	295,919	181,590
MERATE Viale Lombardia 2	439,573	910,854	1,350,427	624,470	725,957
MERCATO SAN SEVERINO Via Diaz 111/113 / Via Torino	12,275	359,364	371,639	101,932	269,707
MESERO Via San Bernardo 8	42,395	247,061	289,456	124,263	165,193
META DI SORRENTO Corso Italia 66	2,225	217,428	219,653	59,158	160,495
MILANO Corso Sempione 67	208,108	1,470,653	1,678,761	573,401	1,105,360
MILANO Piazza Cordusio 2 / Piazza Mercanti 12	4,666,513	28,682,603	33,349,116	6,215,614	27,133,502
MILANO Via Carducci 4	2,161,450	2,430,881	4,592,331	2,107,292	2,485,039
MILANO Via del Gallo / Via Grossi	629,139	33,147,237	33,776,376	9,083,180	24,693,196
MILANO Via Domodossola 9/11	767,990	704,742	1,472,732	620,062	852,670
MILANO Via Ettore Ponti 30	515,420	401,363	916,783	379,006	537,777
MILANO Via Hoepli 10	437,503	9,394,471	9,831,974	4,243,317	5,588,657
MILANO Via Imbonati 35	1,323,757	113,191	1,436,948	484,838	952,110
MILANO Via Imbonati 64/a	428,144	3,482,811	3,910,955	1,607,545	2,303,410
MILANO Via Moroni 9	1,099,936	2,722,075	3,822,011	1,883,674	1,938,337
MILANO Viale Monza 118	289,487	3,042,673	3,332,160	1,268,864	2,063,296
MILANO Viale Piceno 2 / Piazza Emilia	878,625	4,595,783	5,474,408	2,203,307	3,271,101
MILANO Viale Restelli 3	174,503	2,661,592	2,836,095	1,140,628	1,695,467

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LOCATION	INVESTMENT	REVALUATIONS (*)	BOOK VALUE	ADJUSTMENTS	Amount in €
					NET SHAREHOLDERS' EQUITY
MINORI Corso Vittorio Emanuele 29	65,676	264,942	330,618	89,022	241,596
MIRABELLA ECLANO Via Calcazanco	426,078	-	426,078	93,824	332,254
MODUGNO Piazza Garibaldi 41	31,855	215,879	247,734	66,705	181,029
MOLFETTA Piazza Vittorio Emanuele 7a	10,476	1,526,130	1,536,606	413,893	1,122,713
MOMBERCELLI Piazza Alfieri 2	33,635	151,817	185,452	102,221	83,231
MONCALIERI Centro Contabile Corso Savona 58	32,184,195	38,104,035	70,288,230	30,827,541	39,460,689
MONCALIERI Via Postiglione 29 bis - Vadò	106,529	-	106,529	6,392	100,137
MONCALIERI Via San Martino 34	771,671	2,497,584	3,269,255	1,628,713	1,640,542
MONCALVO Piazza Carlo Alberto 5	240,548	266,976	507,524	354,899	152,625
MONDOVI' Corso Statuto 22 / Via Sant'Arnolfo	538,359	935,693	1,474,052	870,664	603,388
MONTAFIA Piazza Riccio 9/2	61,442	146,794	208,236	96,939	111,297
MONTALBANO JONICO Via Miele 63	82,057	36,728	118,785	22,189	96,596
MONTEGROSSO D'ASTI Via XX Settembre 67	144,743	140,682	285,425	147,733	137,692
MONTESARCHIO Via Marchitello	341,797	169,495	511,292	95,509	415,783
MONTESILVANO Corso Umberto I 215 / Via Michetti	426,939	270,278	697,217	130,240	566,977
MORTARA Corso Garibaldi 91	334,034	787,725	1,121,759	515,577	606,182
MORTARA Via Josti 26	622,118	1,587,180	2,209,298	939,783	1,269,515
MOTTA BALUFFI Via Matteotti 7	10,566	141,127	151,693	41,255	110,438
MOZZATE Via Varese 28	5,165	476,236	481,401	199,926	281,475
MOZZO Via Santa Lucia 1	1,853,099	398,302	2,251,401	803,338	1,448,063
MUGNANO Via Verdi / Via IV Martiri 10	320,684	558,430	879,114	470,042	409,072
NAPOLI Corso Arnaldo Lucci 98/100	76,476	563,881	640,357	172,429	467,928
NAPOLI Corso San Giovanni a Teduccio 227/229	723,614	206,008	929,622	173,653	755,969
NAPOLI Corso Secondigliano 221	7,234	431,758	438,992	118,228	320,764
NAPOLI Piazza degli Artisti 15	16,460	587,728	604,188	162,709	441,479
NAPOLI Piazzetta Matilde Serao	12,395	231,373	243,768	65,673	178,095
NAPOLI Via Cervantes	51,708	2,953,161	3,004,869	818,019	2,186,850
NAPOLI Via Cilea 127	46,502	666,229	712,731	191,963	520,768
NAPOLI Via Diocleziano 34/40	10,478	364,041	374,519	100,851	273,668
NAPOLI Via Duomo	39,668	564,487	604,155	162,700	441,455
NAPOLI Via Epomeo 26/28	14,553	535,566	550,119	148,134	401,985
NAPOLI Via Falcone 362/364/366/368	39,351	185,924	225,275	60,736	164,539
NAPOLI Via Foria 34	1,526,670	-	1,526,670	310,677	1,215,993
NAPOLI Via Galeota 31/33	1,968,158	1,499,850	3,468,008	647,823	2,820,185
NAPOLI Via Marconi	489,127	22,568,134	23,057,261	6,179,860	16,877,401
NAPOLI Via Medina 5	-	2,605,009	2,605,009	701,368	1,903,641
NAPOLI Via Merliani 19	2,339,048	3,434,955	5,774,003	1,554,846	4,219,157
NAPOLI Via Nazionale delle Puglie 238/244	401,483	-	401,483	48,178	353,305
NAPOLI Via Riviera di Chiaia 131	2,724,871	10,644,832	13,369,703	5,864,946	7,504,757
NAPOLI Via San Biagio dei Librai 114	2,220,952	8,779,767	11,000,719	2,966,101	8,034,618
NAPOLI Via San Giacomo 20	41,207	634,115	675,322	182,010	493,312
NAPOLI Via Santa Lucia 53	10,977	650,219	661,196	178,031	483,165
NAPOLI Via Santa Lucia 55/57	135,939	173,935	309,874	57,884	251,990
NAPOLI Via Settembrini 79 Donnaregina	364,914	8,983,251	9,348,165	2,517,315	6,830,850
NAPOLI Via Toledo 177/178	43,026,465	98,893,945	141,920,410	38,226,620	103,693,790
NAPOLI Via Toledo 402 / Via Fornovecchio	139,003	5,609,480	5,748,483	1,550,387	4,198,096
NAPOLI Via Tribunali 210/213	507,027	15,756,339	16,263,366	4,379,424	11,883,942
NAPOLI Viale Augusto 1/3/5/7	14,151	920,843	934,994	251,782	683,212
NARDO' Via Genova / Corso Galliano 2/b	60,984	594,958	655,942	176,695	479,247
NERVIANO SANT'ILARIO MILANESE Via San Antonio 1	77,566	276,603	354,169	144,393	209,776
NICHELINO Via Cagliari 23	38,321	-	38,321	9,199	29,122
NICHELINO Via Torino 3	190,228	928,966	1,119,194	752,546	366,648
NIZZA MONFERRATO Via Pio Corsi 77	250,057	1,005,277	1,255,334	597,412	657,922
NOCERA INFERIORE Via Garibaldi 22	146,304	1,712,571	1,858,875	500,729	1,358,146
NOCI Piazza Garibaldi 42	107,874	439,505	547,379	147,439	399,940
NOLA Piazza Matteotti	6,864	721,490	728,354	99,566	628,788
NOLA Via Provinciale Nola-Cancello	23,252	-	23,252	1,395	21,857
NOLE CANAVESE Via Torino 46	60,721	357,329	418,050	208,749	209,301
NOVARA Largo Cavour	896,217	3,654,719	4,550,936	1,938,033	2,612,903
NOVARA Via Marconi 2/T	121,000	84,950	205,950	70,846	135,104
NOVI LIGURE Corso Marengo 10 / Piazza della Repubblica 4	1,252,339	2,238,159	3,490,498	1,695,521	1,794,977
NUORO Via Lamarmora 123/131	1,407,522	813,243	2,220,765	414,839	1,805,926
NUORO Via Leonardo da Vinci 9	2,277	14,461	16,738	4,004	12,734
NUS Via Risorgimento 1	87,629	321,921	409,550	226,928	182,622
OCCHIEPPO SUPERIORE Via Martiri della Libertà 30	199,807	-	199,807	71,578	128,229

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LOCATION	INVESTMENT	REVALUATIONS (*)	BOOK VALUE	ADJUSTMENTS	Amount in €
					NET SHAREHOLDERS' EQUITY
OGGIONO Via Cavour 3	572,090	203,925	776,015	353,608	422,407
OLBIA Via Aldo Moro 129	422,637	403,694	826,331	154,359	671,972
OLGIATE COMASCO Via Roma 2	18,901	1,327,787	1,346,688	555,637	791,051
OLMO AL BREMBO Via Roma 45	1,779	185,209	186,988	73,981	113,007
OMEGNA Via Don Beltrami 2	1,636,354	601,511	2,237,865	1,098,048	1,139,817
ORBASSANO Via Roma 43 / Via San Rocco 10	165,077	997,037	1,162,114	618,515	543,599
ORIA Vico Napoli / Piazza Lorch 2	94,004	200,385	294,389	79,314	215,075
ORISTANO Piazza Roma 38/40	382,480	712,194	1,094,674	294,856	799,818
ORTANOVA Via XXV Aprile	271,337	90,183	361,520	67,532	293,988
ORTONA A MARE Piazza della Vittoria 30	34,271	732,852	767,123	206,619	560,504
ORZINUOVI Piazza Vittorio Emanuele 55 / Via Chierica 3/a	154,645	1,513,281	1,667,926	689,436	978,490
OSPEDALETTO LODIGIANO Via Balbi 53	1,291	251,529	252,820	86,550	166,270
OSSONA Via Patrioti 2 / Via Bosi	14,922	298,655	313,577	134,272	179,305
OSTIANO Via Garibaldi 27 / Via Vighenzi 6	36,204	196,955	233,159	107,067	126,092
OSTUNI Corso Vittorio Emanuele 72	14,168	587,728	601,896	162,133	439,763
OTTIGLIO Via Mazza 18	68,773	209,042	277,815	147,614	130,201
OTTOBIANO Viale Garibaldi 9	22,339	144,156	166,495	62,027	104,468
OVADA Via Cairoli 22	604,335	1,907,201	2,511,536	1,340,492	1,171,044
OZIERI Corso Vittorio Emanuele 2	5,320	361,520	366,840	98,812	268,028
PADERNO DUGNANO Via Gramsci 124	510,308	755,433	1,265,741	489,732	776,009
PADERNO DUGNANO Viale della Repubblica 28	619,356	523,617	1,142,973	498,017	644,956
PADOVA Piazza Salvemini 14	10,420,908	3,600,284	14,021,192	7,607,382	6,413,810
PADOVA Via Scrovegni / Via Delù	10,091,233	-	10,091,233	1,052,706	9,038,527
PADOVA Via Scrovegni 31	1,110,441	396,480	1,506,921	491,254	1,015,667
PADOVA Via Trieste 57/59	14,637,582	8,181,395	22,818,977	13,372,288	9,446,689
PALERMO Via Dante 48/48a	476,872	745,592	1,222,464	759,873	462,591
PALMI Via Barbaro 47	11,730	399,221	410,951	110,693	300,258
PARABIAGO - VILLASTANZA Piazza Indipendenza 6	12,646	186,037	198,683	74,028	124,655
PARE' Via San Fermo 5	46,039	293,620	339,659	149,055	190,604
PARMA Via Verdi 6	79,659	734,876	814,535	282,473	532,062
PAULLO Via Mazzini 21/23	832,970	1,977,407	2,810,377	785,823	2,024,554
PAVIA Corso Garibaldi 52	74,908	832,128	907,036	370,374	536,662
PAVIA Via Rismondo 2	4,851,555	464,118	5,315,673	1,729,212	3,586,461
PEJA Via Provinciale 3/3a	232,212	729,744	961,956	432,476	529,480
PENNE Via Dante Alighieri 5	11,139	195,221	206,360	55,607	150,753
PEROSA ARGENTINA Via Roma 31 / Piazza Marconi 7	106,927	391,979	498,906	256,670	242,236
PERUGIA Via Baglioni 9	97,221	3,492,282	3,589,503	966,360	2,623,143
PERUGIA Via Baldo 12	31,142	1,141,370	1,172,512	128,443	1,044,069
PERUGIA Via XX Settembre 72 / Via Corgna	2,223,222	2,191,699	4,414,921	2,539,613	1,875,308
PESCARA Corso Vittorio Emanuele 68/76	2,724,295	1,821,495	4,545,790	1,763,268	2,782,522
PESCARA Corso Vittorio Emanuele II 272/276	107,406	3,466,459	3,573,865	962,391	2,611,474
PESCARA Via Marconi 56 / Via Dei Marruccini 1	7,028	689,986	697,014	187,701	509,313
PESCARA Via Milano	120,108	117,462	237,570	44,378	193,192
PIADENA Via Libertà 40/36	498,165	497,377	995,542	437,203	558,339
PIANO DI SORRENTO Via delle Rose 16	58,523	432,274	490,797	132,231	358,566
PIAZZATORRE Via Centro 8	19,530	82,647	102,177	35,397	66,780
PINEROLO Piazza Barbieri 39/41	403,175	1,971,197	2,374,372	1,073,974	1,300,398
PINO TORINESE Via Roma 76	352,764	66,270	419,034	168,318	250,716
PIOTTELLO Via Milano 40 / Via Roma	494,835	269,373	764,208	366,542	397,666
PIOSSASCO Via Torino 49	140,783	449,634	590,417	232,822	357,595
PISA Corso Italia 131	170,759	-	170,759	20,491	150,268
PIZZIGHETTONE Via Monte Grappa	948,162	98,974	1,047,136	342,500	704,636
POGGIOMARINO Via Manzoni 2 / Via Vittorio Emanuele	406,653	202,566	609,219	263,284	345,935
POGLIANO MILANESE Via Monsignor Paleari 74	53,868	464,181	518,049	197,764	320,285
POIRINO Via Indipendenza 19	120,499	565,731	686,230	371,005	315,225
POLICORO Corso De Gasperi 37/39	121,992	426,593	548,585	147,600	400,985
POLLA Via Crispi	19,240	321,753	340,993	91,825	249,168
POMEZIA Via del Mare 73	546,679	768,233	1,314,912	232,991	1,081,921
POMIGLIANO D'ARCO Via Terracciano 45	121,650	467,118	588,768	146,205	442,563
PONT CANAVESE Via Craveri 6	120,857	189,375	310,232	126,593	183,639
PONTE NOSSA Via IV Novembre 16/18	73,505	244,160	317,665	130,350	187,315
PONTE SAN PIETRO Via Garibaldi 5	256,708	520,371	777,079	330,851	446,228
PONTECAGNANO Piazza Sabato 11/14 / Via Carducci	56,680	604,255	660,935	177,975	482,960
PONTEVICO Via XX Settembre 25	647,768	848,119	1,495,887	897,780	598,107
PONTIROLO NUOVO Piazza Marconi 9	88,709	276,436	365,145	160,733	204,412

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					NET SHAREHOLDERS' EQUITY
POPOLI Corso Gramsci 187	287,182	-	287,182	58,441	228,741
PORDENONE Via Marconi 30	76,075	-	76,075	15,281	60,794
PORLEZZA Piazza Matteotti 12	57,009	336,320	393,329	155,900	237,429
PORTICI Corso Garibaldi 39/42	215,907	879,010	1,094,917	294,922	799,995
POSITANO Piazza dei Mulini 18/20	13,016	534,029	547,045	147,351	399,694
POTENZA Corso Umberto I 57/59	1,351	91,413	92,764	24,989	67,775
POTENZA Corso XVIII Agosto 1850, 99	652,469	3,453,547	4,106,016	1,105,976	3,000,040
POZZUOLI Piazza della Repubblica	12,168	153,388	165,556	44,557	120,999
POZZUOLI Via Terracciano	1,469,023	451,712	1,920,735	341,706	1,579,029
PRATO Viale Vittorio Veneto 7	1,819,726	3,605,670	5,425,396	3,003,292	2,422,104
PREGNANA MILANESE Via Roma 80	97,536	324,530	422,066	188,791	233,275
PRESEZZO Via Papa Giovanni XXIII 4/5 / via Vittorio Veneto	235,906	184,639	420,545	285,811	134,734
QUARTU SANT'ELENA Via Brigata Sassari / Via Cardano	114,671	623,880	738,551	198,942	539,609
RAPALLO Corso Matteotti 2/4/6 / Via Mameli	286,099	875,169	1,161,268	592,303	568,965
REGGIO CALABRIA Corso Garibaldi 173	211,072	921,026	1,132,098	380,334	751,764
REGGIO CALABRIA Via Castello 4/9	-	16,527	16,527	4,448	12,079
REGGIO CALABRIA Via Miraglia 12	151,989	4,909,439	5,061,428	1,362,930	3,698,498
REGGIO CALABRIA Via Sbarre Inferiore	8,569	8,317	16,886	169	16,717
RESCALDINA Via Alberto da Giussano 43	54,664	272,686	327,350	140,500	186,850
RESCALDINA Via Melzi 2	13,484	598,242	611,726	241,320	370,406
RIVA PRESSO CHIERI Via San Giovanni 2	63,517	431,062	494,579	224,863	269,716
RIVALTA Circolo Ricreativo Via Giaveno 55	1,817,278	605,462	2,422,740	998,766	1,423,974
RIVAROLO Piazza Chioratti 1 / Via San Francesco	379,409	1,481,088	1,860,497	809,494	1,051,003
RIVOLI Piazza Martiri della Libertà 8 / Via Rombò 37	1,292,290	4,343,532	5,635,822	2,792,628	2,843,194
ROBBIO Via Roma 22	4,640	457,384	462,024	158,761	303,263
ROBURENT - SAN GIACOMO Via Sant'Anna 61	67,765	46,160	113,925	70,144	43,781
ROCCARASO Piazza Municipio 1	46,315	211,747	258,062	69,497	188,565
ROMA Corso Francia / Via Jacini	18,649	1,147,051	1,165,700	316,787	848,913
ROMA Corso Vittorio Emanuele 93	12,963	795,860	808,823	217,625	591,198
ROMA Piazza Fermi 40/42	28,657	883,141	911,798	245,469	666,329
ROMA Piazza Pio XI 14/19	92,912	1,456,408	1,549,320	417,098	1,132,222
ROMA Via Amato 80 Acilia	3,505,447	-	3,505,447	1,008,418	2,497,029
ROMA Via Carlo Alberto 24/26	-	1,159,514	1,159,514	312,640	846,874
ROMA Via Circumvallazione Ostiense 88/92	17,056	592,376	609,432	164,038	445,394
ROMA Via Cola di Rienzo 280/286	130,669	415,639	546,308	102,245	444,063
ROMA Via del Corso 403	786,290	1,889,199	2,675,489	701,918	1,973,571
ROMA Via della Stamperia 64	1,756,372	15,869,346	17,625,718	7,611,702	10,014,016
ROMA Via Faà di Bruno 34	400,306	632,608	1,032,914	192,669	840,245
ROMA Via Parigi 11	1,009,781	4,258,088	5,267,869	2,351,191	2,916,678
ROMA Viale dell'Arte 25	29,583,063	116,501,992	146,085,055	68,091,514	77,993,541
ROSETO DEGLI ABRUZZI Via Nazionale Adriatica 301	257,983	217,158	475,141	88,756	386,385
ROVELLASCA Via Piave 1	23,402	638,991	662,393	254,848	407,545
ROVELLO PORRO Via Piave 22	177,203	439,629	616,832	286,613	330,219
RUBANO - SARMEOLA Via Adige 6	14,721,043	8,283,570	23,004,613	19,468,940	3,535,673
RUBANO Via Pitagora 10/B	5,127,439	-	5,127,439	1,841,840	3,285,599
RUVO DI PUGLIA Largo Cattedrale 18	128,381	202,152	330,533	61,743	268,790
SABBIONETA Piazza Ducale 3 / via dell'Assunta 3	445,067	95,437	540,504	276,489	264,015
SAINT VINCENT Via Chanoux 88	93,216	939,679	1,032,895	463,157	569,738
SALA CONSILINA Via Roma / Via Boschi 1	3,509	63,524	67,033	18,061	48,972
SALE Via Roma 6	216,269	144,304	360,573	186,839	173,734
SALERNO Corso Vittorio Emanuele 81	70,822	5,518,342	5,589,164	1,504,973	4,084,191
SALERNO Piazza Luciani	501,051	9,559	510,610	19,047	491,563
SALERNO Via Roma 45	-	888,383	888,383	30,460	857,923
SALERNO Via Torrione 88/92	21,390	583,080	604,470	162,785	441,685
SALUZZO Corso Italia 44	394,271	1,147,494	1,541,765	790,019	751,746
SAN BASSANO Via Roma 57	6,604	150,121	156,725	59,723	97,002
SAN COLOMBANO AL LAMBRO Via Pasino Sforza 28	228,416	217,792	446,208	221,508	224,700
SAN DAMIANO D'ASTI Via Roma 20	229,851	226,639	456,490	266,983	189,507
SAN DONATO MILANESE Corso Europa / Via Morandi	531,732	381,851	913,583	398,757	514,826
SAN FEDELE INTELVI Via Provinciale 15	381	240,391	240,772	88,674	152,098
SAN FERDINANDO DI PUGLIA Via Centimolo	169,748	212,431	382,179	71,391	310,788
SAN FERMO DELLA BATTAGLIA Via Montelatici 2	325,445	122,128	447,573	202,791	244,782
SAN GIORGIO A CREMANO Piazza Municipio 30	112,549	914,129	1,026,678	270,524	756,154
SAN GIORGIO LOMELLINA Via Roma 1	503,192	-	503,192	124,194	378,998
SAN GIOVANNI BIANCO Via Boselli 10/16	57	172,878	172,935	60,329	112,606

(\*) L. 19/12/73 n. 823; L. 2/12/75 n. 576; L. 19/03/83 n. 72; L. 30/07/90 n. 218; L. 29/12/90 n. 408; L. 30/12/91 n. 413; other.



LOCATION	INVESTMENT	REVALUATIONS (*)	BOOK VALUE	ADJUSTMENTS	Amount in €
					NET SHAREHOLDERS' EQUITY
SAN GIOVANNI LUPATOTO Via Madonnina 1/c	724,589	923,830	1,648,419	1,005,450	642,969
SAN MAURIZIO CANAVESE Via Vittorio Emanuele 59	5,302	453,455	458,757	205,235	253,522
SAN NICOLA LA STRADA Viale Italia / Via Perugia	70,747	528,335	599,082	161,416	437,666
SAN PIETRO VERNOTICO Via Brindisi 173	65,270	208,452	273,722	51,131	222,591
SAN ROCCO AL PORTO Via Dante Alighieri 5	1,095,709	255,449	1,351,158	534,414	816,744
SAN SEVERO Piazza Aldo Moro 43/47	21,587	1,096,438	1,118,025	301,063	816,962
SAN VITO DEI NORMANNI Via San Domenico / Via Resistenza	279,968	-	279,968	61,623	218,345
SANNAZZARO DE' BURGONDI Piazza del Popolo 6	867,809	902,812	1,770,621	1,120,397	650,224
SANREMO Via Matteotti 169	1,104,543	3,831,810	4,936,353	2,609,908	2,326,445
SANTA CRISTINA E BISSONE Via Vittorio Veneto 142/140	44,729	166,979	211,708	91,471	120,237
SANTA MARIA CAPUA VETERE Corso Garibaldi 18/24	217,861	985,400	1,203,261	324,119	879,142
SANTA MARIA DELLA VERSA Via Crispi 1	16,399	204,426	220,825	87,031	133,794
SANT'AGNELLO Via Balsamo 19	3,821	151,322	155,143	41,764	113,379
SANT'ANGELO LODIGIANO Via Umberto I 46	144,590	671,791	816,381	340,494	475,887
SANT'EGIDIO ALLA VIBRATA Corso Adriatico 218	141,648	219,872	361,520	67,532	293,988
SANTERAMO IN COLLE Via Stazione 25	67,767	159,474	227,241	42,449	184,792
SANTHIA Corso Italia 75/87	136,310	532,664	668,974	323,323	345,651
SARNO Via Matteotti 75	9,751	465,328	475,079	127,982	347,097
SARONNO Piazza De Gasperi	49,580	-	49,580	11,899	37,681
SARONNO Piazza Volontari del Sangue 7	130,926	2,768,905	2,899,831	1,114,839	1,784,992
SARRE Strada Statale 26	382,297	442,225	824,522	508,155	316,367
SASSARI Piazza Italia 19	2,387,011	3,889,437	6,276,448	1,426,287	4,850,161
SAUZE D'OUX Piazza III Reggimento Alpini 24	66,851	289,875	356,726	201,043	155,683
SAVA Via Regina Margherita / Via Bosegna	106,543	136,192	242,735	45,343	197,392
SAVIGLIANO Piazza del Popolo 60	438,462	1,084,120	1,522,582	719,378	803,204
SAVONA Via Paleocapa / Piazza Mameli 2	1,788,068	4,380,844	6,168,912	3,154,708	3,014,204
SECUGNAGO Via Roma 5	13,068	146,399	159,467	58,212	101,255
SENAGO Piazza Borromeo 2	323,285	322,864	646,149	268,867	377,282
SEREGNO Corso Matteotti / Via Sanzio	1,730,360	534,129	2,264,489	907,657	1,356,832
SERRA SAN BRUNO Via De Gasperi 50	62,365	226,725	289,090	77,883	211,207
SERRACAPRIOLA Corso Garibaldi 130	59,193	147,389	206,582	38,590	167,992
SESTO SAN GIOVANNI Via Fratelli Casiraghi 27	1,297,983	1,006,930	2,304,913	846,131	1,458,782
SESTRI LEVANTE Via Fasce 24	209,920	1,305,943	1,515,863	714,444	801,419
SESTRIERE Piazzale Agnelli 2	105,265	476,992	582,257	316,208	266,049
SETTIMO TORINESE Corso Italia 16	1,086,842	2,470,343	3,557,185	1,532,542	2,024,643
SETTIMO TORINESE Via Torino 118	29,771	104,690	134,461	43,465	90,996
SINISCOLA Via Gramsci 10	137,295	157,085	294,380	54,990	239,390
SOLTO COLLINA Via Sant'Eurasia 1	59,355	168,534	227,889	107,070	120,819
SOMMA VESUVIANA Via Roma 61	267,817	248,416	516,233	139,108	377,125
SOMMA VESUVIANA Via Sant'Angelo / Via Sossio	55,054	35,208	90,262	199	90,063
SOMMARIVA BOSCO Via Cavour 13	39,443	376,596	416,039	188,995	227,044
SORA Largo San Lorenzo	322,124	416,410	738,534	137,958	600,576
SORESINA Via Matteotti 2	6,704	505,376	512,080	214,319	297,761
SORRENTO Corso Italia 210	72,769	2,444,907	2,517,676	678,156	1,839,520
SORRENTO Via degli Aranci 37	162,250	121,802	284,052	53,061	230,991
SOVERE Via Roma 26	144,424	308,065	452,489	191,612	260,877
SPARANISE Via Graziadei	10,479	325,368	335,847	90,435	245,412
SPINO D'ADDA Via Martiri della Liberazione 29	305,685	299,264	604,949	293,089	311,860
STRIANO Via Risorgimento / Via Roma 23	560,183	392,690	952,873	454,652	498,221
SULMONA Piazza XX Settembre 6	12,091	726,655	738,746	198,993	539,753
SUSA Via Mazzini / Corso Inghilterra 10	356,115	843,210	1,199,325	584,442	614,883
TARANTO Corso Giovinazzi / Via D'Aquino	3,407	84,534	87,941	23,688	64,253
TARANTO Via d'Aquino 49/51	159,861	3,966,524	4,126,385	1,111,484	3,014,901
TARANTO Via Orsini 33	12,275	385,277	397,552	107,113	290,439
TAURIANOVA Piazza Italia 24/27	13,933	512,842	526,775	141,871	384,904
TAVERNERIO Via Provinciale per Lecco 16/d	111,102	365,186	476,288	185,135	291,153
TAVIANO Corso Vittorio Emanuele 37	12,552	199,352	211,904	57,105	154,799
TEMPIO PAUSANIA Via Niccolò Ferraciu 2	120,368	478,756	599,124	161,425	437,699
TERAMO Corso San Giorgio 120	48,564	2,824,155	2,872,719	770,495	2,102,224
TERMOLI Corso Nazionale 150/152	2,208,977	1,042,009	2,313,186	979,053	1,334,133
TERMOLI Corso Umberto / Via Nazionale	25,344	1,069,582	1,094,926	294,922	800,004
TERNO D'ISOLA Via Castegnate 1	635,242	246,685	881,927	381,507	500,420
TERZIGNO Piazza Vittorio Emanuele 17	414,761	627,797	1,042,558	595,635	446,923
TICINETO Via Matteotti 1	53,047	243,102	296,149	135,639	160,510
TORINO Corso Bramante 84	952,293	649,488	1,601,781	1,220,509	381,272

(\*) L. 19/12/73 n. 823; L. 2/12/75 n. 576; L. 19/03/83 n. 72; L. 30/07/90 n. 218; L. 29/12/90 n. 408; L. 30/12/91 n. 413; other.

LOCATION	INVESTMENT	REVALUATIONS (*)	BOOK VALUE	ADJUSTMENTS	Amount in €
					NET SHAREHOLDERS' EQUITY
TORINO Corso Casale 64/64bis	780,205	2,857,055	3,637,260	1,385,039	2,252,221
TORINO Corso De Gasperi 14	905,611	2,382,760	3,288,371	1,597,699	1,690,672
TORINO Corso Orbassano 134	91,696	1,367,179	1,458,875	591,187	867,688
TORINO Corso Orbassano 138	1,112,967	3,735,803	4,848,770	2,208,731	2,640,039
TORINO Corso Peschiera 151	1,032,213	2,970,251	4,002,464	1,918,596	2,083,868
TORINO Corso Peschiera 162	59,571	964,939	1,024,510	477,919	546,591
TORINO Corso Re Umberto 51/53	244,638	2,857,198	3,101,836	1,320,354	1,781,482
TORINO Corso San Maurizio 47	432,449	2,547,815	2,980,264	1,225,887	1,754,377
TORINO Corso Svizzera 32	675,967	2,644,676	3,320,643	1,535,151	1,785,492
TORINO Corso Turati 18	202,848	2,462,675	2,665,523	1,112,758	1,552,765
TORINO Corso Unione Sovietica 409	1,121,729	4,017,174	5,138,903	2,681,323	2,457,580
TORINO Corso Vittorio Emanuele II 110	762,956	2,558,483	3,321,439	1,554,268	1,767,171
TORINO Piazza Crispi 61 / Corso Vercelli	645,553	1,868,161	2,513,714	1,297,565	1,216,149
TORINO Piazza della Repubblica 7	321,752	2,901,710	3,223,462	1,310,414	1,913,048
TORINO Piazza Massaua 5	1,347,816	2,775,654	4,123,470	2,084,727	2,038,743
TORINO Piazza Nizza 75	820,241	2,275,051	3,095,292	1,404,224	1,691,068
TORINO Piazza Rebaudengo 7/9	494,306	1,443,349	1,937,655	1,064,457	873,198
TORINO Piazza San Carlo 156/182	12,547,887	98,850,845	111,398,732	51,311,017	60,087,715
TORINO Strada San Vito (Villa Abegg)	2,535,582	3,521,671	6,057,253	2,123,662	3,933,591
TORINO Via Asinari di Bernezzo 50	414,243	1,558,580	1,972,823	919,160	1,053,663
TORINO Via Banchette / Corso Grosseto	1,866,244	2,111,187	3,977,431	2,448,367	1,529,064
TORINO Via Caluso 1	11,839	385,944	397,783	166,873	230,910
TORINO Via Cimarosa 85	2,173,261	2,642,882	4,816,143	1,827,750	2,988,393
TORINO Via Domodossola 21	2,037	220,011	222,048	59,760	162,288
TORINO Via Gaidano 7	1,536,242	1,805,008	3,341,250	2,011,985	1,329,265
TORINO Via Gaidano 8	196,922	579,622	776,544	265,053	511,491
TORINO Via Giordano Bruno 200/202	6,405	45,586	51,991	20,727	31,264
TORINO Via Gottardo 273	207,651	642,524	850,175	304,657	545,518
TORINO Via Matteucci 2	552,984	1,802,194	2,355,178	1,055,296	1,299,882
TORINO Via Monginevro 228	557,419	1,452,888	2,010,307	1,018,674	991,633
TORINO Via Monte di Pietà 32	12,309,777	47,514,417	59,824,194	25,172,020	34,652,174
TORINO Via Sant'Anselmo 18	156,173	2,251,357	2,407,530	1,000,815	1,406,715
TORINO Via Stradella 34	1,209,093	3,688,147	4,897,240	2,644,080	2,253,160
TORINO Via Tunisi 124	1,405,355	502,737	1,908,092	760,676	1,147,416
TORINO Via Valeggio 36	128,365	689,133	817,498	404,688	412,810
TORINO Via Vigliani 160/51 / Via Palma di Cesnola	3,025,440	658,854	3,684,294	1,512,877	2,171,417
TORINO Via XX Settembre 3	229,771	2,685,563	2,915,334	1,233,058	1,682,276
TORRE ANNUNZIATA Corso Umberto 94 / Via Vesuvio	61,983	1,797,270	1,859,253	500,829	1,358,424
TORRE BOLDONE Via Palazzolo 11	37,050	477,358	514,408	219,005	295,403
TORRE DE' PASSERI Corso Garibaldi	94,425	189,627	284,052	53,061	230,991
TORRE DEL GRECO Via Cesare Batisti 14	1,277,289	1,214,615	2,491,904	465,487	2,026,417
TORTONA Piazza Duomo 9	391,909	2,434,367	2,826,276	1,397,714	1,428,562
TORTONA Piazza Mazzini 2	22,477	20,139	42,616	24,511	18,105
TRADATE Corso Bernacchi 85	311,170	870,897	1,182,067	570,548	611,519
TRANI Piazza della Repubblica 63	2,875	652,802	655,677	176,627	479,050
TRECCATE Via Gramsci 1	234,401	742,138	976,539	494,991	481,548
TRENTO Via Segantini / Via Acconcio	2,266,987	610,271	2,877,258	1,155,034	1,722,224
TRESCORE CREMASCO Via Carioni 2	241,631	273,090	514,721	240,622	274,099
TREVIGLIO Piazza Cameroni 2	1,456,076	2,188,455	3,644,531	1,822,522	1,822,009
TREZZO SULL'ADDA Via Garibaldi / Via dei Mille 1	782,113	1,266,851	2,048,964	859,897	1,189,067
TRIESTE Piazza Oberdan 3	84,819	1,068,033	1,152,852	409,533	743,319
TRIESTE Via Coroneo 8	45,205	27,099	72,304	26,029	46,275
TRINO Corso Cavour 61	354,774	577,220	931,994	543,792	388,202
TROFARELLO Via Torino 64	116,335	947,001	1,063,336	497,510	565,826
TURATE Via Marconi 7 / Via Candiani	454,637	349,792	804,429	362,994	441,435
UBOLDO Via Roma 27	30,307	462,856	493,163	207,532	285,631
UDINE Via Marangoni	96,594	1,272,087	1,368,681	696,143	672,538
VADO LIGURE Piazza Cavour 10	1,303,021	39,091	1,342,112	516,433	825,679
VAILATE Via Giani 15	85,042	302,118	387,160	140,328	246,832
VALBONDIONE Via San Lorenzo 24	21,969	91,261	113,230	47,391	65,839
VALENZA Corso Garibaldi 111/113	2,224,716	2,529,203	4,753,919	2,222,282	2,531,637
VALFENERA Via Amedeo d'Aosta 10	56,505	255,210	311,715	153,036	158,679
VALGUARNERA CAROPEPE Via Garibaldi 95	43,121	168,090	211,211	122,432	88,779
VALLE LOMELLINA Via Casserotto 1 / Via Roma 29	216,082	442,617	658,699	418,405	240,294
VALLEMOSSO Piazza Dante Alighieri 8	209,476	376,135	585,611	272,659	312,952

(\*) L. 19/12/73 n. 823; L. 2/12/75 n. 576; L. 19/03/83 n. 72; L. 30/07/90 n. 218; L. 29/12/90 n. 408; L. 30/12/91 n. 413; other.

LOCATION	INVESTMENT	REVALUATIONS (*)	BOOK VALUE	ADJUSTMENTS	Amount in €
					NET SHAREHOLDERS' EQUITY
VANZAGHELLO Piazza Sant'Ambrogio 2	325,578	434,984	760,562	322,603	437,959
VARALLO SESIA Piazza Vittorio Emanuele	134,176	370,658	504,834	217,813	287,021
VARAZZE Piazza Patrone / Via Nazioni Unite	245,869	1,819,382	2,065,251	992,335	1,072,916
VARESE Via Marcobi 8	305,836	1,280,068	1,585,904	626,929	958,975
VARESE Via Milano 16	102,627	2,930,721	3,033,348	1,395,356	1,637,992
VASTO Via Maddalena	365,150	140,977	506,127	94,545	411,582
VENAFRO Corso Campano 21	11,971	437,439	449,410	121,044	328,366
VENARIA REALE Viale Buridani 6	170,603	-	170,603	30,476	140,127
VENEZIA - MESTRE Corso del Popolo 58	30,548	67,578	98,126	35,326	62,800
VENEZIA - MESTRE Via Cappuccina 11	96,616	574,778	671,394	241,702	429,692
VENEZIA Rio Terrà San Leonardo 1353	31,853	1,517,518	1,549,371	557,773	991,598
VENEZIA San Marco Calle Callegher	49,023	611,511	660,534	242,205	418,329
VENEZIA San Marco Calle delle Acque	168,942	77,468	246,410	175,275	71,135
VENOSA Via Roma 26	32,219	246,866	279,085	75,177	203,908
VENTIMIGLIA Via Cavour 30A-B/108	662,576	3,683,809	4,346,385	2,110,445	2,235,940
VERCELLI Viale Garibaldi 12	1,703,059	4,261,769	5,964,828	2,948,837	3,015,991
VERCELLI Via Mercadante 3 / Via Paggi	9,379	150,478	159,857	60,455	99,402
VERDELLO Via Cavour 19	258,764	744,864	1,003,628	251,931	751,697
VERONA Piazza Madonna di Campagna 18	1,875,538	455,381	2,330,919	755,403	1,575,516
VIADANA Piazza Manzoni 32	594,105	712,327	1,306,432	607,819	698,613
VIAREGGIO Via San Francesco	51,676	-	51,676	6,201	45,475
VICO EQUENSE Corso Filangieri 82	17,115	695,667	712,782	191,973	520,809
VIGEVANO Via Decembrio 35 / Via Carducci 1	259,412	3,051,040	3,310,452	1,461,171	1,849,281
VIGNALE MONFERRATO Piazza del Popolo 5	8,560	78,568	87,128	28,608	58,520
VILLA CARCINA Via Glisenti 78	745,518	407,520	1,153,038	585,798	567,240
VILLA CORTESE Via Tosi 22 / Via Speroni	349,479	257,509	606,988	301,179	305,809
VILLA SAN GIOVANNI Via Ammiraglio Curzon	67,087	531,951	599,038	161,401	437,637
VILLACIDRO Via Regione Sarda 59	19,700	264,426	284,126	76,538	207,588
VILLAFRANCA D'ASTI Via Roma 34	39,873	319,845	359,718	185,916	173,802
VILLANTERIO Via IV Novembre 12/a	275,383	360,890	636,273	157,060	479,213
VILLAR PEROSA Via Nazionale 31/9	15,568	460,574	476,142	191,651	284,491
VILLAROSA SICILIA Piazza Vittorio Emanuele 3	299,173	-	299,173	50,769	248,404
VILLASANTA Via Confalonieri / Via Camperio	473,598	23,171	496,769	162,520	334,249
VIMERCATE Via Risorgimento 32/a	826,376	362,775	1,189,151	529,205	659,946
VOGHERA Piazza Duomo 10	2,167,298	3,855,320	6,022,618	3,415,654	2,606,964
ZANICA Via Roma 9/9a	83,083	531,649	614,732	262,648	352,084
SGONICO (land)	-	361	361	-	361
TORPE' (land)	176	-	176	176	-
Former Banco di Napoli granges	137,927	809,790	947,717	-	947,717
<b>TOTAL PROPERTY IN ITALY</b>	<b>533,131,285</b>	<b>1,340,245,086</b>	<b>1,873,376,371</b>	<b>735,750,879</b>	<b>1,137,625,492</b>
PARIGI Avenue de Suffren	21,304	314,393	335,697	-	335,697
NEW YORK Town of Mamaroneck	531,240	413,411	944,651	303,755	640,896
<b>GRAND TOTAL</b>	<b>533,683,829</b>	<b>1,340,972,890</b>	<b>1,874,656,719</b>	<b>736,054,634</b>	<b>1,138,602,085</b>

(\*) L. 19/12/73 n. 823; L. 2/12/75 n. 576; L. 19/03/83 n. 72; L. 30/07/90 n. 218; L. 29/12/90 n. 408; L. 30/12/91 n. 413; other.



## Other points on the agenda

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NOMINATION, FOLLOWING DETERMINATION OF THE NUMBER,  
OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE CHAIRMAN  
FOR 2004/2005/2006; DETAIL OF RELATED REMUNERATION

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ASSIGNMENT OF THE APPOINTMENT TO AUDIT THE FINANCIAL STATEMENTS,  
THE HALF YEAR REPORT AND THE ANNUAL REPORT ON FORM 20-F  
FOR 2004/2005/2006

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AUTHORIZATION FOR THE PURCHASE AND SALE OF OWN SHARES

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NOMINATION OF A SUPPLEMENTARY AUDITOR IN ACCORDANCE  
WITH ART. 2401 OF THE ITALIAN CIVIL CODE

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## Nomination, following determination of the number, of the members of the Board of Directors and the Chairman for 2004/2005/2006; detail of related remuneration

### THE BOARD OF DIRECTORS' REPORT

#### Point 2 of the agenda

Shareholders,

the term of the Board of Directors appointed by the Shareholders' Meeting held on 30 April 2001 expires with the approval of the financial statements as of 31 December 2003.

In fact, we remind you that, in accordance with Art. 14, subsections 1 and 2 of the Articles of Association, "the Company is administered by a Board of Directors composed of a number of members variable from 7 to 20, as decided by the Shareholders' Meeting. The Shareholders' Meeting nominates one of the Board Members as Chairman. The Directors shall hold office for three financial years and may be re-elected".

We further remind you that, in accordance with Art. 15, subsection 8 of the Articles of Association, "The members of the Board of Directors and of the Executive Committee are entitled to annual remuneration, part fixed and part variable, to be established by the Shareholders' Meeting".

In compliance with the last subsection of Art. 15, the Shareholders' Meeting can, in addition to the aforementioned remuneration, determine to pay each Director a fixed sum for every meeting attended.

Shareholders,

you are therefore invited to take the necessary decisions.

Turin, 26 March 2004

The Board of Directors

## Assignment of the appointment to audit the financial statements, the Half Year Report and the Annual Report on Form 20-F for 2004/2005/2006

### THE BOARD OF DIRECTORS' REPORT

#### Point 3 of the agenda

Shareholders,

the three year term of engagement assigned by the Bank to PricewaterhouseCoopers S.p.A., for the audit of the statutory and consolidated financial statements of Sanpaolo IMI, the limited review of the Half Year report and the audit of the consolidated financial statements included in the "Annual Report on Form 20-F", prepared in accordance with United States regulations, expires with the approval of the 2003 financial statements.

Given the above, having appraised the technical qualifications of the audit firm and taking into consideration the specific competence of said firm in respect of the accounting, organizational and internal control procedures of the Bank and the Group, in order to maintain a high level of standards in respect of control and to ensure the continuity of the audit work, it has been decided to invite PricewaterhouseCoopers S.p.A. to submit a proposal for the renewal of the appointment as auditors for 2004/2005/2006.

The proposal is:

- to perform a full audit, in accordance with Articles 155 and 156 of D. Lgs. 58/98, on the financial statements of SANPAOLO IMI S.p.A. and on the consolidated financial statements of the SANPAOLO IMI Group as of 31 December 2004, 2005 and 2006 and to perform all duties and activities related thereto;
- to perform a limited audit, as recommended by Consob in communication no. 97001574 of 20 February 1997 and in accordance with the subsequent resolution no. 10867 of 31 July 1997, on the half year reports as of 30 June 2004, 2005 and 2006;
- to audit the reporting packages prepared by the foreign branches at London, New York (including Nassau), Tokyo, Singapore and Shanghai (full audits); Amsterdam, Athens, Frankfurt (including Munich), Vienna and Hong Kong (limited audits) for the purpose of the SANPAOLO IMI S.p.A. financial statements. In respect of the half year reports, it is proposed to perform only a limited audit on the reporting packages prepared by the London and New York (including Nassau) branches.

For the above activities, the annual sum requested by PricewaterhouseCoopers S.p.A. for 2004/2005/2006 is 1,375 thousand euro, which is composed as follows:



AUDIT OF THE STATUTORY AND CONSOLIDATED FINANCIAL STATEMENTS	<i>(in thousands of euro)</i>	
	2004 - 2006 proposal Annual fees for the 2004 – 2006 three year period	Hours
Type of work		
A1) Full audit of the statutory financial statements	520	5,800
A2) Full audit of the consolidated financial statements	90	915
A3) Examination of the accuracy and correctness of the accounting records	190	2,200
Total A)	800	8,915
B) Procedures on foreign branches (not included in above point A)	395	3,580
C) Limited audit of the Half Year Financial Statements	220	2,355
D) Limited audit on the foreign branches for the Half Year Financial Statements	65	620
Sub Total A. + B. + C. + D.	1,480	15,470
Discount	105	
<b>Total fees/hours</b>	<b>1,375</b>	<b>15,470</b>

PricewaterhouseCoopers S.p.A. also submitted a proposal to audit the consolidated financial statements for 2004/2005/2006, which will be included in the "Annual Report Form 20-F", prepared according to United States regulations and filed with the Securities and Exchange Commission in relation to the listing of Sanpaolo IMI on the New York Stock Exchange (NYSE).

The annual fees requested by PricewaterhouseCoopers S.p.A. for such work amounts to 600 thousand euro (for a total of 2,700 hours); these fees are inclusive of 220 thousand euro (for a total of 600 hours) for the work performed by PWC Global Capital Market Group, an internationally specialized body of PricewaterhouseCoopers.

The fees proposed have been determined in compliance with the criteria set by Consob and reflect current charge out rates; after the first year they shall be adjusted on the basis of changes to the cost of living index as established by the Central Statistics Institute (ISTAT). The above fees do not include VAT, out-of-pocket expenses, secretarial costs and regulatory contributions to Consob.

The fees do not include the time required, to perform additional audit work which may be necessary in the event of exceptional or unforeseeable circumstances including, only by way of example, significant changes to the structure and activities of SANPAOLO IMI and the Group, the establishment of shareholders' equity destined for specific business and changes in accounting principles, when such work requires more commitment than that estimated in the proposal. In this event, the fees may be adjusted in the final bill according to the criteria set by Consob.

In accordance with Art. 159, subsection 1 of D.Lgs. 58/98 and Art. 146 of Consob Regulation no. 11971 of 14 May 1999 (and subsequent changes), the Board of Statutory Auditors have expressed their approval to appoint PricewaterhouseCoopers S.p.A. as auditors.

Therefore, we hereby propose to engage PricewaterhouseCoopers S.p.A., with head office at via Vittor Pisani 20, Milan, for 2004/2005/2006 and in accordance with Art. 159 of D.Lgs. no. 58 of 24 February 1998 and the relevant regulations issued by Consob through resolution no. 11971 of 14 May 1999, to audit the statutory and consolidated financial statements of SANPAOLO IMI, to perform a limited audit on the half year reports, to review the reporting package prepared for the purpose of the year-end financial statements and half year report of the foreign branches, and to audit the consolidated financial statements included in the "Annual Report on Form 20-F" prepared according to United States regulations. All of the above within the terms and according to the methods described.

Turin, 26 March 2004

The Board of Directors

## Authorization for the purchase and sale of own shares

### THE BOARD OF DIRECTORS' REPORT

#### Point 4 of the agenda

Shareholders,

the Board of Directors has called you to the ordinary meeting to resolve on the proposal to authorize the purchase and sale of own shares, in order to renew the authorization already granted at the previous meeting of 29 April 2003, prior to its imminent expiry.

The appropriate sections of the Report on Operations and the Explanatory Notes to the 2003 Financial Statements illustrate the transactions in own shares carried out by SANPAOLO IMI S.p.A. during the year.

As you well know, there are a number of reasons why a company might want to buy or sell its own shares. In particular, it is opportune that Directors be authorized to purchase and sell own shares, also to keep prices in line with estimated fair values, in relation to contingent situations on the domestic or international markets. This can also improve market liquidity and the trading of shares.

At the same time, it is deemed opportune that Directors be empowered with this authorization in order to be able to take advantage of opportunities such as special transactions or deals involving share exchanges or other situations where a company might need to have its own shares available.

Purchases of own shares will be made according to procedures provided and permitted by the first subsection of Art. 132 of D.Lgs. 58 of 24 February 1998, to ensure fair treatment to all shareholders pursuant to subsection 3 of Art. 132 of the same Decree Law. Transactions are generally carried out in compliance with current CONSOB regulations.

Taking account of the above, we propose that you pass a resolution in accordance with Art. 2357 of the Civil Code and Art. 132 of D. Lgs. 58 of 24 February 1998, authorizing for a period of 18 months from the date of the resolution the purchase of own shares with a nominal value of 2.8 euro per share at a price, net of related purchase costs, of not less than 30% below and not more than 10% above the reference price that the stock will have posted during the stock exchange session on the day prior to each purchase transaction, up to a maximum of 180 million shares and in any case, within the limits set by the law. According to these limits, suitable procedures are implemented in order to monitor the total shareholding held by the Group. Purchases can take place on one or more occasions.

We propose that you confirm the Reserve of 1,000 euro for the purchase of own shares, which corresponds to the total of the amount already accrued. The amount of own shares held in portfolio at any moment in time should not exceed this limit.

We also propose that, pursuant to Art. 2357-ter of the Civil Code, you authorize the disposal of all or part of the own shares held, at a price not less than 10% below the reference price that the stock will have posted in the session on the day prior to each sale. On the other hand other parameters can be used, in line with international best practice, for share transfers involved in the acquisition of shareholdings by the Bank, or in connection with the setting up of stable relationships of cooperation or special financial operations which imply the availability of own shares.

For the above reasons, subsequent purchase and sale transactions can be made.

Own shares can also be used as part of incentive plans for:

- the employees of the Company or its subsidiaries for allocations free of charge, also in substitution of other forms of remuneration, taking into account tax benefits provided for by current tax regulations;
- sales for payment following the exercise of option rights and at a price equal to the "normal value" of the stock calculated according to current tax regulation, to employees of the Bank or of its subsidiaries, as well as, in compliance with Art. 2389 of the Civil Code, to Directors of the Bank.

In this respect, we inform you that, as mentioned in the consolidated Report on operations, and without affecting the powers of the shareholders' meeting in matters concerning the authorization of how own shares can be used, the Board of Directors has on separate occasions:

- decided in accordance with Art. 15 subsection 9 of the Articles of Association that the remuneration of the Chairman Mr. Rainer Masera and of the Managing Directors Mr. Alfonso Iozzo and Mr. Luigi Maranzana should be supplemented by means of a stock option plan assigning to each of them 450,000 fixed rights for their 2001/2002/2003 three year term of office, plus further 150,000 rights on condition that the SANPAOLO IMI stock reach a price of 20 euro by the end of the three-year period;
- decided, in accordance with Art. 15 subsection 9 of the Articles of Association, on the appointment of Mr. Pio Bussolotto as Managing Director, that his remuneration should be supplemented by means of a stock option plan assigning him 300,000 fixed rights for his 2002/2003 two year term of office, plus a further 100,000 rights on condition that the SANPAOLO IMI stock reach a price of 20 euro by the end of the two-year period;

in both cases the purchase price is equal to 12.6244 euro, whilst the period of exercise of the rights is forecast for the end of the 2001/2003 three-year period, after the issue of the dividend for 2003 and before approval by the Board of Directors of the 2005 financial statements and not later than 31 March 2006.

Lastly, we invite you to formally agree with these proposals – and consequently to revoke, for the part not executed of the resolution passed on 29 April 2003 authorizing the purchase and sale of own shares, and to authorize the Board of Directors to delegate all or part of the power to initiate purchases and disposals of own shares.

Turin, 26 March 2004

The Board of Directors

## Nomination of a Supplementary Auditor in accordance with Art. 2401 of the Italian Civil Code

### THE BOARD OF DIRECTORS' REPORT

#### Point 5 of the agenda

Shareholders,

it is brought to your attention that Prof. Antonio Ottavi formally advised the Chairman and the Board of Directors of his resignation as Supplementary Auditor of the Bank with effect from 19 January 2004.

This meeting of the Shareholders' is therefore called on to pass a resolution to appoint a new Supplementary Auditor ex. Art. 2401 of the Italian Civil Code.

As a matter of fact, in accordance with Art. 19, subsection 16 of the Articles of Association, the aforementioned resolution shall be passed by the relative majority, without recourse to a voting list.

Shareholders,

you are therefore invited to take the necessary decisions.

Turin, 26 March 2004

The Board of Directors

Report on the corporate governance system  
and adherence to the code of conduct  
for listed companies

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## Introduction

Within the context of ever increasing attention to governance profiles and transparent communication to the market, as instruments to maximize shareholder value, SANPAOLO IMI has adhered to the aims and indications of the Code of Conduct for Listed Companies since its issue.

Recognizing the validity of the model of corporate governance contained in the Code - drawn up on the basis of international best practice - the Company continues to follow its principles and introduces a model of corporate governance with the aim of guaranteeing adequate sharing of responsibilities and powers, correctly balancing the functions of management and control, also in the light of the experiences of the more evolved financial markets.

The beginning of this Report supplies a brief profile of the Company and its organization, while the subsequent paragraphs are dedicated to describing the SANPAOLO IMI corporate governance system, paying special attention to the attributions and responsibilities of the Company bodies, the nomination methods and the duration in office of their components and the rules for their renewal, as well as relationships with shareholders and institutional investors. Three tables summarizing the structure of the Board of Directors, the Internal Committees and the Board of Statutory Auditors, as well as the general application of the Code, are added as appendixes.

## The Company

SANPAOLO IMI – Limited company with Registered office in Turin and Secondary offices in Rome and Bologna is a Bank registered in the roll of banks and Parent Bank of the SANPAOLO IMI Banking Group, registered in the roll of banking groups. The Company, in accordance with Art. 4 of the Articles of Association, accepts deposits from the public and exercises various forms of credit, in Italy and abroad, and may perform, within the legal limits in force, all transactions and banking and financial services and every other instrumental transaction or transaction linked with achieving the corporate aim.

The Company is listed with the Mercato Telematico Azionario organized and managed by Borsa Italiana S.p.A. and with the New York Stock Exchange.

### a) Organization

In accordance with the Italian legislation on listed companies, and in the light of the adherence to the Code of Conduct, the SANPAOLO IMI organization is characterized by the presence of the following Company bodies:

- the Shareholders' Meeting, a Body which expresses company intentions the decisions of which, adopted in conformity to the law and the Articles of Association, restrict all shareholders, including those who are absent or dissenting;
- the Board of Directors, nominated by the Shareholders' Meeting for a period of three years and holder of all Company management powers;
- the Chairman of the Board of Directors – nominated by the Shareholders' meeting from among the members of the same Board – is the legal representative of the Company before third parties and for legal purposes, and also presides over the Executive Committee, of which he is a rightful member;
- the Executive Committee and the Technical Committees (Remuneration and Personnel Policies Technical Committee, Audit Technical Committee, Group Risks Technical Committee and Ethical Committee), set up within the Board and made up of its members; the Executive Committee is the Body delegated to carry out important administration functions, while the other Committees perform advisory services, preliminary enquiries and control activities;
- two Deputy Chairmen – nominated by the Board of Directors from among its members – are rightful members of the Executive Committee and assume all the Chairman's powers and the legal representation of the Company before third parties and for legal purposes in the event of his absence or impediment, according to the order of succession established by the Board;

- three Managing Directors – nominated by the Board of Directors, which organizes their assignments – are rightful members of the Executive Committee and hold, individually, the legal representation of the Company before third parties and for legal purposes in the event of the absence or impediment of the Chairman and the Deputy Chairmen;
- the Central Management, nominated by the Board of Directors – as an alternative to nominating one or more General Managers – establishes the number of members and provides for attribution of the competencies as well as the allocation of the functions among them;
- the Board of Statutory Auditors – nominated by the Shareholders' Meeting for a period of three years and composed of five Auditors and two Supplementary Auditors – supervises the observance of the law and the Articles of Association and, generally, the administrative, organizational and accounting system, as well as the Company's internal control system.

The attributions and operating standards of the Company bodies are contained in the legal and regulatory provisions, in the Articles of Association and in the decisions made by the Boards; the operating standards of the Shareholders' Meeting are also governed by special Regulations.

#### b) Composition of share capital and majority shareholders

The Company's capital, as resulting from Art. 6 of the Articles of Association, is 5,144,064,800.00 euro fully paid, which comprises 1,448,831,982 registered ordinary shares and 388,334,018 preference shares which do not give entitlement to vote in the ordinary shareholders' meetings.

Preference shares were introduced – in accordance with letter a) of subsection 3 of Art. 28 of D. Lgs 153/1999 – in July 2002, in conjunction with the incorporation of Cardine Banca, implementing that provided for by the letter of intent signed by Compagnia di San Paolo, Fondazione Cassa di Risparmio di Padova e Rovigo and Fondazione Cassa di Risparmio in Bologna. Said shares, which give entitlement to vote only in the extraordinary shareholders' meetings, are now held by Compagnia di San Paolo, Fondazione Cassa di Risparmio di Padova e Rovigo and Fondazione Cassa di Risparmio in Bologna. The preference, or privilege, consists in the pre-emption right in the case of capital repayment and in the right to an allocation of the net income of 5% of the nominal share value, as well as the right to accumulate the dividend still to be received with that matured over the subsequent two years.

Other advisory agreements currently exist between Compagnia di San Paolo, IFIL S.p.A., Società Reale Mutua di Assicurazioni S.p.A. and CDC IXIS Italia Holding S.A., and will expire on 13 April 2004.

An excerpt of all the aforementioned agreements is available on the Bank's website.

On the basis of the Shareholders' Book and other available information, as of 26 March 2004, SANPAOLO IMI has about 185,000 shareholders. A table listing the main shareholders, directly and/or indirectly holding shares of the share capital with voting rights is printed below:

Shareholder	Percentage of total capital	Percentage of ordinary capital
Compagnia di San Paolo	14.48	7.50
Fondazione CR Padova e Rovigo	10.80	4.38
Santander Central Hispano	8.61	10.92
Fondazione CR in Bologna	7.69	3.12
Giovanni Agnelli & C.	3.83	4.86
Deutsche Bank AG	2.00	2.54
Mediobanca	1.93	2.45
Fondazione Cariplo	1.74	2.21
Caisse des Depots et Consignations	1.70	2.16
Società Reale Mutua di Assicurazioni	1.54	1.94
Ente CR Firenze	1.53	1.94
Credit Lyonnais SA	1.50	1.91
Fondazione CR Venezia	1.50	1.90



### c) The role of the Parent Bank and the SANPAOLO IMI Group

The Company is the Parent Bank of the SANPAOLO IMI Banking Group, composed of the same Parent Bank and the banking, financial and instrumental companies – with registered offices in Italy and abroad – controlled directly or indirectly.

In its capacity as Parent Bank, the Company holds the role of reference-point for the Bank of Italy and, in exercising its direction, address and coordination activities, issues the necessary provisions to the members of the Banking Group for implementing the instructions received from the Bank of Italy in the interest of Group stability. For this purpose SANPAOLO IMI asks the Group companies for news, figures and relevant reports and also verifies compliance with the provisions issued as instructed by the Bank of Italy. The Administrators of the subsidiaries must implement the Parent Bank provisions and supply every piece of information useful to its issue to the Parent Bank.

The SANPAOLO IMI Group is based upon the specialization of the professional skills of the production, distribution and service units and is mainly structured in four business sectors:

- Domestic Banking Networks – including the Sanpaolo Network, the former Cardine bank networks and Sanpaolo Banco di Napoli – dedicated to the retail and business markets throughout the whole country. The banking networks are flanked by specialist units to serve domestic clients: Banca OPI, which provides consultancy and medium- and long-term financing to public bodies for infrastructure works, GEST Line, which manages the Group's tax collection activities, as well as trustee, consumer credit and leasing companies. This sector also includes the Other Italian Networks, which handles the Group's shareholdings in Cassa di Risparmio di Firenze, Cassa dei Risparmi di Forlì and Banca delle Marche;
- Personal Financial Services, which manages the offer of financial services by the "Banca Fideuram group" financial planner network;
- Wealth Management and Financial Markets, which include the companies controlled directly by Sanpaolo IMI Wealth Management, dedicated to providing asset management products (mutual funds, portfolio management and insurance) to the Group networks and associated networks, as well as institutional investors and other networks; Banca IMI, the Group's investment bank, whose business priorities concern, on the one side, the supply of specialist services to companies and institutional customers and, on the other, the development of structured products distributed to retail customers and corporate customers through the Group's networks; Sanpaolo Imi Private Equity, whose aim is to strengthen and consolidate the Group's activity and presence in the private equity sector, mainly through the promotion and management of closed-end investment funds;
- International Activities, which includes the Parent Bank's Foreign Network, limited to corporate lending, and Sanpaolo IMI Internazionale, established to develop the presence in foreign countries of strategic interest through growth initiatives such as acquisitions and alliances.

\* \* \*

On 13 February 2004, the SANPAOLO IMI Board of Directors approved a project to reorganize the Group's insurance activities, which provides for concentrating the insurance business – currently split into several production platforms: Sanpaolo Vita, Sanpaolo Life, Fideuram Vita and Noricum Vita together with Egida (jointly controlled with Reale Mutua Assicurazioni) and Fideuram Assicurazioni in the damages branch – with the aim of simplifying and rationalizing its presence in a sector of strategic interest, taking advantage of opportunities for development and creating an insurance pole to lead the market. The transaction will be accomplished in the time technically compatible with obtaining authorization from the Bank of Italy and with the necessary requirements.

\* \* \*

To equip the Bank with a suitable self-regulation instrument comprising the essential principles of the Group's organization and the fundamental rules of the subsidiaries' direction and coordination model, the Board of Directors approved the Group Regulations, which define the Group's entire structure, the basic principles on which it operates, the areas of competence and the responsibilities of the Central Functions of the Parent Bank, as well as the mechanisms and instruments used to coordinate the entire Group.

SANPAOLO IMI has also introduced a Group investment policy, attributable to fundamental principles of finance, which indicates behavioral rules for the consistent issue of customer investment services.

To ensure adequate dissemination of the Group's strategic addresses among top management, their rendering into plans and budgets and their accomplishment, a Group Management Committee has been set up to analyze, compare and evaluate the Group's global management trend. The Committee's main activities concern the sharing of general strategic addresses, information on the general management trend and the progress of the main projects underway, as well as the analysis and in-depth investigation of the decisions which are important to the Group as a whole. This Committee, to which the Chairman of the Parent Bank participates, usually has a monthly meeting which is attended by the Managing Directors of SANPAOLO IMI, the Heads of the Group's main distribution networks and Heads of Parent Bank specialist Functions; on the basis of specific needs, it may also be extended to the managers of the various Group departments.

## Board of Directors

### a) Composition and duration

In accordance with Art. 14 of the Articles of Association, the Company is administered by a Board of Directors composed of a number of members variable from 7 to 20, as decided by the Shareholders' Meeting, which will nominate one of them Chairman.

The SANPAOLO IMI Board of Directors in office at the time of publication of this Report was nominated by the Shareholders' Meeting of 30 April 2001 and subsequently by the Shareholders' Meeting of 5 March 2002<sup>1</sup>, and is composed of 18 Directors, listed below with their specific roles:

Rainer Masera	Chairman
Pio Bussolotto	Managing Director
Alberto Carni	Director
Giuseppe Fontana	Director
Richard Gardner	Director
Alfonso Iozzo	Managing Director
Mario Manuli	Director
Luigi Maranzana	Managing Director
Antonio Maria Marocco	Director
Virgilio Marrone	Director
Abel Matutes	Director
Iti Mihalich	Director
Anthony Orsatelli	Director
Emilio Ottolenghi	Director
Orazio Rossi	Deputy Chairman
Gian Guido Sacchi Morsiani	Director
Enrico Salza	Deputy Chairman
Remi François Vermeiren	Director

The Bank's website reports short biographical and professional notes of the Directors in office.

<sup>1</sup> The Directors Antonio Maria Marocco and Anthony Orsatelli were nominated last year by the Board of Directors, in accordance with Art. 2386 of the Italian Civil Code, following the resignations of Gabriele Galateri and M.me Bouillot, and subsequently confirmed by the Shareholders' Meeting of 25 November 2003.

The term in office of all the members of the Board of Directors is envisaged until the approval of the financial statements for 2003. The renewal of the Board is planned for the Shareholders' Meeting of 28/29 April 2004.

The Board of Directors has nominated Piero Luongo, Head of General Secretarial Management, as Board Secretary.

#### b) Executive and non-executive Directors – the Chairman and the Deputy Chairmen

The Board of Directors is mainly composed of Non-executive Directors, having no operational delegated powers and/or no directional functions in the Company, and the pursuance of their respective duties in meetings of the Deliberative Bodies and Technical Committees is reserved to them. They will be in sufficient number to guarantee that their judgment has determinant weight when making decisions.

More specifically, the Managing Directors will be considered as Executive Directors, in relations to their role of executive management and promotion of activities for the Company, as stated by the Articles of Association, while all the remaining members of the Board are to be considered as Non-executive Directors.

The Chairman of the Board of Directors is also a Non-executive Director: the current Company structure, resulting from the Articles of Association and decisions of the Board, state that the Chairman's functions are distinct from those of the Managing Directors. The Board has assigned no operational delegated powers to the Chairman, except for, pursuant to the Articles of Association, the responsibilities to coordinate the activities of the Company, the legal representation and the power to take, in agreement with the relevant Managing Director, any urgent provision in the interest of the Company, referring such to the Board of Directors or the Executive Committee at its next meeting.

The Deputy Chairmen – nominated, in accordance with Art. 15 of the Articles of Association, by the Board of Directors from among its members – are also Non-executive Directors, having not been assigned operational delegated powers by the Board and being solely capable of assuming, to all effects, the powers of the Chairman pursuant to Art. 18 of the Articles of Association, in event of his absence or impediment, in the order established by the Board.

#### c) Independent and non-independent Directors

The Board of Directors periodically checks the existence of the independence of the Non-executive Directors on the basis of the definition contained in the Code of Conduct and also with reference to the instructions supplied by the individuals involved.

Considering the nature of the agreements existing among certain shareholders and relative financial arrangements between SANPAOLO IMI and the same shareholders, the following are to be considered non-independent directors by virtue of their offices among the shareholders:

Anthony Orsatelli  
Virgilio Marrone  
Iti Mihalich

As regards the remaining non-executive Directors, there are no elements such as not to satisfy the requirements of independence.

Each Director has undertaken to promptly inform the Board should he cease to be independent.

#### d) Offices of Director or Statutory Auditor held in other companies

Following is a list of the offices of Director or Statutory Auditor currently held by SANPAOLO IMI Directors in Companies

listed in regulated markets, including those abroad, in financial, banking, insurance or other significant-sized companies:

DIRECTOR	OFFICE	COMPANY
MASERA Rainer	Chairman Member of the Board of Directors	Banca Fideuram S.p.A. BEI – European Investment Bank
BUSSOLOTTO Pio	Managing Director Director Director	Cassa di Risparmio di Padova e Rovigo S.p.A. Cassa di Risparmio di Firenze S.p.A. Banca delle Marche S.p.A.
CARMI Alberto	/	/
FONTANA Giuseppe	Director Director	Banca Fideuram S.p.A. Banca Popolare di Sondrio S.c.r.l.
GARDNER Richard	/	/
IOZZO Alfonso	Chairman Chairman Director Member of the Supervisory Board	Sanpaolo Banco di Napoli S.p.A. Banca OPI S.p.A. Nhs Mezzogiorno Sgr S.p.A. CDC Ixis
MANULI Mario	Chairman and Managing Director Director Director Director Director Director	Fin.M. S.r.l. Manuli Rubber Industries S.p.A. Manuli Stretch S.p.A. Terme di Saturnia S.r.l. Tamburi Investment Partners S.p.A. Cassa di Risparmio di Firenze S.p.A.
MARANZANA Luigi	Chairman Chairman Director and Member of the Executive Committee Director	Banca d'Intermediazione Mobiliare Imi S.p.A. Sanpaolo Imi Wealth Management S.p.A. Banca Fideuram S.p.A. Sanpaolo Imi Internazionale S.p.A.
MAROCCO Antonio Maria	Director Director	Ifil S.p.A. Reale Mutua di Assicurazioni
MARRONE Virgilio	/	/
MATUTES Abel	/	/
MIHALICH Iti	Chairman Deputy Chairman Director Director Director	Società Reale Mutua di Assicurazioni Banca Reale S.p.A. Rem Assicurazioni S.p.A. Reale Immobili Blue Assistance La Piemontese Assicurazioni S.p.A. La Piemontese Vita S.p.A. Italiana Assicurazioni S.p.A. I.S.E. S.p.A. Reale Seguros Generales S.A. Reale Vida - Compania de Seguros y Reaseguros S.A. Reale Asistencia - Compania de Seguros S.A. Agemut - Sociedad de Agencia de Seguros de Mutral S.A. Reale Sum - Agrupacion de Interes Economico Inmobiliaria Grupo Asegurador Reale S.A. Eficalia Servicios S.A. Rem Vie S.A. Ala Assicurazioni S.p.A. Friulcassa S.p.A. Sara Assicurazioni S.p.A. Sara Vita S.p.A.



ment of offices as provided for by subsection 1 of Art. 20 of the Articles of Association (General Managers, Deputy General Managers, Central Managers);

- the determination of the criteria for the coordination and management of Group Companies and for the execution of the instructions issued by the Bank of Italy.

Lastly, on the basis of the Bank's Articles of Association and the current delegated powers, the Board of Directors is also responsible for:

- the examination and approval of the Company's and Group's strategic, industrial and financial plans as well as the approval of the Regulation concerning the Group's corporate governance;
- the nomination and the attribution of mandates to the Executive Committee and the Managing Directors as well as the related definition of the limits, means of exercise and periods of time within which the delegated Bodies must report to the Board on the activities carried out during the exercise of the mandates conferred to them;
- the determination of the Managing Directors' remuneration and of those who hold particular offices, as well as the subdivision of the variable part of the amount due to the individual members of the Board, after the examination of the proposals for the Remuneration and Personnel Policies of the Technical Committee and having heard the Board of Statutory Auditors;
- the approval of general risk management policies;
- the supervision on general performance, paying special attention to situations of conflicts of interest, taking into particular consideration the information received from the Executive Committee, the Managing Directors and the Audit Technical Committee, and periodically comparing the results achieved with those planned;
- the examination and approval of major economic, balance sheet and financial transactions, defined on the basis of quantitative and qualitative criteria (such as loans of more than one fifth of the equity of the Company, loans of more than 10 million euro, acquisition or loss of control of insurance companies and acquisition of shareholdings of more than 100 million euro); the verification of the adequacy of the Company's and Group's general organizational and administrative structure;
- the presentation to Shareholders of the reports concerning the agenda of the Shareholders' Meetings;
- the approval of relevant transactions with related parties.

#### f) Board meetings

The calling of the Board of Directors, ordinarily every two months (Art. 17 of the Articles of Association), or at the request of at least three Directors, or one Managing Director, or on the basis of the powers which the law gives to the Statutory Auditors, falls to the Chairman, every time he sees fit. The Chairman, who, in accordance with the Articles of Association, is responsible for the coordination of the work of the Board of Directors, presides over the meetings and sets the agenda - taking account of the motions proposed by the Managing Directors, on the basis of the powers of attorney conferred - and ensures that adequate information on the matters under discussion are supplied to all Directors.

The calling of Directors and Statutory Auditors for the meetings of the Board of Directors is made in advance and in reasonable time to allow sufficient information on the subjects under discussion and is followed by the advance documentation necessary to ensure the best informed performance by the Directors in the fulfillment their tasks. The rule of advance information may only be waived in cases of particular urgency or requirements of confidentiality; on such occasions there will still be a full treatment of each subject and particular attention to the content of the documents not sent in advance.

The SANPAOLO IMI Articles of Association allow the meetings of the Board of Directors to be held through telecommunication networks, as long as the exact identity of those legitimately authorized to attend is guaranteed and it is possible for all participants to intervene, in real time, on all the subjects and to see, receive and transmit documents. At least the Chairman and the Secretary must be present on the premises in which the Board meeting has been called, where it is considered as held.

The meetings of the Board of Directors may be attended, without voting rights, by the Managers of Head Office Directions or Functions, to supply information and data concerning the practices submitted for examination by the Board, representatives of the independent auditors and external consultants, in relation to matters on the agenda, which might require specific technical expertise.

The SANPAOLO IMI Board of Directors met 17 times during 2003; as in the past, the Directors' attendance of board meetings was significantly high and constant (about 90%), ensuring a systemic contribution by all its members to the management of corporate and Group affairs, fully exploiting the important professional skills available to group advantage.

Given the regular schedule thus far adopted by the Bank, a similar number of meetings may also be assumed for the year in course, 4 of which have already been held. In compliance with the Regulations of Borsa Italiana, SANPAOLO IMI presented the calendar of corporate events for 2004 to the market in December 2003, stating the date of the board meetings for approval of the economic and financial figures.

### **Executive Committee and Managing Directors**

In accordance with Art. 15 of the Articles of Association, the Board of Directors nominates from among its members the Executive Committee (of which the Chairman, presiding, the Deputy Chairmen and the Managing Directors are members ex officio), setting the number of members, delegated powers, term of office, operating rules and powers. The Board also nominates, determining their attributions, one or more Managing Directors.

The Executive Committee is currently composed of eight Directors, of which five non-executive, three of which independent:

Rainer Masera  
 Pio Bussolotto  
 Alfonso Iozzo  
 Luigi Maranzana  
 Virgilio Marrone  
 Iti Mihalich  
 Orazio Rossi  
 Enrico Salza

The Secretary of the Board of Directors acts as Secretary of the Executive Committee.

The Board has attributed to the Executive Committee powers to be exercised within the context of the strategies, the addresses and plans laid out by the same Board, with faculty of sub-power of attorney and the obligation to report quarterly to the Board on the activity performed, the decision made and the powers of attorney conferred. In particular, the Executive Committee has been given powers concerning loan issue and, generally, operational powers regarding the recovery of loans, assumption of economic burdens, legal and prelegal proceedings on non-recovered assets and liabilities, administration procedures against the Company and shareholdings – except in the case of exclusive competence of the Board of Directors, pursuant to Art. 16 of the Articles of Association - personnel and expenditure. The Executive Committee has also been given, in general, the faculty to assume any urgent provision in the interests of the Company, referring them to the Board at its next meeting.

The Executive Committee, the Statutory Auditors having their powers set by law, is called to meet whenever the Chairman considers appropriate and, by company practice, around twice a month. The Committee met 20 times during 2003, with an average attendance by Directors of 97%.

The Board has conferred to the Managing Directors, each separately, powers to be exercised within the context of their respective competencies as well as strategies, directions and plans made by the same Board, with faculty of sub-delegation and the obligation to report quarterly to the Board on the activity undertaken, decisions made and mandates conferred.

The distribution of the areas of responsibility among the Managing Directors originates from the identification of operational and market contexts with similar characteristics and from the decision to maximize specializations and competencies. Another aim is to achieve maximum sharing of Group targets and successful coordination between different, yet correlated operating areas, in order to maximize operating efficiency and supply a service of excellence to all customers.

In particular, the following specific competencies have been attributed:

- the Managing Director Pio Bussolotto is assigned responsibility for the North East Territorial Direction, established following the merger by incorporation of Cardine Finanziaria into SANPAOLO IMI in support of the bank-networks belonging to the former Cardine group operating in the Triveneto (comprising the regions Veneto, Friuli Venezia Giulia and Trentino Alto Adige) and Emilia areas, with the functions of supervising the related commercial and credit activities, coordinating the operations of the Sanpaolo branches in the respective territorial settings and promoting development activities, addressing and exploiting the business opportunities offered by the market of reference. The Managing Director in question is also assigned responsibility for shareholdings in other domestic banks and for the GEST Line tax collection company, as well as the control of Group operation and supervision of purchasing and logistics;
- the Managing Director Alfonso Iozzo is in charge of banking and lending activities to households, companies and public entities, through the direct responsibility for the Sanpaolo Network, Sanpaolo Banco di Napoli, Banca OPI and Banca Popolare dell'Adriatico S.p.A., as well as the Group's corporate identity. In order to accentuate the operational integration between the various Group banks, the Managing Director in question has also been assigned the centralized control of Group lending, including large risks, and responsibility for the Macchina Operativa Integrata;
- the Managing Director Luigi Maranzana is assigned responsibility for specialist businesses, with particular reference to the financial planner networks (Banca Fideuram and Banca Sanpaolo Invest), investment banking (Banca Imi), asset management (Sanpaolo Imi Wealth Management), financial markets and international banking. The Financial Statements, as well as other central Functions of the Group near to the above-mentioned markets, such as Group Finance, Risk Management and Correspondent Banks, refer to the Managing Director in question.

Considering the aforementioned competencies, the Board has conferred to the Managing Directors powers concerning loan issue and, more generally, operational, Group guarantees to financial institutions, financial risk management and control, recovery of loans, assumption of economic burdens, legal and prelegal proceedings on non-recovered assets and liabilities, administration procedures against the Company, shareholdings and costs, as well as powers in matters concerning personnel and structures within the context of the management directions approved by the administrative bodies.

The Managing Directors have been assigned, in general and within the context of their respective attributions, or in the execution of decisions made by superior Bodies, all powers necessary for the ordinary management of the Company, unless otherwise reserved specifically to other Bodies pursuant to the Articles of Association or by exclusive mandate of the Board of Directors. In accordance with Art. 17 of the Articles of Association, the proposals to the Board of Directors and the Executive Committee are formulated by the Managing Directors on the basis of the conferred delegated powers. In particular, the Managing Directors are responsible for proposals related to the general organization of the Company, to credit and business areas as well as personnel management.

### Technical Committees

The Board of Directors is supported in its institutional functions by Technical Committees made up from its members - as per subsection three of Art. 15 and in accordance with the provisions made in the Code of Conduct - with consultative, management and control functions.



As well as responding to the division of responsibilities between Directors, considering the number of offices held by each of them, Committees are composed on the basis of the Professional characteristics of the Directors, to guarantee adequate “coverage” of the thematic areas delegated to the Committees.

#### a) Remuneration and Personnel Policies Technical Committee

The Remuneration and Personnel Policies Technical Committee is composed of nine Directors, of which six non-executive, four of which independent:

Enrico Salza (Chairman)  
 Giuseppe Fontana  
 Mario Manuli<sup>2</sup>  
 Virgilio Marrone<sup>3</sup>  
 Iti Mihalich  
 Orazio Rossi  
 Pio Bussolotto  
 Alfonso Iozzo  
 Luigi Maranzana

In particular, the Committee has the role of evaluating, in agreement with the Chairman of the Board of Statutory Auditors and referring to the Board of Directors, the remuneration of the Directors with particular offices and examining the total remuneration structure of the Directors, also taking account of any presence in the Corporate Bodies of subsidiary Companies; to consider in depth the issues concerning the general direction for top management remuneration and management policies at Company and Group level, as well as the approval and modification of the general arrangements concerning work relationships (such as, for example, the Combined Company Contract).

The involvement of the Managing Directors is envisaged in the limits inherent in the definition of the general directions of top management remuneration and management policies and of a general nature concerning work relationships. Resolutions concerning Committee members are always made in absence of those directly involved.

The Remuneration and Personnel Policies Technical Committee met six times during 2003.

#### b) Audit Technical Committee

The Audit Technical Committee, set up by the Board of Directors in June 1998, is composed of four non-executive Directors, three of whom independent:

Giuseppe Fontana (Chairman)  
 Virgilio Marrone  
 Emilio Ottolenghi  
 Enrico Salza

The Chairman of the Board of Statutory Auditors and the Managing Directors take part in the work; Report and Audit Management Heads as well as, where necessary, the Heads of the other Functions involved with the specific issues handled, take part in the meetings as speakers.

<sup>2</sup> Mario Manuli intervenes in activities concerning the evaluation of the remuneration of Directors with special offices and the complex structure for the remuneration of Directors.

<sup>3</sup> Virgilio Marrone intervenes to consider in depth the issues concerning the general direction for top management remuneration and management policies at Company and Group level, as well as the approval and modification of the general arrangements concerning work relationships.

The Audit Committee has the responsibility of analyzing the problems and relevant practices with the possibility to make specific analyses of subjects to be investigated further, with reference to the evaluation of the internal control system. The Committee also evaluates the adoption of the best corrective measures proposed to deal with omissions and anomalies found in the audit processes, both internally and with the independent auditors.

In particular, the Committee:

- assists the Board of Directors in carrying out the tasks of setting the guidelines and periodic checks of the operational adequacy and effectiveness of the internal control system of the Parent Bank and the Group Companies;
- evaluates the working plans prepared by internal control and receives their periodic reports;
- evaluates, together with the auditors and representatives of the companies responsible for the matter, the adequacy of the accounting principles used and their consistency for the publication of the consolidated financial statements;
- evaluates the proposals formulated by the independent auditors for their responsibilities, as well as the working plan set out for the audit and the results contained in the report and letter of suggestions;
- maintains close contacts with the Board of Statutory Auditors, through the participation of its Chairman at meetings, so as to allow reciprocal and timely information on the relevant subjects for the system of internal controls;
- refers to the Board of Directors, at least every six months, on the occasion of the approval of the annual and half year report, activity undertaken and the adequacy of the Group's system of internal controls;
- performs further tasks assigned to it by the Board of Directors, particularly in relation with the independent auditors;
- preliminarily evaluates relevant transactions with related parties.

The Audit Technical Committee also performs the tasks and functions assigned to it as a Regulatory Body, in accordance with D. Lgs 231/2001, as regards the administrative responsibility of the companies.

As well as intervening on more strictly pertinent matters, the Audit Committee also examined other general issues in 2003, including: the impact of the New Basel Capital Accord on the methodologies used within the Bank; the criteria and guidelines concerning the attribution of further assignments to Group companies Independent Auditors, with the aim of preserving the independence of the auditors; the security management of Internet banking services offered by SANPAOLO IMI, in order to guarantee an adequate level of protection for the strategic choices made by the Bank in the sector; the instructions issued by the Securities and Exchange Commission on internal controls and auditing.

In the course of 2003 the Committee met on 17 occasions.

#### c) Group Risks Technical Committee

The Group Risks Technical Committee has the responsibility of establishing the Group's risk strategies and policies, supplying guidelines for defining risk measurement methodologies and criteria. It is currently composed of eight Directors, of which five non-executive, four of which independent:

Rainer Masera (Chairman)  
 Anthony Orsatelli  
 Emilio Ottolenghi  
 Orazio Rossi  
 Remi François Vermeiren  
 Pio Bussolotto  
 Alfonso Iozzo  
 Luigi Maranzana

The Group Risks Technical Committee met eight times during 2003.

#### d) Ethical Committee

The Ethical Committee, set up in 2001, is currently composed of seven Directors, all of which non-executive and independent:

Abel Matutes (Chairman)  
 Rainer Masera  
 Alberto Carmi  
 Richard Gardner  
 Mario Manuli  
 Antonio Maria Marocco  
 Remi François Vermeiren

The Committee in question has the responsibility of investigating and evaluating the principles to be presented to the Board of Directors for the identification of a corporate ethical-environmental policy, monitoring internally to which extent the chosen principles have been adopted and supervising the publication of the Social Report and the guidelines for the external communication of corporate policy in this area. The Ethical Committee is also responsible for proposing the definition of codes of conduct and approving adherence to declarations of principles or bodies in the sector and has given its positive judgment on the Ethical Code of SANPAOLO IMI, approved by the Bank's Board of Directors in 2003.

Together with the Social Report, this document provides the general reference of the ethical principles and values of the Group and the corpus for the criteria of conduct for its Directors, employees and co-workers, in every operating context and geographical area. The Ethical Code provides details on the principles of honesty, fairness, faith, loyalty, integrity and respect of the law and the legitimate interests of all people and bodies with which the Group companies operate; the Code regulates the implementation of the abovementioned criteria, the training activity and the methods used for its dissemination, also providing instructions for application in the case of violation of its provisions.

The Ethical Code has been brought to the knowledge of all Group employees, in the belief that total adherence and consistent application of its principles, in relations with customers and other Bank and Group Company interlocutors, create the basis for a long-term relationship of trust; the Code has also been transmitted to the Group companies so that its contents can be disseminated among the respective Administrative bodies.

In the course of 2003 the Ethical Committee met on 3 occasions.

### **Nomination and remuneration of the Directors**

#### a) Nomination

The Bank's Articles of Association do not contain a particular procedure for nominating Directors, hence this takes place on the basis of the proposals presented during the Shareholders' meeting, with the presentation of the curricula and professional experiences of the candidates.

So far there has been no need to create a special Committee within SANPAOLO IMI for the presentation of nominations to the office of Director, given the nature of the task, which falls within the context of the competencies of shareholders, and the alert and attentive character of the latter as regards attendance of the shareholders' meetings and presenting suitable candidates for the corporate office. Their choice is focused on profiles of high standing with a wide range of different professional and managerial experiences in domestic and international contexts.

It should be emphasized that - in the light of the current regulations concerning requisites of respectability and professionalism required for the bank Directors - the presentation of nominations implies the performance of adequate checks by

those presenting candidates regarding the personal and professional characteristics of their candidates. The Board has 30 days from the date of nomination to check that the above-mentioned requisites exist, in conformity to the legal dispositions issued by the Bank of Italy.

#### b) Remuneration

The current system for remuneration of SANPAOLO IMI Directors, according to the criteria established by the shareholders as of 30 April 2001 and 29 April 2003, is largely based on the following:

- 1) a fixed annual part,
- 2) a variable part, linked to results achieved, and determined with reference to the bases and parameters approved by the Shareholders' Meeting,
- 3) a fixed sum including allowances for each attendance at meetings of Corporate bodies,

while, pursuant to the Articles of Association, the Directors have the right to reimbursement of expenses caused by their office.

The Board of Directors supervises the distribution to the Directors of the variable part, having heard the opinion of the Board of Statutory Auditors and, pursuant to subsection nine of Art. 15 of the Articles of Association, sets the remuneration of the Directors with particular duties as set out in the Articles of Association, having heard the opinion of the Board of Statutory Auditors, and also takes advice from the Remuneration and Personnel Policies Technical Committee.

In particular, for 2003, the Board of Directors, upon proposal by the aforementioned Committee, established:

- 1) for the Chairman and Managing Directors, a fixed remuneration and a variable part related to the achievement of specific targets in Bank and Group results, together with the stock option plans (illustrated in detail in the current Annual report) structured in a fixed and variable component fixed to share performance;
- 2) for the Deputy Chairmen, a fixed emolument related to the office, linked to their commitment to replace the Chairman in his absence or impediment, directly taking over the responsibilities involved.

The Board of Directors - in accordance with the abovementioned Art. 15 of the Articles of Association, having heard the opinion of the Board of Statutory Auditors - has set an additional payment for the Director who are members of the Technical Committees and for the Chairman of the Audit Technical Committee, considering the extensively diversified area of operation of the abovementioned Committee.

Details of the payments to the Directors are shown in the Explanatory Notes to the Parent Bank Financial Statements.

#### Central Management

The Central Management - nominated, in accordance with Art. 20 of the Articles of Association, by the Board of Directors, in alternative to the nomination of the General Manager(s) and Deputy General Manager(s), is managed by the Managing Directors and its Members, in their respective areas of expertise, implement the decisions made by the Board, the Executive Committee, the Chairman and the Managing Directors, manage all current affairs, supervise the structure and operation of Departments and organize the assignments and destinations of personnel, excluding Executives. They can also delegate, with internal and continuing provisions, certain powers of theirs to Executives and other Head Office personnel, area and branch managers.

The Central Management is currently composed of the following Managers:

- Audit Management, who evaluates the functionality of the whole internal control system of the Parent Bank and its operating units and identifies anomalous trends and violations of procedures and regulations;

- Human Resources Management, who ensures the qualitative and quantitative composition of the Group's human resources required for current and future needs of the individual organizational units;
- Sanpaolo Network Management - split into Private & Retail Division and Companies Division - for supervision of the territorial organization of the Bank and guaranteeing the interface with the other Group networks, to harmonize the various commercial development components;
- Group Credit Management, with the task of optimizing the quality of the Group's credit activities, minimizing the credit risk consistent with the returns targets set, and direct management of the domestic and international Groups, as well as supervision of structured finance transactions;
- General Secretarial Management, comprising legal and corporate competencies, the management of shareholdings and corporate development, the management of external relations and relationships with institutional investors;
- Management of Macchina Operativa Integrata for overseeing the integrated information system and back office processes of the domestic banking networks and Parent Bank functions;
- Group Finance Management, comprising the entire Group's financial management as well as treasury activities and portfolio management activities of the domestic banking networks.

In consideration of the SANPAOLO IMI listing on the New York Stock Exchange and in observance of the *Sarbanes - Oxley Act*, as well as the pertinent rules adopted by the SEC on the matter, a special Disclosures Committee has been set up, composed of certain members of Central Management and the Heads of certain Central Functions, chaired by the Annual Report Manager, in his capacity as *Chief Financial Officer*, with the task of cooperating with all the Company bodies to accomplish their duties and fulfill their responsibilities regarding the accuracy and promptness of the disclosure activity, as well as the creation and effective operation of the control and procedure system applied to the production of the same report.

\* \* \*

The remuneration system of the Company's Central Management (as happens for Group management) is characterized by the clear personalization of the retributive schedule applied to each of its Members, based, as well as on a fixed part, on the increasing use of the variable component. The current management by objectives model is, in particular, closely related to the strategic aims of the Industrial Plan, with the application of a corrective mechanism that links the payment of the cited variable component to the achievement of a global business objective, made up, for 2003, of the Group's ordinary gross income.

### **The internal control system**

The internal control system is a fundamental and vital element to the company processes aimed at guaranteeing, through the control of related risks, the correct management of the Bank and the Group in view of achieving the set aims and, at the same time, the defense of the interests of stakeholders.

As a bank and Parent Bank of a banking group, SANPAOLO IMI is subject to a specific Bank of Italy regulation which, as regards the issue in question, in line with the recommendations adopted internationally, is marked by a limited prescriptive indication in favor of principles of reference and by stimulating the top management for the development of highly efficient and effective control systems: in accordance with the Supervisory Regulations issued by the Bank of Italy, competitiveness, medium- and long-term stability and the possibility of guaranteeing healthy and prudent management cannot be obtained without a correctly functioning internal control system and the development of a solid company "culture" on the matter.

At SANPAOLO IMI the internal control system and the appointed structure are particularly widespread and organized to control effectively the typical risks inherent in the corporate activity and monitor the economic and financial situation of the Company and the Group.

These responsibilities are given – as well as to the Audit Technical Committee mentioned earlier - to a special Structure known as Audit Management which, reporting directly to the Managing Directors, is necessarily independent of the operating structures and in carrying out its activities, it is not denied access to data, archives and company assets.

Audit Management has the responsibility for evaluating the functioning of the complete system of internal controls of the Group, controlling operations and risk management performance as well as bringing to the attention of the Board of Directors and Top Management possible improvements in risk management policies, measurements, instruments and procedures; control is extended to Group companies directly and through the coordination of the corresponding subsidiaries' structures. The Management is split into three Functions: Parent Bank and Bank Networks Audits, with the mission of evaluating the internal control system to control risks and identify anomalies and violations of procedures with reference to the corporate centre units of the Parent Bank, the various central and outlying units of the Sanpaolo Network Management and the Foreign Network as well as Sanpaolo Banco di Napoli and the former Cardine bank networks; Subsidiaries Audit, with the mission of controlling the auditing functions of the subsidiaries, in order to guarantee consistent controls and adequate attention to the various types of risk, also through an independent investigation and verification activity by way of examination of periodical informative flows, as well as interventions on the premises of the same Companies; Compliance, with the mission of ensuring the conformity of company processes with legal provisions and the supervisory regulations that govern the various sectors of activity.

A quarterly report on the results of the activity is presented to the Board of Directors and the Audit Technical Committee.

There are regular, continuous reports between Audit Management and the other Control bodies and, in particular, to the Board of Statutory Auditors, to which constant information and cooperation are ensured through the attendance of the Audit Committee meetings by the Chairman of the Board and the periodical report by the Head of Audit Management, in the context of the sessions of the same Board, on the results of the activities performed.

\* \* \*

Moreover, in order to implement the provisions of Legislative Decree 231/2001, on the matter of administrative responsibility of legal bodies, and also taking account of the existing internal control system, SANPAOLO IMI has approved the reference principles for adoption of the models of organization, management and control pursuant to the abovementioned Decree, as well as conferral of the qualification of supervisory body to the Audit Technical Committee, with contextual attribution of the powers and prerogatives necessary to perform the supervisory activities in question.

### **Transactions with related parties**

The Board of Directors of SANPAOLO IMI has identified the parties correlated to the Bank and defined a Group procedure for the deliberation of transactions with such correlated parties, aimed at setting competencies and responsibilities, as well as indicating the informative flows between the structures of the Bank and the Companies directly and indirectly controlled.

To provide maximum transparency, the Bank has included in the setting of the related parties all those adhering to the current parasocial contracts between SANPAOLO IMI shareholders, including the holding companies of said shareholders, as well as the Executives of the Parent Bank Central Management.

In particular, in terms of transactions with significant correlated parties referred to the Parent Bank, they have been reserved to the exclusive deliberative competence of the Board of Directors, following screening by the Audit Committee.

In order to individuate the requirements of significance, the following limits have been set:

a) 50,000.00 euro, in the case of atypical or unusual transactions;

- b) 10 million euro, in the case of loans and other transactions at standard conditions, undertaken with correlated parties outside the Group;
- c) 500 million euro, in the case of loan transactions at standard conditions undertaken with Group correlated parties, or 50 million euro in the case of other transactions at standard conditions undertaken with Group correlated parties.

The significant transactions entered into by subsidiaries with the correlated parties of the Parent Bank have been reserved to the deliberative competence of the Board of Directors of the company concerned; in any case the subsidiary must submit its proposal to the approval of the Parent Bank in the case of transactions with values which are at least equivalent to the limits stated below:

- a) 50,000.00 euro for atypical or unusual transactions with correlated parties;
- b) 10 million euro for all transactions, loans and otherwise, at standard conditions with correlated parties outside the Group and otherwise.

As part of the procedure, in the preliminary stage of atypical or unusual transactions, the competent structures must be assisted by independent experts called to express an opinion on the economic conditions and/or legitimacy and/or the technical aspects of the transaction. For significant transactions, the Head of the Parent Group Structure competent to propose or approve the transaction, will assess whether or not to make use of the assistance of independent experts on the basis of the non-repetitive nature and relevance of the transaction.

The resolution proposals related to transactions with related parties, even when they are delegated to company bodies other than the Board of Directors, must state that the transaction is with a related party and always include a brief description of the characteristics, methods, terms and conditions of the transactions, indicating the related parties with whom the transaction is entered into, the reasons for and economic effects of the accomplishment of the transaction, the methods used to determine the price and the evaluations of its adequacy, as well as any indications supplied by independent experts.

If the correlated party is the subject to exercise functions of management, administration and control of the Bank, the procedure pursuant to Art. 136 of the Testo Unico Bancario (Consolidated Banking Law) will also be applied. The provisions adopted by the Parent Bank, in its capacity as company listed on the New York Stock Exchange are excepted, in implementation of the United States discipline on the matter of transactions with Group representatives.

Following the approval of the transactions with correlated parties, the Functions of the Parent Bank and the subsidiaries must present a quarterly report to the Audit Committee and the Board of Directors of the Parent Bank, in accordance with Art. 150 of D. Lgs 58/1998, and must, if necessary, implement immediate or periodical informative duties to the market.

### **Treatment of confidential information**

Within SANPAOLO IMI, the institutional task of external communication – which also includes price sensitive information – is the responsibility of the Chairman and the Managing Directors, supported by Investor Relations, while the task of entertaining relations with the press and other national and international communications is the responsibility of Media Relations.

Confidential information is treated following an internal procedure approved by the Board of Directors, taking account of best practice, and coordinates the principles and recommendations contained in communications from the Regulatory Authorities. This procedure, reaffirming the obligation of confidentiality, in the corporate interest and the interest of Directors and Statutory Auditors, also reaffirms the value which the Company recognizes in terms of principles of market efficiency and transparency as well as the criteria of duty, clarity and continuity of information, on which communication toward the public is based. The procedure also defines the circumstances when the obligation to communicate arises and the means of communication.

In implementing the legal and regulatory provisions, in addition to the above mentioned procedure, specific instructions have been transmitted to subsidiaries to ensure an efficient informative flow and timely respect for the requirements of transparency by the Group to the market.

Lastly, in compliance with the rules of the Sarbanes - Oxley Act and the pertinent provisions adopted by the SEC, the listing of SANPAOLO IMI on the New York Stock Exchange means that the Company must respect certain specific communication methods. In this context, as already mentioned above, the Disclosures Committee has been set up - composed of Heads of Central Management and Central Functions - with the task of supporting all the Company bodies to accomplish their duties and fulfill their responsibilities regarding the accuracy and promptness of the disclosure activity.

### **Internal Dealing**

Pursuant to provisions introduced by Borsa Italiana in the Regulation of Markets and in the related Instructions on the matter, aimed at the disclosure of transactions of purchase and sale undertaken by the Directors and by other "relevant people" in the stocks of listed Companies to which they belong and of the main subsidiaries, in December 2002, the Board of Directors approved the "Code of Conduct of Relevant People and of SANPAOLO IMI S.p.A. for transactions involving the Group's listed financial instruments and for communication to the market".

The Code governs, with legally binding effectiveness, the communication to the public of transactions in Group listed stocks undertaken by subjects ("relevant people") who have access, in virtue of the office held in the same Group, to a privileged strategic vision and are therefore able to direct, with a deeper perception of the opportunities offered by the market, their own investment choices.

In accordance with the provisions of the Code and on the basis of the information received, the Bank communicates to the market – by the tenth day on which the stock market is open following the last day of each calendar quarter – the transactions undertaken during such period by subjects identified as relevant people or equivalent, the total amount of which is equal to or more than 50,000.00 euro, and having as the object listed stocks of the Group or financial instruments, as defined in the regulatory provisions. Among the transactions subject to communication, are those having as their object the American Depositary Receipts (ADRs) negotiated on the New York Stock Exchange, while the transactions undertaken in the exercise of purchase or subscription rights – regulated within the context of stock option plans – or option rights, are not considered.

Without delay – and by the first day the stock exchange is open following receipt of communication of the transaction by the relevant person – the Bank communicates to the market the transactions undertaken by the same subjects which amount, individually or collectively, to more than 250,000 euro.

In the Code of Conduct, provision has also been made for the Board of Directors to establish – for specific periods of time – prohibitions or restrictions for relevant people or equivalent regarding the execution of the above-mentioned operations.

SANPAOLO IMI has communicated promptly to the market the adoption of the Code of Conduct and subsequent amendments, making the updated document available on its website.

### **Relations with shareholders**

SANPAOLO IMI has set up already internal company structures dedicated to managing relations with institutional investors, shareholders and the main operators in the domestic and international financial community, and to guaranteeing the systematic dissemination of thorough and prompt information on Group activities, strategies and results, also in the light of the indications formulated on the matter by the Consob and the principles contained in the "Market Information Guide"



on corporate information published in 2002 by Forum Ref. These competencies are currently attributed to Investor Relations and the Company Secretariat.

During 2003 the Bank pursued its opening towards the market, especially in conjunction with the publication of the financial statements and periodical results, through meetings with investors and financial analysts in the main geographic areas.

Furthermore – to encourage further communication with investors and in the context of the practice of correct, accurate and transparent communication – the Bank uses the [www.sanpaoloimi.com](http://www.sanpaoloimi.com) website to provide news on the profile of the SANPAOLO IMI Group and the Bank's shareholders, economic-financial information on the Group (financial statements, half year reports and quarterly share performances as well as summary tables), press releases issued by the Company and the annual calendar of relevant corporate events as well as information on relevant or extraordinary transactions. The site also provides news about the meetings organized periodically with financial analysts, to which anyone who is interested can participate directly or by conference call.

The website also includes a section dedicated explicitly to the Bank's corporate governance structure, containing this report, documents and information concerning its organization (Company bodies, Articles of Association and Regulations for meetings), the Group organization and the procedures and principles of conduct adopted by the Company in general and with reference to specific issues (internal dealing code, conduct during transactions with related parties, Ethical Code).

In the context of the aforementioned section of the website there is an e-mail address ([investor.relations@sanpaoloimi.com](mailto:investor.relations@sanpaoloimi.com)) where users can request information or documentation.

### **Shareholders' meetings**

SANPAOLO IMI encourages extensive attendance of the Shareholders' meetings: the informative material prepared in view of the meetings is usually promptly forwarded, together with notification of the meeting called, to the shareholders who attended the previous meetings, at their domiciles; the documentation on the subjects on the agenda is also available on the Bank's website.

The Shareholders' meetings are attended by the Company Directors, who make a useful contribution to the meeting. Moreover - to allow best use of the discussion and to regulate the meeting, without restricting or affecting the rights of each shareholder to express his/her opinion and ask for clarification regarding the agenda – SANPAOLO IMI has implemented a shareholders' meeting Regulation which is made available to shareholders before every meeting, together with the documentation prepared specifically for the Shareholders' meeting. This Regulation is not an appendix to the Articles of Association and has been approved by the Ordinary shareholders' meeting which is competent to approve any related amendments, also to guarantee greater flexibility and prompt adaptation of the text to the needs that the experience of its application might suggest.

The Regulation governs, among other things, the intervention in and attendance of the Shareholders' meeting, the verification of the legitimate right to intervene and access to the meeting room, the voting methods, interventions by the Directors and Auditors and also the Chairman's powers.

The Company does not deem it necessary to proceed to specific initiatives designed to amend the capital percentage ceilings contemplated by current regulation for actions and prerogatives to safeguard minorities.

The SANPAOLO IMI Shareholders' meeting met twice during 2003: on 29 April and 25 November. The subjects discussed during these meetings include, in particular, the approval of the financial statements for 2002 and the approval of the project for the merger by incorporation of Cardine Finanziaria as well as the adaptation of the Articles of Association to the corporate law reform.

## Board of Statutory Auditors

### a) Nomination, composition and duration

In accordance with Art. 19 of the Articles of Association, the Board of Statutory Auditors is elected by the Shareholders' Meeting through the voting list and in observance of a procedure which accounts for the timely publication of the candidacies and ensures within it a representation of minority shareholders.

The lists of candidates - which can be presented by the shareholders who, either alone or with other shareholders, represent at least 1% of the shares with voting rights in the Ordinary shareholders' meeting - must be published in at least two national daily newspapers, including one financial newspaper, at least 10 days before the day fixed for the Shareholders' Meeting on first call, and deposited at the registered office together with the curriculum vitae of each candidate and declarations with which the individual candidates accept their candidacy and affirm, under their own responsibility, the absence of causes of ineligibility and incompatibility, as well as the existence of the requirements prescribed by current regulations and the Articles of Association to hold the office of Statutory Auditor.

The SANPAOLO IMI Shareholders' meeting, held on 30 April 2002, nominated the Board of Statutory Auditors for 2002/2003/2004.

Two lists were presented during this meeting: list no. 1 by Compagnia di San Paolo S.r.l. – then holder of 16.13% of the share capital, and list no. 2 by Fondazione Cassa di Risparmio di Venezia – then holder of 1.96% of the share capital.

The list that obtained most votes was list no. 1. Therefore, in accordance with subsection 12 of the aforementioned Art. 19, this list presented in the progressive order as listed, three Auditors and one Supplementary Auditor, while the two remaining Auditors and one Supplementary Auditor were taken from the other list<sup>4</sup>:

Mario Paolillo	Chairman	taken from list no. 1
Aureliano Benedetti	Auditor	taken from list no. 1
Maurizio Dallochio	Auditor	taken from list no. 2
Paolo Mazzi	Auditor	taken from list no. 1
Enrico Vitali	Auditor	taken from list no. 2
Stefania Bortoletti	Supplementary Auditor	taken from list no. 2

In accordance with subsection 14 of Article 19 of the Articles of Association, the chair of the Board is taken by Mario Paolillo, the latter being at the top of the list which received the most votes.

\* \* \*

The Shareholders' meeting of 30 April 2002 also established the payment due to the members of the Board of Auditors for the three year-period of office (including allowances) for attendance of every meeting and without affecting the Auditor's right to reimbursement of expenses produced by their office.

### b) Functions and powers of the Board of Statutory Auditors

The Board of Statutory Auditors – which met 19 times during 2003, with an 86% average attendance by Auditors – is called

<sup>4</sup> The Meeting on 30 April 2002 elected two Supplementary Auditors, pursuant to subsection 1 of Art. 19 of the Articles of Association. Antonio Ottavi, Supplementary Auditor taken from list no. 1, handed in his resignation, effective from 19 January 2004. The nomination of a new Supplementary Auditor is provided for by the agenda of the Shareholders' meeting of 28/29 April 2004; the decision will be taken in accordance with subsection 16 of Art. 19 of the Articles of Association by the relative majority, without the vote listing procedure.

upon to supervise the observance of the law and the Articles of Association, the observance of the principles of correct management and the adequacy of the organizational structure, for the areas of competence, of the internal control system and the company's administrative-accounting system, as well as the adequacy of the provisions given by the company to its subsidiaries to fulfill the communication and information obligations provided for by the law.

In carrying out its duties the Board of Statutory Auditors has extensive powers of inspection and internal investigation, it may call the Shareholders' meeting – in cases provided for by the law, the Board and the Executive Committee, appeal against the resolutions of the Shareholders' meeting and the Board and report irregularities in management to the Court, also with reference to subsidiaries. The Board also immediately informs the Consob and the Bank of Italy of irregularities in supervisory activities.

The Board of Auditors attends all the meetings of the Board of Directors and the Executive Board and therefore is constantly informed of the activities carried out by the Company. Moreover, in compliance with Art. 150 of D.Lgs 58/1998 and Art. 17 of the Articles of Association and in order to guarantee that all the information needed to exercise effectively its functions are made available to the Board of Statutory Auditors, the Board of Directors refers promptly, at least quarterly, to the Board on the activities performed and the major economic, financial and balance sheet transactions performed by the company or the subsidiaries as well as, in particular, potentially conflicting transactions.

To implement the legal provisions and the Articles of Association, a special organization procedure has been created; it defines the competencies and responsibilities of the Bank functions involved in the informative process between the Board of Directors and the Board of Statutory Auditors. The activities referred by the Board are, in any case, promptly reported to the Board of Statutory Auditors in a specific communication addressed to its Chairman.

The informative activity in question is organized into reports on Group activities, which analyze the operating trend and major economic, financial and balance sheet transactions, the exercise of powers of attorney within the Parent Bank and potentially conflicting transactions, with particular reference to transactions with related parties. The extensive informative activity in question is not just functional to the performance of the Board of Statutory Auditors' supervisory activities, but also allows all the Directors to carry out aware and informed observance of company operations.

\* \* \*

In relation to the quotation on the United States stock market, SANPAOLO IMI took direct measures during the year to respond fully to the instructions given by the SEC implementing the Sarbanes – Oxley Act, also with regard to the obligation to set up (by 25 July 2005) an audit committee which meets specific standards. The analysis of the new regulation has led to the belief that SANPAOLO IMI can assign, for the moment, the audit committee functions to be implemented immediately – such as the obligation for independent auditors to refer and discuss the critical accounting policies and alternative treatments under GAAP and the obligation for pre-approval of assignments to independent auditors – to the Board of Statutory Auditors, without influencing the ordinary competencies and responsibilities assigned to the latter under Italian law.

The Board of Statutory Auditors already holds extensive powers and responsibilities established by the law and Italian regulations, as well as by Consob recommendations, and the choice made appears consistent with the concentration of control competencies within this Body.

Specifically, the assignment of the compulsory auditing appointment, as well as further appointments to the same auditors, have already been approved by the Board of Statutory Auditors. The latter has therefore given a better definition - on the basis of the Italian and American provisions made to safeguard the autonomy of the independent auditors - of general criteria for the assignment of audit and non audit appointments to the Group's main and secondary auditors, as well as to others belonging to their network. These criteria must be observed by the company Functions of the Parent Bank and the Subsidiaries, which will continue to be responsible for the appointments assigned to them.

Naturally, in this prospective, the Audit Committee set up within the Board of Directors on the basis of the Code of Conduct maintains the attributions established by the Code, as the articulation of the primary management responsibility of the internal control system.

#### c) Offices of Director or Statutory Auditor held in other listed companies

Considering that the assumption of a relevant number of offices could make it difficult to fulfill their duties in a proper manner, the SANPAOLO IMI Articles of Association state that the members of the Board of Statutory Auditors cannot hold more than five offices of Auditor in other listed companies; the need to ensure unitary control of the Group has also led to the express exclusion of offices held in Subsidiaries from the above restriction.

Following is a list of the offices of Director or Statutory Auditor in other companies listed in Italian regulated markets, currently covered by the SANPAOLO IMI Auditors:

SINDACO	OFFICE	COMPANY
PAOLILLO Mario	Chairman of Board of Statutory Auditors	Banca Fideuram S.p.A.
BENEDETTI Aureliano	Chairman	Cassa di Risparmio di Firenze S.p.A.
DALLOCCHIO Maurizio	Chairman	Vemer Siber S.p.A.
	Director	Aedes S.p.A.
	Director	Marcolin S.p.A.
	Director	Snia S.p.A.
	Director	Sorin S.p.A.
MAZZI Paolo	/	/
VITALI Enrico	/	/
BORTOLETTI Stefania	/	/

#### Audits

Being a listed Company, the accounting control activity of SANPAOLO IMI must, by law, be carried out by independent auditors who are responsible for checking that the company accounts are properly kept during the year, that the operating facts are correctly booked and also for ensuring that the financial statements and the consolidated financial statements correspond with the results of the accounting entries and the checks carried out and that the same accounting documents conform to the pertinent regulatory standards. The independent auditors issue appropriate reports to express an opinion on the financial statements and the consolidated financial statements as well as on the half year reports.

The assignment of the auditing appointment is proposed by the Board of Directors, also following assessments by the Audit Committee, on the basis of bids presented by the independent auditors interested; the proposal, together with the opinion of the Board of Statutory Auditors, is presented to the Ordinary shareholders' meeting during the approval of the financial statements. The Shareholders' meeting confers the appointment for three years, renewable a maximum of two times, and also determines the payment due to the company appointed.

The independent auditors have the right to obtain from the Directors documents and information useful to the auditing activity and may carry out any checks, inspections and controls; it promptly informs the Consob, Bank of Italy and the Board of Statutory Auditors - with which it exchanges data and information of importance to their respective tasks - of any facts considered discommendable.

The attribution to the independent auditors of further tasks compatible with their corporate purpose, must be approved by the Board of Directors after being approved by the Board of Statutory Auditors.

The independent auditors appointed by SANPAOLO IMI for 2001/2002/2003 is PricewaterhouseCoopers S.p.A.. At the Meeting called for 28/29 April 2004, the proposal to appoint the same independent auditor for 2004/2005/2006 will be discussed.

Turin, 26 March 2004

The Board of Directors

## Summary of the structure of Board of Directors and Technical Committees

	Office	Board of Directors			Number of other offices	Executive Committee	Remuneration and Personnel Policies Technical Committee	Audit Technical Committee	Group Risks Technical Committee	Ethical Committee
		Executive	Non-executive	Independent						
Rainer Masera	Chairman		X	X	2	X			X	X
Pio Bussolotto	Managing Director	X			3	X	X		X	
Alberto Carmi	Director		X	X	-					X
Giuseppe Fontana	Director		X	X	2		X	X		
Richard Gardner	Director		X	X	-					X
Alfonso Iozzo	Managing Director	X			4	X	X		X	
Mario Manuli	Director		X	X	6		X			X
Luigi Maranzana	Managing Director	X			4	X	X		X	
Antonio Maria Marocco	Director		X	X	2					X
Virgilio Marrone	Director		X		-	X	X	X		
Abel Matutes	Director		X	X	-					X
Iti Mihalich	Director		X		21	X	X			
Anthony Orsatelli	Director		X		32				X	
Emilio Ottolenghi	Director		X	X	3			X	X	
Orazio Rossi	Deputy Chairman		X	X	2	X	X		X	
Gian Guido Sacchi Morsiani	Director		X	X	2					
Enrico Salza	Deputy Chairman		X	X	2	X	X	X		
Remi François Vermeiren	Director		X	X	2				X	X

### Number of meetings held during 2003

- Board of Directors 17
- Executive Committee 20
- Remuneration and Personnel Policies Technical Committee 6
- Audit Technical Committee 17
- Group Risks Technical Committee 8
- Ethical Committee 3

## Board of Statutory Auditors

Office	Members	Number of offices of Director or Statutory Auditor held in other companies listed in Italian regulatory markets
Chairman	Mario Paolillo	1
Auditor	Aureliano Benedetti	1
Auditor	Maurizio Dallochio	5
Auditor	Paolo Mazzi	-
Auditor	Enrico Vitali	-
Supplementary Auditor	Stefania Bortoletti	-

*Number of meetings held during the calendar year: 19*

*Quorum required for the presentation of lists by minorities for the election of one or more members (ex Art. 148 TUF): 1%*

## Other provisions of the code of conduct

	SI	NO	Summary of the reasons for any disagreement with the Code recommendations.
<b>System of powers of attorney and transactions with related parties</b>			
Has the Board of Directors attributed powers of attorney, setting their limits, methods of exercise and frequency of information?	X		
Has the Board of Directors reserved the right to examine and approve transactions of particular economic, balance sheet and financial importance (including transactions with related parties)?	X		
Has the Board of Directors established guidelines and criteria for identifying "significant" transactions?	X		
Are the above guidelines and criteria described in the report?	X		
Has the Board of Directors created special procedures for examining and approving transactions with related parties?	X		
Are the procedures for approving transactions with related parties described in the report?	X		
<b>Procedures for the most recent nomination of directors and auditors</b>			
Were the candidacies for the office of director deposited at least ten days in advance?		X	The Bank's Articles of Association do not contain a specific procedure for nominating Directors, so this takes place on the basis of the proposals presented during the Shareholders' meeting, with the presentation of the curricula and professional experiences of the candidates.
Were the candidacies for the office of director accompanied by thoroughly detailed information?		X	
Were the candidacies for the office of director accompanied by an indication of suitability for the qualification as independent?		X	
Were the candidacies for the office of auditor deposited at least ten days in advance?	X		
Were the candidacies for the office of auditor accompanied by thoroughly detailed information?	X		
<b>Meetings</b>			
Has the company approved an Meeting Regulation?	X		
Is the Regulation attached to the report (or is there an indication of where it can be obtained/downloaded)?	X		
<b>Internal control</b>			
Has the company nominated appointees to carry out the internal control activity?	X		
Are the appointees hierarchically non dependent on managers of operating areas?	X		
Organizational unit appointed for internal control (pursuant to Art. 9.3 of the Code)			Audit Management Manager: Aldo Gallo
<b>Investor relations</b>			
Has the company nominated an investor relations manager?	x		
Organizational unit and references (address/telephone/fax/e-mail) of the investor relations manager			Investor Relations Manager: Dean Quinn Piazza San Carlo 156 10121 Torino tel. 011 555 2593 – fax 011 555 2737 – e-mail dean.quinn@sanpaoloimi.com



# Information for investors

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Requests for information on the SANPAOLO IMI Group should be addressed to:

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