

# Parent Bank financial statements and reports

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**PARENT BANK RECLASSIFIED FINANCIAL STATEMENTS**

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**REPORT ON PARENT BANK 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

	2004 (€/mil)	2003 pro forma (1) (€/mil)	Change 2004 / 2003 pro forma (%)	2003 (€/mil)
<b>NET INTEREST INCOME</b>	<b>1,412</b>	<b>1,525</b>	<b>-7.4</b>	<b>1,849</b>
Net commissions and other net dealing revenues	1,409	1,306	+7.9	1,467
Profits and losses from financial transactions and dividends on shares	132	95	+38.9	89
Dividends from shareholdings	766	842	-9.0	832
<b>NET INTEREST AND OTHER BANKING INCOME</b>	<b>3,719</b>	<b>3,768</b>	<b>-1.3</b>	<b>4,237</b>
Administrative costs	-2,431	-2,495	-2.6	-2,723
- <i>personnel</i>	-1,486	-1,534	-3.1	-1,665
- <i>other administrative costs</i>	-827	-839	-1.4	-918
- <i>indirect duties and taxes</i>	-118	-122	-3.3	-140
Other operating income, net	483	469	+3.0	375
Adjustments to tangible and intangible fixed assets	-331	-335	-1.2	-339
<b>OPERATING INCOME</b>	<b>1,440</b>	<b>1,407</b>	<b>+2.3</b>	<b>1,550</b>
Adjustments to goodwill and merger differences	-72	-72	-	-115
Provisions and net adjustments to loans and financial fixed assets	-353	-552	-36.1	-579
- <i>provisions for risks and charges</i>	-125	-111	+12.6	-117
- <i>net adjustments to loans and provisions for guarantees and commitments</i>	-145	-373	-61.1	-401
- <i>net adjustments to financial fixed assets</i>	-83	-68	+22.1	-61
<b>INCOME BEFORE EXTRAORDINARY ITEMS</b>	<b>1,015</b>	<b>783</b>	<b>+29.6</b>	<b>856</b>
Net extraordinary income/expense	223	124	+79.8	233
<b>INCOME BEFORE TAXES</b>	<b>1,238</b>	<b>907</b>	<b>+36.5</b>	<b>1,089</b>
Income taxes for the period	-202	-151	+33.8	-265
Change in reserve for general banking risks	-	-	n.s.	-
<b>NET INCOME</b>	<b>1,036</b>	<b>756</b>	<b>+37.0</b>	<b>824</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 2003 is unaudited.



## Parent Bank reclassified balance sheet

	31/12/2004 (€/mil)	31/12/2003 pro forma (1) (€/mil)	Change 31/12/04-31/12/03 pro forma (%)	31/12/2003 (€/mil)
<b>ASSETS</b>				
Cash and deposits with central banks and post offices	750	733	+2.3	741
Loans	92,143	88,573	+4.0	91,368
- due from banks	34,939	27,381	+27.6	27,385
- loans to customers	57,204	61,192	-6.5	63,983
Dealing securities	9,202	9,054	+1.6	8,816
Fixed assets	14,954	15,253	-2.0	14,820
- investment securities	2,365	2,458	-3.8	2,458
- equity investments	10,650	10,734	-0.8	10,291
- intangible fixed assets	702	797	-11.9	797
- tangible fixed assets	1,237	1,264	-2.1	1,274
Other assets	8,846	8,485	+4.3	9,235
<b>Total assets</b>	<b>125,895</b>	<b>122,098</b>	<b>+3.1</b>	<b>124,980</b>
<b>LIABILITIES</b>				
Payables	98,789	95,130	+3.8	97,470
- due to banks	37,029	36,566	+1.3	37,800
- due to customers and securities issued	61,760	58,564	+5.5	59,670
Provisions	2,033	2,014	+0.9	2,490
- for taxation	381	202	+88.6	660
- for termination indemnities	468	518	-9.7	529
- for risks and charges	1,184	1,294	-8.5	1,301
- for pensions and similar	-	-	n.s.	-
Other liabilities	7,395	8,297	-10.9	8,787
Subordinated liabilities	6,588	5,887	+11.9	5,887
Shareholders' equity	11,090	10,770	+3.0	10,346
- capital	5,218	5,144	+1.4	5,144
- reserves	4,836	4,802	+0.7	4,378
- net income	1,036	756	+37.0	824
- adjustment for alignment with net income	-	68	n.s.	-
<b>Total liabilities</b>	<b>125,895</b>	<b>122,098</b>	<b>+3.1</b>	<b>124,980</b>
<b>GUARANTEES AND COMMITMENTS</b>				
Guarantees given	28,333	29,298	-3.3	29,298
Commitments	14,190	14,057	+0.9	14,057

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

The pro forma balance sheet as of 31/12/2003 is unaudited.





# Report on Parent Bank 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 2004, the Bank's income results registered a growth compared with the previous year, in a context characterized by the recovery of financial markets, especially towards the end of the year, and a modest economic growth, influenced by the persistent weakness of domestic demand.

Operating income reached 1,440 million euro, up 2.3% compared with 2003. This trend was favored by the positive performance of commissions and profits from financial transactions and the reduction in operating costs, despite the fall in net interest income.

Benefiting from fewer provisions and adjustments and higher net extraordinary income compared with the previous year, net income reached 1,036 million euro, up 37%.

To allow a consistent comparison with the 2004 results, a pro forma balance sheet for 2003 was prepared, taking account of:

- the merger by incorporation of Cardine Finanziaria;
- the transfer of the Southern Territorial Direction business branch to Sanpaolo Banco di Napoli;
- the transfer to CSP Investimenti of all real estate not functional to the activities of the Bank;
- the branch transfer to Cassa di Risparmio in Bologna and Cassa di Risparmio di Padova e Rovigo;
- the merger by incorporation of Invesp and Prospettive 2001.

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

### Net interest income

The net interest income of 2004 was 1,412 million euro, down 7.4% compared with the previous year. This trend is attributable to the deterioration of the total spread (15 basis points) between interest-earning assets and interest-bearing liabilities, only partly offset by lower liability, following the decrease in market rates, of the negative fund imbalance.

The spread related to short-term transactions with Italian customers fell by 12 basis points compared with 2003. This reduction is the result of the closure of the mark-down, generated by the progressive decline in monetary rates (three-month Euribor fell by 22 basis points in average terms), compared with the stability of the mark-up which benefited from the revision of the maximum overdraft commission application mechanism.

### Net interest and other banking income

Net interest and other banking income came to 3,719 million euro, down 1.3% compared with the previous year.

Net commissions amounted to 1,409 million euro, up 7.9% compared with 2003. The increase, registered in all commission areas, was supported by asset management, dealing and advisory, which benefited from the positive trend of commissions related to asset management, attributable to the recovery of the financial markets and important placements of insurance products. There was also a growth in commission revenues from loans and guarantees and deposits and current accounts.

#### Net interest income

	2004 (€/mil)	2003 pro forma (€/mil)	Change 2004 / 2003 pro forma (%)	2003 (€/mil)
Interest income and similar revenues	3,557	3,730	-4.6	4,159
Interest expense and similar charges	-2,145	-2,205	-2.7	-2,310
<b>Net interest income</b>	<b>1,412</b>	<b>1,525</b>	<b>-7.4</b>	<b>1,849</b>

Profits from financial transactions and dividends on shares, equal to 132 million euro, rose by 38.9%, largely thanks to income from dealing activities in derivatives, for about 43 million.

Dividends from shareholdings amounted to 766 million euro, down 9% compared with 2003 due to the write-off of the pay out by certain subsidiaries.

## Operating income

The trend of revenues was accompanied by a lively evolution of the costs, which allowed for a growth of 2.3%

of the operating income, which has reached 1,440 million euro.

Administrative costs of 2,431 million euro showed a 2.6% reduction compared with 2003, thanks to structural cost containment actions, taken during the previous year.

Personnel costs, equal to 1,486 million euro, fell by 3.1% compared with 2003: the staff reduction, realized through staff leaving incentives, and by using the "Income, employment and re-training fund for staff in the banking industry" ("Fondo di solidarietà per il sostegno del reddito, dell'occupazione e della riconversione e riqualificazione professionale del Personale del Credito"),

### Net interest and other banking income

	2004 (€/mil)	2003 pro forma (€/mil)	Change 2004 / 2003 pro forma (%)	2003 (€/mil)
Net interest income	1,412	1,525	-7.4	1,849
Net commissions and other net dealing revenues	1,409	1,306	+7.9	1,467
- management, dealing and advisory services	771	707	+9.1	774
- <i>asset management</i>	682	627	+8.8	688
- <i>brokerage and custody of securities and currencies</i>	89	80	+11.3	86
- loans and guarantees	226	199	+13.6	217
- collection and payment services	123	119	+3.4	146
- deposits and current accounts	269	251	+7.2	302
- other services and net dealing revenues	20	30	-33.3	28
Profits and losses from financial transactions and dividends on shares	132	95	+38.9	89
Dividends from shareholdings	766	842	-9.0	832
<b>Net interest and other banking income</b>	<b>3,719</b>	<b>3,768</b>	<b>-1.3</b>	<b>4,237</b>

### Operating income

	2004 (€/mil)	2003 pro forma (€/mil)	Change 2004 / 2003 pro forma (%)	2003 (€/mil)
Net interest and other banking income	3,719	3,768	-1.3	4,237
Operating costs	-2,279	-2,361	-3.5	-2,687
- administrative costs	-2,431	-2,495	-2.6	-2,723
- <i>personnel</i>	-1,486	-1,534	-3.1	-1,665
- <i>other administrative costs</i>	-827	-839	-1.4	-918
- <i>indirect duties and taxes</i>	-118	-122	-3.3	-140
- other operating income, net	483	469	+3.0	375
- adjustments to tangible fixed assets	-175	-171	+2.3	-177
- adjustments to intangible fixed assets	-156	-164	-4.9	-162
<b>Operating income</b>	<b>1,440</b>	<b>1,407</b>	<b>+2.3</b>	<b>1,550</b>

more than compensated for the ordinary dynamics of payroll, which includes the increases introduced by the renewal of the national collective labor contract in February 2005, which determined a 1.9% increase for 2004 plus payment of contractual holiday indemnities from April 2004. Measures to improve efficiency also enabled absorption of the variable payroll component, which increased following the improvement of income results.

Other administrative costs for 827 million euro fell by 1.4%, largely due to IT expenditure (-5.4%), which benefited from synergies following the integration of IT systems, and general expenses (-2.8%). On the other hand, promotion, advertising and marketing expenses increased (+13.7%), particularly those linked with the Torino 2006 Olympic Winter Games and contributions to the aggregation of categories for adherence to interbank initiatives to protect savers, as well as professional and insurance expenses (+3.7%). These were influenced by professional fees for the reorganization of the Group's insurance activities and the commercial development and integration of the bank networks, and by insurance premiums for the growing offer of insurance coverage products to customers.

Adjustments to tangible and intangible fixed assets amounted to 331 million euro, down 1.2% on the previous year. In the context of basic stability of investments, concentrated mainly in IT, logistics and development of applications, the reduction of adjustments should be considered in relation to the elimination of the writedowns made in 2003 for the former Banco di Napoli software.

## Income before extraordinary items

The year's income before extraordinary items reached 1,015 million euro, up 29.6% compared with 2003.

Adjustments to goodwill and merger and consolidation differences, 72 million euro, were in line with the values booked the previous year.

Provisions and net adjustments to loans and financial fixed assets amounted to a total of 353 million euro, falling 36.1% compared with 2003. The net flow for the year includes:

- 125 million euro provisions for risks and charges, compared with the 111 million of 2003. The increase refers mainly to greater provisions for legal disputes, especially claims from bankruptcy liquidators;
- 145 million euro net adjustments for credit risks, compared with the 373 million of 2003, as the net result of writedowns of loans classified among doubtful loans (213 million), forfeit adjustments to performing loans (21 million), provision in relation to the contractual commitments inherent in the FIAT convertible facility (14 million), net provisions for guarantees and commitments (16 million) and writebacks following the recovery activity (119 million);
- 83 million euro of adjustments to financial fixed assets regarding the investment portfolio compared with 68 million in 2003. The main writedown regarded the shareholding in Cassa dei Risparmi di Forlì for 86 million euro, together with that on the put option granted to the Fondazione shareholder of the Cassa in the context of the purchase agreements, for 23 million. On the contrary, the shareholding in Santander Central Hispano (33

### Other administrative costs

	2004 (€/mil)	2003 pro forma (€/mil)	Change 2004 / 2003 pro forma (%)	2003 (€/mil)
IT costs	264	279	-5.4	275
Real estate costs	173	175	-1.1	185
General expenses	106	109	-2.8	172
Professional and insurance fees	112	108	+3.7	119
Promotion, advertising and marketing expenses	58	51	+13.7	52
Indirect personnel costs	63	65	-3.1	65
Utilities	51	52	-1.9	50
<b>Other administrative costs</b>	<b>827</b>	<b>839</b>	<b>-1.4</b>	<b>918</b>

million euro) was revaluated, aligning the book value to the unitary historical cost of 8.70 euro, lower than the share price at the end of December 2004 and in the early months of 2005.

## Net income

Net income, 1,036 million euro, benefited from 223 million euro of net extraordinary income, compared with 124 million in 2003, the latter having been influenced especially by charges for staff leaving incentives through the use of the “Fund for staff in the banking industry”. The net flow for 2004 includes:

- 106 million euro gains on the sale of shareholdings, of

which 72 million in relation to the sale of the 30% shareholding of Finconsumo Banca to the Santander Central Hispano group;

- 102 million euro of revenue due to the recent legal provisions on the so-called “clean-up” of the financial statements from transactions of exclusively tax-related nature. These revenues are mainly attributable to the partial reversal of the adjustment to the shareholding in Cassa di Risparmio di Firenze, made in previous years for such purposes;
- 61 million profit following the placement on the market, by a subsidiary incorporated into SANPAOLO IMI at the end of the year, of own shares received from the spin off of Fideuram Vita;
- 50 million losses from the transfer of the shareholding

### Income before extraordinary items

	2004 (€/mil)	2003 pro forma (€/mil)	Change 2004 / 2003 pro forma (%)	2003 (€/mil)
Operating income	1,440	1,407	+2.3	1,550
Adjustments to goodwill and merger differences	-72	-72	-	-115
Provisions and net adjustments to loans and financial fixed assets	-353	-552	-36.1	-579
- provisions for risks and charges	-125	-111	+12.6	-117
- adjustments to loans and provisions for guarantees and commitments	-145	-373	-61.1	-401
- <i>net writedowns</i>	-248	-475	-47.8	-516
- <i>net provisions for guarantees and commitments</i>	-16	3	n.s.	3
- <i>recoveries</i>	119	99	+20.2	112
- net adjustments to financial fixed assets	-83	-68	+22.1	-61
- <i>net writedowns of equity investments</i>	-83	-63	+31.7	-56
- <i>net writedowns of investment securities</i>	-	-5	n.s.	-5
<b>Income before extraordinary items</b>	<b>1,015</b>	<b>783</b>	<b>+29.6</b>	<b>856</b>

### Net income

	2004 (€/mil)	2003 pro forma (€/mil)	Change 2004 / 2003 pro forma (%)	2003 (€/mil)
Income before extraordinary items	1,015	783	+29.6	856
Net extraordinary items	223	124	+79.8	233
- <i>net gains on disposal and transfer of equity investments</i>	56	289	-80.6	331
- <i>other net extraordinary items</i>	167	-165	n.s.	-98
<b>Income before taxes</b>	<b>1,238</b>	<b>907</b>	<b>+36.5</b>	<b>1,089</b>
Change in reserve for general banking risks	-	-	n.s.	-
Income taxes for the period	-202	-151	+33.8	-265
<b>Net income</b>	<b>1,036</b>	<b>756</b>	<b>+37.0</b>	<b>824</b>

in CDC Ixis to the company vehicles in which the Bank repositioned the investment following the corporate restructuring of the French group Caisse d'Epargne.

The tax rate for the year was 16.3%. This benefited from the provisions introduced by the tax reform regarding the exclusion of profits from equity investments from taxable income.

## Operating volumes and organization

For unity of comparison with 2004, the figures as of 31 December 2003 have been presented pro forma to reproduce the variations in the setting, as explained in detail in the Explanatory Notes.

### Customer financial assets

At the end of 2004 customer financial assets reached 195.3 billion euro, up 8.4% over the 12 months. This

movement is attributable to the increase in indirect deposits, especially asset administration, and direct deposits.

In greater detail, direct customer deposits were 61.8 billion euro, up 5.5% compared with the end of 2003.

Within the total aggregate, the flow of the domestic branches reached 55.7 billion euro, up 13.7% mainly thanks to the expansion of the bond sector and sight deposits.

Direct deposits from customers to the foreign network, equaling 6 billion euro, fell considerably compared with the end of 2003, largely due to reimbursement of foreign

#### Customer financial assets

	31/12/2004		31/12/2003 pro forma		Change 31/12/04-31/12/03 pro forma (%)	31/12/2003	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Asset management	61,889	31.7	59,852	33.2	+3.4	61,675	33.3
Asset administration	71,612	36.7	61,719	34.3	+16.0	63,745	34.5
Direct deposits	61,760	31.6	58,564	32.5	+5.5	59,670	32.2
<b>Customer financial assets</b>	<b>195,261</b>	<b>100.0</b>	<b>180,135</b>	<b>100.0</b>	<b>+8.4</b>	<b>185,090</b>	<b>100.0</b>

#### Direct customer deposits

	31/12/2004		31/12/2003 pro forma		Change 31/12/04-31/12/03 pro forma (%)	31/12/2003	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Domestic branch deposits	55,738	90.2	49,030	83.7	+13.7	50,136	84.0
- current accounts and deposits	31,605	51.2	28,611	48.9	+10.5	29,715	49.8
- certificates of deposit	403	0.6	481	0.8	-16.2	483	0.8
- bonds	18,029	29.2	15,099	25.8	+19.4	15,099	25.3
- repurchase agreements and securities lending	4,840	7.8	4,114	7.0	+17.6	4,114	6.9
- other deposits	861	1.4	725	1.2	+18.8	725	1.2
Foreign branch deposits	6,022	9.8	9,534	16.3	-36.8	9,534	16.0
<b>Direct customer deposits</b>	<b>61,760</b>	<b>100.0</b>	<b>58,564</b>	<b>100.0</b>	<b>+5.5</b>	<b>59,670</b>	<b>100.0</b>

#### Asset management

	31/12/2004		31/12/2003 pro forma		Change 31/12/04-31/12/03 pro forma (%)	31/12/2003	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Mutual funds and fund-based portfolio management	42,824	69.2	43,283	72.3	-1.1	44,573	72.3
Portfolio management	1,816	2.9	2,607	4.4	-30.3	2,693	4.4
Life technical reserves	17,249	27.9	13,962	23.3	+23.5	14,409	23.3
<b>Asset management</b>	<b>61,889</b>	<b>100.0</b>	<b>59,852</b>	<b>100.0</b>	<b>+3.4</b>	<b>61,675</b>	<b>100.0</b>



currency deposit certificates issued in the second half of 2003.

The Bank's assets under management reached 61.9 billion euro, up 3.4% compared with the end of December 2003. The increase, equal to 2 billion euro, is entirely attributable to the positive trend of the financial markets.

Mutual funds and fund-based portfolio management reached 42.8 billion euro, down 1.1% since the beginning of the year. The recovery of the financial markets and the deferral of the forecast increase in interest rates did however influence the decisions of savers, who abandoned liquidity funds in favor of other types of funds, especially bonds, which rose from 32.5% at the end of 2003 to

35.1%. The share held by the Bank on the domestic market of mutual funds was 8.3% at the end of 2004.

During the year, the life insurance branch confirmed the growth trend already evident in 2003: life technical reserves, equal to 17.2 billion euro, increased by 23.5%, benefiting from 2.7 billion net inflow. This movement reflects the impulse given by the commercial network to the placement of these products and the favorable reception by customers.

Asset administration rose to 71.6 billion euro at the end of the year, up 16% since the beginning of the year. The positive trend was particularly due to the growth in the volumes of government securities and other bonds.

#### Change in assets under management

	2004 (€/mil)	2003 pro forma (€/mil)	2003 (€/mil)
Net inflow for the period	-	2,013	3,380
- Mutual funds and fund-based portfolio management	-2,045	188	1,329
- Portfolio management	-689	-931	-1,336
- Life insurance policies	2,734	2,756	3,387
Performance effect	2,037	2,507	1,140
<b>Change in assets under management</b>	<b>2,037</b>	<b>4,520</b>	<b>4,520</b>

#### Mutual funds by type

	31/12/2004 (%)	31/12/2003 pro forma (%)	31/12/2003 (%)
Equity	17.1	17.0	17.0
Balanced	14.5	14.4	14.4
Bond	35.1	32.5	32.5
Liquidity	33.3	36.1	36.1
<b>Total mutual funds</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

#### Loans to customers

	31/12/2004		31/12/2003 pro forma		Change 31/12/04-31/12/03 pro forma (%)	31/12/2003	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Short-term loans	22,725	39.7	27,942	45.7	-18.7	28,947	45.2
Medium- and long-term loans	34,101	59.6	32,808	53.6	+3.9	34,584	54.1
<b>Loans to customers excluding NPLs</b>	<b>56,826</b>	<b>99.3</b>	<b>60,750</b>	<b>99.3</b>	<b>-6.5</b>	<b>63,531</b>	<b>99.3</b>
Non-performing loans	378	0.7	442	0.7	-14.5	452	0.7
<b>Loans to customers</b>	<b>57,204</b>	<b>100.0</b>	<b>61,192</b>	<b>100.0</b>	<b>-6.5</b>	<b>63,983</b>	<b>100.0</b>

## Loans to customers

Net loans to customers, excluding non-performing loans, reached 56.8 billion euro, down 6.5% compared with the end of December 2003. The decline is attributable to the drop in short-term loans (-18.7%), largely attributable to reduced utilization by corporate customers, only partially compensated for by the increase in medium- and long-term loans (+3.9%). In this last sector, the positive trend in loans to the retail sector continued: during the year, mortgage disbursements to households by the domestic branches of the Parent Bank were 2.5 billion euro, up by

more than 12% compared with the previous year.

Altogether there was a 10.5% increase in loans issued to households, representing about 24% of the total, while loans to governments and public bodies grew by 24.5%, against a decline in loans to other types of counterparty.

## Credit risk in the loan portfolio

At the end of 2004, net doubtful loans reached 936 million euro, down 5.9% compared with the end of the pre-

### Loans to customers by counterparty

	31/12/2004		31/12/2003 pro forma		Change 31/12/04-31/12/03 pro forma (%)	31/12/2003	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Loans to households	13,504	23.6	12,217	20.0	+10.5	12,774	20.0
Loans to family businesses and non-financial companies	31,708	55.4	35,913	58.7	-11.7	37,551	58.7
Loans to financial companies	11,145	19.5	12,369	20.2	-9.9	12,933	20.2
Loans to governments and public entities	698	1.2	560	0.9	+24.5	586	0.9
Other	149	0.3	133	0.2	+12.1	139	0.2
<b>Loans to customers</b>	<b>57,204</b>	<b>100.0</b>	<b>61,192</b>	<b>100.0</b>	<b>-6.5</b>	<b>63,983</b>	<b>100.0</b>

### Loans to customers by type of lending

	31/12/2004		31/12/2003 pro forma		Change 31/12/04-31/12/03 pro forma (%)	31/12/2003	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Loans to households	13,504	23.6	12,217	20.0	+10.5	12,774	20.0
- Domestic network	13,498	23.6	12,207	20.0	+10.6	12,764	20.0
- overdrafts	416	0.7	406	0.7	+2.5	426	0.7
- personal loans	764	1.4	657	1.1	+16.3	690	1.1
- mortgages	11,960	20.9	10,736	17.5	+11.4	11,219	17.5
- other	358	0.6	409	0.7	-12.4	429	0.7
- Foreign network	6	0.0	10	0.0	-40.0	10	0.0
Loans to family businesses, companies, governments, public entities and others	43,700	76.4	48,975	80.0	-10.8	51,209	80.0
- Domestic network	39,325	68.8	43,449	71.0	-9.5	45,683	71.4
- overdrafts	6,444	11.3	6,735	11.0	-4.3	7,073	11.1
- repurchase agreements	272	0.5	415	0.7	-34.5	436	0.7
- import/export financing	1,655	2.9	1,778	2.9	-6.9	1,867	2.9
- mortgages	16,085	28.1	16,765	27.4	-4.1	17,661	27.6
- other	14,869	26.0	17,756	29.0	-16.3	18,646	29.1
- Foreign network	4,375	7.6	5,526	9.0	-20.8	5,526	8.6
<b>Loans to customers</b>	<b>57,204</b>	<b>100.0</b>	<b>61,192</b>	<b>100.0</b>	<b>-6.5</b>	<b>63,983</b>	<b>100.0</b>

vious year. More specifically, in loans to customers:

- net non-performing loans were 378 million euro, down 14.5% compared with 2003; the percentage of coverage was 81.4% and they accounted for 0.7% of the Bank's net loans;
- problem, restructured and in course of restructuring loans amounted to 515 million euro, a 2.4% increase over the 12 months; the coverage ratio was 26.9%;
- non-guaranteed loans to customers in countries subject to risk were 25 million euro, up on the 20 million at the end of 2003.

The general reserve, 485 million euro, adequately protects the risk of deterioration in creditworthiness inherent in the Bank's performing loans portfolio and also covers the potential loss inherent in the contractual commitments associated with the FIAT convertible facility, estimated at 167 million at the end of the year.

### Activities on financial markets

The control of treasury activities and the financial risk management of the domestic bank networks is carried out by the Parent Bank using a centralized system. As regards treasury activities, the Parent Bank guarantees direct access to monetary markets, currencies and securities and systems of payment and controls the Group's liquidity policy.

As of 31 December 2004 the Bank's securities portfolio reached 11.6 billion euro, remaining largely in line with the pro forma amounts of the end of 2003 (11.5 billion euro).

The dealing component of the portfolio amounted to 9.2 billion euro, while the investment component amounted to 2.4 billion euro. In the total dealing portfolio, Italian Government bonds accounted for 22%, bonds from finan-

### Qualitative analysis of the loan portfolio

	31/12/2004		31/12/2003 pro forma		Change 31/12/04-31/12/03 pro forma (%)	31/12/2003	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Non-performing loans	378	0.7	442	0.7	-14.5	452	0.7
Problem, restructured and in course of restructuring loans	515	0.9	503	0.8	+2.4	531	0.8
Loans to countries at risk	25	0.0	20	0.1	+25.0	20	0.1
<b>Doubtful loans - customers</b>	<b>918</b>	<b>1.6</b>	<b>965</b>	<b>1.6</b>	<b>-4.9</b>	<b>1,003</b>	<b>1.6</b>
Performing loans	56,286	98.4	60,227	98.4	-6.5	62,980	98.4
<b>Total loans to customers</b>	<b>57,204</b>	<b>100.0</b>	<b>61,192</b>	<b>100.0</b>	<b>-6.5</b>	<b>63,983</b>	<b>100.0</b>
Non-performing and problem loans - banks	-		-		n.s.	-	
Loans to countries at risk - banks	18		30		-40.0	30	
<b>Total doubtful loans - customers and banks</b>	<b>936</b>		<b>995</b>		<b>-5.9</b>	<b>1,033</b>	

### Securities, interbank position and derivatives

	31/12/2004		31/12/2003 pro forma		Change 31/12/04-31/12/03 pro forma (%)	31/12/2003	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Investment securities	2,365	20.4	2,458	21.4	-3.8	2,458	21.8
Dealing securities	9,202	79.6	9,054	78.6	+1.6	8,816	78.2
<b>Total securities</b>	<b>11,567</b>	<b>100.0</b>	<b>11,512</b>	<b>100.0</b>	<b>+0.5</b>	<b>11,274</b>	<b>100.0</b>
Loans to banks	34,939		27,381		+27.6	27,385	
Funding from international banking organizations	1,695		1,803		-6.0	1,803	
Funding from other banks	35,334		34,763		+1.6	35,997	
Derivatives and forward transactions in foreign currencies (at nominal value)	147,908		185,743		-20.4	185,743	

cial and banking issuers (including Group securities) represented 75%, while a further 3% share was represented by shares of the Imi Global Sicav fund (acquired as a result of the incorporation of Invesp). Approximately 90% of the investment component was represented by bonds from EU governments and international bodies, with the remaining 10% made up of corporate issues.

The volume of the securities negotiated by the Parent Bank 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, 255 billion of which were handled by the MTS/PCT platform.

In 2004, the hedging derivatives activity aimed at financial management was particularly significant towards the end of the year. This trend was influenced by various factors, including those of extraordinary nature. The particularly complex interpretation of the evolution of the macro-economic scenario, which induced significant changes in the acquisition of loans with interest rate risks, was accompanied, in the second half of the year, by the effects of the revision of the internal model for the representation of risks generated by sight accounts with customers (see the chapter on Risk management and control) and the preparation for the transition to IAS/IFRS accounting principles. The combination of these factors influenced the method and timing of the transactions in derivatives under examination, determining, in particular, an acceleration in the negotiation of new contracts just before the end of the year. The transactions under examination were performed according to the guidelines set by the Group Financial and Market Risks Committee and remained constantly within the operational delegated powers attributed to Finance.

The Bank also performed balanced brokerage activities in derivatives on behalf of corporate customers, with nominal values of 14 billion euro at the end of the year (11.5 billion at the end of 2003).

## Equity investments

As of 31 December 2004 the investment portfolio was 10,650 million euro, falling 84 million euro compared with the pro forma value at the end of December 2003, determined by increases for purchases and subscriptions for 252 million euro, decreases for disposals for 465 million (which realized a gain of 56 million euro), net writebacks of 42 million euro and 31 million euro other net increases.

In addition to that already commented on in the consolidated Report on Operations, the main transactions regarded the increase in the share held in Farbanca, up from 15% to 21.89% following the purchase of 3.88% of the capital at a cost of 1.3 million euro from Fondazione di Piacenza e Vigevano and other minority shareholders and the conversion into shares of the 2001/2006 convertible subordinated bond loan. As regards disposals:

- the disposal to Santander Central Hispano of the residual 30% shareholding in Finconsumo Banca, carried out by exercising a put option. The transaction was completed at a price of 80 million euro, realizing a capital gain of 72 million euro;
- the sale of the 28.32% shareholding in HDI Assicurazioni to the German insurance group Talanx AG of Hannover, which held the remainder of the capital. The transaction was completed at a price of 47 million euro, realizing a capital gain of 8.9 million euro;
- the disposal to the Carlyle group of the entire shareholding in CSP Investimenti, for a price of 208 million euro. The transaction, which is part of the wider plans to exploit the portfolio of real estate not instrumental to the Group, was completed realizing, in 2004, a capital gain of 5 million euro (it should be noted that about 51 million euro had already been booked in 2003 as extraordinary income from the transfer of the real estate to CSP);
- the disposal to the Naples Chamber of Commerce of the 8.02% shareholding in Mostra d'Oltremare at the price of 3.1 million euro, with a capital gain of the same amount;
- the sale to Banca Popolare dell'Emilia Romagna of the

## Shareholdings

	31/12/2004		31/12/2003 pro forma		Change 31/12/04-31/12/03 pro forma (%)	31/12/2003	
	Amount (€/mil)	%	Amount (€/mil)	%		Amount (€/mil)	%
Equity investments	10,650	100.0	10,734	100.0	-0.8	10,291	100.0
- in Group companies	8,604	80.8	8,601	80.1	-	8,277	80.4
- other	2,046	19.2	2,133	19.9	-4.1	2,014	19.6

shareholding in Meliorbanca for a price of 2.4 million euro, realizing a capital gain of 1.6 million euro;

- the disposal of 5.04% (50% of the investment) of Crif, a company operating in the business information services sector, to the majority shareholder Cribis, at a price of 2 million euro, realizing a capital gain of 1.9 million euro.

Furthermore, in December, the 3.45% shareholding in CDC Ixis was exchanged with the 12% shareholding in Ixis Asset Management Group (IAMG) and 2.45% in Ixis Corporate & Investment Bank (ICIB), realizing a loss on disposal of 50 million euro, booked to extraordinary charges.

Net writebacks of 42 million euro refer mainly to the investments held in Santander Central Hispano (writeback of 33 million), Cassa di Risparmio di Firenze (net writeback of 102 million booked to extraordinary income) and Cassa dei Risparmi di Forlì (adjusted by 86 million).

## The distribution network

Actions to develop and rationalize the Group's distribution network continued during the year. With particular reference to the Parent Bank, the transfer to the four North East bank networks of the 113 Sanpaolo network operating points located within the Triveneto and Emilia areas and

the transfer to the Sanpaolo network of the 30 operating points pertaining to Cassa di Risparmio di Padova e Rovigo and Cassa di Risparmio in Bologna located outside of their respective territories (more precisely in the provinces of Rome, Milan and Lodi) were started. The transaction, begun in November, was completed in January 2005.

At the end of December the Bank's distribution network comprised 1,367 banking branches in Italy, and 13 branches and 18 representative offices abroad.

With reference to multi-channel banking, at the end of the year, in respect of private and retail customers, direct banking contracts managed by Sanpaolo branches rose above 465,000, an increase of about 20% since 31/12/2003, reclassified consistently. Internet banking contracts with companies reached 32,000 units (increasing more than 20% since the beginning of the year). The retail customer service is also carried out through the network of automatic Bancomat tellers (1,929 ATMs at the end of the year) and through the POS terminals (30,949).

## Personnel

At the end of the year, the Bank's staff was made up of 20,794 employees, down 609 (-2.8%) in comparison to

### Distribution network

	31/12/2004	31/12/2003 pro forma (1)	Change 31/12/04-31/12/03 pro forma (%)	31/12/2003
<b>Banking branches and area offices</b>	<b>1,380</b>	<b>1,369</b>	<b>+0.8</b>	<b>1,450</b>
- Domestic	1,367	1,357	+0.7	1,438
- Foreign	13	12	+8.3	12
<b>Representative offices</b>	<b>18</b>	<b>18</b>	<b>-</b>	<b>18</b>

(1) The figures relating to the domestic offices have been reclassified to take account of the Bank's transfer, of the branches operating in the Triveneto (comprising the regions Veneto, Friuli Venezia Giulia and Trentino Alto Adige) and Emilia areas to Cassa di Risparmio di Padova e Rovigo and Cassa di Risparmio in Bologna.

### Personnel

	31/12/2004		31/12/2003 pro forma (1)		Change 31/12/04-31/12/03 pro forma (%)		31/12/2003	
		%		%		%		%
<b>Period-end headcount</b>	<b>20,794</b>	<b>100.0</b>	<b>21,403</b>	<b>100.0</b>	<b>-2.8</b>		<b>22,086</b>	<b>100.0</b>
- executives	409	2.0	447	2.1	-8.5		451	2.0
- third and fourth level managers	2,614	12.6	2,997	14.0	-12.8		3,064	13.9
- other personnel	17,771	85.4	17,959	83.9	-1.0		18,571	84.1

(1) The figures have been reclassified to take account of the Parent Bank's transfer of branches to Cassa di Risparmio di Padova e Rovigo and Cassa di Risparmio in Bologna.

31/12/2003, reclassified consistently to take into account the transfer of resources operating in the Parent Bank branches in the provinces of Triveneto and Emilia to Cassa di Risparmio di Padova e Rovigo and Cassa di Risparmio in Bologna.

This reduction was mainly due to the staff leaving incentives, implemented by using the “Income, employment and re-training fund for staff in the banking industry” (“Fondo di Solidarietà per il sostegno del reddito, dell’occupazione e della riqualificazione professionale del Personale del Credito”, in short “Income, employment and re-training fund”) set up in September 2003.

There have been 2,000 adhesions to the “Income, employment and re-training fund”, out of 2,450 people.

During 2004, about 1,400 members of staff left through the “Income, employment and re-training fund”, while another hundred or so left through voluntary retirements.

These incentives made it possible to contain personnel costs, as well as reducing staff in structures where efficiency is to be increased within the context of the 2003-2005 Plan and making an important investment for future development with the introduction of new personnel

(about 1,200 new employees).

This new personnel was mainly introduced into the branches (about 850 new hires) to support commercial development plans.

Personnel requirements were covered by frequent transfers between Group companies. About 140 resources were acquired during the year from other Group companies (about 290 were disposed of).

These must also be accompanied by the 683 resources disposed of by the Parent Bank to Cassa di Risparmio in Bologna and Cassa di Risparmio di Padova e Rovigo following the aforementioned branch transfer, aimed at consolidating the distribution arrangement on the territory.

Furthermore, the migration processes of the North East bank networks and Banca Popolare dell’Adriatico to the Parent Bank’s IT system and the activation of the organizational models and processes of the same Parent Bank in these companies were completed in 2004.

These processes required substantial interventions in terms of assistance and support which involved SANPAOLO IMI staff for a total of more than 17,000 man-days.

## Capital and reserves

### Net shareholders' equity

The Bank's net shareholders' equity, 11,090 million euro as of 31 December 2004, showed the following movements in the year:

<i>Movements in Bank's shareholders' equity</i>		<i>(€/mil)</i>
<b>Shareholders' equity as of 1 January 2004</b>		<b>10,346</b>
<b>Decreases</b>		<b>-715</b>
- Dividends		-715
<b>Increases</b>		<b>1,459</b>
- Recalculation of deferred tax liability on reserves subject to taxation		2
- Capital increase for exch. Fideuram Vita spin off		74
- Merger and spin off goodwill allocation		347
- Net income for the period		1,036
<b>Shareholders' equity as of 31 December 2004</b>		<b>11,090</b>

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 2003, the Parent Bank held 3,220,919 SANPAOLO IMI shares in its portfolio, equal to 0.18% of the share capital, which were recorded, among the assets in the Balance sheet, at market value for 34 million euro (10.413 euro unit cost).

In application of that established in the shareholders' resolutions regarding authorization to purchase and dispose of own shares, during the year the Bank purchased 795,000

shares on the market (nominal value 2.2 million euro), for a total cost of 7.1 million euro.

At the end of 2004, therefore, the Parent Bank held 4,015,919 own shares (11.2 million euro nominal value) in its portfolio, equal to 0.22% of the share capital, recorded, among the assets in the Balance sheet, in the dealing securities portfolio, at market value for 42.5 million euro (10.585 euro unit cost).

### Regulatory capital and solvency ratios

At the end of 2004 the ratio of the Bank's regulatory capital to total weighted assets against credit and market risks showed a total solvency ratio of 17.4%. The ratio of the primary capital to total weighted assets was 12.4%.

#### *Regulatory capital and solvency ratios*

	31/12/2004	31/12/2003
<b>Regulatory capital (€/mil)</b>		
Tier 1 capital	10,469	9,799
<i>of which: preferred shares</i>	<i>1,000</i>	<i>1,000</i>
Tier 2 capital	4,799	3,934
less: prescribed deductions	-770	-440
Regulatory capital	14,498	13,293
Tier 3 subordinated loans	180	140
Total regulatory capital	14,678	13,433
<b>Weighted assets (€/mil)</b>		
Credit risk	81,963	86,774
Market risk	2,567	1,997
Other requirements	2	1
Total assets	84,532	88,772
<b>Solvency ratios (%)</b>		
Core tier 1 ratio	11.2	9.9
Tier 1 ratio	12.4	11.0
Total risk ratio	17.4	15.1

## 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 Chairman and the Managing Director) setting the number of components, powers of attorney, duration, operating standards and powers. The Board has also elected the Managing Director and Chief Executive Officer, establishing their attributions.

The Executive Committee exercises its powers within the context of the strategies, direction and plans laid out by the Board, with faculty of sub-power of attorney and the obligation to report quarterly to the same Board on the activity performed, the decisions made and the powers of attorney conferred. In particular, the Executive Committee is given powers concerning loan issue (up to a fifth of the Company's portfolio) and, generally, operational powers regarding Group guarantees to financial institutions, the recovery of loans, 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 - 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 it to the Board at its next meeting.

Powers concerning the granting of loans have also been attributed to the Group Credit Committee presided over by the CEO and composed of the Managers of the competent company structures.

The Managing Director is responsible for the global coordination of the Group activities, according to the directions given by the Board of Directors. He is particularly responsible for defining the Bank and Group's activities of strategic direction, governance and control, supervising the Group planning process, monitoring the consistent development of plans and budgets and the central control of risks. The Managing Director is also responsible for the insurance activities (Assicurazioni Internazionali di Previdenza), the financial planner networks (Banca Fideuram) and asset management (Sanpaolo IMI Asset

Management) as well as, generally, the governance of equity investments.

The CEO - head of the operating and executive structure - is responsible for all Functions pertinent to the commercial bank, with the relative governance and support structures, as well as the banking networks operating on domestic and transnational territory and specialist companies controlling specific markets, territories and businesses such as public entities (Banca OPI), investment banking (Banca IMI), private equity, consumer credit (Finemiro Banca), leasing (Sanpaolo Leasint) and tax collection (GEST Line).

In the light of the division of expertise described above, the Board of Directors has attributed to the Managing Director and the CEO powers to be exercised within the context of the strategies, direction 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 decisions made and the powers of attorney conferred.

In particular, the Managing Director and the CEO are attributed powers concerning loan issue and operational powers, Group guarantees to financial institutions, financial risk management and control, recovery of loans, legal and prelegal proceedings on non-recovered assets and liabilities, administration procedures against the Company 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 Director and the CEO 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.

### Transactions with related parties

In accordance with and in observance of the Consob provisions on the matter, the transactions entered into by the Parent Bank with related parties lie within the scope of the normal operations of the Bank and are usually entered into under market conditions, on the basis of valuations made for mutual economic convenience and in observance of the internal procedure provided for this purpose.



During 2004, 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 shareholders’ equity and the protection of minority shareholders, either with related parties or with subjects other than related parties.

The balances and transactions between the Bank and the other companies in the SANPAOLO IMI Banking Group are detailed in the Explanatory Notes.

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

As regards transactions with subjects exercising functions of administration, management and control of the Parent Bank, Art. 136 of 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 banks or companies belonging to the Group, for obligations and actions taken in connection with the company to which they belong or for financing transactions entered into with another company or bank 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 to the Parent Bank Financial Statements highlights the loans and guarantees issued to Directors, Auditors and the CEO of the Parent Bank.

The same section of the Explanatory Notes to the Parent Bank Financial Statements also reports, in accordance with Art. 78 of Consob Resolution 11971/99, the remuneration

of the Directors, Auditors and the CEO of the Parent Bank.

The shares of the Parent Bank and subsidiaries, held by Administrators, Auditors and the CEO of the Parent Bank as well as 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. The details of these initiatives are illustrated in the Group Report on Operations, to which reference should be made.

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

#### **Planning document on information security management**

The Planning Document on Security, provided for by Art. 34, subsection 1, letter g), of D. Lgs. no. 196 of 30/6/2003 “Code for the protection of personal data”, was prepared in accordance with that envisaged by Rule 19 of the Technical Regulations, attachment B, to D. Lgs. 196/2003. Further updates will be completed within the terms provided for by the law.

## Developments after the end of the year

On the basis of the figures available for the beginning of the new year, the Bank has registered an increase in customer financial assets compared with the levels at the end of 2004, principally due to indirect deposits and especially asset management which has benefited not only from the positive trend of the financial markets, but also from a

newly positive net inflow after a year which was, on the whole, negative.

As regards the economic results of the beginning of 2005, as well as the prospects for the evolution of the operating volumes and economic margins, the considerations regarding the Group are confirmed.

Turin, 22 March 2005

The Board of Directors

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

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Shareholders,

We submit to your approval the SANPAOLO IMI financial statements for 2004.

Firstly, we would like to draw attention to the effects on the Bank's net equity of allocation of the merger and spin off goodwill booked to the financial statements following extraordinary transactions completed in 2004, on which extensive and detailed information was provided in the Introduction to the Explanatory Notes.

The allocation of merger/spin off goodwill was performed by applying the principles of neutrality and continuity which regulate these kinds of transactions and in observance of the tax regulations, which provide for the obligatory reconstitution of reserves subject to taxation and the application to the remaining goodwill of the tax system of the reserves which proportionally contributed to its formation (Art. 172 of the Consolidated law on income tax, D.P.R. no. 917 of 22/12/1986, as amended by D. Lgs. No. 344 of 12/12/2003).

The investments cancelled in the transactions referred to the capital reserves reduced by the spun off companies or cancelled by the incorporated companies.

As the SANPAOLO IMI Legal Reserve would have been lower than 20% of the new Share Capital following the increase of Share Capital during the year in the context of the spin off of Banca Fideuram, the same Reserve was brought up to this level with the allocation of a share of the spin off goodwill referable to the capital reserves reduced by the spun off company.

The net equity of SANPAOLO IMI S.p.A. as of 31 December 2004, before allocation of net income, is therefore composed as follows:

	<i>(Euro)</i>					
	Share capital and reserves as of 31/12/04 before the allocation of the merger/spin off goodwill	INVESP merger goodwill allocation	Prospettive 2001 merger goodwill allocation	Sanpaolo IMI Wealth Management spin off goodwill allocation	Banca Fideuram spin off goodwill allocation	Share capital and reserves before allocation of 2004 net income
Capital	5,217,679,141	-	-	-	-	5,217,679,141
Legal reserve	1,028,812,960	-	-	-	14,722,868	1,043,535,828
Additional paid-in capital	707,767,359	-	-	-	16,951,568	724,718,927
Other Reserves:	3,099,586,306	-	-	-	-31,674,436	3,067,911,870
<i>Extraordinary reserve</i>	<i>1,730,791,813</i>	<i>159,726,269</i>	<i>9,152,814</i>	<i>43,069,988</i>	<i>99,648,722</i>	<i>2,042,389,606</i>
<i>Reserve for purchase of own shares</i>	<i>1,000,000,000 (*)</i>	-	-	-	-	<i>1,000,000,000</i>
<i>Reserve ex Art. 21 D.Lgs. 213/98</i>	<i>15,721,469</i>	-	-	-	-	<i>15,721,469</i>
<i>Reserve ex Art. 13 sub. 6 D.Lgs. 124/93</i>	<i>5,417,855</i>	-	-	-	-	<i>5,417,855</i>
<i>Reserve pursuant to Law Decree 429/82</i>	<i>218,048</i>	-	-	-	-	<i>218,048</i>
<i>INVESP merger goodwill</i>	<i>160,423,301</i>	<i>-160,423,301</i>	-	-	-	-
<i>Prospettive 2001 merger goodwill</i>	<i>9,152,814</i>	-	<i>-9,152,814</i>	-	-	-
<i>Sanpaolo IMI Wealth Management spin off goodwill</i>	<i>43,069,988</i>	-	-	<i>-43,069,988</i>	-	-
<i>Banca Fideuram spin off goodwill</i>	<i>134,791,017</i>	-	-	-	<i>-134,791,017</i>	-
<i>Reserve L. 342/2000</i>	-	<i>697,032</i>	-	-	<i>3,467,859</i>	<i>4,164,891</i>
Income for the period to be distributed	1,035,918,830	-	-	-	-	1,035,918,830
	<b>11,089,764,596</b>	-	-	-	-	<b>11,089,764,596</b>

(\*) Of which € 42,508,503 commitments for own shares held in portfolio as of 31/12/04.

Considering that after the allocation of merger/spin off goodwill 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. 23 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. 23 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, 1,035,918,830 euro, to be distributed as follows:

- 875,824,713 euro to the Shareholders, with recognition of a dividend of 0.47 euro for each of the 1,475,122,818 ordinary shares and 388,334,018 preference shares that form 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 23 May 2005, the dividend issue date;
- 160,094,117 euro to the Extraordinary reserve.

Considering that some stock option plans envisage a period of exercise of the rights to subscribe new shares before the issue of the dividend, the number of ordinary shares in circulation could be higher than the existing 1,475,122,818, on the same date. Should these rights be exercised, without altering the dividend per share of € 0.47, the majority share of net income distributed will involve a corresponding reduction of the share of net income allocated to the Extraordinary Reserve.

The dividends will be paid on 26 May 2005.

The proposal for the distribution of net income is consistent with the positive trend registered by the Bank in the early months of 2005 and with the levels of adequacy of the Bank's and the Group's regulatory capital and solvency ratio. This is also consistent and compatible with the presumable changes in the Bank and Group's net equity owing to the transition to the IAS international accounting principles.

Should the proposal in question be approved, after allocating net income for the year and regardless of any issue of new shares following the exercise of the stock option rights, as well as of the specification of own shares held by the Bank on the date the dividend is issued, the SANPAOLO IMI net equity will be composed as follows:

<i>(Euro)</i>	
Composition of the net equity of SANPAOLO IMI after the allocation of 2004 net income	
Capital	5,217,679,141
Legal reserve	1,043,535,828
Additional paid-in capital	724,718,927
Other Reserves:	3,228,005,986
<i>Extraordinary reserve</i>	<i>2,202,483,723</i>
<i>Reserve for purchase of own shares</i>	<i>1,000,000,000</i>
<i>Reserve ex Art. 21 D.Lgs. 213/98</i>	<i>15,721,469</i>
<i>Reserve ex Art.13 sub. 6 D.Lgs. 124/93</i>	<i>5,417,855</i>
<i>Reserve pursuant to Law Decree 429/82</i>	<i>218,048</i>
<i>Reserve pursuant to Law 342/2000</i>	<i>4,164,891</i>
	<b>10,213,939,882</b>

Turin, 22 March 2005

The Board of Directors



# Report of the Board of Statutory Auditors to the Shareholders' Meeting in accordance with Art. 153 of Decree Law no. 58 dated 24 February 1998

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Shareholders,

The 2004 financial statements submitted for your examination and approval, as well as the consolidated financial statements for the year 2004 which are at your disposal, have been submitted by us in compliance with legislation and have been prepared in accordance with D. Lgs. no. 87 of 27 January 1992 and with the methods provided for by 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 2004, as well as the developments after the end of the year.

The Reports on Operations of the Parent Bank and consolidated financial statements for the first half of 2004, received by us from the Board of Directors within the terms of law, were also prepared and published in compliance with Consob recommendations. The quarterly reports were published within the terms established.

Given the above, the Statutory Auditors point out the following:

1. The "Report on Corporate Governance and the compliance with the Code of Conduct for Listed Companies" describes the SANPAOLO IMI Corporate Governance structure, largely in line with the indications of the Code.

In compliance with the recommendations set forth in the Code of Conduct and the provisions contained in the Regulations for organized markets, managed by Borsa Italiana S.p.A., and in the relative Instructions, the Bank:

- set up, in 2002, the Code for Conduct on the matter of internal dealing, aimed at giving transparency to purchase and sale transactions of stocks of the Company and its main subsidiaries by the Directors, Statutory Auditors, the CEO and other "relevant people";

- adopted, in 2001, an internal procedure for the processing of confidential information, which reaffirms the principle of discretion to which the Directors and Statutory Auditors are bound;
  - has revealed in the Explanatory Notes to the Parent Bank 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;
  - has drawn up Regulations for meetings.
2. In the context of the activity undertaken by the Board of Directors and the Ethical Committee, set up in 2001, in 2003 the Bank 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.
  3. With respect to the adequacy of the organization, 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 Parent Bank 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, strong internal cohesiveness and single leadership, consistent with the Bank of Italy directives and with the needs of a good and prudent management.
  4. In order to implement the provisions of D.Lgs. no. 231/2001 on the matter of administrative responsibility of legal bodies for offences committed by those in leading positions within their relative structures or by those subject to their management or regulation, and also taking account of the existing internal control system, in 2003 the Bank approved the reference principles for the adoption of the models of organization, management and control pursuant to the above-mentioned 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 with regard to the operation and observance of the models and their updating in compliance with the provisions of the Decree.
  5. With reference to the transition to IAS/IFRS international accounting policies, in December 2002 the SANPAOLO IMI Group had already launched a project with the aim of planning and realizing the operations necessary to cope adequately with the transition to the new regulatory framework. During 2004 the study of the new international accounting policies and the main problems caused by their introduction into the Group was completed. This activity has enabled the production of an IAS compliant "Group Accounting Policies Handbook". Complex and extensive interventions to realize IT procedures,



some of which still to be completed, were also developed, along with the connected organizational processes of accounting and administration. The Board of Directors approved adoption, starting with the year 2005, of the new international policies for preparing the Parent Bank financial statements and, apart from certain exceptions, those of the subsidiaries, in order to ensure the necessary Group reporting consistency. In relation to quarterly and half-yearly reporting, the transition to IAS/IFRS policies is envisaged to take place for the Half Year Report. This information, also in accordance with Consob Communication no. 5015175 dated 10 March 2005, was supplied to the market and explained in the Report.

6. With reference to the adequacy of the internal controls on the administration-accounting system, in 2002 the Bank set up a special Disclosures Committee with the task of supporting the Company bodies to accomplish their duties and fulfill their responsibilities regarding the accuracy and promptness of the financial information disclosure activity, with particular reference to the provisions of the Sarbanes-Oxley Act, the regulation aimed at strengthening Corporate responsibility for the financial reports of the issuers listed on the United States market, including SANPAOLO IMI. In 2004 the initiative, launched in 2003, to "Analyze a model to govern Group administration-accounting and formalize administration-accounting procedures", aimed at creating a structured system to control financial disclosures and other data released onto the market, was completed within the Parent Bank and is being extended to the subsidiaries.
7. 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, and in the light of existing jurisprudence and in consideration of the current status of the legal proceedings, the Bank estimates that the potential risks in relation to the dispute are covered by the prudent accruals made to the provisions for other risks and charges, in proportion to each case, where quantifiable; that is they are covered by 142 million euro of the provision (of which 122 refer to the Parent Bank) destined, on the whole, to hedge all disputes whose amount and outcome cannot be determined.
8. As indicated in the Report and the Explanatory Notes, the Directors felt that the "general reserve" (1,174 million euro) is sufficient to cover the risk inherent in performing loans, including the potential loss linked with the contractual commitment in relation to the FIAT convertible facility.

9. The risk to assets resulting from dealing in bonds of domestic and international issuers in default is covered by provisions of 29 million euro to the fund for risks and charges at Group level. The applications of savers are assessed case by case, paying particular attention to the profiles of adequacy of the service provided, involving, for positions regarding Cirio and Parmalat stocks, the Technical Audit Committee, as the Corporate body independent of the operating structures.
10. As regards the Parmalat case, in order to guarantee free defense of the interests of its customers, SANPAOLO IMI supplied organizational and financial support to the "Committee to defend SANPAOLO IMI Group Parmalat bondholders". This committee was founded on 2 February 2004 on 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.
11. Following the Public Exchange Offer related to the Argentine stocks, the Bank, upon express invitation issued recently by the Italian Bankers' Association, offered to take on the costs deriving from the legal and/or arbitration actions which might be taken against Argentina on behalf of holder customers not adhering to the Offer, in the context of the initiatives promoted by Task Force Argentina.
12. During 2004 and until the date of the present report SANPAOLO IMI completed several extraordinary transactions, specifically the incorporations of Invesp S.p.A. and Prospettive 2001 S.p.A., the partial spin-off of Banca Fideuram S.p.A. to SANPAOLO IMI, the total spin-off of Sanpaolo IMI Wealth Management S.p.A. to SANPAOLO IMI and Sanpaolo IMI Asset Management SGR S.p.A, the conferrals of a total of 113 operating points in the provinces of Triveneto and Emilia to Cassa di Risparmio in Bologna S.p.A., Cassa di Risparmio di Padova e Rovigo S.p.A., Cassa di Risparmio di Venezia S.p.A. and Friulcassa S.p.A.. With reference to the said transactions, the Board of Auditors supervised the observance of the provisions on the matter of fulfillments envisaged for mergers, spin-offs and conferrals.
13. Considering the requirements for comparability of the 2004 Parent Bank financial statements with the prior year, the Board of Statutory Auditors verified that the Parent Bank Explanatory Notes provide all information necessary to illustrate the criteria used to prepare the pro forma schedules for 2003, which were prepared taking into account the indications provided by Consob.
14. In respect of operations with related companies, in December 2002 the Bank approved a specific organizational procedure for the Group which identifies the consolidation area of the related parties, defines the significant operations (on the basis of analytical thresholds and considering the types of operations and the nature of the counterparties), duties and responsibilities and indicates the flow of information between the Bank and its directly and indirectly con-

trolled subsidiaries as well as toward the Company bodies, also to implement the request for information from the Board of Statutory Auditors in accordance with Art. 150 of D.Lgs. no. 58/1998. In relation to transactions with Group companies and related companies, the global framework of which 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 irrelevant compared to the entity of the Group's portfolio. No transactions of an atypical and/or unusual nature were carried out, either with correlated parties or others.

15. 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). These 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 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 the actions taken in connection with the company itself or for financing transactions entered into 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 to the Parent Bank Financial Statements highlights, in addition to remunerations, the loans and guarantees issued to directors, statutory auditors and the CEO of the Parent Bank.
16. During the year the Board of Statutory Auditors, in accordance with Art. 2389 of the Italian Civil Code and Art. 15 of the Bank's Articles of Association, issued their opinions in respect of the remuneration of Directors holding particular offices, as decided by the Board of Directors considering the proposals formulated by the Remuneration and Personnel Policies Committee.
17. 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.
18. On 30 August 2004, a complaint pursuant to Art. 2408 of the Italian Civil Code was received from the shareholder Mr. Marco Bava concerning the accounting representation of the FIAT convertible facility in the context of the financial statements and the Annual Report on Form 20-F pertinent to 2003.

The examination with regard to regulations and merit highlighted no critical circumstances: therefore the complaints regarding censurable behavior by the Bank are considered unfounded.

We also inform you that in 2004 no reports were received by the Board of Statutory Auditors.

19. The proposal by the Board of Directors regarding the request for authorization to purchase and sell own shares is compliant with the provisions pursuant to Articles 2357 and 2357-ter of the Italian Civil Code, Art. 132 of D. Lgs. no. 58 of 24 February 1998 and with the regulations issued by Consob. More generally, 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 own proposals to submit to the Shareholders' Meeting according to Art. 153 subsection 2 of D.Lgs. no. 58/98.

20. In compliance with Consob Recommendation no. 1025564 of 6 April 2001, you are informed that during 2004 your Bank instructed PricewaterhouseCoopers S.p.A. to perform, over and above the audit of the financial statements, additional activities required by law or by legal deeds, the assignment concerning the release of Comfort Letters in connection with the Offering Circular relating to the long-term program for the placing of Euro Medium Term Notes authorized by the Board of Directors and previously approved by the Board of Statutory Auditors. The independent auditor received fees of 189,500 euro for this activity. Lastly, the Board of Statutory Auditors reports that in 2004, the Bank did not assign new engagements to subjects or companies connected to PricewaterhouseCoopers S.p.A. by continuative collaboration.

Shareholders, during the year ended on 31 December 2004, we performed our supervisory activities required by law and for this purpose:

- we attended the 2 Shareholders' Meetings, the 17 meetings of the Board of Directors and the 22 meetings of the Executive Committee held during the year. During the same period the Board of Statutory Auditors met 18 times to perform its examinations and received from the Directors, in accordance with Art. 150 of D.Lgs. no. 58/98, information on a quarterly basis on the activities performed by the Group, which analyzes the operating trend, the major economic, financial and balance sheet transactions of the Company or its subsidiaries, already presented in the Group and Parent Bank Report on Operations, the exercise of powers of attorney within the Parent Bank, transactions in which the directors have a personal interest or an interest on behalf of third parties, as well as transactions with related parties. We also ensured to our satisfaction 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, potentially conflicting or such as to compromise the integrity of the company equity, or incompatible with the resolutions of Shareholders' meeting;
- 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 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 of the independent auditors;
  - during 2004 we received detailed information on the controls performed by the Audit Management in relation to the Parent Bank, Foreign branches and Group Companies through the examination of the aforementioned quarterly reports, illustrated during the periodical Board meetings and of the analytical reports made available to us, as well as the attendance by the Chairman of the Board of the meetings of the Technical Audit Committee. Audit Management evaluates the functionality of the whole internal control system and supervises operations and risk assessment, proposing possible improvement to the level of supervision;
  - 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. Our controls revealed that the administration-accounting system is adequate and reliable to correctly represent the operations. We also checked the provisions imparted by the Bank to the subsidiary companies in accordance with Art. 114, subsection 2 of D. Lgs. no. 58/98, considering them adequately specific and consistent.

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 draft contents of the report issued by the Independent Auditors PricewaterhouseCoopers S.p.A. and considering that the information provided therein - consistently with the information received from the auditors - does not reveal any critical issues, we express an opinion in favor of approving the financial statements for the year 2004, formally acknowledging that the proposal for distribution of dividends expressed by the Board of Directors complies with current legislation and with the company Articles of Association and is adequately motivated in relation to the economic and financial position of the Bank. You are informed that 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.

Turin, 4 April 2005

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 2004. 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. 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 5 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 8 April 2004.

- 3 In our opinion, the financial statements of Sanpaolo IMI SpA as of 31 December 2004 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.

- 4 The Bank reversed the adjustments and the accruals made in the previous years solely for fiscal purposes, following the new rules set by the D.Lgs. 6 February 2004 n° 37. The effects on Net income for the year and Shareholders' equity are disclosed in the Report on Group Operations and in the Explanatory Notes to the Financial Statements.

Turin, 8 April 2005

PricewaterhouseCoopers SpA

**UNSIGNED COPY**

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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EXPLANATORY NOTES TO THE PARENT BANK FINANCIAL STATEMENTS

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## Parent Bank balance sheet

(Euro)

ASSETS	31/12/2004	31/12/2003 pro forma	31/12/2003 SANPAOLO IMI
10. Cash and deposits with central banks and post offices	750,300,526	741,061,563	741,061,563
20. Treasury bills and similar bills eligible for refinancing with central banks	1,011,312,946	2,191,213,836	2,191,213,836
30. Due from banks:	34,938,873,311	27,386,310,957	27,384,886,332
a) repayable on demand	4,919,928,405	8,931,825,022	8,930,400,397
b) other deposits	30,018,944,906	18,454,485,935	18,454,485,935
40. Loans to customers	57,203,792,342	63,981,007,644	63,982,919,330
of which:			
- loans using public funds	26,995,263	32,100,438	32,100,438
50. Bonds and other debt securities	10,230,138,333	9,084,807,442	9,047,597,319
a) public entities	3,361,154,245	2,005,976,006	2,005,491,053
b) banks	6,230,449,745	6,531,151,658	6,531,126,488
of which:			
- own bonds	909,925,971	768,783,399	768,758,229
c) financial institutions	370,556,839	239,112,256	202,412,256
d) other issuers	267,977,504	308,567,522	308,567,522
60. Shares, quotas and other equities	283,739,142	210,780,239	807,678
70. Equity investments	2,046,428,318	2,133,086,411	2,013,834,465
80. Investments in Group companies	8,603,832,763	8,291,391,016	8,277,025,695
90. Intangible fixed assets	701,803,730	796,820,962	796,715,430
of which:			
- start-up costs	-	105,215	-
- goodwill	493,731,830	565,245,215	565,245,215
100. Tangible fixed assets	1,236,816,576	1,273,642,861	1,273,642,861
120. Own shares or quotas (nominal value € 11,244,573.20)	42,508,503	33,539,430	33,539,430
130. Other assets	6,539,583,158	7,104,700,731	7,460,680,759
140. Accrued income and prepaid expenses:	2,305,977,327	1,776,476,753	1,776,121,286
a) accrued income	1,798,031,094	1,447,392,715	1,447,246,271
b) prepaid expenses	507,946,233	329,084,038	328,875,015
of which:			
- discounts on bond issues	17,341,685	17,506,412	17,506,412
<b>Total assets</b>	<b>125,895,106,975</b>	<b>125,004,839,845</b>	<b>124,980,045,984</b>

The pro forma balance sheet as of 31/12/03, unaudited, has been prepared in order to give unity of comparison with the balance sheet as of 31/12/2004.

(Euro)

<b>LIABILITIES</b>	31/12/2004	31/12/2003 pro forma	31/12/2003 SANPAOLO IMI
10. Due to banks:	37,028,879,091	37,799,877,284	37,799,877,102
a) repayable on demand	2,606,428,731	4,336,225,874	4,336,225,692
b) time deposits or with period of notice	34,422,450,360	33,463,651,410	33,463,651,410
20. Due to customers:	42,848,738,957	40,489,852,184	40,499,322,667
a) repayable on demand	30,624,767,660	30,212,662,446	30,220,655,729
b) time deposits or with period of notice	12,223,971,297	10,277,189,738	10,278,666,938
30. Securities issued:	18,847,173,296	19,131,734,612	19,131,734,612
a) bonds	18,028,626,388	15,098,732,104	15,098,732,104
b) certificates of deposit	519,557,615	3,716,975,365	3,716,975,365
c) other	298,989,293	316,027,143	316,027,143
40. Public funds administered	27,198,203	32,150,975	32,150,975
50. Other liabilities	5,894,568,114	7,546,626,602	7,538,892,559
60. Accrued expenses and deferred income:	1,538,005,133	1,255,004,911	1,254,881,271
a) accrued expenses	1,391,851,694	1,034,661,726	1,034,662,707
b) deferred income	146,153,439	220,343,185	220,218,564
70. Provisions for employee termination indemnities	467,725,106	529,121,440	529,121,440
80. Provisions for risks and charges:	1,564,734,724	1,561,437,555	1,960,464,126
a) pensions and similar commitments	-	-	-
b) taxation	380,502,556	257,607,528	659,599,280
c) other	1,184,232,168	1,303,830,027	1,300,864,846
110. Subordinated liabilities	6,588,319,755	5,887,492,939	5,887,492,939
120. Capital	5,217,679,141	5,144,064,800	5,144,064,800
130. Additional paid-in capital	724,718,927	707,767,359	707,767,359
140. Reserves:	4,111,447,698	4,095,399,345	3,669,966,295
a) legal reserve	1,043,535,828	1,028,812,960	1,028,812,960
b) reserve for own shares or quotas	42,508,503	33,539,430	33,539,430
c) statutory reserves	-	-	-
d) other reserves	3,025,403,367	3,033,046,955	2,607,613,905
170. Income for the period	1,035,918,830	824,309,839	824,309,839
<b>Total liabilities and shareholders' equity</b>	<b>125,895,106,975</b>	<b>125,004,839,845</b>	<b>124,980,045,984</b>
<b>GUARANTEES AND COMMITMENTS</b>	31/12/2004	31/12/2003 pro forma	31/12/2003 SANPAOLO IMI
10. Guarantees given	28,332,993,368	29,298,297,442	29,298,297,442
of which:			
- acceptances	122,316,321	101,812,094	101,812,094
- other guarantees	28,210,677,047	29,196,485,348	29,196,485,348
20. Commitments	14,189,853,694	14,056,523,002	14,056,523,002
of which:			
- for derivatives on loans	597,560,889	530,147,753	530,147,753
- for sales with obligation to repurchase	-	-	-

The pro forma balance sheet as of 31/12/03, unaudited, has been prepared in order to give unity of comparison with the balance sheet as of 31/12/2004.

## Parent Bank statement of income

(Euro)

ITEMS	2004	2003 pro forma	2003 SANPAOLO IMI
10. Interest income and similar revenues	3,557,431,943	4,162,322,647	4,158,712,007
<i>of which:</i>			
– loans to customers	2,561,809,334	3,182,852,727	3,182,852,727
– debt securities	345,121,140	374,074,030	372,879,320
20. Interest expense and similar charges	-2,145,532,313	-2,310,384,739	-2,309,876,098
<i>of which:</i>			
– amounts due to customers	-496,886,438	-630,426,024	-630,426,024
– securities issued	-793,597,309	-765,180,337	-765,180,337
30. Dividends and other revenues	765,965,578	843,123,476	832,552,209
a) shares, quotas and other equities	125,934	291,388	291,388
b) equity investments	70,516,841	93,177,027	78,224,172
c) investments in Group companies	695,322,803	749,655,061	754,036,649
40. Commission income	1,499,725,424	1,578,876,130	1,569,038,623
50. Commission expense	-90,383,031	-103,386,046	-102,281,598
60. Profits (losses) from financial transactions	131,975,652	102,338,558	89,413,766
70. Other operating income	516,621,865	387,424,761	385,088,588
80. Administrative costs	-2,431,431,649	-2,748,505,143	-2,723,238,361
a) personnel	-1,486,603,703	-1,675,662,347	-1,665,091,707
<i>of which:</i>			
– wages and salaries	-1,068,645,015	-1,196,082,534	-1,188,535,389
– social security charges	-348,711,432	-394,031,690	-391,836,808
– termination indemnities	-69,247,256	-85,452,535	-84,719,511
– pensions and similar	-	-95,588	-
b) other administrative costs	-944,827,946	-1,072,842,796	-1,058,146,654
90. Adjustments to tangible and intangible fixed assets	-402,130,543	-456,309,522	-453,381,249
100. Provisions for risks and charges	-124,926,177	-119,918,721	-117,465,213
110. Other operating expense	-34,275,437	-9,527,688	-9,687,915
120. Adjustments to loans and provisions for guarantees and commitments	-289,630,391	-590,568,066	-590,568,066
130. Writebacks of adjustments to loans and provisions for guarantees and commitments	144,238,933	189,611,407	189,611,407
150. Adjustments to financial fixed assets	-290,848,187	-152,049,497	-145,432,134
160. Writebacks of adjustments to financial fixed assets	33,039,673	84,264,640	84,264,640
<b>170. Income from ordinary activities</b>	<b>839,841,340</b>	<b>857,312,197</b>	<b>856,750,606</b>
180. Extraordinary income	487,879,162	602,363,029	636,391,869
190. Extraordinary expense	-89,718,002	-428,174,547	-403,332,366
<b>200. Extraordinary net income</b>	<b>398,161,160</b>	<b>174,188,482</b>	<b>233,059,503</b>
220. Income taxes for the period	-202,083,670	-206,326,846	-265,500,270
<b>230. Net income for the period</b>	<b>1,035,918,830</b>	<b>825,173,833</b>	<b>824,309,839</b>
		(863,994)	
		<b>824,309,839</b>	

The pro forma statement of income for 2003, unaudited, has been prepared in order to give unity of comparison with the statement of income for the year 2004.

# Explanatory notes to the Parent Bank financial statements

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# Introduction - Background information on the financial statements

## Form and content of the financial statements

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

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

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

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

These Explanatory Notes are presented with comparative figures taken from the financial statements as of 31 December 2003 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.

Considering the amendments made by way of the provisions of the Civil Code concerning the financial statements and following the enforcement of the corporate law reform (D.Lgs. 6 dated 17 January 2003 and the provisions of Law 366 of 3 October 2001), unless specifically required by the special regulations issued by the Bank of Italy, the information disclosed in the Explanatory Notes has been adequately and consistently integrated.

The following schedules are attached to the financial statements:

- Statement of changes in shareholders' equity;
- Statement of cash flows;
- Statements and expert opinions concerning the merger and spin off operations concluded during the year (Art. 2504 bis and Art. 2506 quarter c.c.);
- 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 2004 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.

## Extraordinary transactions executed during the year

### Corporate restructuring of the “insurance pole” – Partial spin off of Banca Fideuram

On 19 November 2004, partial spin offs took place from Banca Fideuram (for the stake held in Fideuram Vita, subsequently merged into A.I.P.) to SANPAOLO IMI and from Sanpaolo IMI Wealth Management (for the stake held in Sanpaolo Vita, subsequently merged into A.I.P.) to A.I.P.. Both operations became legally effective from 30 November 2004.

The effect on the net equity of SANPAOLO IMI of the spin off in its favor of the stake held by Banca Fideuram to Fideuram Vita was as follows:

- direct interest in Fideuram Vita was recorded for a book value of around **225 million euro**, corresponding to the book value of the investment shown in the financial statements of the spun off company;
- the cancellation of the book value of the investment in Banca Fideuram for approximately **17 million euro**. This amount was determined on the basis of the ratio between the value of Fideuram Vita and of Banca Fideuram before the spin off;
- an increase in the capital of SANPAOLO IMI of around **74 million euro**, through the proportional assignment of 26,290,836 new ordinary shares issued to the minority shareholders of Banca Fideuram;
- the booking of **135 million euro** as goodwill arising from the spin off, of which 7 million euro refers to surplus from the exchange of shares and 128 million euro to cancellation surplus.

The goodwill from the spin off has been allocated applying the principles of neutrality and continuity that govern merger/spin off operations and in consideration of fiscal regulations which provide for the reinstatement of the reduced spun off company reserves that are subject to taxation and by charging taxation to the reserves of the spin off company which participated proportionally to the goodwill (Art. 172 of the Consolidated Law on income taxes, D.P.R. no. 917 dated 22/12/1986, as modified by D.Lgs. no. 344 dated 12/12/2003).

Adopting such criteria, it is evident that the movement in the net equity of SANPAOLO IMI following the spin off (increase in capital plus goodwill), reflects the same composition in respect of the decrease in the reserves of the spun off company (divided between income reserves and capital). It also takes into account the transfer of the shares cancelled in the operation to the capital reserves reduced by the spun off company.

Following the increase in the share capital of SANPAOLO IMI to serve the minority shareholders of Banca Fideuram, it became necessary to integrate the Legal Reserve of SANPAOLO IMI to 20% of the new Share Capital (the level existing before the spin off, above which the Law and Articles of Association do not require profit for the year to be allocated to the Legal Reserve). Such integration was made utilizing the reserves of reduced capital from the spun off company.

To conclude, the allocation of goodwill from the spin off involved:

- the reinstatement of Reserve ex L.342/2000 subject to taxation, for **3.5 million euro**, not included in the capital of the spun off company;
- the reinstatement of the Banca Fideuram reduced capital reserves (net of the book value of the investment in Banca Fideuram, cancelled in the operation), within the increase in share capital of SANPAOLO IMI (by way of allocating 3.9 million euro of reserves subject to taxation included in the share capital of the spun off company), to increase the Legal reserve by **14.7 million euro** and to increase the Additional paid-in capital by the remaining **17 million euro**;
- the reinstatement of the income reserves of the spun off company within the Extraordinary Reserve of SANPAOLO IMI for **99.6 million euro**.

In the context of the same restructuring project for the Group’s “insurance pole” the spin off in favor of Assicurazioni Internazionali di Previdenza of the total stake held by Sanpaolo IMI Wealth Management in Sanpaolo Vita was completed.

This spin off resulted for SANPAOLO IMI in the exchange of shares, maintaining values, in Sanpaolo IMI Wealth Management (wholly controlled), with shares in A.I.P. for the sum of **314 million euro**. The amount has been calculated



in proportion to the equity transferred to the beneficiary of the spin off and the residual amount from the spun off company.

For completeness it should be noted that at 2004 year end Fideuram Vita was merged into A.I.P.. This transaction involved the exchange, maintaining values, of shares in Fideuram Vita with shares in A.I.P. for 225 million euro.

In compliance with Art. 2506-quater, the Explanatory Notes include the expert report on the spin off of the shares from Banca Fideuram in favor of SANPAOLO IMI.

#### Corporate restructuring of the “asset management pole” – Total spin off of Sanpaolo IMI Wealth Management

On 20 December 2004 the total spin off of Sanpaolo IMI Wealth Management (SPWM) was signed, becoming legally effective as of 29 December 2004.

This operation resulted in the assignment to SANPAOLO IMI of a compendium of shares, maintaining values, for the sum of 191 million euro and of a compendium of capital composed of shares and residual elements of assets and liabilities to Sanpaolo IMI Asset Management SGR (SPIAM).

The shares assigned to SANPAOLO IMI were the following:

Name	%	Book value (€/mil)
SANPAOLO IMI ASSET MANAGEMENT SGR S.p.A.	100	95
SANPAOLO BANK S.A.	50	75
ALLFUNDS BANK S.A.	50	21
<b>TOTAL</b>		<b>191</b>

Upon completion of the spin off, which did not involve any issue of new shares, considering that SANPAOLO IMI held the entire share capital of the spun off company and that of the other beneficiary company SPIAM, following the spin off of the shares, cancellation surplus of around **43 million euro** was recorded. Such surplus was calculated on the difference between the book value of the spun off compendium in favor of SANPAOLO IMI and the book value of the shares in SPWM.

The spin off of SPWM in favor of SPIAM led to the exchange, maintaining book values, of shares in SPWM with those of SPIAM, for a residual book value of 41 million euro.

The allocation of the spin off surplus was made applying the same principles indicated in the previous paragraph. There being no reserves subject to taxation in the net equity of the spun off company, and taking into account that the capital reserves reduced by the spun off company were lower than the book value of the cancelled shares in SPWM, the entire surplus refers to the income reserves of the spin off and, as such, has been recorded in the financial statements to increase the Extraordinary Reserve.

#### Merger of the subsidiaries Invesp and Prospettive 2001 S.p.A.

On 16 December 2004 Invesp S.p.A. and Prospettive 2001 S.p.A. were merged into SANPAOLO IMI, becoming legally effective from 31 December 2004 and effective for accounting purposes from 1 January 2004.

This operation led to the booking of **169 million euro** as cancellation surplus (of which 160 million euro refers to the merger of Invesp and 9 million euro to the merger of Prospettive 2001).

The allocation of the Invesp merger goodwill, made applying the same principles indicated in the previous paragraph, led to:

- the reinstatement of Revaluation Reserve ex L.342/2000 subject to taxation and previously not included in the share capital of the merged company, for **0.7 million euro**;
- an increase in the Extraordinary Reserve for **159.7 million euro**, in respect of the income reserve of the merged company and taking into account that the capital reserve of that company was less than the book value of the cancelled investment.

The merger goodwill for Prospettive 2001, totaling **9.2 million euro**, in respect of the income reserve of the merged company, was carried to increase the Extraordinary Reserve.

### Pro forma balance sheet and income schedules

The statements of income and balance sheets as of 31/12/2004 show the comparative values as of 31/12/2003. In order to enable comparability of these figures, pro forma schedules have been prepared to record the following operations:

- the transfer of the 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) to Sanpaolo Banco di Napoli S.p.A., with effect from 1 July 2003;
- the transfer of the assets and liabilities attributable to the 129 branches of SANPAOLO IMI (second tranche of the transfer of the "Southern Territorial Direction" business branch) to Sanpaolo Banco di Napoli S.p.A., with effect from 29 September 2003;
- the transfer to CSP Investimenti S.r.l. of the real estate branch comprising the properties not functional to the activities of the Parent Bank. This was completed on 31 December 2003;
- the transfer to CARISBO S.p.A. of the assets and liabilities attributable to the 28 branches of SANPAOLO IMI S.p.A. located in Emilia Romagna, with effect from 15 November 2004;
- the transfer to CARIPARO S.p.A. of the assets and liabilities attributable to the 53 branches of SANPAOLO IMI S.p.A. located in Veneto and Trentino Alto Adige, with effect from 29 November 2004;
- the partial spin off in favor of SANPAOLO IMI of the stake held by Banca Fideuram in Fideuram Vita, with effect from 30 November 2004;
- the entire spin off of Sanpaolo IMI Wealth Management S.p.A. to SANPAOLO IMI S.p.A. and Sanpaolo IMI Asset Management SGR with effect from 29 December 2004;
- the merger by incorporation of Invesp S.p.A. and Prospettive 2001 S.p.A., with effect from 31 December 2004 and effective for accounting and tax purposes as of 1 January 2004.

The pro forma schedules for the 2004 financial year were prepared assuming that the transfers completed in 2003 would become effective as from 1 January 2003 and that the transfer and mergers carried out in 2004 would become effective on the same date in the year 2003.

In order to provide a comparison of administrative costs, solely for the purposes of the reclassified statement of income, costs referring to the personnel of the Bank networks in the North East Territorial Direction, previously controlled by Cardine Finanziaria and whose employment contracts were transferred to Cardine Finanziaria with effect from 1 October 2003, were recorded to personnel costs as a contra-entry to other administrative costs. This adjustment determined an increase of 59 million euro in personnel costs and a decrease for the same amount to administrative costs.

### Adjustments following company transactions

#### Transfer of assets and liabilities to Sanpaolo Banco di Napoli S.p.A.

Adjustments made to the reclassified balance sheet as of 31 December 2003:

- decrease in other assets of 34 million euro;
- decrease in the tax reserve of 34 million euro;

Adjustments made to the reclassified statement of income for the year 2003:

- decrease in net interest income (- 319 million euro);
- decrease in net commission (- 166 million euro);
- decrease in profits and losses from financial transactions (- 7 million euro);
- decrease in personnel costs (+ 195 million euro);
- decrease in other administrative costs (+ 154 million euro);
- decrease in indirect duties and taxes (+ 17 million euro);
- decrease in other net operating income (- 16 million euro);
- decrease in adjustments to the value of goodwill (+ 43 million euro);
- decrease in provisions for risks and charges (+ 8 million euro);
- decrease in adjustments to the value of loans and provisions (+ 28 million euro).

Net of the tax effect (+ 34 million euro), the impact on net income for the year 2003 is - **29 million euro**.

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 2003. This resulted in an increase in other administrative costs and other net operating income of 120 million euro for last year.

#### Transfer of the real estate branch to CSP Investimenti S.r.l.

Adjustments made to the reclassified balance sheet as of 31 December 2003:

- decrease in other assets of 19 million euro;
- decrease in the tax reserve of 19 million euro.

Adjustments made to the reclassified statement of income for the year 2003:

- decrease in other net operating income (- 12 million euro);
- decrease in adjustments to the value of tangible fixed assets (+ 7 million euro);
- decrease in extraordinary income (- 51 million euro).

Net of the tax effect (+ 19 million euro), the impact on net income for the year 2003 is - **37 million euro**.

#### Transfer of assets and liabilities to CARISBO S.p.A.

Adjustments made to the reclassified balance sheet as of 31 December 2003:

- decrease in cash and deposits with central banks of 3 million euro;
- decrease in loans to banks of 5 million euro;
- decrease in loans to customers of 1,156 million euro;
- decrease in tangible fixed assets of 4 million euro;
- decrease in other assets of 112 million euro;
- decrease in payables to banks of 374 million euro;
- decrease in amounts due to customers of 556 million euro;
- decrease in the provision for termination indemnities of 7 million euro;
- decrease in provisions for other risks and charges of 6 million euro;
- decrease in other liabilities of 187 million euro.

The investment in CARISBO was increased by 150 million euro against the transfer.

Adjustments made to the reclassified statement of income for the year 2003:

- decrease in net interest income (- 4 million euro);

- decrease in net commission (- 2 million euro);
- decrease in personnel costs (+ 3 million euro);
- decrease in other administrative costs (+ 1 million euro).

Net of the tax effect (+ 1 million euro), the impact on net income for the year 2003 is - **1 million euro**.

#### Transfer of assets and liabilities to CARIPARO S.p.A.

Adjustments made to the reclassified balance sheet as of 31 December 2003:

- decrease in cash and deposits with central banks of 5 million euro;
- decrease in dealing securities of 9 million euro;
- decrease in loans to customers of 1,633 million euro;
- decrease in tangible fixed assets of 6 million euro;
- decrease in other assets of 226 million euro;
- decrease in payables to banks of 860 million euro;
- decrease in amounts due to customers of 540 million euro;
- decrease in the provision for termination indemnities of 4 million euro;
- decrease in provisions for other risks and charges of 4 million euro;
- decrease in other liabilities of 311 million euro.

The investment in CARIPARO was increased by 160 million euro against the transfer.

Adjustments made to the reclassified statement of income for the year 2003:

- decrease in net interest income (- 4 million euro);
- decrease in net commission (- 2 million euro);
- decrease in personnel costs (+ 2 million euro);
- decrease in other administrative costs (+ 1 million euro).

Net of the tax effect (+ 1 million euro), the impact on net income for the year 2003 is - **2 million euro**.

#### Partial spin off from Banca Fideuram of the stake held in Fideuram Vita S.p.A.

The adjustments refer to the effect of the operation on the Bank's equity which involved an increase in the shareholding of 208.4 million euro, equal to the difference between the book value (225.1 million euro) of the investment in Fideuram Vita and the corresponding book value (16.7 million euro) of the investment in Banca Fideuram, cancelled by way of the spin off. This offset an increase in equity, of which 73.6 million referred to the increase in capital necessary for the exchange with the Banca Fideuram minority shareholders and 134.8 million euro to the spin off surplus.

Adjustments made to the official reclassified balance sheet as of 31 December 2003:

- increase in equity investments of 208 million euro;
- increase in other reserves of 208 million euro.

The reclassified statement of income for 2003 has not been adjusted on the assumption that, any operation concluded in 2003 would not have any effect on the dividends recorded to the financial statements. For this purpose, it has been assumed that the highest dividends from the direct investment in Fideuram Vita would be compensated by a reduction in the dividends received from Banca Fideuram for a corresponding amount.

#### Total spin off of Sanpaolo IMI Wealth Management S.p.A.

The adjustments refer to the effect of the operation on the Bank's equity which involved an increase in the shareholding of

43 million euro (equal to the difference between the book value of the shares received from the spin off - 191 million euro - and the book value of the investment in Sanpaolo IMI Wealth Management - 148 million euro - cancelled by way of the spin off) to offset the increase in the investment for the same amount, corresponding to the spin off surplus.

Adjustments made to the official reclassified balance sheet as of 31 December 2003:

- increase in equity investments of 43 million euro;
- increase in other reserves of 43 million euro.

The reclassified statement of income for 2003 has not been adjusted on the assumption that any operation concluded in 2003 would not have any effect on the dividends recorded to the financial statements. As a matter of fact, the dividends relating to the shares received from the spin off would have been for the same amount, since they referred to a direct investment rather than to an indirect investment by way of the spun off company.

### Merger of Invesp S.p.A.

The adjustments refer to the balance sheet and statement of income of the merged company as of 31 December 2003.

Adjustments made to the official reclassified balance sheet as of 31 December 2003:

- increase in amounts due from banks of 1 million euro (net of 10 million euro from SANPAOLO IMI, eliminated in the pro forma);
- decrease in loans to customers of 2 million euro (referring to the elimination of transactions with the Parent Bank);
- increase in dealing securities of 210 million euro;
- increase in equity investments of 154 million euro;
- increase in other assets of 58 million euro;
- decrease in deposits from customers of 10 million euro (referring to the elimination of transactions with the Parent Bank);
- increase in the tax reserve of 12 million euro;
- increase in provisions for other risks and charges of 3 million euro;
- increase in other liabilities of 8 million euro.

The 248 million euro shareholding in Invesp held by the Bank was cancelled against the merger. The cancellation surplus of 160 million euro was allocated to net equity under the caption other reserves.

Adjustments made to the official reclassified statement of income for the year 2003:

- increase in net interest income (3 million euro);
- increase in net commission (9 million euro);
- increase in dividends (+ 32 million euro);
- increase in profits and losses from financial transactions (+ 13 million euro);
- increase in other operating income (+ 2 million euro);
- increase in extraordinary income (+ 57 million euro);
- increase in personnel costs (- 10 million euro);
- increase in other administrative costs (- 15 million euro);
- increase in adjustments to the value of tangible fixed assets (- 1 million euro);
- increase in adjustments to the value of intangible fixed assets (- 2 million euro);
- increase in provisions for risks and charges (- 2 million euro);
- increase in adjustments to the value of financial fixed assets (- 7 million euro);
- increase in extraordinary charges (- 25 million euro).

Net of the tax effect (- 11 million euro), the impact on net income for the year 2003 is **+ 43 million euro**.

Considering that in 2003 the Bank recorded **64 million euro** extraordinary dividends collected from Invesp to the statement of income (extraordinary income), inclusive of tax credit for 22 million euro, for the purposes of the pro forma

accounts, other assets and the tax reserve have been offset by decreasing extraordinary income by the same amount and reducing income tax by 22 million euro.

#### Merger of Prospettive 2001 S.p.A.

The adjustments refer to the balance sheet and statement of income of the merged company as of 31 December 2003.

Adjustments made to the official reclassified balance sheet as of 31 December 2003:

- increase in dealing securities of 37 million euro;
- increase in equity investments of 16 million euro.

The 40 million euro shareholding in Prospettive 2001 held by the Bank was cancelled against the merger. The difference of 13 million euro was allocated to net equity under the caption other reserves.

Adjustments made to the official reclassified statement of income for the year 2003:

- increase in extraordinary income of 4 million euro.

The impact on net income for the year 2003 is **4 million euro**.

Considering that in 2003 the Bank recorded dividends matured on Prospettive 2001 to the statement of income for the same amount as the profit earned by the latter, on the basis of the resolutions made at that time, dividends and other assets recorded to the pro forma accounts were reduced by **4 million euro**.

#### Other adjustments

Considering that the fiscal reform provided for the abolition of the tax credit on dividends with effect from 1 January 2004, the statement of income for the year 2003 was adjusted to reduce the caption non-subsiary dividends, recorded on a cash basis, for an amount equal to the relevant tax credit of **18 million euro** and of **30 million euro** for extraordinary income from the year 2002 or previously, on dividends in subsidiary companies. This adjustment has not had any effect on net income since the income tax has been reduced by the same amount.

In order to provide a comparison of the balance sheet captions relating to tax credit on dividends, these captions have been reduced in the reclassified balance sheet as of 31 December 2003 by **345 million euro**. The provision for taxation has been reduced by the same amount.

#### Pro forma schedules used for the official financial statements

In order to prepare the schedules for the official financial statements, the pro forma figures for the year 2003 have been adjusted attributing a different importance in respect of the following:

- a) “realization” transactions, which determine the definitive transfer of assets/liabilities;
- b) merger operations concluded on the basis of principles of accounting/fiscal continuity and neutrality, resulting in a change in the entity and composition of the assets/liabilities against the net equity of the Bank.

With respect to the different aims for the presentation of the official financial statements, in the construction of the 2003 comparative financial statements, a criteria was followed to distinguish between company transactions which represent the sale/purchase of assets (e.g. 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 a), considering that the transactions resulted in the definitive transfer of the assets/liabilities of the Bank, no pro forma adjustments were made to the 2003 figures: this also gives a clearer indication of the movements during the year.

In the second case (point b), however, given that the incorporating company or company benefiting from the spin off acquires the assets/liabilities in the same manner in which they were recorded by the merged or spun off 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 or spun off company.

Lastly, in line with that envisaged by IAS 1, the reclassifications to financial statement captions resulting from the changes to these regulations have led to adjustments to pro forma figures for the previous year.

To conclude, compared to the pro forma adjustments made for the purposes of the Report on Operations, adjustments to the financial statements referred to:

- the partial spin off in favor of SANPAOLO IMI S.p.A. of the stake held by Banca Fideuram in Fideuram Vita (solely balance sheet adjustments);
- the total spin off of Sanpaolo IMI Wealth Management S.p.A. to SANPAOLO IMI S.p.A. and Sanpaolo IMI Asset Management SGR (solely balance sheet adjustments);
- the merger by incorporation of Invesp S.p.A. and Prospettive 2001 S.p.A., with effect from 31 December 2004 and effective for accounting and tax purposes as of 1 January 2004;
- reclassifications to balance sheet captions referring to tax credits on dividends.

The tables determining the pro forma schedules, in reclassified and “official” versions, are shown below. Lastly, it is pointed out that the aforementioned pro forma schedules are unaudited.

## Reclassified pro forma balance sheet as of 31 December 2003

	31/12/03 SANPAOLO IMI (€/mil)	31/12/03 pro forma adjustments (€/mil)	31/12/03 pro forma (€/mil)
<b>ASSETS</b>			
Cash and deposits with central banks and post offices	741	-8	733
Loans	91,368	-2,795	88,573
- due from banks	27,385	-4	27,381
- loans to customers	63,983	-2,791	61,192
Dealing securities	8,816	+238	9,054
Fixed assets	14,820	+433	15,253
- investment securities	2,458	-	2,458
- equity investments	10,291	+443	10,734
- intangible fixed assets	797	-	797
- tangible fixed assets	1,274	-10	1,264
Other assets	9,235	-750	8,485
<b>Total assets</b>	<b>124,980</b>	<b>-2,882</b>	<b>122,098</b>
<b>LIABILITIES</b>			
Payables	97,470	-2,340	95,130
- due to banks	37,800	-1,234	36,566
- due to customers and securities issued	59,670	-1,106	58,564
Provisions	2,490	-476	2,014
- for taxation	660	-458	202
- for termination indemnities	529	-11	518
- provisions for risks and charges	1,301	-7	1,294
- for pensions and similar	-	-	-
Other liabilities	8,787	-490	8,297
Subordinated liabilities	5,887	-	5,887
Shareholders' equity	10,346	+424	10,770
of which:			
- capital	5,144	-	5,144
- reserves	4,378	+424	4,802
- net income for the period	824	-68	756
- adjustment for alignment with net income	-	+68	68
<b>Total liabilities and shareholders' equity</b>	<b>124,980</b>	<b>-2,882</b>	<b>122,098</b>
<b>GUARANTEES AND COMMITMENTS</b>			
Guarantees given	29,298	-	29,298
Commitments	14,057	-	14,057

The pro forma balance sheet as of 31/12/03 is unaudited.



## Reclassified pro forma statement of income for 2003

	2003 SANPAOLO IMI (€/mil)	2003 pro forma adjustments (€/mil)	2003 pro forma (€/mil)
<b>NET INTEREST INCOME</b>	<b>1,849</b>	<b>-324</b>	<b>1,525</b>
Net commissions and other net dealing revenues	1,467	-161	1,306
Profits and losses from financial transactions and dividends on shares	89	6	95
Dividends from shareholdings	832	10	842
<b>NET INTEREST AND OTHER BANKING INCOME</b>	<b>4,237</b>	<b>-469</b>	<b>3,768</b>
Administrative costs	-2,723	228	-2,495
<i>of which:</i>		-	
- personnel	-1,665	131	-1,534
- other administrative costs	-918	79	-839
- indirect duties and taxes	-140	18	-122
Other operating income, net	375	94	469
Adjustments to tangible and intangible fixed assets	-339	4	-335
<b>OPERATING INCOME</b>	<b>1,550</b>	<b>-143</b>	<b>1,407</b>
Adjustments to goodwill and merger differences	-115	43	-72
Provisions for risks and charges	-117	6	-111
Net adjustments to loans and provisions for guarantees and commitments	-401	28	-373
Net adjustments to financial fixed assets	-61	-7	-68
<b>INCOME BEFORE EXTRAORDINARY ITEMS</b>	<b>856</b>	<b>-73</b>	<b>783</b>
Net extraordinary items	233	-109	124
<b>INCOME BEFORE TAXES</b>	<b>1,089</b>	<b>-182</b>	<b>907</b>
Income taxes for the period	-265	114	-151
<b>NET INCOME</b>	<b>824</b>	<b>-68</b>	<b>756</b>
		Adjustment for alignment with net income for 2003	68
		<b>SANPAOLO IMI net income for 2003</b>	<b>824</b>

The pro forma statement of income for 2003 is unaudited.

## Pro forma balance sheet as of 31/12/2003

(Euro)			
ASSETS	31/12/03 SANPAOLO IMI	31/12/03 Pro forma adjustments	31/12/03 Total pro forma
10. Cash and deposits with central banks and post offices	741,061,563	-	741,061,563
20. Treasury bills and similar bills eligible for refinancing with central banks	2,191,213,836	-	2,191,213,836
30. Due from banks:	27,384,886,332	1,424,625	27,386,310,957
a) repayable on demand	8,930,400,397	1,424,625	8,931,825,022
b) other deposits	18,454,485,935	-	18,454,485,935
40. Loans to customers	63,982,919,330	-1,911,686	63,981,007,644
of which:			
- loans using public funds	32,100,438	-	32,100,438
50. Bonds and other debt securities	9,047,597,319	37,210,123	9,084,807,442
a) public entities	2,005,491,053	484,953	2,005,976,006
b) banks	6,531,126,488	25,170	6,531,151,658
of which:			
- own bonds	768,758,229	25,170	768,783,399
c) financial institutions	202,412,256	36,700,000	239,112,256
d) other issuers	308,567,522	-	308,567,522
60. Shares, quotas and other equities	807,678	209,972,561	210,780,239
70. Equity investments	2,013,834,465	119,251,946	2,133,086,411
80. Investments in Group companies	8,277,025,695	14,365,321	8,291,391,016
90. Intangible fixed assets	796,715,430	105,532	796,820,962
of which:			
- start-up costs	-	105,215	105,215
- goodwill	565,245,215	-	565,245,215
100. Tangible fixed assets	1,273,642,861	-	1,273,642,861
120. Own shares or quotas (nominal value € 9,018,573.20)	33,539,430	-	33,539,430
130. Other assets	7,460,680,759	-355,980,028	7,104,700,731
140. Accrued income and prepaid expenses:	1,776,121,286	355,467	1,776,476,753
a) accrued income	1,447,246,271	146,444	1,447,392,715
b) prepaid expenses	328,875,015	209,023	329,084,038
of which:			
- discounts on bond issues	17,506,412	-	17,506,412
<b>Total assets</b>	<b>124,980,045,984</b>	<b>24,793,861</b>	<b>125,004,839,845</b>

The pro forma balance sheet as of 31/12/03 is unaudited.

(Euro)

<b>LIABILITIES</b>	31/12/03 SANPAOLO IMI	31/12/03 Pro forma adjustments	31/12/03 Total pro forma
10. Due to banks:	37,799,877,102	182	37,799,877,284
a) repayable on demand	4,336,225,692	182	4,336,225,874
b) time deposits or with period of notice	33,463,651,410	-	33,463,651,410
20. Due to customers:	40,499,322,667	-9,470,483	40,489,852,184
a) repayable on demand	30,220,655,729	-7,993,283	30,212,662,446
b) time deposits or with period of notice	10,278,666,938	-1,477,200	10,277,189,738
30. Securities issued:	19,131,734,612	-	19,131,734,612
a) bonds	15,098,732,104	-	15,098,732,104
b) certificates of deposit	3,716,975,365	-	3,716,975,365
c) other	316,027,143	-	316,027,143
40. Public funds administered	32,150,975	-	32,150,975
50. Other liabilities	7,538,892,559	7,734,043	7,546,626,602
60. Accrued expenses and deferred income:	1,254,881,271	123,640	1,255,004,911
a) accrued expenses	1,034,662,707	-981	1,034,661,726
b) deferred income	220,218,564	124,621	220,343,185
70. Provisions for employee termination indemnities	529,121,440	-	529,121,440
80. Provisions for risks and charges:	1,960,464,126	-399,026,571	1,561,437,555
a) pensions and similar commitments	-	-	-
b) taxation	659,599,280	-401,991,752	257,607,528
c) other	1,300,864,846	2,965,181	1,303,830,027
110. Subordinated liabilities	5,887,492,939	-	5,887,492,939
120. Capital	5,144,064,800	-	5,144,064,800
130. Additional paid-in capital	707,767,359	-	707,767,359
140. Reserves:	3,669,966,295	425,433,050	4,095,399,345
a) legal reserve	1,028,812,960	-	1,028,812,960
b) reserve for own shares or quotas	33,539,430	-	33,539,430
c) statutory reserves	-	-	-
d) other reserves	2,607,613,905	425,433,050	3,033,046,955
170. Income for the period	824,309,839	-	824,309,839
Adjustment for alignment with net income	-	-	-
<b>Total liabilities and shareholders' equity</b>	<b>124,980,045,984</b>	<b>24,793,861</b>	<b>125,004,839,845</b>
<b>GUARANTEES AND COMMITMENTS</b>			
	31/12/03 SANPAOLO IMI	31/12/03 Rettifiche pro forma	31/12/03 Total pro forma
10. Guarantees given	29,298,297,442	-	29,298,297,442
of which:			
- acceptances	101,812,094	-	101,812,094
- other guarantees	29,196,485,348	-	29,196,485,348
20. Commitments	14,056,523,002	-	14,056,523,002
of which:			
- for derivatives on loans	530,147,753	-	530,147,753
- for sales with obligation to repurchase	-	-	-

The pro forma balance sheet as of 31/12/03 is unaudited.

## Pro forma statement of income for 2003

(Euro)

ITEMS	2003 SANPAOLO IMI	2003 Pro forma adjustments	2003 Total pro forma
10. Interest income and similar revenues	4,158,712,007	3,610,640	4,162,322,647
<i>of which:</i>			
– loans to customers	3,182,852,727	-	3,182,852,727
– debt securities	372,879,320	1,194,710	374,074,030
20. Interest expense and similar charges	-2,309,876,098	-508,641	-2,310,384,739
<i>of which:</i>			
– amounts due to customers	-630,426,024	-	-630,426,024
– securities issued	-765,180,337	-	-765,180,337
30. Dividends and other revenues	832,552,209	10,571,267	843,123,476
a) shares, quotas and other equities	291,388	-	291,388
b) equity investments	78,224,172	14,952,855	93,177,027
c) investments in Group companies	754,036,649	-4,381,588	749,655,061
40. Commission income	1,569,038,623	9,837,507	1,578,876,130
50. Commission expense	-102,281,598	-1,104,448	-103,386,046
60. Profits (losses) from financial transactions	89,413,766	12,924,792	102,338,558
70. Other operating income	385,088,588	2,336,173	387,424,761
80. Administrative costs	-2,723,238,361	-25,266,781	-2,748,505,143
a) personnel	-1,665,091,707	-10,570,639	-1,675,662,347
<i>of which:</i>			
– wages and salaries	-1,188,535,389	-7,547,145	-1,196,082,534
– social security charges	-391,836,808	-2,194,882	-394,031,690
– termination indemnities	-84,719,511	-733,024	-85,452,535
– pensions and similar	-	-95,588	-95,588
b) other administrative costs	-1,058,146,654	-14,696,142	-1,072,842,796
90. Adjustments to tangible and intangible fixed assets	-453,381,249	-2,928,273	-456,309,522
100. Provisions for risks and charges	-117,465,213	-2,453,508	-119,918,721
110. Other operating expense	-9,687,915	160,227	-9,527,688
120. Adjustments to loans and provisions for guarantees and commitments	-590,568,066	-	-590,568,066
130. Writebacks of adjustments to loans and provisions for guarantees and commitments	189,611,407	-	189,611,407
140. Provisions for probable loan losses	-	-	-
150. Adjustments to financial fixed assets	-145,432,134	-6,617,363	-152,049,497
160. Writebacks of adjustments to financial fixed assets	84,264,640	-	84,264,640
<b>170. Income from ordinary activities</b>	<b>856,750,606</b>	<b>561,592</b>	<b>857,312,197</b>
180. Extraordinary income	636,391,869	-34,028,840	602,363,029
190. Extraordinary expense	-403,332,366	-24,842,181	-428,174,547
<b>200. Extraordinary net income</b>	<b>233,059,503</b>	<b>-58,871,021</b>	<b>174,188,482</b>
220. Income taxes for the period	-265,500,270	59,173,424	-206,326,846
<b>230. Income for the period</b>	<b>824,309,839</b>	<b>863,995</b>	<b>825,173,833</b>

The pro forma statement of income for 2003 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 29 April 2004, which renewed their appointment as auditors of the year end, half year financial statements and of the Annual Report on Form 20-F for the 2004/2005/2006 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 2004.

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 29 April 2004.

# Part A - Accounting policies

## SECTION 1 - DESCRIPTION OF ACCOUNTING POLICIES

The financial statements of the Bank as of 31 December 2004 have been prepared using the same accounting policies adopted for the financial statements as of 31 December 2003.

### 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. Net carrying amount 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 net carrying amount 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 and renegotiates the applicable terms at lower-than-market rates, are valued on a case-by-case basis;
- loans being restructured: loans for which the borrower has applied for consolidation to a variety of banks within the past 12 months, are valued on a case-by-case basis;
- loans exposed to "country risk": loans 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. 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, therefore 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 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 potential losses likely to be incurred on the aggregate of point 1, are calculated 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. in order to back-test the effectiveness and accuracy of the method, the results of the historical statistical method are compared with the ratings used to monitor and control credit risks on the basis of risk management methods.

The “estimates losses” resulting from the calculation and reasoned comparison of the risk management models are the reference parameter used to calculate the “general provision” destined to cover the default risk on performing loans. This calculation is aligned to what is assumed to be an adequate value, determined also considering specific qualitative factors pertaining to the portfolio and valuations of the expected economic performance.

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 criteria and automatic rules 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.

The resulting net carrying amounts are formally approved by the regulating committees and other steering groups within the organization.

Default interest accrued during the period is eliminated 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 net carrying amount;
- 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 the estimated 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 2004, the Bank used the average reference rate of 4.5%, determined as the appropriate approximate average performance at the date of inception of the doubtful loan portfolio and calculated on the basis of the contractual rates actually applied by the Bank on medium- and long-term loans (fixed and floating rate) and on short-term loans (floating rate). Considering the need to simplify data processing and reduce its costs, it is deemed that this average rate is sufficiently close 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 passage of time and the consequent approach of the expected collection deadlines, implies an automatic reduction in the underlying 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 (“protection buyer”) 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 loans, 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 according to the criteria 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 (“protection seller”).

#### Credit derivatives

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

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.

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

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

- at cost adjusted to take into account any permanent losses in value, in the case of contracts which involve hedging sales;



- in a manner consistent with the underlying asset object of the protection, for contracts which involve hedging purchases.

The premium paid or collected on contracts belonging to trading book is recorded among premiums for options (caption 130 under assets and caption 50 under liabilities of the balance sheet).

Contracts belonging to banking book are recorded as commission income or commission expense (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

Long-term steady investment securities held by the company are valued at “the average daily cost”, adjusted to reflect accruals for the period of issue and dealing discounts (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 impairment in the solvency of the issuers and the ability of the related nations to repay debt. Investment securities may also be written down in consideration of the market trend in accordance with the first subsection of Art. 18 of D.Lgs. 87/92. The original value is reinstated if the reasons for any writedowns cease to apply.

### 2.2 Dealing securities

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

- securities quoted in organized markets: the official price quoted on the last trading day of the year;
- securities not quoted in organized markets: at the lower between cost and market value. The latter value is estimated by discounting future financial flows, applying the market rates, as at the time of valuation, for similar type of instruments and 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 which are neither consolidated on a line by line basis nor valued at equity are stated at cost, increased to reflect past revaluations at the time 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; these are calculated taking into account any reductions in the equity value of the companies concerned and in the trend in exchange rates for those investments held at historical rates. The original value of equity investments is reinstated if the reasons for any writedowns cease to apply.

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

With reference to investments held in Isveimer and in Sga, any charges which the Bank may be called on to bear to cover losses incurred by these 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 detailed 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 companies are recorded on the basis of their maturity, on the condition that the Boards of Directors of the subsidiaries 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 subsidiaries are recorded when the tax credit becomes collectible, usually in the year in which dividends are declared.

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

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

#### Unsettled spot and forward currency transactions

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

Transactions *not carried out for hedging purposes* are valued:

- at year-end spot exchange rates, in the case of spot transactions still to be settled;
- at year-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 in connection with incorporation, mergers, or with the application of monetary revaluation laws.

Operating assets are depreciated every year 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 of the assets are expensed in the year they are incurred.

## 6. Intangible fixed assets

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

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

On the other hand, own shares are stated at year-end (closing date) market value 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 underwrite increases in share capital against payment. Considering that neither Italian regulations nor Italian accounting policies provide specific instructions to such effect, these plans are accounted for by carrying the capital increase and paid-in capital, on the exercised date.

### 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 the related securities borrowing transactions.

### 9. Provisions for termination indemnities

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

### 10. Provisions for risks and charges

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

#### Provisions for taxation

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

Income taxes are estimated prudently on the basis of the tax charges for that 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 (capital gains with deferred taxation, 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 provisional differences likely to generate a tax burden and to the deductible provisional differences if these are likely to be recovered. Deferred tax assets and liabilities relating to the same tax and expiring in the same period are offset against each other.

In 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

The "provision for guarantees and commitments" covers losses on guarantees given and, more generally, the contingencies associated with guarantees and commitments and exposures to derivative contracts on loans for which the Bank has taken over the credit risk (protection seller).

The provision for other risks and charges covers estimated losses arising from legal disputes, including repayments claimed by the receivers of bankrupt customers. It also covers possible 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 probable charges 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 made to cover discretionary employee bonuses, commitments for staff leaving incentives 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 indexes 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 embedded derivatives which represent the components of hybrid financial instruments and include both derivative and host contracts. Embedded 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 offsetting assets and liabilities. Agreements between the parties to offset reciprocal receivables and payables in the case of default by one of the counterparties ("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 credit risk (counterparty and/or country risk) inherent in the contracts.

### Hedging derivatives

These are entered into with the aim of protecting the value of individual assets or liabilities, as well as any groups of on- or off-balance sheet assets or liabilities 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;
- strict correlation between the terms and conditions of the assets or liabilities hedged and those inherent in the hedging contract.

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

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

*Balance Sheet:* the period element of differentials earned on contracts hedging the risk of fluctuations in the rates of interest on interest earning/bearing assets and liabilities is classified among "Accrued income" and/or "Accrued expenses". The amount paid or collected up-front at the moment of stipulating derivative contracts under terms different to market, as well as the element of margins payable in future years on Forward Rate Agreements (FRA) 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 and the amount paid or collected up-front at the moment of stipulating derivative contracts under terms different to market, 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, interest margins and earnings on derivative contracts hedging dealing securities are treated as interest if they relate to multiple-flow contracts (e.g. IRS - Interest Rate Swap) 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 derivatives*

These are valued as follows:

*Contracts on securities, interest rates, stockmarket indexes and other assets:* contracts quoted in organized markets are 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 year-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 based mainly on the goals of efficiency (lower transaction costs), improved management of market and counterparty risks, and the optimal allocation of specialized human resources. These desks manage portfolios consisting of various types of derivatives (and sometimes securities) and operate within defined net risk limits.

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

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

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

#### Settlement date

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



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

Art. 7, subsection 1, b) and c) of D.Lgs. 6/2/2004 no. 37, has annulled Articles 15, subsection 3 and 39, subsection 2 of D.Lgs. 87/92, which allowed banks to “make value adjustments and accruals solely for fiscal purposes”.

Following this change in regulation, it is compulsory for the statement of income of the Parent Bank, as of 31 December 2004, to disclose the adjustments and provisions made solely for fiscal purposes in prior years.

The application of the new provisions concerned the writedown of the equity investments in Cassa di Risparmio di Firenze (210 million euro of adjustments made solely for fiscal purposes in the years 2000 and 2001) and in IMI Investimenti (67 million euro of adjustments made solely for fiscal purposes in the year 2003). In relation to the disclosure of the adjustments made for tax purposes totaling 277 million euro, an appraisal on the fairness of the new book value of these investments was carried out, resulting in a writedown to these investments of 175 million euro, as illustrated in detail in Part B – Section 3 and Part C – Section 5 of these Notes.

## 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:

	31/12/04 (€/mil)	31/12/03 pro forma (€/mil)	31/12/03 (€/mil)
Deposits with central banks			
– compulsory reserve	157	133	133
– other	26	16	16
Deposits with other banks			
– repurchase agreements and securities loaned	8,004	5,445	5,445
– current accounts	1,032	1,189	1,188
– deposits	24,072	19,014	19,014
– loans	1,479	1,386	1,386
– subordinated loans	163	198	198
– other	6	5	5
<b>Total</b>	<b>34,939</b>	<b>27,386</b>	<b>27,385</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.)*

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) deposits with central banks	183	149
b) bills eligible for refinancing with central banks	-	-
c) repurchase agreements	8,004	5,445
d) securities loaned	-	-

## Degree of risk in loan portfolio to banks

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

(€/mil)

Category / Value	31/12/04			31/12/03 pro forma			31/12/03		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
A. Doubtful loans	27	9	18	45	15	30	45	15	30
A.1 Non-performing loans	1	1	-	5	5	-	5	5	-
A.2 Problem loans	1	1	-	1	1	-	1	1	-
A.3 Loans in course of restructuring	-	-	-	-	-	-	-	-	-
A.4 Restructured loans	-	-	-	-	-	-	-	-	-
A.5 Unsecured loans exposed to country risk	25	7	18	39	9	30	39	9	30
B. Performing loans	34,921	-	34,921	27,356	-	27,356	27,355	-	27,355
<b>Total loans to banks</b>	<b>34,948</b>	<b>9</b>	<b>34,939</b>	<b>27,401</b>	<b>15</b>	<b>27,386</b>	<b>27,400</b>	<b>15</b>	<b>27,385</b>

Non-performing and problem loans do not include any loans of a significant amount to residents of nations exposed to risk.

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 1/1/04	5	1	-	-	39
A.1 of which: for default interest	-	-	-	-	1
B. Increases	-	-	-	-	-
B.1 inflows from performing loans	-	-	-	-	-
B.2 default interest	-	-	-	-	-
B.3 transfer from other categories of doubtful loans	-	-	-	-	-
B.4 other increases	-	-	-	-	-
C. Decreases	4	-	-	-	14
C.1 outflows to performing loans	-	-	-	-	-
C.2 write-offs	4	-	-	-	2
C.3 collections	-	-	-	-	12
C.4 disposals	-	-	-	-	-
C.5 transfer to other categories of doubtful loans	-	-	-	-	-
C.6 other decreases	-	-	-	-	-
D. Gross exposure as of 31/12/04	1	1	-	-	25
D.1 of which: for default interest	-	-	-	-	-

## 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 adjustments as of 1/1/04	5	1	-	-	9	-
A.1 of which: for default interest	-	-	-	-	1	-
B. Increases	-	-	-	-	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	-	-	-	-	-	-
B.4 other increases	-	-	-	-	2	-
C. Decreases	4	-	-	-	4	-
C.1 writebacks from valuations	-	-	-	-	1	-
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	4	-	-	-	2	-
C.4 transfer to other categories of doubtful loans	-	-	-	-	-	-
C.5 other decreases	-	-	-	-	1	-
D. Total adjustments as of 31/12/04	1	1	-	-	7	-
D.1 of which: for default interest	-	-	-	-	-	-

## Loans to customers (caption 40)

Loans to customers are analyzed below, by technical form:

	31/12/04 (€/mil)	31/12/03 pro forma (€/mil)	31/12/03 (€/mil)
Mortgage loans	28,069	28,918	28,918
Other forms of finance not flowing through current accounts - Domestic branches	11,674	15,461	15,461
Current accounts	6,985	7,634	7,636
Other forms of finance not flowing through current accounts - Foreign branches	3,164	4,392	4,392
Import-export loans	1,659	1,874	1,874
Advances with recourse	1,338	1,438	1,438
Loans repurchased by third parties	1,184	938	938
Repurchase agreements and securities loaned	1,111	1,109	1,109
Personal loans	818	741	741
Non-performing loans	378	453	453
Risk on portfolio	401	478	478
Other loans to customers	423	545	545
<b>Total</b>	<b>57,204</b>	<b>63,981</b>	<b>63,983</b>

The decrease with respect to the previous year is attributable to 2,789 million euro through the transfer of the business branch to CARISBO S.p.A. and CARIPARO S.p.A., as described in the section “Introduction - Background information on the financial statements” and to 4,000 million euro from a decrease in loans to corporate customers.

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

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Bills eligible for refinancing with central banks	-	-
b) Repurchase agreements	1,111	1,109
b) Securities loaned	-	-

The detail of “secured loans to customers” excluding those granted directly to Governments or other public entities for 698 million euro is the following:

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

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Mortgages	17,017	17,347
b) Pledged assets:		
1. cash deposits	60	50
2. securities (a)	2,405	2,580
3. other instruments	209	74
c) Guarantees given by:		
1. Governments	1,277	1,548
2. other public entities	5	52
3. banks	350	622
4. other operators	9,543	8,364
<b>Total</b>	<b>30,866</b>	<b>30,637</b>

(a) Include repurchase and similar agreements guaranteed by underlying securities totaling 1,111 million euro as of 31 December 2004 and 1,109 million euro as of 31 December 2003.

Loans to customers guaranteed by banks include 83 million euro of positions for which the Bank purchased buyer protection against the risk of non-performance, by means of derivative contracts.

“Secured loans to customers” and those granted directly to Governments or other public entities represent 55% of total loans to customers.

## Degree of risk in loan portfolio to customers

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

The net carrying amount 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 2004 came to 63 million euro.

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

Category / Value	31/12/04			31/12/03 pro forma			31/12/03			(€/mil)
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	
A. Doubtful loans	2,768	1,850	918	2,897	1,894	1,003	2,898	1,895	1,003	
A.1 Non-performing loans	2,029	1,651	378	2,104	1,651	453	2,104	1,651	453	
A.2 Problem loans	493	130	363	611	202	409	612	203	409	
A.3 Loans in course of restructuring	110	33	77	17	3	14	17	3	14	
A.4 Restructured loans	101	26	75	137	30	107	137	30	107	
A.5 Unsecured loans exposed to country risk	35	10	25	28	8	20	28	8	20	
B. Performing loans	56,771	485	56,286	63,455	477	62,978	63,457	477	62,980	
<b>Total loans to customers</b>	<b>59,539</b>	<b>2,335</b>	<b>57,204</b>	<b>66,352</b>	<b>2,371</b>	<b>63,981</b>	<b>66,355</b>	<b>2,372</b>	<b>63,983</b>	

Non-performing loans include unsecured loans to residents in nations exposed to risk, for a gross exposure of around 1 million euro, written-down in full.

### Coverage of loans

Categories	31/12/04 (%)	31/12/03 (%)
Non-performing loans	81.37	78.47
Problem, restructured and in course of restructuring loans	26.85	30.81
Unsecured loans exposed to country risk	28.57	28.57
Performing loans (a)	0.94	0.83

(a) Total performing loans do not include loans to Group companies, equal to 4,915 million euro.

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.

Value adjustments to performing loans include 167 million euro destined to cover the negative valuation of the embedded derivative in the convertible facility of 400 million euro granted to FIAT S.p.A.. The coverage of performing loans net of this component, and excluding loans to Group companies, is around 0.61%.

*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 1/1/04	2,104	611	17	137	28
A.1 of which: for default interest	335	19	-	-	-
B. Increases	366	646	261	180	8
B.1 inflows from performing loans	56	433	87	19	-
B.2 default interest	44	6	-	-	-
B.3 transfer from other categories of doubtful loans	174	109	155	113	-
B.4 other increases	92	98	19	48	8
C. Decreases	441	764	168	216	1
C.1 outflows to performing loans	4	36	-	35	-
C.2 write-offs	110	58	-	-	-
C.3 collections	207	287	18	80	1
C.4 disposals	-	-	-	-	-
C.5 transfer to other categories of doubtful loans	31	323	136	61	-
C.6 other decreases	89	60	14	40	-
D. Gross exposure as of 31/12/04	2,029	493	110	101	35
D.1 of which: for default interest	347	20	-	1	-

*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 1/1/04	1,651	202	3	30	8	477
A.1 of which: for default interest	335	19	-	-	-	2
B. Increases	282	118	63	32	6	39
B.1 adjustments	168	69	41	6	3	39
B.1.1 of which: for default interest	44	6	-	1	-	2
B.2 use of reserves for probable loan losses	-	-	-	-	-	-
B.3 transfer from other categories of loans	68	43	18	14	-	-
B.4 other increases	46	6	4	12	3	-
C. Decreases	282	190	33	36	4	31
C.1 writebacks from valuations	13	8	-	2	-	1
C.1.1 of which: for default interest	-	-	-	-	-	-
C.2 writebacks of collections	59	29	1	16	-	1
C.2.1 of which: for default interest	13	2	1	-	-	1
C.3 write-offs	110	58	-	-	-	4
C.4 transfer to other categories of doubtful loans	24	80	27	5	-	7
C.5 other decreases	76	15	5	13	4	18
D. Total adjustments as of 31/12/04	1,651	130	33	26	10	485
D.1 of which: for default interest	347	20	-	1	-	2

As already mentioned, total adjustments include 63 million euro relating to the adoption of a policy for discounting doubtful loans. More specifically, writedowns for discounting purposes total 46 million euro on non-performing loans, 10 million euro on problem loans and 7 million euro on restructured loans.

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

### Loans to customers and banks resident in nations exposed to country risk

Country	(€/mil)		
	Total	Gross exposure	
		of which: unsecured	
		book value	weighted value
Brazil	39	29	29
Azerbaijan	37	12	12
Venezuela	13	8	8
Trinidad and Tobago	4	4	4
Argentina	42	3	3
Serbia and Montenegro	2	2	2
Costa Rica	1	1	-
Cayman Islands	18	-	-
Dominican Republic	6	-	-
Philippines	4	-	-
Other	7	1	1
<b>Total gross exposure</b>	<b>173</b>	<b>60</b>	<b>59</b>
Total adjustments	17	17	
<b>Net exposure as of 31/12/04</b>	<b>156</b>	<b>43</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 113 million euro and are insured by SACE, by sureties from operators in the OECD area or by cash deposits.

### 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:

	31/12/04 (€/mil)	31/12/03 pro forma (€/mil)	31/12/03 (€/mil)
Treasury bills and similar bills eligible for refinancing with central banks (caption 20)	1,011	2,191	2,191
Bonds and other debt securities (caption 50)	10,230	9,085	9,048
Shares, quotas and other equities (caption 60)	284	211	1
<b>Total</b>	<b>11,525</b>	<b>11,487</b>	<b>11,240</b>
of which:			
– investment securities	2,365	2,458	2,458
– dealing securities	9,160	9,029	8,782

“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 2,365 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	31/12/04		31/12/03	
	Book value	Market value	Book value	Market value
<b>1. Debt securities</b>				
1.1 Government securities				
– quoted	2,003	2,065	2,007	2,055
– unquoted	-	-	-	-
1.2 Other securities				
– quoted	42	44	43	45
– unquoted	320	333	408	420
<b>2. Equities</b>				
– quoted	-	-	-	-
– unquoted	-	-	-	-
<b>Total</b>	<b>2,365</b>	<b>2,442</b>	<b>2,458</b>	<b>2,520</b>

As of 31 December 2004 the portfolio, consisting of 85% Italian Government bonds and 15% other securities, shows a net unrealized gain of 77 million euro. The valuation of derivative contracts hedging investment securities shows an unrealized loss of 62 million euro.

The positive net differences between reimbursements and book values total 3 million euro which will be recorded in the statement of income on the basis of the accruals principle.

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

	<i>(€/mil)</i>
A. Opening balance	2,458
B. Increases	
B1. purchases	23
B2. writebacks	-
B3. transfers from dealing portfolio	-
B4. other changes	10
C. Decreases	
C1. sales	16
C2. redemptions	74
C3. adjustments	1
<i>of which:</i>	
<i>long-term writedowns</i>	1
C4. transfers to dealing portfolio	-
C5. other changes	35
D. Closing balance	2,365

Purchases, of which 23 million euro refer to securities of a highly valued rating, were made by the Singapore branch on a plafond for investments in corporate bonds.

Sales, of 16 million euro, refer to structured securities deriving from the merger of Banco di Napoli (10 million euro) and to securities from the merger of Cardine Banca (6 million euro). Disposals, made in the context of the redefinition of investment portfolio following the merger operations concluded by the Bank in 2002, led to the recording of extraordinary income for 1 million euro.

Reimbursements of 74 million euro refer to 22 million euro of structured and corporate securities deriving from the banks merged in 2002, 18 million euro of corporate securities held by the Singapore branch, 9 million euro of corporate securities held by the Nassau branch, 6 million euro of Italian Government bonds, 12 million euro of corporate securities held by the Hong Kong branch, 3 million euro of Marconi Plc securities held by the London branch and 4 million euro of Chinese Government bonds held by the Hong Kong branch.

Subcaption B4. "Increases - other changes" includes exchange rate differences on securities denominated in foreign currencies for 2 million euro, dealing discounts and capitalization of interest on zero coupon bonds recorded to the statement of income for 7 million euro and gains on disposal of 1 million euro.

Subcaption C5. "Decreases - other changes" includes exchange rate differences on securities denominated in foreign currencies for 19 million euro, dealing discounts recorded to the statement of income for 6 million euro and securities issued by United Airlines due for 10 million euro, recorded as deposits and subsequently sold in the second half of 2004.

The "adjustments in value" at caption C3., amounting to 1 million euro, refer to losses in value of a long-term nature wholly attributable to structured securities.

The Bank has approved a resolution limiting the size of the investment securities portfolio at the lower of:

- 40% of the total securities owned;
- the Bank's regulatory capital.

## Dealing securities

Dealing securities, held for treasury and negotiation purposes, amount to 9,160 million euro and comprise:

- 2,995 million euro linked to derivative contracts;
- 6,165 million euro not linked to derivative contracts.

Dealing securities (Table 2.3 B.I.)

Item / Value	31/12/04		31/12/03 pro forma		31/12/03	
	Book value	Market value	Book value	Market value	Book value	Market value
1. Debt securities						
1.1 Government securities						
– quoted	1,959	1,959	1,965	1,965	1,965	1,965
– unquoted	24	24	40	40	40	40
1.2 Other securities						
– quoted (a)	1,048	1,048	999	999	999	999
– unquoted	5,845	5,858	5,814	5,830	5,777	5,793
2. Equities						
– quoted	284	284	211	211	1	1
– unquoted	-	-	-	-	-	-
<b>Total</b>	<b>9,160</b>	<b>9,173</b>	<b>9,029</b>	<b>9,045</b>	<b>8,782</b>	<b>8,798</b>

(a) For foreign securities listed on organized markets for which the latest quotations are not representative of their realizable value in transactions between independent counterparties (non-active market situations), their market values have been identified on the basis of 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 recorded in the statement of income for 8 million euro, net.

The book value of other unquoted securities includes own issues for 746 million euro and Group company issues for 3,050 million euro.

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

(€/mil)

A. Pro forma opening balance	9,029
B. Increases	
B1. purchases	
– debt securities	
- Government securities	9,732
- other securities	6,646
– equities	70
B2. writebacks and revaluations	74
B3. transfers from investment portfolio	-
B4. other changes	105
C. Decreases	
C1. sales and reimbursements	
– debt securities	
- Government securities	9,842
- other securities	6,505
– equities	4
C2. adjustments	20
C3. transfers to investment portfolio	-
C5. other changes	125
D. Closing balance	9,160

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

B4. "Increases - other changes"	(€/mil)
Exchange differences	3
Capitalization of accrued interest on treasury bills (BOT) and zero coupon bond (BTZ)	40
Gains on disposals	24
Accrued issue discounts	2
Other (a)	36
<b>Total other changes</b>	<b>105</b>

(a) This caption refers to technical exposures as of 31 December 2004.

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

C5. "Decreases - other changes"	(€/mil)
Exchange differences	100
Losses on disposals	16
Other (a)	9
<b>Total other changes</b>	<b>125</b>

(a) 6 million euro refers to technical exposures as of 1 January 2004 and 3 million euro to the book value of securities due and not reimbursed by the issuer reclassified to receivables, of which 2 million euro were sold in the second half of 2004.

### Operations in own shares

As of 31 December 2004, the Bank held 4,015,919 own shares in its portfolio, for a nominal value of around 11 million euro. These are carried in the financial statements at market quotation on the last day of the period for a book value of 43 million euro, after recording a profit from valuation of 2 million euro.

During 2004 the Bank purchased 795,000 shares (nominal value of around 2 million euro) for the sum of 7 million euro.

### 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:

	31/12/04 (€/mil)	31/12/03 pro forma (€/mil)	31/12/03 (€/mil)
Equity investments (caption 70)	2,046	2,133	2,014
Investments in Group companies (caption 80)	8,604	8,291	8,277
<b>Total</b>	<b>10,650</b>	<b>10,424</b>	<b>10,291</b>
<i>of which:</i>			
– significant investments	9,415	9,135	9,099
– other equity investments	1,235	1,289	1,192

### 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>							
Assicurazioni Internazionali di Previdenza S.p.A. (former Noricum Vita S.p.A.)	Turin	Insurance	956	98	99.96	956	556
Banca di Intermediazione Mobiliare IMI S.p.A.	Milan	Banking	384	71	100.00	384	305
Banca Fideuram S.p.A.	Rome	Banking	577	163	73.37	423	116
Banca OPI S.p.A.	Rome	Banking	841	188	100.00	841	529
Banca Popolare dell'Adriatico S.p.A.	Teramo	Banking	250	20	100.00	250	372
Cassa di Risparmio di Padova e Rovigo S.p.A.	Padua	Banking	872	112	100.00	872	860
Cassa di Risparmio di Venezia S.p.A. - Venezia	Venice	Banking	267	30	100.00	267	260
Cassa di Risparmio in Bologna S.p.A. - Bologna	Bologna	Banking	730	45	100.00	730	705
Consorzio Studi e Ricerche Fiscali Gruppo SANPAOLO IMI	Rome	Operating	-	-	55.00	-	-
Farbanca S.p.A. (b)	Bologna	Banking	27	1	21.89	6	6
Finemiro Banca S.p.A.	Bologna	Banking	116	12	96.84	112	74
Friulcassa S.p.A.	Gorizia	Banking	219	18	100.00	219	297
GEST Line S.p.A.	Naples	Finance	25	46	100.00	25	9
IMI Investimenti S.p.A.	Turin	Finance	943	-30	100.00	943	973
Immobiliare 21 S.r.l.	Milan	Non-finance	-	-	100.00	-	-
Sanpaolo Banco di Napoli S.p.A.	Naples	Banking	1,197	108	100.00	1,197	1,197
Sanpaolo Bank S.A.	Luxembourg	Banking	271	36	100.00	271	253
Sanpaolo Fiduciaria S.p.A.	Milan	Finance	6	2	100.00	6	4
Sanpaolo IMI Asset Management Sgr S.p.A.	Milan	Finance	99	87	100.00	99	135
Sanpaolo IMI Bank (International) S.A.	Madeira	Banking	180	3	100.00	180	150
Sanpaolo IMI Bank Ireland Plc	Ireland	Banking	532	15	100.00	532	515

## Significant investments (Table 3.1 B.I.) - cont.

Name	Registered offices	Activity	Shareholders' equity (a)	Income / Loss	Percentage ownership	Pro quota shareholders' equity (a)	Book value
Sanpaolo IMI Capital Company I LLC (c)	United States	Finance	1,051	-	4.31	45	45
Sanpaolo IMI Insurance Broker S.p.A.	Bologna	Insurance	3	1	100.00	3	2
Sanpaolo IMI International S.A.	Luxembourg	Finance	941	115	100.00	941	810
Sanpaolo IMI Internazionale S.p.A.	Padua	Finance	95	1	100.00	95	95
Sanpaolo IMI Private Equity S.p.A.	Bologna	Finance	233	-5	100.00	233	248
Sanpaolo IMI Us Financial Co.	United States	Finance	-	-	100.00	-	-
Sanpaolo Leasint S.p.A.	Milan	Finance	94	21	100.00	94	82
Sep - Servizi e Progetti S.p.A.	Turin	Operating	3	1	100.00	3	2
S.G.A. S.p.A. Societa' per la Gestione di Attivita' (d)	Naples	Finance	138	8	100.00	138	1
Studi e Ricerche per il Mezzogiorno (e) (f)	Naples	Non-finance	1	-	16.67	-	-
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. (f)	Switzerland	Finance	1	-	99.00	1	-
Ciocolato Feletti S.p.A. - in liq.	Aosta	Non-finance	-	2	95.00	-	-
Cotonificio Bresciano Ottolini S.r.l. - in liq.	Salò (BS)	Non-finance	-	-	100.00	-	-
Imifin S.p.A. - in liq.	Rome	Finance	-	-	100.00	-	-
ISC Euroservice GmbH - in liq.	Germany	Operating	-	-	80.00	-	-
Isveimer S.p.A. - in liq. (f)	Naples	Banking	71	18	65.23	46	-
Sanpaolo U.s. Holding Co. - in liq.	United States	Finance	3	-	100.00	3	2
<b>Total</b>							<b>8,604</b>

## A.2 Jointly held companies

Banka Koper D.D.	Slovenia	Banking	143	19	63.51	91	152
Cassa dei Risparmi di Forlì S.p.A.	Forlì	Banking	215	20	29.77	64	151
Allfunds Bank S.A.	Spain	Banking	32	5	50.00	16	21
<b>Total</b>							<b>324</b>

## B. Companies subject to significant influence

Banque Sanpaolo S.A.	France	Banking	392	28	40.00	157	154
Cassa di Risparmio di Firenze S.p.A.	Florence	Banking	1,059	97	18.67	198	329
Cbe Service S.p.r.l.	Belgium	Non-finance	-	-	31.70	-	-
Centradia Group Ltd	United Kingdom	Finance	12	-2	29.03	3	2
Cr Firenze Gestion Internationale S.A.	Luxembourg	Finance	2	12	20.00	-	-
Liseuro S.p.A. (f)	Udine	Finance	4	-	35.11	1	-
Sifin S.r.l.	Bologna	Finance	2	3	26.00	1	1
Società Gestione per il Realizzo S.p.A.	Rome	Non-finance	20	-2	28.31	6	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. (f)	Rome	Finance	-499	-250	32.84	-164	-
Galileo Holding S.p.A. - in liq.	Venice	Non-finance	-24	-	31.52	-8	-
<b>Total</b>							<b>487</b>

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

(b) Company included as a significant investment inasmuch as 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 January 2003 - Voting rights on 100% of share capital are exercised by the Treasury Ministry.

(e) Company included as a significant investment inasmuch as, globally, the Group holds the controlling portion of shares.

(f) Financial statements as of 31 December 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 difference of 164 million euro in respect of **Consorzio Bancario Sir S.p.A.** refers to the IMI-Sir dispute which is illustrated in detail at Section 5 – Other assets;
- in relation to the shareholding in **Cassa di Risparmio di Firenze S.p.A.**, the book value has been subjected to a net revaluation of 102 million euro, following the reversal of the adjustments in value made exclusively for fiscal purposes in prior years and the alignment of book value to the average quotations in the second half of 2004. The negative difference of 131 million euro on the pro quota of net equity is justified by the economic value attributed to the investment following recent independent appraisals made on the occasion of capital increases of the subsidiary;
- as far as the investment in **Banca Popolare dell'Adriatico S.p.A.** is concerned, the difference of 122 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);
- the differences, of 87 million euro for **Cassa dei Risparmi di Forlì S.p.A.**, of 61 million euro for **Banka Koper D.D.** and of 78 million euro for **Friulcassa S.p.A.** reflect the goodwill paid in relation to the income-earning potential of these companies;
- the differences of 36 million euro and of 5 million euro, referring respectively to **Sanpaolo IMI Asset Management S.p.A.** and to **Allfunds Bank S.A.**, are justified by the income earning potential of these companies;
- the difference of 30 million euro referring to **IMI Investimenti S.p.A.** is justified in the company's forecast recovery of profitability, as envisaged by the budgets for future years;
- as far as the 15 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 the light of the forecast recovery in profitability of the company, as confirmed by the budget for the years 2005 and 2006;
- 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 main characteristics of the commitments and options on significant investments are provided below:

- the Cassa dei Risparmi di Forlì S.p.A. share purchase agreement of 29 November 2000, between Fondazione CR Forlì (seller) and SANPAOLO IMI and Cassa di Risparmio di Firenze (purchasers), provides that the purchasers shall grant Fondazione an option to sell ordinary shares representing not more than 51.35% of the share capital of CR Forlì, to be exercised in a number of tranches, at a unit price of 8.11 euro per share for the first two tranches, and at a price determined according to the "fair market value" for the last tranches. The put option may be exercised by Fondazione at any time between 12 June 2002 and the 15th day before the expiry of the first period for notice of termination of the Consortium Agreement drawn up between the same parties (31 December 2008). On 12 May 2003 Fondazione CR Forlì exercised the first tranche of the put option on 8,335,370 shares (equal to 8.75% of the share capital), at a price of 68 million euro for the quota attributable to SANPAOLO IMI. After acquisition, the investment held by SANPAOLO IMI rose to 29.77%. The option on the portion of share capital still held by Fondazione (29.77%), involved the booking of 174 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 launched in March 2002 for the entire share capital of the company is successful, SANPAOLO IMI guarantees the leading shareholders a put option on their shares which were not contributed in the Public Offer. Such entitlement is also extended to each shareholder which contributed at least one share to the Public Offer. Each shareholder may exercise the put option during the 30 days after 31 March, 30 June, 30 September and 31 December of each year, commencing from the 30 days after 31 December 2002 and up to the 30th day after 30 June 2006. The price is equal to that of the Public Offer, plus interest calculated on the rate paid by Banka Koper 'one year and one day' deposits in Slovenian Tolar, for the period extending from the last effective day of the Public Offer to the day on which the put option is exercised and is reduced by the dividends collected on such shares. This transaction involved booking 83 million euro to "commitments for put options issued", such amount being the equivalent of 33.79% of the share capital;



- 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, in the event that Ente CR Firenze transfers CR Firenze shares. 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 2004, is estimated at approximately 296 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 the conditions under which the Bank is obliged to purchase in the event of an unsuccessful sale to third parties at the price fixed 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 December 2006. 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 December 2002 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 December 2006, 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 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:

Name	Activity	Percentage ownership	Book value (€/mil)
Santander Central Hispano S.A.	Banking	0.84	458
Ixis Asset Management Group S.A.	Finance	12.00	192
Banca d'Italia	Banking	8.33	185
Banca delle Marche S.p.A.	Banking	7.00	92
Ixis Corporate & Investment Bank S.A.	Finance	2.45	86
Compagnia Assicuratrice UNIPOL S.p.A.	Insurance	1.90	55
Borsa Italiana S.p.A.	Non-finance	5.37	52
Banco del Desarrollo S.A.	Banking	15.72	23
Istituto per il credito sportivo	Banking	10.81	19
Other			73
<b>Total</b>			<b>1,235</b>

## Composition of the investment portfolio

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

	31/12/04 (€/mil)	31/12/03 pro forma (€/mil)	31/12/03 (€/mil)
a) in banks			
1. quoted	116	124	94
2. unquoted	5,522	5,059	4,983
b) in financial institutions			
1. quoted	-	-	-
2. unquoted	2,406	2,658	2,977
c) other			
1. quoted	-	-	-
2. unquoted	560	450	223
<b>Total</b>	<b>8,604</b>	<b>8,291</b>	<b>8,277</b>

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

	31/12/04 (€/mil)	31/12/03 pro forma (€/mil)	31/12/03 (€/mil)
a) in banks			
1. quoted	787	652	805
2. unquoted	902	1,238	1,046
b) in financial institutions			
1. quoted	-	-	-
2. unquoted	224	35	17
c) other			
1. quoted	56	62	1
2. unquoted	77	146	145
<b>Total</b>	<b>2,046</b>	<b>2,133</b>	<b>2,014</b>

## Changes during the year in the equity investment portfolio

<i>Investments in Group companies (Table 3.6.1 B.I.)</i>		<i>(€/mil)</i>
A. Pro forma opening balance		8,291
B. Increases		
B1. purchases		249
B2. writebacks		67
B3. revaluations		-
B4. other changes		874
C. Decreases		
C1. sales		242
C2. adjustments		67
<i>of which:</i>		
- long-term writedowns		67
C3. other changes		568
D. Closing balance		8,604
E. Total revaluations		117
F. Total adjustments		822

Subcaption B.1 "Purchases" is mainly composed of the following transactions:

- the purchase of 285,585 **Sanpaolo Bank S.A.** shares, for **100 million euro**, corresponding to 16.9% of the share capital; as a result of this transaction, performed following the merger by incorporation of IMI Bank (Lux) into Sanpaolo Bank S.A., the percentage held by the Bank increased to 58.47%; after the entire spin off of Sanpaolo IMI Wealth Management S.p.A., which led to the transfer to SANPAOLO IMI of a compendium of shares, among which Sanpaolo Bank S.A., the Bank acquired total control of the company;
- payment of **86 million euro** to the share capital of **Sanpaolo IMI Wealth Management S.p.A.** aimed at supporting the shareholding investments of the subsidiary;
- the purchase from **Sanpaolo IMI International S.A.** of 10,675,860 Sanpaolo IMI Bank (International) S.A. shares (corresponding to 30.99% of the share capital) for **56 million euro**; this operation allowed the Bank to acquire direct total control of the stake;
- subscription of an increase in **Sanpaolo IMI Internazionale S.p.A.** capital for **5 million euro**.

Subcaption B.2 "Writebacks" refers to the reversal of adjustments to value made on the shareholding in **IMI Investimenti S.p.A.** solely for tax purposes in previous years. This reversal was booked against extraordinary income, as described in Part C – Section 6 of these Notes.

Subcaption C.1 "Sales" mainly refers to the following transactions:

- disposal of the total shareholding in **CSP Investimenti S.r.l.** to the Carlyle Group for the sum of **208 million euro**, generating a capital gain of **5 million euro**;
- disposal of the total shareholding in **Eptafund S.p.A.** to Sanpaolo IMI Wealth Management for **33 million euro** and generating a profit of **10 million euro**.

Subcaption C.2 "value adjustments" refers to the subsidiary **IMI Investimenti S.p.A.**, which was adjusted to reflect the situation of some investments held by the company and the elements of risk inherent to reaching the levels of profitability forecast by the company itself.

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

<i>B4. "Increases - other changes"</i>	<i>(€/mil)</i>
Merger by incorporation of Sanpaolo Vita and Fideuram Vita into Assicurazioni Internazionali di Previdenza S.p.A.	539
Transfer of the business branch of banks located in the Triveneto Provinces to Cassa di Risparmio di Padova e Rovigo S.p.A.	160
Transfer of the business branch of banks located in the Emilia Provinces to Cassa di Risparmio in Bologna S.p.A.	150
Profit from the disposal of Eptafund S.p.A.	10
Increase in shareholding of Sanpaolo IMI Internazionale S.p.A. following the transfer of Banca Commerciale Sanpaolo IMI Bank Romania S.A.	7
Profit from the disposal of CSP Investimenti S.r.l.	5
Conversion into shares of a convertible debenture loan issued by Farbanca S.p.A.	3
<b>Total</b>	<b>874</b>

<i>C3. "Decreases - other changes"</i>	<i>(€/mil)</i>
Spin off of Sanpaolo Vita from Sanpaolo IMI Wealth Management S.p.A. to Assicurazioni Internazionali di Previdenza S.p.A.	314
Merger by incorporation of Fideuram Vita into Assicurazioni Internazionali di Previdenza S.p.A.	225
Reimbursement of capital reserves from GEST Line S.p.A.	13
Transfer to Sanpaolo IMI Internazionale S.p.A. of Banca Commerciale Sanpaolo IMI Bank Romania S.A.	7
Final portion of liquidation of Innovare S.r.l.	1
Other	8
<b>Total</b>	<b>568</b>

<i>Other equity investments (Table 3.6.2 B.I.)</i>	<i>(€/mil)</i>
A. Pro forma opening balance	2,133
B. Increases	
B1. purchases	3
B2. writebacks	243
B3. revaluations	-
B4. other changes	366
C. Decreases	
C1. sales	167
C2. adjustments	200
<i>of which:</i>	
- long-term writedowns	200
C3. other changes	332
D. Closing balance	2,046
E. Total revaluations	242
F. Total adjustments	480

Subcaption B.1 "Purchases" refers to the acquisition of 3,075 Banka Koper D.D. shares for the partial execution of the put option granted to the shareholders in respect of the Public Offer launched by the Bank in 2002.

Subcaption B.2 "Writebacks" refers to:

- the reversal of **210 million euro** for adjustments to value made in prior years solely for fiscal purposes on investments in **Cassa di Risparmio di Firenze S.p.A.** This reversal was booked against extraordinary income, as described in Part C – Section 6 of these Notes;
- the revaluation of the shareholding in **Santander Central Hispano S.A.** for **33 million euro**, which led to the write-back to historical purchase cost of the equity investment. In the light of trends which comply with international accounting principles, it has proven more significant to value this shareholding with reference to market prices at year end, rather than the average market price at half year, which was used in prior years also to identify permanent losses in value. This also reflects the market price of the SCH shareholding which, even in the first six months of 2005, remained at significantly high levels compared to 2004 year end.

Subcaption C.1 "Sales" mainly refers to the following transactions:

- sale to Santander Consumer Finance of the remaining 30% of share capital of **Finconsumo Banca S.p.A.** for the sum of **80 million euro** and thereby generating a capital gain of **72 million euro**;
- transfer to HDI International Holding AG of 28.32% of the share capital of **HDI Assicurazioni S.p.A.** for the sum of **47 million euro**, generating a capital gain of around **9 million euro**;
- disposal of 7.35% of **Infracom Italia S.p.A.** to IMI Investimenti S.p.A. for **25 million euro** in line with book value;
- disposal of 0.76% of **Fincantieri S.p.A.** to IMI Investimenti S.p.A. for approximately **4 million euro**, generating a profit of around **1 million euro**;
- the complete disposal of the investment in **Mostra d'Oltremare S.p.A.** to the Naples Chamber of Commerce for the sum of **3 million euro**, generating a profit for the same amount;
- disposal of 777,793 shares in **Compagnia Assicuratrice Unipol S.p.A.** for **3 million euro**, substantially in line with the book value of the subsidiary.

Subcaption C.2 "Adjustments" mainly includes:

- **108 million euro** to adjust the book value of the shareholding in **Cassa di Risparmio di Firenze S.p.A.** to reflect the average market price for the second half of 2004, after the reversal made solely for tax purposes, as already mentioned;
- the writedown of the shareholding in **Cassa dei Risparmi di Forlì S.p.A.** by **86 million euro** to reflect a fair value of the investment. Furthermore, a **23 million euro** writedown was made to reflect the fair value of the put option granted to the Fondazione shareholder of the Cassa dei Risparmi di Forlì in the context of the initial purchase agreement;
- the writedown to the investment in **Centradia Group Ltd** for **3 million euro** made to reflect the outcome of its current liquidation;
- a **3 million euro** adjustment to the book value of the investment in **Compagnia Assicuratrice Unipol S.p.A.** to align it to the average stock market price for the second half of 2004.

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 the investment in CDC Ixis to Ixis Asset Management Group S.A.	192
Transfer of the investment in CDC Ixis to Ixis Corporate & Investment Bank S.A.	85
Gains from disposal of Finconsumo S.p.A.	72
Gains from disposal of Hdi Assicurazioni S.p.A.	9
Gains from disposal of Mostra d'Oltremare S.p.A.	3
Gains from disposal of Meliorbanca S.p.A.	2
Gains from disposal of Crif S.p.A.	2
Gains from disposal of Fincantieri S.p.A.	1
<b>Total</b>	<b>366</b>

<i>C3. "Decreases - other changes"</i>	<i>(€/mil)</i>
Transfer of the investment in CDC Ixis to Ixis Corporate & Investment Bank S.A. and Ixis Asset Management Group S.A.	277
Loss from transfer of the investment in CDC Ixis to Ixis Corporate & Investment Bank S.A. and Ixis Asset Management Group S.A.	50
Distribution of capital reserves of CDC Ixis	1
Reimbursement of capital reserves from Banksiel S.p.A.	1
Exchange rate effect	1
Other	2
<b>Total</b>	<b>332</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 31/12/2004, 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
Assicurazioni Internazionali di Previdenza S.p.A.	100	3,053	1	-	2
Banca Comerciata Sanpaolo IMI Bank Romania S.A.	19	-	-	1	-
Banca di Intermediazione Mobiliare IMI S.p.A.	3,046	17	434	67	14
Banca Fideuram S.p.A.	-	-	-	3	1
Banca OPI S.p.A.	15,462	564	1,308	358	4
Banca Popolare dell'Adriatico S.p.A.	64	478	-	15	9
Cassa di Risparmio di Padova e Rovigo S.p.A.	1,205	2,622	5	51	48
Cassa di Risparmio di Venezia S.p.A.	43	1,464	3	23	32
Cassa di Risparmio in Bologna S.p.A.	2,374	686	9	65	11
Farbanca S.p.A.	65	2	-	2	-
Fideuram Bank (Suisse) A.G.	-	-	10	-	-
Fideuram Bank S.A.	-	15	-	-	-
FIN.OPI S.p.A.	-	13	-	1	-
Finemiro Banca S.p.A.	1,692	2	296	46	-
Finemiro Finance S.p.A.	1,835	10	-	34	-
Friulcassa S.p.A.	12	894	-	17	15
GEST Line S.p.A.	-	1	318	5	-
IMI Investimenti S.p.A.	2	117	2	1	2
Inter-Europa Bank Rt	49	1	2	2	-
Ldv Holding B.V.	-	2	-	-	-
Sanpaolo Banco di Napoli S.p.A.	878	8,823	1	216	183
Sanpaolo Bank (Suisse) S.A.	-	1	-	-	-
Sanpaolo Bank S.A.	352	3,029	454	4	50
Sanpaolo Fiduciaria S.p.A.	-	6	-	-	1
Sanpaolo IMI Alternative Investments Sgr S.p.A.	-	2	-	1	-
Sanpaolo IMI Asset Management Sgr S.p.A.	-	176	2	436	3
Sanpaolo IMI Bank (International) S.A.	176	7,100	7,134	7	204
Sanpaolo IMI Bank Ireland Plc	103	8	67	2	1
Sanpaolo IMI Capital Company I LLC	-	1,000	-	-	79
Sanpaolo IMI Fondi Chiusi Sgr S.p.A.	-	2	-	-	-
Sanpaolo IMI Institutional Asset Management Sgr S.p.A.	-	13	-	-	-
Sanpaolo IMI Internazionale S.p.A.	12	13	2	2	-
Sanpaolo IMI Investimenti per lo Sviluppo Sgr S.p.A.	-	4	-	-	-
Sanpaolo IMI Private Equity S.p.A.	-	14	-	1	-
Sanpaolo IMI Us Financial Co.	-	2,194	2,194	-	23

(a) Excluding the book value of the investment.

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

(c) Excluding dividends received.

	(€/mil)				
Group companies	Assets (a)	Liabilities	Guarantees and commitments (b)	Income (c)	Expenses
Sanpaolo IMI Wealth Management S.p.A.	-	-	-	3	-
Sanpaolo IMI WM Luxembourg S.A.	-	-	-	65	-
Sanpaolo Leasint GmbH	6	1	-	-	-
Sanpaolo Leasint S.p.A.	2,956	3	437	95	11
Sanpaolo Life Ltd	-	13	-	-	-
Sanpaolo Vita S.p.A.	-	-	-	76	-
Sep - Servizi e Progetti S.p.A.	1	2	-	-	8
Sicilsud Leasing S.p.A. (in liq.)	1	-	-	-	-
SP Immobiliare S.A.	2	-	-	-	-
Universo Servizi S.p.A.	-	2	-	-	-
<b>Total Group companies</b>	<b>30,455</b>	<b>32,347</b>	<b>12,679</b>	<b>1,599</b>	<b>701</b>

*Jointly held subsidiaries*

Banka Koper D.D.	105	2	88	1	-
Cassa dei Risparmi di Forlì S.p.A.	20	2	-	-	-
Allfunds Bank S.A.	-	1	-	-	-
<b>Total</b>	<b>30,580</b>	<b>32,352</b>	<b>12,767</b>	<b>1,600</b>	<b>701</b>

	(€/mil)				
Other companies subject to significant influence	Assets (a)	Liabilities	Guarantees and commitments (b)	Income (c)	Expenses
Banque Sanpaolo S.A.	642	30	3	12	1
Cassa di Risparmio di Firenze S.p.A.	-	10	6	-	-
Società Gestione per il Realizzo S.p.A.	3	-	-	-	-
<b>Total</b>	<b>645</b>	<b>40</b>	<b>9</b>	<b>12</b>	<b>1</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.)

	31/12/04 (€/mil)	31/12/03 pro forma (€/mil)	31/12/03 (€/mil)
<b>a) Assets</b>			
1. due from banks	22,317	14,795	14,795
<i>of which:</i>			
– <i>subordinated</i>	154	189	189
2. due from financial institutions	4,812	5,725	5,726
<i>of which:</i>			
– <i>subordinated</i>	49	25	25
3. due from other customers	103	66	66
<i>of which:</i>			
– <i>subordinated</i>	65	65	65
4. bonds and other debt securities	3,223	3,663	3,663
<i>of which:</i>			
– <i>subordinated</i>	503	403	403
<b>Total assets</b>	<b>30,455</b>	<b>24,249</b>	<b>24,250</b>
<b>b) Liabilities</b>			
1. due to banks	25,707	24,706	24,706
2. due to financial institutions	2,570	2,681	2,689
3. due to other customers	52	45	45
4. securities issued	3,018	972	972
5. subordinated liabilities	1,000	1,000	1,000
<b>Total liabilities</b>	<b>32,347</b>	<b>29,404</b>	<b>29,412</b>
<b>c) Guarantees and commitments</b>			
1. guarantees given	11,661	12,809	12,809
2. commitments	1,018	2,482	2,482
<b>Total guarantees and commitments</b>	<b>12,679</b>	<b>15,291</b>	<b>15,291</b>

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

	31/12/04 (€/mil)	31/12/03 (€/mil)
<b>a) Assets</b>		
1. due from banks (a)	959	779
<i>of which:</i>		
– subordinated	10	-
2. due from financial institutions	206	686
<i>of which:</i>		
– subordinated	-	-
3. due from other customers	102	117
<i>of which:</i>		
– subordinated	-	-
4. bonds and other debt securities	8	37
<i>of which:</i>		
– subordinated	-	-
<b>Total assets</b>	<b>1,275</b>	<b>1,619</b>
<b>b) Liabilities</b>		
1. due to banks	1,073	694
2. due to financial institutions	191	64
3. due to other customers	24	184
4. securities issued	-	-
5. subordinated liabilities	-	-
<b>Total liabilities</b>	<b>1,288</b>	<b>942</b>
<b>c) Guarantees and commitments</b>		
1. guarantees given	134	360
2. commitments	55	23
<b>Total guarantees and commitments</b>	<b>189</b>	<b>383</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 the Explanatory 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	(€/mil)				
	Assets	Liabilities	Guarantess and commitments	Income	Expenses
Aeffe S.p.A.	6	-	-	-	-
Egida Compagnia di Assicurazione S.p.A.	-	1	-	4	5
Esatri S.p.A.	394	-	168	2	-
Iw Bank S.p.A.	-	16	-	-	-
Sinloc - Sistemi iniziative locali S.p.A.	-	11	-	-	3
<b>Total</b>	<b>400</b>	<b>28</b>	<b>168</b>	<b>6</b>	<b>8</b>

### Other information relating to equity investments

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

	31/12/04 (€/mil)	31/12/03 (€/mil)
Historical cost	10,291	9,882
Law 72/83	43	43
Law 218/90	286	336
Cancellation deficit on merger of Crediop S.p.A.	30	30
<b>Total revaluations</b>	<b>359</b>	<b>409</b>
Gross book value	10,650	10,291

## SECTION 4 - TANGIBLE AND INTANGIBLE FIXED ASSETS

### Tangible fixed assets (caption 100)

Tangible fixed assets comprise:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Property		
– operating	769	769
– non-operating	304	370
Furniture and installation		
– office furniture and equipment	17	21
– electronic equipment	123	85
– general and specific installations	24	29
<b>Total</b>	<b>1,237</b>	<b>1,274</b>

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.

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

*(€/mil)*

<b>A. Opening balance</b>	<b>1,274</b>
<b>B. Increases</b>	
B1. purchases	150
B2. writebacks	-
B3. revaluations	-
B4. other changes	13
<b>C. Decreases</b>	
C1. sales	6
C2. adjustments	
a) amortization	175
b) long-term writedowns	-
C3. other changes	19
<b>D. Closing balance</b>	<b>1,237</b>
E. Total revaluations	1,334
F. Total adjustments	
a) amortization	2,217
b) long-term writedowns	-

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

	(€/mil)	
	Property	Furniture and installation
<b>Opening balance</b>	<b>1,139</b>	<b>135</b>
<b>Increases</b>		
– purchases	1	149
– other changes		
– incremental costs	13	-
– gains on disposals	-	-
– exchange differences	-	-
<b>Decreases</b>		
– sales	6	-
– adjustments		
– amortization	56	119
– long-term writedowns	-	-
– other changes		
– losses on disposals	3	-
– conferral to CSP Investimenti	7	-
– conferral to Carisbo	3	-
– conferral to Cariparo	5	1
<b>Closing balance</b>	<b>1,073</b>	<b>164</b>
Total revaluations	1,324	10
Total adjustments		
– amortization	782	1,435
– long-term writedowns	-	-

The transfer to CSP Investimenti S.r.l. of the business branch consisting of buildings considered not to be functional for the activities of the Bank was concluded on 31 December 2003. 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 D.Lgs. 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. Such rights expired in March 2004. Since the State did not exercise the pre-emptive rights on any of the buildings, the ownership of the property was transferred to CSP Investimenti S.r.l. in March 2004.

**Intangible fixed assets (caption 90)**

Intangible fixed assets comprise:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Goodwill	494	565
Software in use	151	143
Software not yet in use	38	65
Other deferred charges	19	24
<b>Total</b>	<b>702</b>	<b>797</b>

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

Commencing from that date, the amortization has continued on the residual amount in accordance with the original ten year plan. For the year 2004, amortization charged to the statement of income totaled 70 million euro. After this adjustment the residual amount of goodwill is 493 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 the former 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 1 million euro.

Software investments refer mainly to the integration of the former Cardine Bank networks into the SANPAOLO IMI IT system, to the development of mandatory projects (IAS, Basel 2), to the implementation of procedures for services to Group companies, to extending the Windows platform to all of the head office terminals, to the development of the data processing system and the functions of Banca Diretta and to the development of new software applications for the sales network.

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

Changes in intangible fixed assets during the year (table 4.2 B.1.)

(€/mil)

<b>A. Opening balance</b>	<b>797</b>
<b>B. Increases</b>	
B1. purchases	133
B2. writebacks	-
B3. revaluations	-
B4. other changes	104
<b>C. Decreases</b>	
C1. sales	-
C2. adjustments	
a) amortization	227
b) long-term writedowns	-
C3. other changes	105
<b>D. Closing balance</b>	<b>702</b>
E. Total revaluations	-
F. Total adjustments	
a) amortization	519
b) long-term writedowns	-

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

	(€/mil)			
	Goodwill	Software in use	Software not yet in use	Other deferred charges
<b>Opening balance</b>	<b>565</b>	<b>143</b>	<b>65</b>	<b>24</b>
<b>Increases</b>				
– purchases	-	38	87	8
– other changes:				
– transfer of software developed in 2004	-	104	-	-
<b>Decreases</b>				
– sales	-	-	-	-
– adjustments:				
– amortization	71	134	10	12
– long-term writedowns	-	-	-	-
– other changes:				
– transfer of software developed in 2004	-	-	104	-
– conferral to Carisbo and Cariparo	-	-	-	1
<b>Closing balance</b>	<b>494</b>	<b>151</b>	<b>38</b>	<b>19</b>
Total revaluations	-	-	-	-
Total adjustments:				
– amortization	216	254	10	39
– 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 31/12/04 is given below:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Historical cost	532	534
Law 823/73 (a)	11	12
Law 576/75 (a)	16	16
Law 72/83 (a)	160	163
Other (a)	61	61
Law 218/90 (b)	792	800
Law 408/90 (a)	116	117
Law 413/91 (a)	77	80
Merger of Banca Provinciale Lombarda and Banco Lariano	91	92
<b>Total revaluations</b>	<b>1,324</b>	<b>1,341</b>
Gross book value	1,856	1,875

(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.

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



## SECTION 5 - OTHER ASSETS

## Other assets (caption 130)

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

	31/12/04 (€/mil)	31/12/03 pro forma (€/mil)	31/12/03 (€/mil)
Unprocessed transactions and transactions by foreign branches:	1,608	2,126	2,126
- unprocessed transactions - Italian branches (a)	1,109	1,551	1,551
- amounts in transit between Italian branches (a)	496	568	568
- transactions by foreign branches	3	7	7
Due from tax authorities:	1,815	1,720	2,039
- prepaid current year direct taxes	78	101	98
- tax credits on dividends and taxes withheld	9	59	384
- tax withholdings overpaid during the year on bank interest income	22	54	54
- tax credits relating to prior years	1,318	1,290	1,287
- taxes paid in advance on termination indemnities - Law 662/96	28	38	38
- other deposits (b)	360	178	178
Deferred tax assets	702	864	862
Items relating to derivative contracts and currency transactions:	754	849	849
- effect of currency hedges, forex swap and cross-currency swap	18	53	53
- valuation of derivatives on interest rates and stockmarket indexes	699	743	743
- premiums paid on purchased options	37	53	53
Loans to subsidiaries for dividends matured	695	780	754
Loans to Carlyle Group (c)	102	-	-
Reimbursement of the incentive pursuant to the Ciampi Law suspended	200	200	200
Deposit with the Bank of Italy relating to the liquidation of Isveimer	58	58	58
Deposit with the Bank of Italy relating to the coverage of Sga's losses	7	-	-
Items relating to securities transactions	7	21	21
Net effect of translating funds from international agencies using current rates, with the exchange borne by third parties	8	13	13
Checks and other instruments held	8	13	13
Other (d)	576	461	526
<b>Total</b>	<b>6,540</b>	<b>7,105</b>	<b>7,461</b>

(a) The amounts were mostly settled at the beginning of 2005.

(b) The credit refers to the payment to the State of an amount equal to 1.5% of the sums declared in the the F24 tax return for the year 2003 and performed at the closing of the year 2004 according to the following provisions of law: Decree Law no. 341 of 10 December 2003, converted into Law no. 31 of 9 February 2004, modified by Art. 7 of Decree Law no. 282 of 29 November 2004 - provisions dated 10 December 2004 issued by the Department of Fiscal Policies. Furthermore, also recorded to commitments is 312.2 million euro, corresponding to the payment to be made at the end of 2005, for the sums declared in the 2004 F24 tax return.

(c) This item refers to the amount owed by the Carlyle Group for the extension granted for the payment of 50% of the price for the trading, in 2004, of 100% of the shares in CSP Investimenti Srl, as well as some property. These amounts, stated at their discounted value, are accompanied by on demand bank guarantees.

(d) The caption Other includes the net carrying amount of 1.3 million euro for the loan arising from the Court of Appeal sentence 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 net carrying amount of the credit which was definitively enforced by the Civil Section of the Supreme Court through sentence no. 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, proper proceedings have begun for the resumption 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. Trial commenced in February 2004 and is still being heard.

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 net carrying amount, 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 net carrying amount 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.

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 and that it is still pending before the relevant Court of Appeal), 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.)*

	31/12/04 (€/mil)	31/12/03 (€/mil)
Accrued income		
– income from derivative contracts	1,187	803
– interest from loans to customers	280	322
– interest on securities	82	87
– bank interest	81	62
– other	168	173
Prepaid expenses		
– up front on derivative contracts	264	29
– commission on placement of securities and mortgage loans	139	187
– discounts on bond issues	17	18
– other expenses	88	95
<b>Total</b>	<b>2,306</b>	<b>1,776</b>

The increase in accrued income and prepaid expenses in respect of operations on derivative contracts is attributable to the significance of such operations during the year, an effect of the activities in financial management described in the Report on operations.

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

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Due from banks	164	198
b) Loans to customers	114	90
c) Bonds and other debt securities	624	444
<b>Total</b>	<b>902</b>	<b>732</b>

## SECTION 6 - PAYABLES

### Due to banks (caption 10)

Deposits from banks are analyzed as follows:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Due to central banks		
– repurchase agreements and securities loaned	550	191
– other deposits from the Italian Exchange Office	193	355
– other deposits from central banks	2,310	1,918
Due to other banks		
– deposits	18,475	19,793
– other forms of finance not included in current accounts	5,883	6,299
– repurchase agreements and securities loaned	4,960	4,063
– medium- and long-term loans from international bodies	1,695	1,803
– current accounts	1,731	949
– other	12	17
– other loans	1,220	2,412
<b>Total</b>	<b>37,029</b>	<b>37,800</b>

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

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Repurchase agreements	5,510	4,254
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:

	31/12/04 (€/mil)	31/12/03 pro forma (€/mil)	31/12/03 (€/mil)
Due to customers			
– current accounts	29,173	27,243	27,251
– repurchase agreements and securities loaned	4,840	4,114	4,114
– deposits	8,296	8,749	8,750
– short-term payables relating to special management services carried out for the Government	36	230	230
– other	503	154	154
Securities issued			
– bonds	18,029	15,099	15,099
– certificates of deposit	520	3,717	3,717
– bankers' drafts	291	298	298
– other securities	8	18	18
<b>Total</b>	<b>61,696</b>	<b>59,622</b>	<b>59,631</b>

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

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Repurchase agreements	4,840	4,114
b) Securities loaned	-	-

Securities issued comprise those due or ready for repayment totaling 4 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 Entities mainly to act as a source of subsidized loans to customers. These funds are analyzed below:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Funds provided by the State	9	11
Funds provided by regional public entities	18	21
Other funds	-	-
<b>Total</b>	<b>27</b>	<b>32</b>
<i>of which: funds with risk borne by the Government under Law 19 of 6/2/87</i>	<i>9</i>	<i>10</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:

	31/12/04 (€/mil)	31/12/03 pro forma (€/mil)	31/12/03 (€/mil)
Provisions for employee termination indemnities (caption 70)	468	529	529
Provisions for risks and charges (caption 80)			
– pensions and similar commitments (caption 80.a)	-	-	-
– provisions for taxation (caption 80.b)	381	258	660
– other provisions (caption 80.c)			
– provisions for guarantees and commitments	83	73	73
– provisions for other risks and charges	554	493	490
– provisions for other personnel charges	547	738	738
<b>Total</b>	<b>2,033</b>	<b>2,091</b>	<b>2,490</b>

### Provisions for employee termination indemnities (caption 70)

<i>Changes in "reserve for termination indemnities" during the year</i>	<i>(€/mil)</i>
Opening balance	529
Increases	
– provisions	41
– employment contract acquisition	2
– other changes	-
Decreases	
– advances allowed under Law 297/82	6
– indemnities to employees leaving the Bank	78
– employment contract acquisition	19
– other changes	1
<b>Closing balance</b>	<b>468</b>

### Provisions for risks and charges (caption 80)

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

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, was transferred during 2003 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.

The adequacy of the technical reserves of the fund is calculated annually, based on the valuations of an independent professional actuary. The last valuation available, made as of 31 December 2004, 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	Total
Pro forma opening balance (a)	660	4	9	673
Increases				
– provisions for 2004 income taxes	46	-	-	46
– other changes	1	-	-	1
Decreases				
– payment of income taxes	322	-	-	322
– other changes	15	1	1	17
<b>Closing balance</b>	<b>369</b>	<b>3</b>	<b>8</b>	<b>381</b>

(a) The opening balance differs by 415 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 2003.

The provision for taxation as of 31 December 2004 is considered sufficient to cover current income taxes, including local taxes payable by foreign branches and existing and potential tax disputes.

The other decreases refer to the tax charge for the year 2004.

It should also be noted that current income taxes include the 2004 tax charge (approximately 7 million euro) for the 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 2004, 48 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		864
2. Increases		
2.1 Deferred tax assets arising during the year		48
2.2 Other increases		
3. Decreases		
3.1 Deferred tax assets reversing during the year		192
3.2 Other decreases		18
<b>4. Final amount</b>		<b>702</b>

Other decreases refer to 15 million euro for the tax charge for the year 2003 and, for 3 million euro, to deferred tax assets related to the transfer to CARIPARO and CARISBO of the SANPAOLO IMI branches located in Veneto, Trentino Alto Adige and Emilia Romagna.

The financial statements of the Bank as of 31 December 2004 reveal deferred tax assets totaling 702 million euro; this reflects the effect of provisional differences between the book value and the value for tax purposes of assets and liabilities matured in 2004 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 provisional differences at the end of the year, broken down by type.

	<i>(€/mil)</i>	
	IRES (corporate income tax) (33.0%)	IRAP (regional income tax) (4.25%)
<b>A. Deductible provisional differences</b>		
Adjustments of receivables deductible in future years	126	16
Provisions for future charges	287	
Writedowns of securities, property and equity investments	50	
Extraordinary expenses for voluntary incentive retirement schemes	75	
Other	191	1
<b>B. Taxable provisional differences</b>		
Costs deducted during pay out in accordance with Art. 109 TUIR	35	5
Accrued capital gains	2	
Difference between book value and value for tax purposes in accordance with Art. 128 TUIR	2	
<b>Total</b>	<b>690</b>	<b>12</b>

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

The deferred tax reserves refer to specific reserves subject to taxation and are booked in offset against their corresponding asset captions.

Following the changes to tax regulations, the adjustments to deferred tax liabilities on reserves subject to taxation, which also led to a reduction in the percentage of corporate income tax (IRES) to 33%, are shown below.

<i>Changes during the year in "Deferred tax liabilities charged to shareholders' equity" (Table 7.5 B.1.)</i>		<i>(€/mil)</i>
1. 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		2
<b>4. Final amount</b>		<b>11</b>



## Report as per Consob Communication 1011405 dated 15 February 2001

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

Law Decree 153 dated 17 May 1999 - known as the “Ciampi Law” – introduced tax instruments in respect of restructuring operations on banks and also 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 “Ciampi Law” were incompatible with Community principles.

Together with the Italian Government which, 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.

Following the aforementioned decision by the European Commission, D.Lgs. 63 of 15 April 2002 (subsequently converted into Law 112 on 15 June 2002) suspended Ciampi Law 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 D.Lgs. 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 Ciampi Law) 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 prudently accrued 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 was 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.

In 2004, following the expiry of the three year period subject to taxation as provided by a specific law, 854 million euro of the Bank's net equity was reclassified from the reserve accrued according to the Ciampi Law to an extraordinary 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	73	493	738	1,304
<b>Increases</b>				
– provisions	16	112	13	141
– other changes (a)	-	1	42	43
<b>Decreases</b>				
– revaluation of guarantees	-	-	-	-
– used to cover charges on settlement of disputes	-	28	-	28
– used to cover long-service bonuses and other payments and for surplus	-	9	243	252
– utilization to cover other liabilities	-	13	-	13
– other changes	6	2	3	11
<b>Closing balance</b>	<b>83</b>	<b>554</b>	<b>547</b>	<b>1,184</b>

(a) Other increases include 28 million euro offset against personnel costs, of which 24 million euro refer to accruals for the renewal of the CCNL employment contract which expired at the end of 2003 and 4 million euro to an accrual for bonuses and incentives in favor of employees; 14 million euro have been offset against "extraordinary expenses" referring to staff leaving incentives and 1 million euro offset against other administrative costs.

Provisions for "guarantees and commitments" of 83 million euro include accruals made to cover expected losses in respect of guarantees and, more generally, the contingencies associated with guarantees and commitments, including those related 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 554 million euro, include:

- 356 million euro provided against estimated losses on legal disputes and, more specifically, on claims by receivers of bankrupt customers;
- 165 million euro to cover potential risks among which guarantees given as part of company transactions and those relating to dealing activities in securities;
- 33 million euro accrued to a specific reserve, calculated on the basis of current laws, against the potential outlay inherent in the renegotiation of mortgage loans.

Provisions for "other personnel charges", of 547 million euro, include:

- 307 million euro for staff leaving incentives completed in previous 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 require that the Parent Bank reimburse 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;
- 125 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;
- 53 million euro of other provisions in respect of charges for social contributions and the supplementary pension fund;
- 38 million euro accrued against potential liabilities deriving mainly from the renewal of the work contract and employee premiums and incentives, the issue of which is at the discretion of the Parent Bank;
- 24 million euro to cover payment of long service bonuses to employees.

### 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 in relation to dealing activities with customers on securities whose issuers have defaulted.

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 the regulatory reference framework have been respected - the Bank will pay especial 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, at the end of 2004 the Bank considered acceptable the residual amount of 19 million euro carried in the previous years financial statements.

More detailed information on the Cirio matter with respect to the above risks, is provided below.

### The Cirio group insolvency in respect of the sale of bonds

In November 2002, the Cirio group, one of the largest Italian groups operating in the agroindustrial sector, was declared insolvent in respect of the repayment of a loan issued on the Euromarket. As a result this event led to a cross default on all the existing issues. The bonds issued by the Cirio group had a nominal value totaling around 1.25 billion euro. Along with the leading Italian banking groups, the Bank had issued loans to the Cirio group.

### Consob proceedings in relation to operations carried out on Cirio bonds

Following the investigations carried out in April-October 2003, in relation to SANPAOLO IMI's dealings in Cirio bonds during the 2000-2002 three year period, in a letter of 4 May 2004, Consob raised a series of claims of presumed violation of regulations of the sector by SANPAOLO IMI when dealing in the aforementioned bonds.

These claims were notified to the Bank and to the members of the Board of Directors and of the Board of Statutory Auditors in office at the time of the dealings, as well as to some company directors who, at various levels, were considered responsible for the activities connected to the presumed irregularities.

Both the Bank and the other accused parties have moved to formulate their statements for their defense. The administrative proceedings were concluded through a decree issued by the Ministry of Economy and Finance on 28 February 2005 which, accepting the proposal made by Consob, imposed fines on each of the accused and the Bank alone was ordered to pay the relevant amounts, being jointly liable according to Art. 195, subsection 9 of D. Lgs 58/1998.

The Bank and each of the accused will oppose the aforementioned sentence before the competent Court of Appeal of Turin.

### Criminal investigations related to Cirio

In parallel to the above, the Criminal Courts are investigating a number of credit institutes, including SANPAOLO IMI, concerning dealing activities with savers in relation to bonds issued by Cirio group companies and the management of finan-

cial activities with the aforementioned group. The investigations are still in the preliminary stage and also concern company representatives including two Directors no longer in office.

Confident of the absolute regularity, in general terms, of the company's activities in relation to the investigations being carried out by the Criminal Courts and, in particular, of the total lack of involvement of the aforementioned company representatives, the Bank is cooperating fully with the authorities in the context of the investigations.

[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 a 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 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.

In the same context, mortgages assisted by Regional subsidies were also renegotiated in those cases where the bodies have adopted the provisions established by the framework of the legislation, whilst other loans obtained through Regional applications are still being investigated, also by ABI (Italian Bankers' Association).

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. Loans already extinguished or amortized are being renegotiated and it is believed that they will be concluded before the end of this year in respect of both the bodies and the borrowers.

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.

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 legal 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 to date in the 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.

Law 268 of 24 September 2003 was later enacted, providing that for the purpose of applying Art. 128 of Law 388/2000, even different banks may 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 the 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 D.Lgs. 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, ascertained the eligibility requirements to such reduction (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 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 and continue to consider it legitimate.

With the sentence issued on 4 November 2004 by the United Sections, the Supreme Court again authoritatively excluded that the use in question can be considered regulatory.

Nevertheless, on the basis of a number of profiles different to those already examined by them, the sentence issued by the United Sections does not eliminate the possibility of upholding the legitimacy of the method of calculating half-yearly interest payable, by way of arguments recognized as being well founded by pertinent jurisprudence.

As a whole, the number of cases pending has remained at an insignificant level in absolute terms, but they are subject to careful and continuous 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 122 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 of the Bank is detailed below:

	31/12/04 (€/mil)	31/12/03 pro forma (€/mil)	31/12/03 (€/mil)
Shareholders' equity			
– Capital (caption 120)	5,218	5,144	5,144
– Additional paid-in capital (caption 130)	725	708	708
– Reserves (caption 140)			
a) legal reserve	1,044	1,029	1,029
b) reserve for own shares	43	34	34
c) statutory reserves	-	-	-
d) other reserves:	3,024	3,031	2,607
– reserve ex Art. 13 sub. 6 D.Lgs. 124/93	5	5	5
– extraordinary reserve	2,042	1,622	768
– reserve D.Lgs. 153/99	-	-	854
– unrestricted reserve for the acquisition of own shares	957	966	966
– reserve D.Lgs. 213/98	16	14	14
– reserve L. 342/2000	4	-	-
– other reserves (a)	-	424	-
– Revaluation reserves (caption 150)	-	-	-
– Reserve for general banking risks (caption 100)	-	-	-
– Retained earnings (caption 160)	-	-	-
<b>Total Capital and Reserves</b>	<b>10,054</b>	<b>9,946</b>	<b>9,522</b>
– Income for the period (caption 170)	1,036	824	824
<b>Total shareholders' equity</b>	<b>11,090</b>	<b>10,770</b>	<b>10,346</b>
Own shares or quotas (caption 120 - Assets)	43	34	34
Subordinated liabilities (caption 110)	6,588	5,887	5,887

(a) The other reserves relating to 2003 include the effect of the pro forma adjustments to net equity.

### Share Capital and Additional paid-in capital

As of 31 December 2004, the Bank's share capital amounts to 5,217,679,140.80 euro, increased by 73,614,340.8 euro for the exchange with the shareholders of Banca Fideuram as part of the spin off to SANPAOLO IMI of the stake held by Banca Fideuram in Fideuram Vita. The share capital is composed of 1,475,122,818 ordinary shares and 388,334,018 preference shares, both with a nominal value of 2.8 euro each.

Additional paid-in capital increased by 17 million euro following the allocation of the surplus arising from the spin off of Banca Fideuram as a result of the reduced capital reserves of the spun off company.

### Legal reserve

With reference to the allocation of the surplus from the spin off of Banca Fideuram, 15 million euro attributable to the reduced capital reserve of the spun off company, was booked to the Legal Reserve in order to bring it to 20% of the new Share Capital of the Bank, following the aforementioned increase in capital.

## 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 employee termination indemnities to pension funds;
- the reserve ex D.Lgs. 213/98, created in 1998 following the revaluation of equity investments expressed in euro-zone currencies at the fixed euro exchange rate;
- the reserve L. 342/2000 created to cover the obligatory revaluation made by companies which have been merged or spun off during the year.

The most significant changes in other reserves during the year concerned:

- the reclassification of 854 million euro of the reserve ex D.Lgs. 153/99 known as “Ciampi Law”, to an extraordinary reserve following the expiry of the three year period subject to taxation as provided by a specific law;
- the increase in the Extraordinary Reserve of 420 million euro, of which 109 million euro due to the allocation of net income for the year 2003 and 311 million euro to the allocation of merger and spin off goodwill generated during the year;
- the increase of around 2 million euro in the Reserve ex D.Lgs 213/98 through the recalculation of deferred taxation on reserves subject to taxation;
- the transfer to the Restricted reserve of around 9 million euro from the Reserve for the purchase of own shares, following the purchase and valuation of own shares held in portfolio;
- the setting up of Reserve ex Law 342/2000 subject to taxation in respect of the merger and spin off goodwill generated during the year.

In compliance with Art. 2427, no. 4 and 7-bis of the Civil Code, we provide below the detail of the net equity of the Bank, excluding income for the year and showing the origin and level of availability and distributiveness of the different accounts.

	Amount as of 31/12/2004	Principal portion	Portion of income	Portion of income subject to taxation (a)	Possible utilization (b)	Portion available
(€/mil)						
<b>Shareholders' equity</b>						
– Capital	5,218	3,278	1,225	715	-	-
– Additional paid-in capital	725	725			A, B, C	725
– Legal reserve	1,044	411	132	501	B	-
– Reserve for own shares in portfolio	43		43		-	-
– Unrestricted reserve for the acquisition of own shares	957		957		A, B, C	957
– Reserve ex Art.13 sub. 6 D.Lgs. 124/93	5			5	A, B, C	5
– Extraordinary reserve	2,042		2,042		A, B, C	2,042
– Reserve D.Lgs. 213/98	16		16		A, B	16
– Reserve L. 342/2000	4			4	A, B	4
<b>Total Capital and Reserves</b>	<b>10,054</b>	<b>4,414</b>	<b>4,415</b>	<b>1,225</b>	<b>-</b>	<b>3,749</b>
Portion not to be distributed (c)						77
Portion for distribution						3,672

(a) These amounts do not include the portion of the reserve fiscally tied in accordance with Art. 109 c. 4 of the Consolidated Code on Income Taxes (TUIR), modified by D.Lgs. 344/2003. Such portion, estimated at around 67 million euro, will be fiscally tied in relation to the costs effectively deducted during the pay out in 2005 of the income taxes relating to the previous fiscal year.

(b) A = capital increase; B = to cover losses; C = for distribution to shareholders.

(c) In accordance with Art. 16, subsection 1 of D.Lgs. 87/92, the non-distributable portion refers to research and development costs and other long-term charges to be amortized as of 31 December 2004 totaling 57 million euro, plus Reserve D.Lgs. 213/98 which is not distributable by law and Reserve Law 342/2000, which can only be reduced in compliance with the provisions of Art. 2445 of the Civil Code.



As far as changes to net equity in 2004 and previous years are concerned, reference is made in a specific attachment to the Explanatory Notes to these and preceding year financial statements.

For the present purposes, it should be noted that over the past three years the net equity entries of the Bank have changed solely in relation to:

- destination of income for the year;
- allocation of merger/spin off differences;
- operations in own shares.

These circumstances have led to a constant increase in net equity, except for the use of 358 million euro in 2002 of the Reserve for General Banking Risks.

### 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	31/12/04 (€/mil)	31/12/03 (€/mil)
<b>A. Regulatory capital</b>		
A.1 Tier 1 capital	10,469	9,799
A.2 Tier 2 capital	4,799	3,934
A.3 Items to be deducted	770	440
A.4 Regulatory capital	14,498	13,293
<b>B. Minimum regulatory requirements</b>		
B.1 Credit risk	5,737	6,074
B.2 Market risk (a)	180	140
- of which:		
- risks on dealing portfolio	180	140
- exchange risks	-	-
B.3 Tier 3 subordinated loans	180	140
B.4 Other minimum requirements	-	-
B.5 Total minimum requirements	5,917	6,214
<b>C. Risk assets and capital adequacy-ratios</b>		
C.1 Risk weighted assets	84,532	88,772
C.2 Tier 1 capital / Risk weighted assets	12.4%	11.0%
C.3 Regulatory capital / Risk weighted assets	17.4%	15.1%

(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 31/12/04 (€/mil)	Amount in original currency (millions)	Interest rate	Issue date	Maturity date	Effective date of early redemption of the loan
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	69	94	6 month LIBOR - 0.25% p.a. (a)	30/11/1993	30/11/2005	(*)
Debenture loan	EUR	150	150	5.75%	15/9/1999	15/9/2009	(*)
Debenture loan	EUR	300	300	5.55% p.a.	31/7/2001	31/7/2008	(*)
Debenture loan	EUR	200	200	5.16% p.a.	2/10/2001	2/10/2008	(*)
Notes	EUR	500	500	6.375% p.a.	6/4/2000	6/4/2010	(*)
Notes	EUR	350	350	up to 6/4/2005 excluded: 3 month Euribor +0.50% p.a. subsequently: 3 month Euribor +1.25% p.a.	6/4/2000	6/4/2010	6/4/2005
Notes	EUR	1,000	1,000	up to 27/9/2005 excluded: 3 month Euribor +0.65% p.a. subsequently: 3 month Euribor +1.25% p.a.	27/9/2000	27/9/2010	27/9/2005
Notes	EUR	500	500	up to 28/6/2007 included: 3 month Euribor +0.49% p.a. subsequently: 3 month Euribor +1.09% p.a.	28/6/2002	28/6/2012	28/6/2007
Debenture loan	EUR	54	54	up to 15/7/2007: 4.90% subsequently: 6 month Euribor +0.76% p.a.	15/7/2002	15/7/2012	15/7/2007
Debenture loan	EUR	147	147	up to 4/12/2007: 4.32% p.a. subsequently: 6 month 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 excluded: 3.75% p.a. subsequently: 3 month Euribor + 1.05% p.a.	9/6/2003	9/6/2015	9/6/2010
Notes	GBP	234	165	up to 18/03/2019 excluded: 5.625% p.a. subsequently: 3 month Sterling LIBOR +1.125 p.a.	18/3/2004	18/3/2024	18/3/2019
Notes	EUR	700	700	up to 28/06/2011 excluded: 3 month Euribor + 0.30% p.a. subsequently: 3 month Euribor + 0.90% p.a.	28/6/2004	28/6/2016	28/6/2011
Debenture loan	EUR	134	134	up to 3/8/2009 excluded: 3.72% p.a. subsequently: 6 month Euribor + 0.60% p.a.	3/8/2004	3/8/2014	3/8/2009
<i>Total subordinated liabilities (Tier 2)</i>		<i>4,988</i>					
Debenture loan	EUR	350	350	2.98% p.a.	15/5/2003	15/11/2005	(*)
Debenture loan	EUR	200	200	2.42%	30/6/2003	30/12/2005	(*)
Notes	EUR	50	50	up to 14/11/2004: 1.44289% p.a. subsequently: 1.50% p.a.	26/6/2003	15/11/2007	(*)
<i>Total Tier 3 subordinated liabilities</i>		<i>600</i>					
<b>Total</b>		<b>6,588</b>					

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

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

During 2004, SANPAOLO IMI issued new subordinated loans for 1,068 million euro in the form of subordinated loans (Tier 2).

Subordinated liabilities not included in the calculation of regulatory capital amount to 147 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 should the capital requirements of SANPAOLO IMI 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.)

	31/12/04 (€/mil)	31/12/03 pro forma (€/mil)	31/12/03 (€/mil)
Amounts available for third parties	1,389	2,208	2,205
Unprocessed transactions and transactions by foreign branches:	1,404	2,089	2,089
- <i>unprocessed transactions (a)</i>	1,006	1,562	1,562
- <i>amounts in transit between Italian branches (a)</i>	374	511	511
- <i>transactions by foreign branches</i>	24	16	16
Items relating to derivative contracts and currency transactions:	1,610	1,675	1,675
- <i>Effect of currency hedges, forex swap and cross-currency swap</i>	749	868	868
- <i>Valuation of derivatives on interest rates and stockmarket indexes</i>	815	746	746
- <i>Premiums collected on options sold</i>	46	61	61
Amounts due to employees	287	253	253
Non-liquid balances from portfolio transactions	192	221	221
Due to tax authorities	74	95	90
Amounts payable to Bank of Italy in respect of Isveimer liquidation	58	58	58
Deposits guaranteeing agricultural and construction loans	87	31	31
Amounts payable due to settlement value date	11	27	27
Items relating to securities transactions	37	7	7
<i>of which "short position"</i>	37	7	7
Amounts payable to Bank of Italy - loans to be restored SGA L. 588/96	7	7	7
Other	739	876	876
<b>Total</b>	<b>5,895</b>	<b>7,547</b>	<b>7,539</b>

(a) The amounts were mostly settled at the beginning of 2005.

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

	31/12/04 (€/mil)	31/12/03 (€/mil)
Accrued expenses		
– charges on derivative contracts	919	576
– interest on securities issued	319	290
– interest on amounts due to banks	105	128
– interest on amounts due to customers	41	31
– other expenses	7	10
Deferred income		
– interest on discounted notes	15	21
– up front on derivative contracts	65	119
– bond issue premium	3	-
– other	64	80
<b>Total</b>	<b>1,538</b>	<b>1,255</b>

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

Other liabilities include two deposits of 58 million euro and 7 million euro (the same as of 31 December 2003), which represent the residual capital and interest for the recovery made by the Bank of Italy in relation to the outlay 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. (Sga). These interventions form part of the reorganization plan prepared, with the Bank of Italy's approval, in accordance with Law no. 588/96 (containing urgent provisions for the restoration, reorganization and privatization of the former Banco di Napoli). Furthermore, the same law establishes to hold harmless the former Banco di Napoli 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 S.p.A., the latter has taken over from the Banco in the recovery mechanism.

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.

**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 no. 588/96, as mentioned above, and with the methods described in the aforementioned Treasury Decree of 1974.

The recovery process showed a balance in favor of the Central Bank of 58 million euro, lodged as a non interest-earning deposit with the same Central Bank. This deposit is shown under “other assets” offset by “other liabilities”.

### Società per la Gestione di Attività (Sga)

Società per la Gestione di Attività S.p.A. (Sga) was created in 1996 by transforming an existing subsidiary of Banco di Napoli for the purpose of taking over most of the bank's doubtful loans as an onerous title and without recourse. Whilst owning the entire shareholding, it was transferred to the Treasury by way of a pledge, with voting rights; the Bank does not exercise control over the company.

The loss of time value incurred by Sga up to 31 December 2002, has been covered by the former Banco di Napoli and by SANPAOLO IMI and recovered on the basis of the provisions of Law no. 588/96, using the methods recommended by the aforementioned Treasury Ministry decree of 1974. The recovery process has revealed a balance in favor of Central Bank equal to 7 million euro, which on 30 January 2004 was lodged in a non interest-earning deposit with the same Central Bank. Also in this case the deposit is shown under "other assets" offset by "other liabilities". No further interventions were necessary after year-end 2002.

At the time of the transfer of doubtful loans to Sga, 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.

On 1 July 2003 these transactions, falling within the business branch represented by the Southern Territorial Direction of SANPAOLO IMI S.p.A., were transferred to Sanpaolo Banco di Napoli S.p.A. SANPAOLO IMI S.p.A. has undertaken to hold harmless the receiving company from the losses and/or liabilities which may arise in respect of loans to Società per la Gestione di Attività S.p.A. (Sga) deriving from the business transferred. Any losses which may arise on such loans must be covered by SANPAOLO IMI S.p.A. which, in turn, must commence recovery on the basis of the provisions of Law 588/96.

As of 31 December 2004, the loans to Sanpaolo Banco di Napoli S.p.A. in respect of Sga totaled 841 million euro, of which 814 million euro were granted for the measures provided by law 588/96 and 27 million euro disbursed for the regular management of the company.

## SECTION 10 - GUARANTEES AND COMMITMENTS

### Guarantees (caption 10)

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

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Commercial guarantees	8,399	10,155
a) Financial guarantees	19,864	19,139
c) Assets lodged in guarantee	70	4
<b>Total</b>	<b>28,333</b>	<b>29,298</b>

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

	31/12/04 (€/mil)	31/12/03 (€/mil)
Endorsements and sureties	24,178	24,896
Documentary credits	326	388
Acceptances	122	102
Other guarantees	3,637	3,908
Assets lodged in guarantee:	-	-
– securities	-	-
– other assets	70	4
<b>Total</b>	<b>28,333</b>	<b>29,298</b>

### Commitments (caption 20)

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

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Commitments to grant finance (certain to be called on)	4,204	3,889
b) Commitments to grant finance (not certain to be called on)	9,986	10,168
<b>Total</b>	<b>14,190</b>	<b>14,057</b>

Firm commitments undertaken by the Bank are detailed below:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Undrawn lines of credit granted	8,050	8,412
Deposits and loans to be made	2,245	2,346
Purchase of securities	474	355
Put options issued	369	426
Mortgage loans to be disbursed	1,424	1,230
Membership of Interbank Deposit Guarantee Fund	73	100
Commitments for derivatives on loans	598	530
Other commitments certain to be called on	957	658
Other commitments not certain to be called on	-	
<b>Total</b>	<b>14,190</b>	<b>14,057</b>

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

(Detail 10.3 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
Portfolio securities lodged with third parties to guarantee repurchase agreements	4,331	3,573
Securities lodged with central banks to guarantee advances	48	50
Securities lodged with the Bank of Italy to guarantee bankers' drafts	61	59
Securities guaranteeing other transactions	180	160
<b>Total</b>	<b>4,620</b>	<b>3,842</b>

### Unused lines of credit

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

(Table 10.4 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Central banks	28	28
b) Other banks	259	317
<b>Total</b>	<b>287</b>	<b>345</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	Negotiation	Other transactions	Total
(€/mil)				
1. Purchase/sale of				
1.1 Securities				
– purchases	-	474	-	474
– sales	-	213	-	213
1.2 Currency				
– currency against currency	1,387	712	-	2,099
– purchases against euro	3,789	219	-	4,008
– sales against euro	2,679	141	-	2,820
2. Deposits and loans				
– to be disbursed	-	-	2,245	2,245
– to be received	-	-	585	585
3. Derivative contracts				
3.1 With exchange of capital				
a) securities				
– purchases	-	6	364	370
– sales	-	6	662	668
b) currency				
– currency against currency	-	144	-	144
– purchases against euro	2,610	2,257	-	4,867
– sales against euro	90	2,257	-	2,347
c) other instruments				
– purchases	-	-	-	-
– sales	-	-	-	-
3.2 Without exchange of capital				
a) currency				
– currency against currency	-	2	-	2
– purchases against euro	-	32	-	32
– sales against euro	-	32	-	32
b) other instruments				
– purchases	39,658	34,049	121	73,828
– sales	19,152	34,531	3,008	56,691
<b>Total (a)</b>	<b>69,365</b>	<b>75,075</b>	<b>6,985</b>	<b>151,425</b>

(a) Interest rate related basis swaps (shown in point 3.2 b) are included in both purchases and sales for a total of 17,315 million euro.

Dealing derivatives also include those entered into to hedge the dealing portfolio (mainly asset swaps) for a nominal value of 3,049 million euro. The results of the valuation of dealing derivatives 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 69 million euro. In compliance with the accounting policies, this amount has not been recorded in the financial statements since the purpose of the derivative contracts in question is to hedge interest, exchange rate and/or share indexes risks with regard to funding activities and/or lending activities: these contracts are in fact recorded on a consistent basis with those adopted for hedged transactions. It should be noted that if the assets and liabilities so treated 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 3,437 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 3,031 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

As of 31 December 2004 there are no contracts which, according to Bank of Italy instructions, qualify as internal deals.

#### Financial information relating to derivative contracts and forward currency purchase/sale transactions

This section offers supplementary information on operations in derivative contracts according to the standards established by the Basel Committee on Banking Supervision and the International Organization of Securities Commissions (IOSCO).

The table below shows the notional nominal capital, by type, of purchase/sale of currency and derivative contracts on interest rates, exchange rates and stockmarket index.

Notional amounts					(€/mil)
	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total
<b>OTC trading contracts</b>					
- Forward (a)	1,111	49	-	-	1,160
- Swap (b)	58,222	93	-	-	58,315
- Options purchased	1,706	2,317	503	-	4,526
- Options sold	1,706	2,315	436	-	4,457
<b>Exchange traded contracts</b>					
- Futures purchased	400	-	-	-	400
- Futures sold	-	-	-	-	-
- Options purchased	-	-	-	-	-
- Options sold	-	-	-	-	-
<b>Total trading contracts</b>	<b>63,145</b>	<b>4,774</b>	<b>939</b>	<b>-</b>	<b>68,858</b>
<b>Total non-trading contracts</b>	<b>51,895</b>	<b>10,429</b>	<b>6,919</b>	<b>-</b>	<b>69,243</b>
<b>Total contracts (c)</b>	<b>115,040</b>	<b>15,203</b>	<b>7,858</b>	<b>-</b>	<b>138,101</b>
- including OTC contracts	114,640	15,203	7,858	-	137,701

(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 8,657 million euro and excluding forward currency transactions with a duration of less than 2 working days, for 1,149 million euro.

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

	Up to 12 months	Between 1 and 5 years	Beyond 5 years	Total
Interest rate related	61,193	34,461	18,986	114,640
Exchange rate related	11,810	2,916	477	15,203
Stockmarket index related	3,588	2,245	2,025	7,858
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.

	Interest rate related	Exchange rate related	Stockmarket index related	Other	Total
<b>Notional amounts</b>	<b>114,640</b>	<b>15,203</b>	<b>7,858</b>	-	<b>137,701</b>
A. Market value of OTC trading contracts					
A.1 positive market value	747	142	28	-	917
A.2 negative market value	-855	-142	-28	-	-1,025
B. Add on	223	37	37	-	297
C. Market value of OTC trading contracts:					
C.1 positive market value	1,173	193	188	-	1,554
C.2 negative market value	-918	-925	-188	-	-2,031
D. Add on	210	232	249	-	691
<b>Credit risk equivalent (A.1+B+C.1+D)</b>	<b>2,353</b>	<b>604</b>	<b>502</b>	-	<b>3,459</b>

The contracts listed refer to Futures on trading rates, totaling 400 million euro.

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.

	Positive market value	Add on	Credit risk equivalent (a) (current value)
Governments and central banks		7	7
Banks	1,987	800	2,787
Other operators	485	180	665
<b>Total</b>	<b>2,472</b>	<b>987</b>	<b>3,459</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 1,942 million euro in respect of banks and 125 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 2004, 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 2004 is reported in the special section of the Report on Group Operations (“Risk management and control”).

### Credit derivatives

In relation to the derivative 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.1.)

Categories of operations	Dealing	Other transactions	Total
<i>(€/mil)</i>			
<b>1. Hedging purchases</b>			
1.1 With exchange of capital (1)			
– credit default swap	-	285	285
1.2 Without exchange of capital (1)			
– credit default swap	250	-	250
<b>2. Hedging sales</b>			
2.1 With exchange of capital (1)			
– credit default swap	-	372	372
– credit linked note	-	40	40
2.2 Without exchange of capital (1)			
– credit default swap	150	-	150
– credit linked note	6	30	36
<b>Total</b>	<b>406</b>	<b>727</b>	<b>1,133</b>

(1) Credit derivatives which provide for physical delivery

Table 10.6 comprises derivative contracts on loans included under structured financial instruments amounting to 278 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.)

	31/12/04
a) Amount (in million €)	5,788
b) Number	3

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.)

	31/12/04 (€/mil)	31/12/03 pro forma (€/mil)	31/12/03 (€/mil)
a) Governments	411	370	370
b) Other public entities	287	216	216
c) Non-financial businesses	29,233	35,074	35,074
d) Financial institutions	11,145	12,931	12,933
e) Family businesses	2,475	2,477	2,477
f) Other operators	13,653	12,913	12,913
<b>Total</b>	<b>57,204</b>	<b>63,981</b>	<b>63,983</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.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Other services for sale	5,862	6,264
b) Commerce, renovation and repairs	4,490	4,384
c) Construction and public works	2,699	2,730
d) Energy products	1,906	2,821
e) Transport	1,618	2,351
f) Other sectors	11,418	14,465
<b>Total</b>	<b>27,993</b>	<b>33,015</b>

### Distribution of derivative contracts on loans by category of counterparty

Derivative contracts on loans are distributed as follows, by category of counterparty:

	31/12/04 (€/mil)	31/12/03 (€/mil)
Banks	631	705
Financial institutions	473	140
Other operators	29	36
<b>Total</b>	<b>1,133</b>	<b>881</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.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Governments	-	-
b) Other public entities	149	177
c) Banks	9,179	10,520
d) Non-financial businesses	14,033	14,229
e) Financial institutions	4,297	4,073
f) Family businesses	65	82
g) Other operators	610	217
<b>Total</b>	<b>28,333</b>	<b>29,298</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.)

	31/12/04				31/12/03 pro forma				31/12/03				(€/mil)
	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total	Italy	Other EU countries	Other countries	Total	
<b>1. Assets</b>													
1.1 due from banks	26,288	7,627	1,024	34,939	18,344	8,045	997	27,386	18,343	8,045	997	27,385	
1.2 loans to customers	51,521	2,622	3,061	57,204	56,727	3,795	3,459	63,981	56,729	3,795	3,459	63,983	
1.3 securities	8,857	937	1,731	11,525	9,039	647	1,801	11,487	9,002	437	1,801	11,240	
<b>Total</b>	<b>86,666</b>	<b>11,186</b>	<b>5,816</b>	<b>103,668</b>	<b>84,110</b>	<b>12,487</b>	<b>6,257</b>	<b>102,854</b>	<b>84,074</b>	<b>12,277</b>	<b>6,257</b>	<b>102,608</b>	
<b>2. Liabilities</b>													
2.1 due to banks	17,515	13,000	6,514	37,029	16,767	14,240	6,793	37,800	16,767	14,240	6,793	37,800	
2.2 due to customers	36,733	1,910	4,206	42,849	34,130	1,667	4,693	40,490	34,139	1,667	4,693	40,499	
2.3 securities issued	18,732	44	71	18,847	16,137	2,576	419	19,132	16,137	2,576	419	19,132	
2.4 other accounts	5,546	69	1,000	6,615	4,483	436	1,000	5,919	4,483	436	1,000	5,919	
<b>Total</b>	<b>78,526</b>	<b>15,023</b>	<b>11,791</b>	<b>105,340</b>	<b>71,517</b>	<b>18,919</b>	<b>12,905</b>	<b>103,341</b>	<b>71,526</b>	<b>18,919</b>	<b>12,905</b>	<b>103,350</b>	
<b>3. Guarantees and commitments</b>	<b>20,156</b>	<b>12,656</b>	<b>9,711</b>	<b>42,523</b>	<b>20,561</b>	<b>12,932</b>	<b>9,862</b>	<b>43,355</b>	<b>20,561</b>	<b>12,932</b>	<b>9,862</b>	<b>43,355</b>	

## Maturities of assets and liabilities

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

(Table 11.6 B.I.)

	Specified duration								Unspecified duration	Total
	On demand	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years		Beyond 5 years				
				Fixed rate	Indexed rate	Fixed rate	Indexed rate			
<b>1. Assets</b>										
1.1 Treasury bonds eligible for refinancing	-	60	326	116	441	9	59	-	1,011	
1.2 due from banks	4,920	16,288	3,016	1,491	4,936	911	3,215	162	34,939	
1.3 loans to customers	8,017	14,033	6,527	4,642	10,981	3,875	8,264	865	57,204	
1.4 bonds and other debt securities	64	937	1,799	1,131	4,124	939	1,236	-	10,230	
1.5 off-balance sheet transactions	5,191	43,728	40,318	21,458	353	10,284	120	-	121,452	
<b>Total assets</b>	<b>18,192</b>	<b>75,046</b>	<b>51,986</b>	<b>28,838</b>	<b>20,835</b>	<b>16,018</b>	<b>12,894</b>	<b>1,027</b>	<b>224,836</b>	
<b>2. Liabilities</b>										
2.1 due to banks	2,607	20,867	3,590	1,438	6,041	113	2,373	-	37,029	
2.2 due to customers	30,978	11,066	710	80	-	1	14	-	42,849	
2.3 securities issued:									-	
– bonds	182	1,055	2,972	5,503	2,656	1,226	4,435	-	18,029	
– certificates of deposit	15	262	170	70	3	-	-	-	520	
– other securities	299	-	-	-	-	-	-	-	299	
2.4 subordinated liabilities	-	-	1,969	700	-	800	3,119	-	6,588	
2.5 off-balance sheet transactions	7,551	39,801	44,439	18,091	1,185	9,009	1,376	-	121,452	
<b>Total liabilities</b>	<b>41,632</b>	<b>73,051</b>	<b>53,850</b>	<b>25,882</b>	<b>9,885</b>	<b>11,149</b>	<b>11,317</b>	<b>-</b>	<b>226,766</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.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Assets		
1. due from banks	4,606	2,972
2. loans to customers	4,218	5,047
3. securities	1,658	1,749
4. equity investments	178	184
5. other accounts	251	157
<b>Total assets</b>	<b>10,911</b>	<b>10,109</b>
b) Liabilities		
1. due to banks	7,653	8,721
2. due to customers	5,714	6,475
3. securities issued	219	2,265
4. other accounts	303	75
<b>Total liabilities</b>	<b>13,889</b>	<b>17,536</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 2004 is reported in the special section of the Report on Group Operations ("Risk management and control").

The principal spot exchange rates, as of 31 December 2004, used to translate the Bank's foreign currency assets and liabilities are indicated below:

	31/12/04	31/12/03
US dollar	1.362	1.263
Swiss franc	1.543	1.558
Pound sterling	0.705	0.705
Japanese yen	139.650	135.050



**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	Senior securities	Mezzanine securities	Junior securities (a)	(€/mil)
					Total
					<i>book value</i>
<b>Investment securities portfolio</b>					
Receivable for commercial film rights	Performing	-	-	-	-
Securities (a)	Performing	-	-	-	-
<b>Total investment portfolio</b>		-	-	-	-
<b>Dealing securities portfolio</b>					
Building mortgage loans	Performing	-	-	-	-
Public real estate	Performing	1	-	-	1
Consumer loans	Performing	14	-	-	14
Social security contributions	Performing	140	-	-	140
<b>Total dealing portfolio</b>		<b>155</b>	-	-	<b>155</b>
<b>Total</b>		<b>155</b>	-	-	<b>155</b>

(a) The total balance of underlying securitization activities to junior securities is 11 million euro (carried in the financial statements for a net value of 0.2 million euro).

In compliance with Bank of Italy regulations, it is noted that as of 31 December 2004, 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 which represent securitizations carried out on commercial exploitation of film rights in the Cecchi Gori Group. These senior securities were written down in previous years by 8 million euro and are carried in the balance sheet at a value of 0.4 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 securities are carried in the balance sheet at a book value of 0.2 million euro, after write-downs of 4 million euro mainly made in previous years. It should be noted that the underlying securitization activities total 11 million euro.

## Dealing portfolio:

- securities which represent securitizations on mortgage loans (MBS). These are senior securities carried in the balance sheet at a value of 0.5 million euro, which reflects market values;
- securitizations carried out by the Italian 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 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;
- securitizations carried out by the Italian State on Social Security receivables (INPS and INPDAP). These are senior securities carried in the balance sheet at a value of 140 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

### Dealing in securities

Dealings in securities by the Bank on behalf of third parties in 2004 were as follows:

(Table 12.1 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Purchases		
1. settled	83	-
2. not settled	-	-
<b>Total purchases</b>	<b>83</b>	<b>-</b>
b) Sales		
1. settled	24	-
2. not settled	-	-
<b>Total sales</b>	<b>24</b>	<b>-</b>

### 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.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Third-party securities held on deposit (excluding portfolio management)		
1. securities issued by the Bank that prepares the financial statements	14,846	11,747
2. other securities	176,000	150,810
b) Third-party securities deposited with third parties	157,275	123,893
c) Portfolio securities deposited with third parties	16,668	13,886

Third party securities deposited as of 31/12/2004 include mutual funds held by customers for a nominal value of 32,011 million euro, and securities on deposit with the Bank acting as a depositary bank, broken down as follows:

- 85 million euro of securities issued by the Bank;
- 39,005 million euro of other securities.

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

As part of its portfolio transactions, as of the balance sheet date the Bank has received instructions to collect third-party loans for a nominal value of 8,804 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.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Debit adjustments		
1. current accounts	685	601
2. central portfolio	172	121
3. cash	-	-
4. other accounts	-	-
b) Credit adjustments		
1. current accounts	176	121
2. transferors of notes and documents	681	601
3. other accounts	-	-

### 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 2004, there are resolutions to be stipulated for 57 million euro and disbursements to be made for 387 million euro.

##### *Reserve for Research Grants*

SANPAOLO IMI continued to provide services to the Ministry of Education, Universities and Research (MIUR) for the management of industrial research projects and researcher training schemes using the Reserve for Research Grants. During 2004, 87 applications were received for research investment for 295 million euro and MIUR deliberated on financing of 151 million euro. The reduction in applications was reflected in the lack of funds, which led the Ministry to completely suspend the "reception desk" for applications, which had already been limited to the areas of Southern Italy, with effect from 3 March 2004.

##### *Reserve for Technological Innovation*

SANPAOLO IMI continued to provide services to the Ministry for Productive Activities (MAP) for the management of development projects utilizing the Reserve for Technological Innovation. The "reception desk" was suspended by MAP in January 2003 owing to lack of funds. Activities continue exclusively on the passing of Notices reserved for projects within technological sectors considered to be of prominence or to be carried out in particular areas of Italy. During 2004, 203 applications were received for research investments for 236 million euro and MAP deliberated on financing of 224 million euro.

During 2004, activities connected to the three reserves generated a total 10.5 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 was formally appointed Managing Body of the 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.

Acceptance of new applications has been closed since the beginning of 2000. As of 31 December 2004, there are 816 applications for 332 million euro, broken down as follows:

- 318 million euro for the consolidation of short-term debt for which contributions are being paid;
- 14 million euro for investment loans, of which an application for 1 million euro is not yet completed.

#### Third-party portion of syndicated loans

The portion of syndicated loans arranged by the Bank for third parties without a representation mandate totaled 559 million euro at year end (564 million euro as of 31/12/2003).

#### Portfolio management services rendered by third parties

The value of asset management services rendered to customers by Group companies amounts to 1,816 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.)*

	31/12/04 (€/mil)	31/12/03 pro forma (€/mil)	31/12/03 (€/mil)
a) On amounts due from banks	636	582	581
<i>of which:</i>			
– deposits with central banks	26	25	25
b) On loans to customers	2,562	3,183	3,183
<i>of which:</i>			
– loans using public funds	-	-	-
c) On debt securities	345	374	373
d) Other interest income	14	23	22
e) Net differential on hedging transactions	-	-	-
<b>Total</b>	<b>3,557</b>	<b>4,162</b>	<b>4,159</b>

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

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) On assets denominated in foreign currency	72	71

Default interest accrued during the year amounting to 53 million euro has been prudently eliminated from the statement of income, since collection is considered wholly unlikely.

Interest income includes 161 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.)*

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) On amounts due to banks	809	834
b) On amounts due to customers	417	543
c) On securities issued	601	590
<i>of which:</i>		
– certificates of deposit	24	47
d) On public funds administered	-	-
e) On subordinated liabilities	280	284
f) Net differential on hedging transactions	38	59
<b>Total</b>	<b>2,145</b>	<b>2,310</b>

*Detail of caption 20 "interest expenses and similar charges" (Table 1.4 B.I.)*

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) On liabilities denominated in foreign currency	162	143

Interest expense includes the annual charge of 4 million euro relating to issue discounts on bonds and certificates of deposit. The caption also includes charges of 200 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.)

	31/12/04 (€/mil)	31/12/03 pro forma (€/mil)	31/12/03 (€/mil)
a) Guarantees given	73	62	62
b) Credit derivatives	4	8	8
c) Management, dealing and advisory services:			
1. dealing in securities	4	11	4
2. dealing in currency	17	17	17
3. portfolio management			
3.1. individual	-	-	-
3.2. collective	-	-	-
4. custody and administration of securities	18	17	17
5. depositary bank	55	52	52
6. placement of securities (a)	424	436	436
7. acceptance of instructions	35	38	37
8. advisory services	-	-	-
9. third party service distribution:	230	223	223
9.1. portfolio management:			
9.1.1. individual	93	88	88
9.1.2. collective	-	-	-
9.2. insurance products	132	130	130
9.3. other products	5	5	5
d) Collection and payment services	179	205	205
e) Servicing for securitization transactions	-	-	-
f) Tax collection services	-	-	-
g) Other services	461	510	508
<b>Total</b>	<b>1,500</b>	<b>1,579</b>	<b>1,569</b>

(a) Commission earned on the placement of securities mainly includes that earned on the placement of mutual fund units for 402 million euro (418 million euro as of 31/12/03).

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

	31/12/04 (€/mil)	31/12/03 pro forma (€/mil)	31/12/03 (€/mil)
Loans granted	157	167	167
Deposits and current account overdrafts	176	206	206
Current accounts	93	95	95
Other services - Domestic branches	33	40	38
Other services - Foreign branches	2	2	2
<b>Total</b>	<b>461</b>	<b>510</b>	<b>508</b>

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

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) with own operating points:		
1. portfolio management	-	-
2. placement of securities	424	436
3. third party service distribution	230	222
b) outside supply:		
1. portfolio management	-	-
2. placement of securities	-	-
3. third party service distribution	-	1
<b>Total</b>	<b>654</b>	<b>659</b>

### Commission expense (caption 50)

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

	31/12/04 (€/mil)	31/12/03 pro forma (€/mil)	31/12/03 (€/mil)
a) Guarantees received	4	11	11
b) Credit derivatives	4	1	1
c) Management and dealing services:			
1. dealing in securities	-	-	-
2. dealing in currency	1	1	1
3. portfolio management:			
3.1. own portfolio	-	-	-
3.2. third party portfolio	-	-	-
4. custody and administration of securities	11	10	10
5. placement of securities	-	-	-
6. door-to-door sales of securities, financial products and services	-	1	1
d) Collection and payment services	56	58	58
e) Other services	14	21	20
<b>Total</b>	<b>90</b>	<b>103</b>	<b>102</b>

Subcaption "e) Other services" comprises in particular:

	31/12/04 (€/mil)	31/12/03 pro forma (€/mil)	31/12/03 (€/mil)
Dealing activities on financing transactions	-	-	-
Loans obtained	-	1	1
Dealing activities on loan transactions	-	1	1
Other services - Domestic branches	13	18	17
Other services - Foreign branches	1	1	1
<b>Total</b>	<b>14</b>	<b>21</b>	<b>20</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.I.)* (€/mil)

Captions / Transactions	Security transactions	Currency transactions	Other transactions	Total
A1. Revaluations	76 (a)	-	684 (e)	760
A2. Writedowns	-21 (b)	-	-734 (e)	-755
B. Other profits / losses	9 [c]	39 (d)	79 (f)	127
<b>Total</b>	<b>64</b>	<b>39</b>	<b>29</b>	<b>132</b>
1. Government securities	31			
2. Other debt securities	24	-	-	
3. Equities	8	-	-	
4. Security derivatives	1	-	-	

(a) Revaluations refer to the valuation of the investment securities portfolio for 74 million euro and to the repurchase of own shares for 2 million euro.

(b) Writedowns refer to the valuation of the investment securities portfolio for 20 million euro and to the technical exposure of 1 million euro.

(c) Profits refer to 8 million euro from dealings in securities and to 1 million euro from operations in derivative contracts with underlying securities (futures).

(d) Includes exchange gains of 26 million euro and income on transactions in foreign currency derivative contracts of 13 million euro.

(e) The negative result of 50 million euro refers mainly to derivative contracts linked to dealing securities and is substantially offset by the valuation of the securities referred to in notes (a) and (b).

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

## SECTION 4 - ADMINISTRATIVE COSTS

### Personnel costs (caption 80.a)

	31/12/04 (€/mil)	31/12/03 pro forma (€/mil)	31/12/03 (€/mil)
Wages and salaries	1,069	1,195	1,188
Social security charges	348	394	392
Termination indemnities			
– provisions to the reserve for termination indemnities	41	55	54
– indemnities accrued and paid during the year	2	2	2
– provisions for supplementary pension fund	26	29	29
<b>Total</b>	<b>1,486</b>	<b>1,675</b>	<b>1,665</b>

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

	31/12/04	31/12/03 pro forma	31/12/03
a) Executives	439	462	452
b) Third and fourth level managers	2,883	3,639	3,611
c) Other employees	18,464	21,616	21,518
<b>Total</b>	<b>21,786</b>	<b>25,717</b>	<b>25,581</b>

## Other administrative costs (caption 80.b)

	31/12/04 (€/mil)	31/12/03 pro forma (€/mil)	31/12/03 (€/mil)
<b>IT costs</b>	<b>264</b>	<b>279</b>	<b>275</b>
Software maintenance and upgrades	87	85	85
Maintenance of hardware, other fixed assets and installations	47	49	48
External data processing	63	75	75
Data transmission charges	38	37	37
Database access charges	21	24	21
Equipment leasing charges	8	9	9
<b>Property management expenses</b>	<b>173</b>	<b>187</b>	<b>185</b>
Rented property:	123	119	117
- rental of premises	113	108	106
- maintenance of leasehold premises	10	11	11
Property owned by the Bank:	18	21	21
- maintenance of property owned by the Bank	18	21	21
Security services	15	27	27
Cleaning of premises	17	20	20
<b>General expenses</b>	<b>106</b>	<b>177</b>	<b>172</b>
Postage and telegraph charges	31	32	32
Office supplies	13	17	17
Transport and counting of valuables	11	13	13
Courier and transport services	13	13	13
Personnel on secondment	7	62	62
Other expenses	31	40	35
<b>Professional and insurance fees</b>	<b>112</b>	<b>122</b>	<b>119</b>
Consultancy services	77	79	76
Legal and judiciary expenses	12	20	20
Investigation/commercial information costs	13	13	13
Insurance premiums banks and customers	10	10	10
<b>Utilities</b>	<b>51</b>	<b>51</b>	<b>50</b>
Telephone	19	20	19
Energy	32	31	31
<b>Promotion, advertising and marketing expenses</b>	<b>58</b>	<b>52</b>	<b>52</b>
Advertising and entertainment	53	47	47
Contributions and membership fees to trade unions and business associations	5	5	5
<b>Indirect personnel costs</b>	<b>63</b>	<b>65</b>	<b>65</b>
Other expenses for personnel training, travel and assignments	63	65	65
<b>Total</b>	<b>827</b>	<b>933</b>	<b>918</b>
<b>Indirect duties and taxes</b>			
- stamp duties	80	98	98
- tax on stock exchange contracts	4	5	5
- local property taxes	9	10	10
- substitute tax (Pres. Decree 601/73)	17	17	17
- other	8	10	10
<b>Total</b>	<b>118</b>	<b>140</b>	<b>140</b>
<b>Total other administrative costs</b>	<b>945</b>	<b>1,073</b>	<b>1,058</b>

## SECTION 5 - ADJUSTMENTS, WRITEBACKS AND PROVISIONS

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

	31/12/04 (€/mil)	31/12/03 pro forma (€/mil)	31/12/03 (€/mil)
Adjustments to intangible fixed assets			
– amortization of merger differences and goodwill	71	115	115
– amortization of software in use	134	133	132
– amortization of software not yet in use	10	17	17
– amortization of other deferred charges	12	13	12
Adjustments to tangible fixed assets			
– amortization of property	56	62	62
– depreciation of furniture and installations	119	116	115
<b>Total</b>	<b>402</b>	<b>456</b>	<b>453</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 125 million euro, include the following:

- 91 million euro to strengthen the fund against losses on legal disputes, to reflect the increase in the claims by receivers of bankrupt customers recorded at the end of 2004, among which those filed by the Commission for the Parmalat Group companies;
- 21 million euro to cover other potential risks, among which guarantees given in respect of company transactions;
- 13 million euro to increase the reserve for other personnel costs, of which 6 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.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Adjustments to loans	273	588
<i>of which:</i>		
– general adjustments for country risk	3	-
– other general adjustments	37	17
b) Provisions for guarantees and commitments	16	3
<i>of which:</i>		
– general provisions for country risk	-	-
– other general provisions	16	3
<b>Total</b>	<b>289</b>	<b>591</b>

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

In addition to the above adjustments, default interest of 53 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)

	31/12/04 (€/mil)	31/12/03 (€/mil)
Revaluation of loans previously written down	25	71
Revaluation of loans previously written off	-	-
Revaluation of guarantees	-	6
Collection of default interest previously written down	17	23
Collection of loans previously written off	13	16
Collection of loan principal previously written down	89	74
<b>Total</b>	<b>144</b>	<b>190</b>

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

#### Adjustments to investment securities

These adjustments, amounting to 1 million euro, refer to losses in value to structured securities of a long-term nature.

#### Adjustments to equity investments

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

	31/12/04 (€/mil)	31/12/03 pro forma (€/mil)	31/12/03 (€/mil)
Cassa dei Risparmi di Forlì S.p.A.	109	-	-
Cassa di Risparmio di Firenze S.p.A.	108	-	-
IMI Investimenti S.p.A.	67	66	66
Centradia Group Ltd	3	1	1
Compagnia Assicuratrice Unipol S.p.A.	3	7	-
Banca Popolare dell'Adriatico S.p.A.	-	60	60
Banca Comerciala Sanpaolo IMI Bank Romania S.A.	-	5	5
Sanpaolo IMI Internazionale S.p.A.	-	4	4
GEST Line S.p.A.	-	3	3
<b>Total</b>	<b>290</b>	<b>146</b>	<b>139</b>

Specifically, it should be noted that:

- the writedown of the shareholding in **Cassa dei Risparmi di Forlì S.p.A.** was made to reflect its fair value by way of an adjustment of **86 million euro** to the value of the investment and of **23 million euro** to the put option granted to the Fondazione shareholder of the Cassa dei Risparmi di Forlì in the context of the initial purchase agreement;
- the adjustment to the book value of the investment in **Cassa di Risparmio di Firenze S.p.A.** for **108 million euro** was made to align it to the average quotations on the stockmarket in the second half of 2004. This alignment was made after the reversal, booked to extraordinary income, of **210 million euro** adjustments to value made in prior years exclusively for fiscal purposes. Consequently, at 2004 year end the book value of the investment had increased by 102 million euro, net;
- the book value of **IMI Investimenti S.p.A.** was adjusted by **67 million euro** to take account of the situation of some investments held by the company and of the elements of risk inherent to reaching the levels of profitability forecast by the company itself. This alignment was made after the reversal of adjustments to value for the same amount, booked to extraordinary income, made in prior years solely for fiscal purposes;
- **Centradia Group Ltd** was written down by **3 million euro** to reflect the outcome of its current liquidation;
- the **3 million euro** adjustment to the book value of the investment in **Unipol S.p.A.** was made to align it to the average stock market price for the second half of 2004.

#### Writebacks to equity investments

The writeback of **33 million euro** refers to the investment in **Santander Central Hispano S.A.** and led to the writeback to historical purchase cost of the investment. In the light of trends which comply with international accounting principles, it has proven more significant to value this shareholding with reference to market prices at year end, rather than the average market price at half year, which was used in prior years also to identify permanent losses in value. This also reflects the market price of the SCH shareholding which, even in the early months of 2005, remained at significantly high levels in respect of 2004 year end.

## SECTION 6 - OTHER STATEMENT OF INCOME CAPTIONS

## Dividends and other revenues (caption 30)

	31/12/04 (€/mil)	31/12/03 pro forma (€/mil)	31/12/03 (€/mil)
On equity investments			
- Banca Fideuram S.p.A.	115	115	101
- Cassa di Risparmio di Padova e Rovigo S.p.A.	112	93	93
- Sanpaolo Banco di Napoli S.p.A.	108	28	28
- Sanpaolo IMI Asset Management Sgr S.p.A.	87	-	-
- Banca di Intermediazione Mobiliare IMI S.p.A.	70	27	27
- Assicurazioni Internazionali di Previdenza S.p.A.	50	-	-
- Cassa di Risparmio in Bologna S.p.A.	44	47	47
- Cassa di Risparmio di Venezia S.p.A.	30	41	41
- GEST Line S.p.A.	30	34	34
- Sanpaolo Leasint S.p.A.	20	16	16
- Friulcassa S.p.A.	18	22	22
- Finemiro Banca S.p.A.	11	16	16
- Santander Central Hispano S.A.	17	15	15
- Cassa di Risparmio di Firenze S.p.A.	11	11	11
- Banque Sanpaolo S.A.	8	-	-
- CDC Ixis	8	8	8
- Banca Koper D.D.	5	6	6
- Banca d'Italia	4	-	-
- Cassa dei Risparmi di Forlì S.p.A.	4	3	3
- Banca delle Marche S.p.A.	2	-	-
- Banco del Desarrollo S.A.	2	-	-
- Compagnia Assicuratrice Unipol S.p.A.	2	1	-
- Sanpaolo Fiduciaria S.p.A.	1	-	-
- Cr Firenze Gestion Internationale S.A.	1	-	-
- Borsa Italiana S.p.A.	1	-	-
- Centroleasing S.p.A.	1	1	-
- Banksiel S.p.A.	1	-	-
- Sanpaolo IMI International S.A.	-	140	140
- Sanpaolo IMI Wealth Management S.p.A.	-	97	97
- Banca OPI S.p.A.	-	40	40
- Sanpaolo Bank S.A.	-	21	21
- Sanpaolo IMI Bank Ireland Plc	-	20	20
- Esatri S.p.A.	-	5	5
- Prospettive 2001 S.p.A.	-	-	4
- Sanpaolo IMI Bank (International) S.A.	-	3	3
- Banca Popolare dell'Adriatico S.p.A.	-	2	2
- Eptafund S.G.R.p.A.	-	10	-
- Egi Ltd	-	2	-
- other dividends received	3	19	16
Tax credits	-	-	16
<b>Total</b>	<b>766</b>	<b>843</b>	<b>832</b>

Since 2001, the Bank has booked 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 2004 dividends to the Bank.

Dividends distributed by subsidiaries	31/12/04 (€/mil)	Board of Directors dates	Meeting dates (a)
Banca Fideuram S.p.A.	115	16-mar-05	27-apr-05
Cassa di Risparmio di Padova e Rovigo S.p.A.	112	10-mar-05	12-apr-05
Sanpaolo Banco di Napoli S.p.A.	108	15-mar-05	22-apr-05
Sanpaolo IMI Asset Management Sgr S.p.A.	87	28-feb-05	11-apr-05
Banca di Intermediazione Mobiliare IMI S.p.A.	70	11-mar-05	5-apr-05
Assicurazioni Internazionali di Previdenza S.p.A.	50	21-mar-05	11-apr-05
Cassa di Risparmio in Bologna S.p.A.	44	11-mar-05	12-apr-05
Cassa di Risparmio di Venezia S.p.A.	30	10-mar-05	12-apr-05
GEST Line S.p.A.	30	10-mar-05	8-apr-05
Sanpaolo Leasint S.p.A.	20	7-mar-05	4-apr-05
Friulcassa S.p.A.	18	9-mar-05	11-apr-05
Finemiro Banca S.p.A.	11	9-mar-05	11-apr-05

(a) The dates refer to the first call of the meetings.

## Other operating income (caption 70)

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

	31/12/04 (€/mil)	31/12/03 pro forma (€/mil)	31/12/03 (€/mil)
Expenses recovered from customers			
– stamp duties	77	88	87
– other taxes	20	26	26
– legal costs	8	8	8
– other recoveries	8	12	11
Reimbursement of services rendered to third parties	29	2	2
Property rental income	6	12	12
Income from services rendered to Group businesses (a)	333	226	226
Premiums collected on options implicit to structured transactions	19	-	-
Other income	17	13	13
<b>Total</b>	<b>517</b>	<b>387</b>	<b>385</b>

(a) The income refers mainly to the supply of outsourcing services in favor of Group Bank Networks.



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

	31/12/04 (€/mil)	31/12/03 (€/mil)
Finance leasing charges	11	7
Premiums paid on options implicit to structured transactions	19	-
Other expenses	4	3
<b>Total</b>	<b>34</b>	<b>10</b>

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

	31/12/04 (€/mil)	31/12/03 pro forma (€/mil)	31/12/03 (€/mil)
Out-of-period income			
- use of reserves in excess	9	71	71
- other	33	28	28
Dividends received by subsidiaries	1	58	113
Gains on transfer/disposal of company branches	-	68	63
Gains on disposal of:			
- financial fixed assets - equity investments (a)	106	351	339
- financial fixed assets - investment securities	1	18	18
- tangible fixed assets	-	3	3
- own shares in portfolio (b)	61	5	1
Fiscal clean-up (c)	277	-	-
<b>Total</b>	<b>488</b>	<b>602</b>	<b>636</b>

(a) This caption includes gains from the sale of the investments detailed in Part B – Section 3 of these Notes, as well as 2 million euro for the adjustment to the sale price of the 60% shareholding in Banque Sanpaolo S.A. made last year.

(b) This caption refers to the gains realized by the subsidiary Invesp, which already held 9.28% of Banca Fideuram, following the disposal - for an outlay of 69.4 million euro - of no. 6,793,642 SANPAOLO IMI shares received in exchange for the partial spin off of Fideuram Vita from Banca Fideuram and recorded to the financial statements at the date of the spin off for an outlay of 8.4 million euro. Invesp was subsequently merged into SANPAOLO IMI.

(c) This caption includes revaluation of the investment in Cassa di Risparmio di Firenze S.p.A. for 210 million euro and 67 million euro revaluation in the investment IMI Investimenti S.p.A. Both revaluations were made following the reversal of adjustments to value made solely for tax purposes in previous years. (See Part A – Section 2 of these Notes).

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

	31/12/04 (€/mil)	31/12/03 pro forma (€/mil)	31/12/03 (€/mil)
Provisions for incentive retirement schemes	15	378	376
Other out-of-period expenses	22	16	12
Expenses for tax reform	-	10	-
Losses on transfer/disposal of company branches (a)	50	5	-
Losses on disposal of:			
- financial fixed assets - equity investments	-	10	7
- financial fixed assets - investment securities	-	8	8
- tangible fixed assets	3	1	
<b>Total</b>	<b>90</b>	<b>428</b>	<b>403</b>

(a) The amount refers to the loss from the transfer of the CDC Ixis shareholding in the company vehicles to which the Bank had repositioned the investment following the restructuring of the French group Caisse d'Epargne. The interest transferred had already been written down for the same amount in the first quarter of 2004.

**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	43
2. Change in deferred tax assets	159
3. Change in deferred tax liabilities	-
4. Income taxes for the period	202

	31/12/04 (€/mil)	31/12/03 pro forma (€/mil)	31/12/03 (€/mil)
Current income taxes and charges from probable fiscal disputes	24	265	324
Substitute tax on merger deficit (quota for the year)	7	7	7
Local taxes applicable to foreign branches	12	11	11
Total current income taxes and charges from probable fiscal disputes	43	283	342
Deferred tax assets that reversed during the year and other reductions	207	442	442
Deferred tax assets that arose during the year and other increases	-48	-253	-253
Decrease in deferred taxes on dividends matured during the previous year	-	-266	-266
<b>Total income taxes for the period</b>	<b>202</b>	<b>206</b>	<b>265</b>

Reconciliation of theoretical tax rate with actual tax rate	Taxes (€/mil)	%
<b>Income taxes at standard rate</b>	<b>461</b>	<b>37.25</b>
<b>Increases in taxes</b>		
Higher tax base and rate for the regional tax on business activities (a)	26	2.1
Non-deductible costs (losses on investments, ICI, personnel costs, etc.)	51	4.1
Substitute tax on Banco di Napoli merger deficit	7	0.6
Adjustment to accrual for tax litigation	3	0.2
Non-recoverable foreign taxes paid	5	0.4
<b>Decreases in taxes</b>		
Gains on shareholdings not subject to taxation	-97	-7.8
Portion of dividends exempt	-252	-20.4
Income subject to special rate (12.5%)	-2	-0.2
<b>Total changes in taxes</b>	<b>-259</b>	<b>-20.9</b>
<b>Income taxes shown in statement of income</b>	<b>202</b>	<b>16.3</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)

	31/12/04				31/12/03 pro forma				31/12/03			
	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	3,343	99	115	3,557	3,954	119	89	4,162	3,951	119	89	4,159
Dividends and other revenues	766	-	-	766	843	-	-	843	832	-	-	832
Commission income	1,460	22	18	1,500	1,540	22	17	1,579	1,530	22	17	1,569
Profits (losses) from financial transactions	131	2	-1	132	104	-2	-	102	91	-2	-	89
Other operating income	516	1	-	517	384	3	-	387	382	3	-	385
<b>Total revenues</b>	<b>6,216</b>	<b>124</b>	<b>132</b>	<b>6,472</b>	<b>6,825</b>	<b>142</b>	<b>106</b>	<b>7,073</b>	<b>6,786</b>	<b>142</b>	<b>106</b>	<b>7,034</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)

	31/12/04			31/12/03		
	Group companies	Non-Group companies	Total	Group companies	Non-Group companies	Total
<b>Income</b>						
– interest income and similar revenues	633	58	691	614	54	668
– dividends and other revenues	695	71	766	754	78	832
– commission income	601	-	601	628	-	628
– other operating income	364	1	365	230	2	232
– extraordinary income (dividends)	1	-	1	113	-	113
<b>Total</b>	<b>2,294</b>	<b>130</b>	<b>2,424</b>	<b>2,339</b>	<b>134</b>	<b>2,473</b>
<b>Expenses</b>						
– interest expense and similar charges	671	29	700	685	29	714
– commission expense	2	-	2	3	-	3
– other operating expense	28	-	28	79	-	79
<b>Total</b>	<b>701</b>	<b>29</b>	<b>730</b>	<b>767</b>	<b>29</b>	<b>796</b>

Assets and liabilities outstanding as of 31 December 2004 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, including variable components, and the Statutory Auditors of the Bank is reported below:

*(Table 1.1 B.I.)*

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Directors (a)	14	11
b) Statutory auditors (a)	1	-

*(a) Including remuneration to companies merged during the year.*

In compliance with Art. 78 of Consob Resolution no. 11971 of 14/5/99, we provide below the detail of the remuneration for 2004 paid to Directors, Statutory Auditors and General Managers.

**REMUNERATION 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	Office			Remuneration (thousands of euro)			
	Description of office	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 and Chief Executive Officer</b>							
SALZA Enrico	Chairman of the Board of Directors (3)	30/4/04-31/12/04	2006	645	-	-	-
	Deputy Chairman of the Board of Directors	1/1/04-29/4/04		72	-	122	-
ROSSI Orazio	Deputy Chairman of the Board of Directors (3)	1/1/04-31/12/04	2006	543	-	115	91
IOZZO Alfonso	Managing Director (3)	1/1/04-31/12/04	2006	966	-	920	(a)
MODIANO Pietro	Chief Executive Officer	29/11/04-31/12/04	2006	111	-	1.854	(b)
BARRACCO Maurizio	Director	29/4/04-31/12/04	2006	44	-	-	-
BUSSOLOTTO Pio	Director (3)	30/4/04-31/12/04	2006	50	-	-	190
	Managing Director	1/1/04-29/4/04		258	-	-	(c)
FONTANA Giuseppe	Director	1/1/04-31/12/04	2006	97	-	122	50
GOTTI TEDESCHI Ettore	Director (3)	29/4/04-31/12/04	2006	51	-	-	-
MARRONE Virgilio	Director	1/1/04-31/12/04	2006	79 (d)	-	(d)	
MIHALICH Iti	Director	1/1/04-31/12/04	2006	76	-	122	41
ORSATELLI Anthony	Director	1/1/04-31/12/04	2006	62	-	29	-
OTTOLENGHI Emilio	Director (3)	1/1/04-31/12/04	2006	80	-	122	-
SACCHI MORSIANI Gian Guido	Director (3)	1/1/04-31/12/04	2006	65	-	122	185
SAENZ ABAD Alfredo	Director	29/4/04-31/12/04	2006	43	-	-	-
SARCINELLI Mario	Director	29/4/04-31/12/04	2006	46	-	-	-
SIBANI Leone	Director	29/4/04-31/12/04	2006	44	-	-	77
TAZZETTI Alberto	Director	29/4/04-31/12/04	2006	45	-	-	-
VARELA José Manuel	Director (3)	29/4/04-31/12/04	2006	51	-	-	-
MASERA Rainer Stefano	Chairman of the Board of Directors (4)	1/1/04-29/4/04	2003	258	5	-	2,600 (e)
MARANZANA Luigi	Managing Director (4)	1/1/04-29/4/04	2003	258	-	-	2,325 (f)
CARMI Alberto	Director (4)	1/1/04-29/4/04	2003	20	-	108	-
GARDNER Richard	Director (4)	1/1/04-29/4/04	2003	21	-	93	-
MANULI Mario	Director (4)	1/1/04-29/4/04	2003	28	-	115	-
MAROCCO Antonio Maria	Director (4)	1/1/04-29/4/04	2003	22	-	86	-
MATUTES Abel	Director (4)	1/1/04-29/4/04	2003	21	-	65	-
VERMEIREN Remi François	Director (4)	1/1/04-29/4/04	2003	27	-	29	-
BOUILLOT Isabelle	Director (5)			-	-	(g)	-
GALATERI DI GENOLA E SUNIGLIA Gabriele	Director (5)			-	-	29	-
<b>Statutory auditors</b>							
PAOLILLO Mario	Chairman of Statutory Auditors	1/1/04-31/12/04	2004	110	-	-	229
BENEDETTI Aureliano	Statutory Auditor	1/1/04-31/12/04	2004	71	-	-	59
DALLOCCCHIO Maurizio	Statutory Auditor	1/1/04-31/12/04	2004	73	-	-	46
MAZZI Paolo	Statutory Auditor	1/1/04-31/12/04	2004	75	-	-	16
VITALI Enrico	Statutory Auditor	1/1/04-31/12/04	2004	70	-	-	-

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

(1) This includes:

- for the Chairman and Deputy Chairman, the remuneration corresponding to the profit for the year 2003, divided proportionally to their presence - while both serving as Vice Presidents - 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 2003. The Board of Directors' meeting of 11 May 2004 set an all-inclusive fixed annual remuneration for the President and Vice President for the year 2004;
- for the Managing Director and Chief Executive Officer the variable part of the remuneration for 2003. With regard to the Chief Executive Officer, the amount also includes the entry bonus paid in 2004 equivalent to 1,750 thousand euro;
- for the Directors, the remuneration corresponding to the profit for the year 2003, 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 2003. For the year 2004, the amount due calculated according to Group results totals € 2,090,000. 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 2005.

(2) Remuneration 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 2004.

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

(a) € 466,000 paid to SANPAOLO IMI S.p.A..

(b) € 11,000 paid to SANPAOLO IMI S.p.A..

(c) € 91,000 paid to SANPAOLO IMI S.p.A..

(d) In addition to the amount shown in the table, € 7,000 in fees of office and € 122,000 in bonus and other incentives (relating to the variable part of the remuneration for 2003) paid to IFI S.p.A..

(e) The balance of 2,600 thousand euro refers to a once-for-all consideration for the termination of office. In addition to the amount shown in the table, € 77,000 was paid to SANPAOLO IMI S.p.A. by subsidiary companies.

(f) The balance of 2,325 thousand euro refers to a once-for-all consideration for the termination of office. In addition to the amount shown in the table, € 110,000 was paid to SANPAOLO IMI S.p.A. by subsidiary companies.

(g) € 57,000 paid to CDC Ixis Italia Holding S.A. and relating to the variable part of the remuneration for 2003.

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:

- 2000 Plan: this stock option plan - approved by the Board of Directors in the year 2000 - assigns to each Managing Director (Mr. Rainer Stefano MASERA and Mr. Luigi MARANZANA), no. 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.
- 2001/2003 Plan: a stock option plan - approved by the Board of Directors in the year 2002 - for the Chairman and Managing Directors for the three year period 2001-2003, made 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. On the basis of this plan, Mr. Rainer Stefano MASERA, Mr. Alfonso IOZZO and Mr. Luigi MARANZANA were assigned no. 450,000 total fixed rights each for the three year period 2001-2003. Mr. Pio BUSSOLOTTO was assigned no. 300,000 total rights for the three year period 2001-2003. Such rights became exercisable - at a price of 12.6244 euro - on issue of the dividend for 2003 and no later than 15 May 2006. The latter term was deferred by the Board of Directors to 25 January 2005 (the previous final date having been 31 March 2006).

Furthermore, 31 March 2004 was the expiry date for exercising the stock options for the 1999/2001 plan which assigned each Managing Director (Mr. Rainer Stefano MASERA and Mr. Luigi MARANZANA), no. 370,000 rights to subscribe the Bank's shares at a price of 12.396 euro per share. The option rights were not exercised.

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			Options exercised during the year			Options expired during the year	Options at the end of the year		
		Number of options	Average exercise price	Expiry	Number of options	Average exercise price	Expiry	Number of options	Average exercise price	Expiry		Number of options	Average exercise price	Expiry
<b>1999/2001 Plan</b>					by 31/3/2004									
Rainer Stefano MASERA	Managing Director	123,334	12.396		-			-			123,334	-	-	
Luigi MARANZANA	Managing Director	370,000	12.396		-			-			370,000	-	-	
<b>2000 Plan</b>					from March 2003 as of 31/3/2005						from March 2003 as of 31/3/2005			
Rainer Stefano MASERA	Managing Director	188,285	16.45573		-			-			188,285	16.45573		
Luigi MARANZANA	Managing Director	188,285	16.45573		-			-			188,285	16.45573		
<b>2001/2003 Plan</b>					from May 2004 as of 15/5/2006						from May 2004 as of 15/5/2006			
Rainer Stefano MASERA	Chairman	450,000	12.6244		-			-			450,000	12.6244		
Pio BUSSOLOTTO	Managing Director	300,000	12.6244		-			-			300,000	12.6244		
Alfonso IOZZO	Managing Director	450,000	12.6244		-			-			450,000	12.6244		
Luigi MARANZANA	Managing Director	450,000	12.6244		-			-			450,000	12.6244		

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

## Loans and guarantees given

(Table 1.2 B.I.)

	31/12/04 (€/mil)	31/12/03 (€/mil)
a) Directors	4	21
b) Statutory auditors	-	-

The balance as of 31/12/04 refers to loans and guarantees issued by the Bank to companies 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 (also abroad), in financial institutions, banks, insurance companies or other significant-sized companies.

DIRECTOR	OFFICE	COMPANY
Enrico SALZA	Managing Director	Tecno Holding S.p.A.
Maurizio BARRACCO	Director Chairman	R.C.S. Quotidiani S.p.A. ARIN – Azienda Risorse Idriche Napoli S.p.A.
Pio BUSSOLOTTO	Managing Director 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. Assicurazioni Internazionali di Previdenza S.p.A.
Giuseppe FONTANA	Director Director	Banca Fideuram S.p.A. Banca Popolare di Sondrio S.c.r.l.
Ettore GOTTI TEDESCHI	Chairman Deputy Chairman Director Director	Banca Finconsumo S.p.A. Alerion Industries S.p.A. Cassa Depositi e Prestiti S.p.A. Endesa Italia S.p.A.
Alfonso IOZZO	Chairman Chairman	Sanpaolo Banco di Napoli S.p.A. Banca OPI S.p.A.
Virgilio MARRONE	Director	Exor Group - Luxembourg S.A.
Iti MIHALICH	Chairman Chairman Chairman Chairman Chairman Chairman Chairman Chairman Chairman Chairman Chairman Chairman Chairman Chairman Chairman Chairman Chairman Chairman Chairman Deputy Chairman Director Director Director Director	Società Reale Mutua di Assicurazioni Banca Reale S.p.A. Rem Assicurazioni S.p.A. Reale Immobili S.p.A. Blue Assistance S.p.A. La Piemontese Assicurazioni S.p.A. La Piemontese Vita S.p.A. Compagnia Italiana di Previdenza, Assicurazioni e Riassicurazioni 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. 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. Sara Assicurazioni S.p.A. Sara Vita S.p.A. Immobiliare Mirasole S.p.A. Silem S.p.A.
Anthony ORSATELLI	Membre du Directoire Membre du Conseil de Surveillance Chairman of the Board of Directors Chairman of the Board of Directors Member of the Board of Directors Member of the Board of Directors Member of the Board of Directors	Caisse Nationale des Caisses d'Epargne S.A. Sogeposte S.A. Nexgen Financial Holding Limited Nexgen Re Limited CDC Ixis AM US Corporation Euroclear Plc. CDC Ixis Financial Guaranty North America Inc.

<b>DIRECTOR</b>	<b>OFFICE</b>	<b>COMPANY</b>
Emilio OTTOLENGHI	Chairman	Vis S.p.A.
	Managing Director	La Petrolifera Italo Rumena S.p.A.
	Director	Argus Fund S.p.A.
Orazio ROSSI	Chairman	Cassa di Risparmio di Padova e Rovigo S.p.A.
	Chairman	Sanpaolo IMI Internazionale S.p.A.
Gian Guido SACCHI MORSIANI	Chairman	Finemiro Banca S.p.A.
	Chairman	GEST Line S.p.A.
Alfredo SAENZ ABAD	Chairman	Banco Banif S.A.
	Vice Presidente Segundo y Consejero Delegado	Banco Santander Central Hispano S.A.
	Deputy Chairman	Santander Central Hispano Investment S.A.
	Deputy Chairman	Compañía Española de Petróleos S.A.
	Consejero	Operadores de Telecomunicaciones S.A.
Mario SARCINELLI	Director	Ina Vita S.p.A.
	Director	Cassa Depositi e Prestiti S.p.A.
	Director	Data Management S.p.A.
Leone SIBANI	Chairman	Sanpaolo IMI Private Equity S.p.A.
	Director	Sanpaolo IMI Internazionale S.p.A.
	Director	Banca Popolare dell'Adriatico S.p.A.
	Director	Biesse S.p.A.
Alberto TAZZETTI	Chairman	Sicurezza Lavoro S.r.l.
	Director	Centrale del Latte di Torino & Co. S.p.A.
José Manuel VARELA	Director	Santander Consumer Finance S.A.
	Director	CC—Credit Hungria R.T.
	Director	PTF Bank S.A.
	Director	Banque Commerciale du Maroc S.A.
	Director	CC—Bank AG
	Director	Elcon Finans AS

## 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 PARENT BANK SHAREHOLDERS' EQUITY

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PARENT BANK STATEMENT OF CASH FLOWS

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EXPERT'S STATEMENTS AND REPORT ON MERGER  
AND SPIN OFF TRANSACTION COMPLETED IN THE YEAR  
(ART. 2504 BIS AND ART. 2506 QUATER OF THE ITALIAN CIVIL CODE)

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LIST OF PROPERTIES OWNED BY THE BANK

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## Statement of changes in Parent Bank shareholders' equity

	capital	legal reserve	additional paid-in capital	extraordinary reserve	unrestricted 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 L. 342/2000	reserve D.Lgs. 213/98	reserve D.Lgs. 153/99	income for the period	Total
Shareholders' equity as of 1 January 2004	5,144	1,029	708	768	966	34	5	-	14	854	824	10,346
Allocation of 2003 net income:												
- extraordinary reserve	-	-	-	109	-	-	-	-	-	-	-109	-
- dividends distributed	-	-	-	-	-	-	-	-	-	-	-715	-715
Reserve for reclassification D.Lgs. 153/99	-	-	-	854	-	-	-	-	-	-854	-	-
Purchases and valuations of own shares	-	-	-	-	-9	9	-	-	-	-	-	-
Recalculation of deferred tax liability on reserves subject to taxation	-	-	-	-	-	-	-	-	2	-	-	2
Capital increase used for the exchange relating to the spin off from Banca Fideuram of Fideuram Vita	74	-	-	-	-	-	-	-	-	-	-	74
Banca Fideuram spin off goodwill allocation	-	15	17	100	-	-	-	3	-	-	-	135
Sanpaolo IMI Wealth Management spin off goodwill allocation	-	-	-	43	-	-	-	-	-	-	-	43
Invesp merger goodwill allocation	-	-	-	159	-	-	-	1	-	-	-	160
Prospettive 2001 merger goodwill allocation	-	-	-	9	-	-	-	-	-	-	-	9
2004 net income	-	-	-	-	-	-	-	-	-	-	1,036	1,036
Shareholders' equity as of 31 December 2004	5,218	1,044	725	2,042	957	43	5	4	16	-	1,036	11,090

(€/mil)

## Parent Bank statement of cash flows<sup>(\*)</sup>

(€/mil)

### APPLICATION OF FUNDS

<b>Use of funds generated by operations</b>		<b>1,111</b>
Dividends distributed	715	
Use of reserves for termination indemnities and pensions	103	
Use of provisions for risks and charges	293	

<b>Increase in funds applied</b>		<b>8,124</b>
Due from banks	7,557	
Other assets	225	
Tangible fixed assets	148	
Intangible fixed assets	132	
Dealing securities	45	
Cash	17	

<b>Decrease in funds taken</b>		<b>780</b>
Other liabilities	770	
Shareholders' equity	10	

<b>Total</b>		<b>10,015</b>
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(€/mil)

**SOURCES OF FUNDS**

<b>Funds generated by operations</b>		<b>1,753</b>
Net income for the period	1,036	
Collection of prior year dividends	754	
Adjustments to tangible and intangible fixed assets	402	
Net adjustments to loans and provisions for guarantees and commitments	145	
Net adjustments to financial fixed assets	83	
Provisions for risks and charges	125	
Provisions for tax reserves	46	
Provisions for employee termination indemnities	43	
Differences in accruals	-7	
Net adjustments to dealing securities and derivative contracts	-8	
Utilization of excess provisions for risks and charges	-9	
Prepaid taxes	162	
Current year dividends	-695	
<b>Increase in funds taken</b>		<b>4,323</b>
Customer deposits and securities issued	3,159	
Subordinated liabilities	701	
Due to banks	463	
<b>Decrease in funds applied</b>		<b>3,939</b>
Loans to customers	3,842	
Investment securities	96	
Equity investments	1	
<b>Total</b>		<b>10,015</b>

(\*) Prepared on the basis of pro forma figures included in the reclassified balance sheet for the year 2003.



Expert's statements and report on merger and spin off transactions completed  
in the year (Art. 2504 bis and Art. 2506 quater of the Italian Civil Code)

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FINANCIAL POSITION OF THE MERGER OF INVESP S.P.A.

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FINANCIAL POSITION OF THE MERGER OF PROSPETTIVE 2001 S.P.A.

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EXPERT OPINION EX ART. 2501-SEXIES RELATING TO THE PARTIAL  
AND PROPORTIONAL SPIN OFF OF BANCA FIDEURAM

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# INVESP S.p.A.

## Financial position of the merger

		(Euro)
		30/12/04
<b>ASSETS</b>		
20	Due from banks	79,766,381
30	Due from financial institutions	1,058,530
50	Bonds and other fixed income securities	508,742
60	Shares, quotas and other dividend-bearing securities	277,074,501
70	Equity investments	78,918,727
80	Investments in Group companies	40,319,949
130	Other assets	6,577,971
140	Accrued income and prepaid expenses	145,957
<b>TOTAL ASSETS</b>		<b>484,370,758</b>
<b>LIABILITIES</b>		
50	Other liabilities	249,695
80	Provisions for risks and charges	3,163,427
120	Capital	227,315,790
130	Additional paid-in capital	6,144,611
140	Reserves	174,573,087
150	Revaluation reserves	697,031
170	Income (loss) for the period	72,227,117
<b>TOTAL LIABILITIES</b>		<b>484,370,758</b>

# PROSPETTIVE 2001 S.p.A.

## Financial position of the merger

		(Euro)
		30/12/04
<b>ASSETS</b>		
20	Due from banks	33,537,788
70	Equity investments	16,499,049
130	Other assets	316,323
<b>TOTAL ASSETS</b>		<b>50,353,160</b>
<b>LIABILITIES</b>		
50	Other liabilities	22,940
120	Capital	33,508,594
130	Additional paid-in capital	4,782,661
140	Reserves	10,871,934
170	Income (loss) for the period	1,167,031
<b>TOTAL LIABILITIES</b>		<b>50,353,160</b>



**AUDITORS' REPORT PURSUANT TO ARTICLES  
2506 TER AND 2501 SEXIES OF THE ITALIAN CIVIL  
CODE**

**PARTIAL PROPORTIONAL DEMERGER FROM  
BANCA FIDEURAM SPA TO SANPAOLO IMI SPA  
OF AN EQUITY INTEREST HELD BY BANCA  
FIDEURAM SPA IN FIDEURAM VITA COMPAGNIA  
DI ASSICURAZIONI E RIASSICURAZIONI SPA**

**AUDITORS' REPORT PURSUANT TO ARTICLES 2506 TER AND 2501 SEXIES  
OF THE ITALIAN CIVIL CODE**

**PARTIAL PROPORTIONAL DEMERGER FROM BANCA FIDEURAM SPA TO  
SANPAOLO IMI SPA OF AN EQUITY INTEREST HELD BY BANCA  
FIDEURAM SPA IN FIDEURAM VITA COMPAGNIA DI ASSICURAZIONI E  
RIASSICURAZIONI SPA**

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**AUDITORS' REPORT PURSUANT TO ARTICLES 2506 TER AND 2501 SEXIES  
OF THE ITALIAN CIVIL CODE**

**PARTIAL PROPORTIONAL DEMERGER FROM BANCA FIDEURAM SPA TO  
SANPAOLO IMI SPA OF AN EQUITY INTEREST HELD BY BANCA  
FIDEURAM SPA IN FIDEURAM VITA COMPAGNIA DI ASSICURAZIONI E  
RIASSICURAZIONI SPA**

To the stockholders of  
Sanpaolo IMI SpA  
Piazza San Carlo, 156  
10121 Turin

**1 OBJECTIVE, SUBJECT AND SCOPE OF THE ENGAGEMENT**

We have been appointed by the Court of Turin to prepare our report, in accordance with articles 2506 ter and 2501 sexies of the Italian Civil Code, on the ratio for the issuance of ordinary shares (hereinafter, the “exchange ratio”) of Sanpaolo IMI SpA (hereinafter ‘Sanpaolo IMI’) to the shareholders, other than Sanpaolo IMI itself, of Banca Fideuram SpA (hereinafter, ‘Banca Fideuram’, together ‘the Banks’), in the context of the partial proportional demerger from Banca Fideuram to Sanpaolo IMI of an equity interest equal to 99.8 per cent of the share capital of Fideuram Vita Compagnia di Assicurazioni e Riassicurazioni SpA (hereinafter ‘Fideuram Vita’), represented by 100 per cent of the ordinary shares and 99.4 per cent of the preferred shares (hereinafter ‘the Demerged Entity’). To this end the Board of Directors of Sanpaolo IMI has provided us with the demerger project together with a Report prepared by the Board which identifies, explains and justifies the exchange ratio in terms of article 2501 quinquies of the Italian Civil Code (as referred to in article 2506 ter of the Italian Civil Code), and the Balance Sheet situation as of December 31, 2003 prepared in accordance with article 2501 quater of the Italian Civil Code (as referred to in article 2506 ter of the Italian Civil Code).

The merger project will be subject to approval at an Extraordinary General Meeting of the shareholders of Sanpaolo IMI, to be held on June 29, 2004, or on June 30, 2004, if required. In the same way, the shareholders of Banca Fideuram will also be required to approve the project at an Extraordinary General Meeting to be held on June 29, 2004, or on June 30, 2004, if required.

The audit firm Reconta Ernst & Young SpA (hereinafter ‘REY’) has been appointed by the Court of Rome to prepare a similar report on the exchange ratio for Banca Fideuram.

## 2 PURPOSE AND SCOPE OF THIS REPORT

The purpose of this report is to provide the shareholders of Sanpaolo IMI with information regarding the application of the valuation methods adopted by the Directors in determining the exchange ratio as part of the demerger process and whether, under the circumstances, such methods are reasonable and not arbitrary.

We have not performed a valuation of the companies. This was done by the Directors and the Professional Advisors appointed by them.

To this end, in carrying out our engagement, we have examined the valuation criteria adopted by the Board of Directors and the Professional Advisors in determining their application in calculating the exchange ratio.

Furthermore, the conclusions set out in this report are based on the sum of the factors and considerations therein contained. Therefore, no part of this report can be considered, or used in any way, separately from the document taken as a whole.

## 3 DOCUMENTATION UTILIZED

In performing our work, we obtained directly from Sanpaolo IMI and from Banca Fideuram such documentation and information as was considered useful in the circumstances. We analyzed such documentation as was made available to us for this purpose and, in particular:

- i) The merger project and the reports of the Boards of Directors of the two companies addressed to the respective Extraordinary General Meetings which, on the basis of the Balance Sheet situation as of December 31, 2003, propose the following exchange ratio:

**0.07470 ordinary shares in Sanpaolo IMI for one share in Banca Fideuram.**

This exchange ratio has been determined by the directors of the Banks using the factors provided in the valuation reports as described at point (ii) below, both in terms of the valuation method and the results of the calculation.

- ii) The valuation report prepared jointly by Goldman Sachs International (hereinafter 'Goldman Sachs') and JP Morgan plc (hereinafter 'JP Morgan'), as advisors to Sanpaolo IMI (hereinafter 'the Advisors to Sanpaolo IMI'), and the valuation report prepared by Citigroup Global Markets Limited, as advisor to Banca Fideuram (hereinafter 'the Advisor to Banca Fideuram', together with the Advisors of Sanpaolo IMI, 'the Professional Advisors'); these reports, dated May 18, 2004 and prepared at the request of the Banks, set out in detail the valuation criteria adopted, why they were chosen and the amounts resulting from their being used and the

considerations of the Professional Advisors and/or Boards of Directors of the Banks.

- iii) The following documentation was used by the 'Professional Advisors' to prepare their valuation reports and, subsequently, within the scope of our engagement, examined by our audit firm:
- The statutory and consolidated financial statements of Sanpaolo IMI and Banca Fideuram as of December 31, 2002 and December 31, 2003, accompanied by the Reports of the Board of Directors, the Reports of the Board of Statutory Auditors and the External Auditors' Reports. In particular, we have prepared both the audit reports in respect of the statutory and consolidated financial statements of Sanpaolo IMI as of December 31, 2002 and December 31, 2003, and the audit reports in respect of the statutory and consolidated financial statements of Banca Fideuram as of December 31, 2002 and December 31, 2003.
  - The financial statements of Fideuram Vita as of December 31, 2002 and December 31, 2003, accompanied by the respective Reports of the Board of Directors, the Board of Statutory Auditors and the External Auditors, the latter prepared by us.
  - The financial statements of Fideuram Assicurazioni SpA (hereinafter 'Fideuram Assicurazioni') as of December 31, 2002 and December 31, 2003, accompanied by the respective Reports of the Board of Directors, the Board of Statutory Auditors and the External Auditors, REY.
  - The interim financial statements as of March 31, 2004 of the Banks and the 'Actual result for the first quarter 2004 and report on operations' of Fideuram Vita.
  - The budget for the year ending December 31, 2004 and forecast for the year 2005 of Sanpaolo IMI approved by the competent bodies.
  - Forecasts for the three years 2004-2006 of Fideuram Vita prepared by management.
  - An actuarial valuation of Fideuram Vita as of December 31, 2003, prepared by Tillinghast-Towers Perrin (hereinafter 'Tillinghast').
  - An independent valuation of the claim reserves and calculation of the appraisal value as of December 31, 2003 of Fideuram Assicurazioni, prepared by Tillinghast.

- An appraisal of the current value of the real estate of Fideuram Vita, prepared by Valtech Srl.
- The main economic terms agreed by Sanpaolo IMI and Banca Fideuram in relation to the promotion and distribution by Banca Fideuram of the insurance products and services that will be prepared in the future by the insurance business division of Sanpaolo IMI Group that is currently being established.
- Trade agreements between Banca Fideuram and Fideuram Vita in force for the period 2003-2004.
- An agreement dated March 8, 2004 between Fideuram Vita and Banca Fideuram for the purchase and sale of Fideuram Assicurazioni.
- Information prepared by the Professional Advisors on companies operating in the same sector on a national and international level; in particular, we utilized information publicly available on certain listed companies and referred to recent extraordinary transactions which we deemed relevant for the purposes of our engagement.
- The stock market performance of the stock of Sanpaolo IMI in the last twelve months, starting from May 19, 2003. Additionally, we analyzed the stock market prices in the subsequent period up to the date of this report.

We also have examined additional documentation as follows:

- Executive summary of the ‘Business plan for the insurance business division – guidelines for growth’ prepared by Bain & Company (hereinafter ‘the Industry Advisor’);
- Working papers prepared by the Advisors to Sanpaolo IMI supporting the amounts used to determine the exchange ratio;
- Available reports of international analysts on Sanpaolo IMI;
- Accounting and statistical information and any other information considered relevant to the purposes of this report, obtained both from independent third parties and from discussions with management of the Banks and the Professional Advisors;

We also have obtained a representation that, as far as the Directors of Sanpaolo IMI are aware, there have been no significant changes to the figures and information which we considered during our analysis from the date of the meetings of the Boards of Directors of the Banks on May 18, 2004 to the date of this report.

A similar representation has been obtained by REY from the management of Banca Fideuram.

#### **4 VALUATION METHODS ADOPTED BY THE BOARDS OF DIRECTORS TO DETERMINE THE EXCHANGE RATIO**

##### **4.a General**

As explained in their report, the Boards of Directors and the Professional Advisors, considering the importance and complexity of the proposed demerger, considered it appropriate to identify individual valuation methods which, as well as being in accordance with current best practice, enable the two companies to be valued on a consistent basis.

The uniformity principle has been applied according to the specific characteristics of Sanpaolo IMI and the Demerged Entity. In particular, it was taken into account that the companies to be valued operate in different businesses (insurance for Fideuram Vita and banking for Sanpaolo IMI) and that Sanpaolo IMI's shares are listed.

Considering the purposes of the valuation, the specific elements of the entities to be valued and according to valuation best practice, the Board of Directors of and Advisors to Sanpaolo IMI have referred to both analytical valuation methods and market methods, identifying for each company according to its peculiarities the valuation method deemed to be more appropriate and therefore favoring, for the purposes of determining the exchange ratio, the Market Cap method for Sanpaolo IMI's equity and the Appraisal Value method for the Demerged Entity, as detailed in the following paragraphs.

Last but not least, the methods deemed to be suitable for the valuation of Sanpaolo IMI and the Demerged Entity, although nationally and internationally acknowledged, have not been applied on a "stand-alone" basis, but have been considered mere elements of the whole valuation process.

The valuations of Sanpaolo IMI and the Demerged Entity have, therefore, been performed by the Board of Directors of and Advisors to Sanpaolo IMI taking into account the characteristics and the intrinsic limitation of each valuation method, on the basis of the widely national and international accepted valuation practice generally adopted for the banking and insurance sector, according to the following guidelines:

- The present structure and future prospects were considered on a "stand-alone" basis;

- As concerns the Demerged Entity, both the cash acquisition (which took place on March 8, 2004) of the total equity of Fideuram Assicurazioni by Fideuram Vita from Banca Fideuram and the capital increase of Fideuram Vita, approved by its shareholders on November 23, 2003 and completed on January 26, 2004 were taken into account;
- It was taken into account that both companies' shareholder meetings have approved the payment of an ordinary dividend before the demerger takes place; the reported exchange ratios have, therefore, been adjusted to consider the dividend payment;
- Potential benefits (net of restructuring costs) arising from expected synergies linked to the reorganization and rationalization of the insurance business of the Sanpaolo IMI Group were taken into account for the purpose of the valuation, relying on the results of the analyses and controls performed by the Industrial Advisor to Sanpaolo IMI;
- Lastly, it has been considered that Sanpaolo IMI's and the Demerged Entity's equities include both ordinary and preferred shares.

Reported below are the methods adopted by the Board of Directors of and Advisors to Sanpaolo IMI for the purpose of determining the exchange ratio and the results stemming from the application of each of them and a short synthesis of the methods and results of the valuations performed by the Board of Directors of and Advisor to Banca Fideuram.

#### 4.b Valuation methods utilized

Taking into account the aforementioned considerations, and considering, among other matters, the peculiarities of both the Demerged Entity and Sanpaolo IMI and the valuation practice relating to similar transactions in Italy and in Europe, the valuation methods considered are summarized in the following table:

Valuation object	Methods applied
<b>Sanpaolo IMI</b>	Market Cap (*) Dividend Discount Model Stock Market Multiples Regression Analysis
<b>Demerged Entity</b>	Appraisal Value (*) Stock Market Multiples Comparable Transaction Multiples

(\*) *Methods selected by the Board of Directors of and Advisors to Sanpaolo IMI for the equity value valuation of Sanpaolo IMI and the Demerged Entity.*

### **Market Cap Method**

The Market Cap method consists of recognizing to a company a value equal to the value attributed to it by the stock market on which its shares are listed.

This method is a “direct” valuation methodology since it refers, for economic value assessment, to the prices expressed by the market in transactions having as an object shares of the same company to be valued.

From a methodological viewpoint, its application requires a preliminary verification of the following conditions:

- (i) the significance of market prices for shares of the company being valued;
- (ii) the uniformity and comparability in a sufficiently ample timeframe of the company’s share prices and volumes traded.

### **Appraisal Value Method**

The value of an insurance company, according to the Appraisal Value method, is given by the sum of its net asset value, the value of its current business portfolio (*in force business*) and the value of new business.

The net asset value is calculated as the expression in current terms of the main assets and liabilities, in a way consistent with the method adopted to value the in force business.

In applying this method to a property and casualty insurance company for the purpose of the adjustment to the net asset value, it is also assumed that the exceeding technical reserves arising from the “last cost” estimate of the casualty reserve, are released.

The value of the policies portfolio is determined by calculating and subsequently discounting to net present value the earnings that the portfolio will generate over its residual life, assuming a level of assets equal to the technical reserves and taking into account the necessary compliance with a solvency ratio.

The sum of these two elements is the intrinsic value of the portfolio, known as *Embedded Value*.

The value of new business expresses, on the other hand, the goodwill of the insurance company in terms of its potential to stipulate new policies, thus generating earnings flows in the future.

### **Dividend Discount Model**

The Dividend Discount Model (hereinafter also referred to as "DDM") in the "Excess Capital" approach assumes that the economic value of a bank is given by the sum of:

- the present value of dividend flows generated in the chosen timeframe and distributable to shareholders without drawing on the assets necessary to sustain future expected development; and
- the present value of the terminal value.

The DDM method in its "Excess Capital" approach (compared to the "pure" DDM, which discounts distributed flows on the basis of the dividend policy followed by the company) represents in industry practice the analytical valuation method deemed to be the best fit for the valuation of banking companies.

In summary, the value is expressed through the following formula:

$$W = \text{DIV}_a + V_{ta}$$

The elements of the formula represent:

- W = enterprise value of the bank being valued;
- $\text{DIV}_a$  = value of the cash flows distributable to shareholders in a selected timeframe, whilst keeping an adequate level of assets on the basis of current industry legislation and general prudence;
- $V_{ta}$  = present value of the terminal value of the bank in year 'n'. The terminal value of the bank can be determined as the perpetuity of the last year's flow, or applying a multiple to earnings or equity in the last year of the explicit period.

Summarizing, the application of this method implies the following phases:

- a. Detailed forecast of future cash flows and of flows distributable to shareholders within the timeframe, maintaining a satisfactory level of assets in compliance with bank laws and regulations;
- b. Calculation of the company's terminal value;
- c. Calculation of the discount rate to be applied to dividend flows and terminal value; although it is usually possible to calculate this rate according to different methods, the Capital Asset Pricing Model (CAPM) is generally used.



## **Stock Market Multiples Method**

The Stock Market Multiples method is based on the analysis of the stock market performance of a sample of companies operating in the same industry (peers) and the subsequent application of the valuation multiples deriving from this analysis to the values of the company to be valued.

Multiples are calculated as ratios between the market capitalization of a peer and the relative earnings, asset and financial values deemed to be significant.

We briefly report the phases in which the application of the Stock Market Multiples method is articulated:

### ***a. Identification of comparable companies***

The adequate selection of a sample of comparable companies represents one of the main steps of this method. The significance of results is strictly linked to the uniformity of the sample. In selecting the comparable companies different factors are usually considered, such as company dimensions, operating risk, geographical diversification, profitability, financial data reliability and the trading volume on stock markets.

### ***b. Determination of the reference timeframe***

The determination of the reference timeframe is usually done to neutralize extraordinary events, short-term fluctuations and speculative tensions. At the same time, it has the purpose of reflecting information available to the market. This implies, in particular, the choice between an average value (within a set timeframe) or a precise value.

### ***c. Identification of the most relevant multiples***

There are several ratios that can be used for application according to the stock market multiples method. The choice of the most significant multiples is done on the basis of the characteristics of the industry and of the sample to be examined.

### ***d. Application of multiples to the examined companies***

The multiples obtained from the analysis of the sample of peers are applied to the appropriate earnings, asset or financial items of the company to be valued.

## **Regression Analysis Method**

The Regression Analysis is performed on a wide sample of comparable public companies and makes it possible to identify the positioning and the relative valuation of each of them, on the basis of the reference earnings (both present and future) and the positioning and the analysis of the companies to be valued compared to the selected sample.

The Regression Analysis method estimates the equity value of a company on the basis of the relationship existing between the future profitability of capital and the reference premium or discount expressed by stock prices compared to the book value of the company.

This method is expressed in the analysis between the profitability of a company (expressed as Return on Average Equity, 'ROAE') and the ratio between the market capitalization and book value of the same company. This ratio can be approximated through a data regression concerning the ROAE and the Market Cap/Book Value ratio for a significant sample of companies. After having calculated the parameters of this ratio, if considered to be statistically significant, they can be applied to future ROAE and to the book value of the companies to be valued to calculate the theoretical value.

The application of the Regression Analysis method comprises the following steps:

- a. Selection of the sample companies to be used for the regression analysis;
- b. Selection of the timeframe to be considered for the ROAE;
- c. Calculation of ROAE and of the price/book value ratio for each of the companies included in the sample;
- d. Choice of the statistical regression to be applied;
- e. ROAE and book value calculation of the companies to be valued;
- f. Application, if statistically relevant, of the statistical regression parameters to determinate a theoretical market value of the companies to be valued.

### **Comparable Transactions Multiples Method**

This method values the equity value of a company taking into account multiples that refer to transactions deemed to be comparable.

In particular, the price analysis method is articulated in the following steps:

- a. Gathering the data referred to transactions having as an object the sale of equity interests of companies with elements similar to those of the companies to be valued;
- b. Multiples calculation on the basis of the paid price and of economic and financial items;
- c. Application of the aforementioned multiples to the company to be valued.

#### 4.c Valuation methods adopted by the Board of Directors of and Advisors to Sanpaolo IMI

The Directors of Sanpaolo IMI, for the purpose of determining the exchange ratio, made reference to the analyses carried out by their advisors, who, adopting an independent valuation approach, reached the same conclusions.

##### 4.c.i) The methods chosen for the Sanpaolo IMI valuation

On the basis of what has been previously mentioned in paragraphs 4.a and 4.b, the Board of Directors of and Advisors to Sanpaolo IMI, combining the results arising from the different valuation methods, have chosen to favor the Market Cap method, which results in an equity value of the company equivalent to Euro 9.27 per share, as follows:

##### *Equity value of Sanpaolo IMI*

Per-share value <i>cum dividendo</i> (€)	A	<b>9.6573</b>
Approved dividend	B	0.3900
Per-share value <i>ex dividendo</i> (€)	C = A-B	<b>9.2673</b>
Total number of shares (ordinary and preferred)	D	1,837,166,000
Equity value (€ million)	E = CxD	<b>17,026</b>

Taking into account that the General Shareholders' Meeting of Sanpaolo IMI has already approved the distribution of a dividend of euro 0.39 per share, that will be paid before the demerger takes place, the share market prices used as a reference for the calculation of Sanpaolo IMI's equity value, have been adjusted for the dividend amount.

In calculating the equity value of Sanpaolo IMI, the preferred shares, considering their characteristics, were considered by the Advisors to Sanpaolo IMI as ordinary shares.

- **Market Cap Method**

The Board of Directors of and Advisors to Sanpaolo IMI favored the Market Cap method for the valuation of Sanpaolo IMI, considering the market capitalization of Sanpaolo IMI to be representative of its economic value, given that:

- the company is ranked among the first thirty "blue chips" of the Italian Stock Exchange;
- the high daily volumes traded show the high liquidity of the security;
- leading Italian and international financial intermediaries routinely publish research papers on the company, thus contributing to the spread of information and analyses necessary for prices to adequately reflect the economic and financial situation and the risk profile of the company.

The Market Cap method was moreover favored on the basis of the following elements:

- Banca Fideuram's shareholders other than Sanpaolo IMI will receive shares in Sanpaolo IMI, which, considering the high number of transactions currently traded on the market, will be immediately convertible in cash;
- the substantial coherence of results deriving from the analyses carried out according to the other methods indicated in paragraph 4.b was also considered.

Concerning the application of the method, in order to offset the impact of non-recurring events, short-term fluctuations and speculative tensions and, at the same time, to better reflect the information of the official prices available to the market in more recent periods, the Board of Directors of and Advisors to Sanpaolo IMI referred to the average price in the last month.

What follows is a more detailed description of the other methods referred to by the Advisors to Sanpaolo IMI for the purposes of the equity value calculation, with information concerning the main data and market elements used and the main considerations developed by the Board of Directors of and Advisors to Sanpaolo IMI.

- **Dividend Discount Model Method in the "Excess Capital" approach**

The Advisors to Sanpaolo IMI have highlighted how the application of this method can produce an equity value valuation significantly different from the results of the application of the other valuation methods, since a significant element of the value so calculated is represented by the future flows generated after the explicit forecast period, which is therefore necessarily subjective.

For the purposes of the calculation of the maximum dividend distributable, which is necessary for the application of this method, the Advisors to Sanpaolo IMI defined the minimum level of assets necessary to guarantee the operations of the bank. JP Morgan, in particular, considered a *Tier 1* ratio equal to 7.0%, whilst Goldman Sachs used a *Tier 1* ratio equal to 7.5%.

Relating to the explicit timeframe to be considered for the calculation of the flows, the Advisors to Sanpaolo IMI deemed it appropriate to extend the economic projection beyond the 2004 –2005 timeframe indicated by management. Specific growth forecasts were, therefore, developed taking into account the characteristics of Sanpaolo IMI.

The Advisors to Sanpaolo IMI have calculated the value of the company over the explicit forecast period (*terminal value*), through the application of both an earnings multiple referring to the last explicit forecast year, and by discounting the same earnings to net present value through the Gordon formula (with a long-term growth rate between 2.0% and 2.5%).

The discount rate was calculated according to the Capital Asset Pricing Model and was estimated to be 10.00% by Goldman Sachs and 10.06% by JP Morgan.

The reference date for the discount of the financial flows is May 18, 2004.

- **Stock Market Multiples Method**

The sample of companies was selected among a group of Italian banks deemed to be comparable for characteristics and dimensions.

In particular, the Advisors to Sanpaolo IMI considered the most relevant characteristics to be size, nationality and territorial cover.

The multiple used within the valuation method has been the Price/Earnings ratio (“P/E”) for the period 2004-2005 and Price/Book Value<sup>1</sup> (“P/BV”) for FY 2003. Concerning the data of Sanpaolo IMI and the other banks that comprise the sample, actual data were considered (as notified by the companies) for Financial Year 2003 and management projections were taken into account for Sanpaolo IMI and Institutional Brokers Estimate Systems (“IBES”) estimates for the other banks comprising the sample for the Financial Years 2004-2005.

On the basis of size, nationality and territorial cover, the Advisors to Sanpaolo IMI defined the following sample of uniform companies:

- Banca Intesa;
- Banca Monte dei Paschi di Siena;
- BNL;
- Capitalia;
- Unicredito Italiano.

It was decided not to include foreign companies, considering the limited comparability related to different levels of profitability and the different legal, tax, accounting and oversight structures of the Italian market when compared to foreign markets.

- **Regression Analysis Method**

The Advisors to Sanpaolo IMI selected a relevant sample of Italian public banks with market capitalization and liquidity relevant for the purposes of the analyses carried out, taking into account the characteristics of the Italian market.

In the application of this method as well, it was deemed not appropriate to include foreign companies due to the limited comparability relating to profitability profiles different from those of Italian companies and the different legal, tax, accounting and oversight structures of the Italian market when compared to foreign markets.

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<sup>1</sup> Multiple used by Goldman Sachs only.

For the purposes of the valuation, projected Financial Years 2004 and 2005 ROAE calculated as the ratio between the Financial Years 2004 and 2005 expected earnings and the expected book value for each year was considered. The data used for the projected ROAE calculation and the Price/Book Value ratio of the companies included in the sample were based on the estimates supplied by IBES. The regression applied to the sample was a linear one according to the equation:

$$\text{Price/Book Value} = a + b \times \text{Expected ROAE}$$

where “a” represents the intercept and “b” the angular coefficient of the regression line.

The Advisors to Sanpaolo IMI considered the statistical relationship obtained to have a satisfactory significance that allows an application of the same parameters to the economic and asset elements of the bank to derive its theoretical market value.

#### **4.c.ii) Methods adopted for the valuation of the Demerged Entity**

On the basis of the valuation methods previously described in paragraphs 4.a and 4.b, the application of which is described below, the Board of Directors of and Advisors to Sanpaolo IMI, through a reasoned analysis of the results generated from the application of the various valuation methods, favored the Appraisal Value method and identified a range of values for the equity value of the Demerged Entity as follows:

##### ***Equity value of the Demerged Entity\****

<i>€ Million</i>	Minimum	Maximum
<b>JP Morgan</b>		
Appraisal Value	638.2	719.7**
<b>Goldman Sachs</b>		
Appraisal Value	627.5	732.8**

\* *Equivalent to 99.8% of the equity value of Fideuram Vita.*

\*\* *Includes the benefit of expected synergies.*

For the purpose of determining the exchange ratio, JP Morgan and Goldman Sachs used the overlapping range between Euro 638 and 720 million.

- **Appraisal Value Method**

In the estimate of the value of the portfolio as of December 31, 2003 and new production relating to the financial years 2003 and 2004, the Board of Directors of and Advisors to Sanpaolo IMI made reference to the fee agreements currently in place with the distribution network and with the manager of the assets underlying the policies.

With reference to the calculation of the value of new production starting from financial year 2005, the Advisors to Sanpaolo IMI considered the main terms and conditions (effective starting from January 1, 2005) agreed between Sanpaolo IMI and Banca Fideuram concerning the promotion and distribution of the products of the insurance business division of Sanpaolo IMI Group that is currently being established.

Moreover, the impact attributable to the new production arising from both the ‘migration’ from asset management products to unit linked policies and the transformation of part of the traditional policies portfolio into unit linked policies was considered.

In assessing the economic value of the Demerged Entity, the Advisors to Sanpaolo IMI referred to the Tillinghast report for both the Embedded Value as of December 31, 2003 and the value of new production relating to financial 2003 and to the years included in the plan developed on the basis of assumptions agreed upon by Sanpaolo IMI and Banca Fideuram for the financial years 2004-2006.

The Advisors to Sanpaolo IMI, moreover, referred to the Tillinghast report on Fideuram Assicurazioni for what concerns both the portfolio value as of December 31, 2003 and the value of goodwill, estimated on the basis of the assumptions developed by Fideuram Vita.

The Advisors to Sanpaolo IMI also analyzed the value of the net economic benefits arising from synergies generated from the reorganization and rationalization project of the insurance business division of Sanpaolo IMI Group, adopting as a reference the analyses carried out by Sanpaolo IMI’s Industrial Advisor.

- **Stock Market Multiples Method**

The operating and structural peculiarities of Fideuram Vita, such as the lack of an independent distribution network, the captive nature of its business and the terms and conditions of the distribution agreements, make the choice of an adequate sample of comparable companies and the application of the Stock Market Multiples method particularly complex.

The Advisors to Sanpaolo IMI highlighted how, given the absence of public insurance companies comparable to Fideuram Vita, it was necessary to use as selection criteria nationality and product mix. In order to widen the sample, foreign European companies were considered as well, being more comparable from the product mix point of view.

Following is the sample of comparable companies used by the Advisors to Sanpaolo IMI to value Fideuram Vita:

<b>JP Morgan</b>	<b>Goldman Sachs</b>
Alleanza Assicurazioni (Italy)	Alleanza Assicurazioni (Italy)
Assicurazioni Generali (Italy)	Assicurazioni Generali (Italy)
Ras (Italy)	Ras (Italy)
Fondiarria-Sai (Italy)	Friends Provident (UK)
Unipol (Italy)	Irish Life & Permanent (EIRE)
Cattolica Assicurazioni (Italy)	Legal and General (UK)
CNP (France)	Prudential (UK)
	CNP (France)

On the basis of the characteristics of the insurance sector and market practice, the Advisors to Sanpaolo IMI used the P/E and Price/Embedded Value (“P/EV”) ratios.

Concerning the data referred to the insurance companies which make up the sample of peers, data published by the companies were used as information sources for 2003 earnings and dividends whilst management projections (for Fideuram Vita) and IBES estimates for the insurance companies comprising the sample were considered for the 2004 and 2005 data.

Multiples were applied to 2004 and 2005 net earnings and Embedded Value of Fideuram Vita.

- **Comparable transactions method**

The calculation of the equity value of the Demerged Entity was done taking into account the multiples referring to several recent acquisitions of equity interests in Italian life insurance companies.

We report the transactions considered by JP Morgan and Goldman Sachs, respectively:

<b>JP Morgan</b>		
Date	Buyer	Target company
July 2003	Capitalia	Romavita
July 2003	Sanpaolo IMI	Noricum Vita
December 2002	Banca Intesa	Intesa Vita (formerly Carivita)
July 2001	BMPS	Montepaschi Vita
October 2000	Unipol	BNL Vita



<b>Goldman Sachs</b>		
Date	Buyer	Target company
December 2003	New Intesa Vita	Assiba, Intesa Vita, Alleanza Vita
July 2003	Cisalpina Previdenza*	Roma Vita
July 2003	Sanpaolo IMI	Noricum Vita
June 2003	Unipol	Winterthur Italia
March 2003	Gruppo De Agostini	Toro Assicurazioni
December 2002	Intesa BCI	Carivita
May 2002	SAI	La Fondiaria
July 2001	BMPS	Montepaschi Vita
October 2000	Unipol	BNL Vita
May 2000	Fiat	Toro Assicurazioni
September 1999	Generali	INA

\* *Capitalia Group*

#### 4.c.iii) Final considerations

The following tables show the values for determining the exchange ratio as indicated by the Advisors to Sanpaolo IMI:

##### Sanpaolo IMI

Value per share (€)	Number of shares of Sanpaolo IMI	Equity value (€ million)
9.2673	1,837,166,000	<b>17,026</b>

As already mentioned in paragraph 4.c.i above, in calculating the equity value of Sanpaolo IMI, preferred shares, considering their characteristics, were considered by the Advisors to Sanpaolo IMI as ordinary shares.

##### Demerged Entity

Equity Value (€ million)	Number of shares of Banca Fideuram	Value per share (€)
638 – 720*	980,290,564	<b>0.6510 – 0.7342</b>

(\*) *Value of the Demerged Entity inclusive of the expected economic benefits*

*Calculation of the exchange ratio*

		Value of Sanpaolo IMI share
Value of Banca Fideuram share		€ 9.2673
Minimum	€ 0.6510	<b>0.07025</b>
Maximum	€ 0.7342	<b>0.07923</b>

Within the above range, the Advisors to Sanpaolo IMI identified the exchange ratio as 0.07470; the Board of Directors of Sanpaolo IMI agreed with this conclusion and therefore used both the methods and the results of those analyses.

#### **4.d Valuation methods adopted by the Board of Directors of and Advisor to Banca Fideuram**

For completeness, we report below the results obtained and the valuation criteria adopted by the Board of Directors of and Advisor to Banca Fideuram, with specific reference to the valuation process having as a purpose the calculation of the equity value of Sanpaolo IMI and the Demerged Entity.

##### *Equity value of Sanpaolo IMI*

For the purposes of the calculation of Sanpaolo IMI's equity value, the Advisor to Banca Fideuram used the Market Cap method as the main valuation method.

This method, applied as previously described in paragraph 4.b, led to the following values:

Per-share value <i>cum dividendo</i> (€)	A	<b>9.6573</b>
Deliberated dividend	B	0.3900
Per-share value <i>ex dividendo</i> (€)	C = A-B	<b>9.2673</b>
Total number of shares (ordinary and preferred)	D	1,837,166,000
Equity Value (€ million)	E = CxD	<b>17,026</b>

Moreover, the Stock Market Multiples method was applied as a control method, which, according to the Advisor to Banca Fideuram, did not lead to results substantially different from those calculated through the use of the Market Cap method.

##### *Equity value of the Demerged Entity*

For the purposes of the calculation of the Demerged Entity's equity value, the Advisor to Banca Fideuram used:

- the Appraisal Value as the main method;
- the Comparable Transactions method as a control method.

These methods, applied as previously described in paragraph 4.b, gave rise to the following results:

<i>€ Million</i>	<b>Minimum</b>	<b>Maximum</b>
Appraisal Value	654	703
Comparable transactions method	603	724

Taking into account all the aforementioned elements, the Board of Directors of and Advisor to Banca Fideuram identified a range for the exchange ratio equal to 0.0720 – 0.0774 Sanpaolo IMI ordinary shares for one Banca Fideuram share.

## **5 VALUATION PROBLEMS ENCOUNTERED BY THE ADVISORS TO AND BOARD OF DIRECTORS OF SANPAOLO IMI**

The following valuation limitations and problems were encountered by the Advisors to Sanpaolo IMI and reported to the Board of Directors, who used the factors provided in the Advisors' report, in terms of both valuation method and results obtained.

- **The different characteristics of the business of Sanpaolo IMI and Fideuram Vita**

Sanpaolo IMI and Fideuram Vita are entities with different specific features and, therefore, the valuation methods most appropriate to each entity necessarily differ. Sanpaolo IMI is a multi-functional banking group whose stock is listed on the MIB30 exchange and is highly liquid, and insurance is one of its several business units. Fideuram Vita is a 'captive' insurance company, essentially 'single business'.

- **Stock market volatility**

In the context of valuation methods based on market prices, which was specifically used for Sanpaolo IMI, it is necessary to consider the implicit limitation represented by the volatility of stock markets, albeit partially offset by the use of average quotations over timeframes deemed appropriate for the purpose of the valuation.

- **Absence of entities fully comparable to Fideuram Vita for the purpose of the application of the Stock Market Multiples method**

For the purpose of the application of the method of stock market multiples derived from comparable transactions, it is necessary to consider those transactions showing certain significant features in common with the transaction under consideration. Such features include, but are not limited to, the business model, size and profitability of the entity being analyzed, as well as the economic-technical characteristics of the proposed transaction. In the circumstances, with reference to the Demerged Entity and the characteristics of the proposed transaction, the Advisors to Sanpaolo IMI encountered difficulties in identifying closely comparable recent transactions in the market.

- **Uncertainty concerning the possibility to forecast the future operating and earnings performance of the Demerged Entity**

The valuation methods adopted are based, to a greater or lesser extent, on forecasts of future financial years that, by nature, contain elements of uncertainty given the high sensitivity of the financial sector to macroeconomic variables, with specific reference to the future operating and earnings performance of the Demerged Entity given the peculiar nature of the ‘captive’ entity which, as a result of the change of ownership, including the modification of existing trade agreements, will have to operate in a different scenario to the one it has operated in so far.

- **Limitations characterizing the actuarial valuation performed by Tillinghast**

The actuarial valuation performed by Tillinghast on the Demerged Entity is characterized by the typical limitations of an actuarial valuation process, mainly related to the need to make a number of assumptions concerning the future performance of the reference industry, the economic and operating conditions and, in general, other factors that are outside the control of the entity being valued, as well as to the use of amounts and information made available by the entity itself.

## **6 RESULT OF THE VALUATION PERFORMED BY THE BOARD OF DIRECTORS**

Based on the application of the valuation methods described in paragraph 4.b, and a reasoned analysis of the amounts resulting from the application of the various methods adopted, as detailed in paragraph 4.c, the Board of Directors of Sanpaolo IMI has determined the following exchange ratio:

**0.07470 Sanpaolo IMI ordinary shares for one in Banca Fideuram.**

## **7 WORK DONE**

### **7.a Work done on the documentation utilized**

- i)** As already stated, we have performed a full audit of the statutory and consolidated financial statements of Sanpaolo IMI as of December 31, 2003, of the statutory and consolidated financial statements of Banca Fideuram as of December 31, 2003, and of the statutory financial statements of Fideuram Vita in compliance with the applicable legislation.
- ii)** Considering the valuation methods applied by the Board of Directors, using the factors provided by their Advisors, we have analyzed the budgets for 2004 and future forecasts of Sanpaolo IMI and Fideuram Vita as approved by the respective competent bodies. While considering the inherent uncertainty and limitations of any type of forecast, we have discussed the criteria used to prepare those documents with the management of Sanpaolo IMI and Fideuram Vita.
- iii)** We have met with management of Sanpaolo IMI, Banca Fideuram and Fideuram Vita to obtain information about events occurring since the Balance Sheet date that could have a significant effect on the figures being examined here.
- iv)** We have examined the independent appraisal of the current value of the real estate of Fideuram Vita, utilized by the Advisors to Sanpaolo IMI, with the aim of confirming the independence of the appraiser and the reasonableness of the criteria applied.
- v)** We have examined the actuarial valuations prepared by Tillinghast on Fideuram Vita and Fideuram Assicurazioni, with the aim of confirming the reasonableness of the criteria applied, as well as the consistency of the amounts and information utilized with the amounts reported in the financial statements of the two companies, and the independence of the appraiser.
- vi)** We have examined the valuation performed by the Industry Advisor to Sanpaolo IMI in order to analyze the method used to determine the estimated net future economic benefits that were considered in valuing the equity value of the Demerged Entity.
- vii)** We have obtained a representation to the effect that, at the date of this report, no events have occurred that could modify the amounts and information contained in the documentation we analyzed, nor such as to modify the considerations made by the Board of Directors of and the Advisors to Sanpaolo IMI to determine the exchange ratio.

### **7.b Work done on the methods used to determine the exchange ratio**

We have also performed the following procedures:

- We analyzed the demerger project approved by the Boards of Directors of Sanpaolo IMI and Banca Fideuram;
- We analyzed the Reports of the Boards of Directors of Sanpaolo IMI and Banca Fideuram;
- We checked whether the valuation methods applied and considerations made by the Boards of Directors and by the Professional Advisors to determine the exchange ratio were complete and not contradictory;
- We checked whether the valuation methods were applied consistently, compatibly with the characteristic features of Sanpaolo IMI and of the Demerger Entity;
- We performed sensitivity analysis in relation to the valuation methods adopted by the Boards of Directors and by the Professional Advisors, in particular with the aim of verifying to what extent the exchange ratios could be affected by changes in the assumptions made and parameters utilized;
- We checked that the figures used were consistent with the reference sources and with the ‘documentation utilized’ as described in paragraph 3;
- We checked the arithmetical accuracy of the calculations used for the determination of the exchange ratio by applying the valuation criteria adopted by the Boards of Directors using the factors provided by their Professional Advisors;
- We analyzed and discussed with the Professional Advisors to the Banks the overall work done by them, the results obtained and the related reasons and justifications;
- We analyzed and discussed with Tillinghast the actuarial valuations utilized as the basis of application of the valuation methods of Fideuram Vita and Fideuram Assicurazioni.

## **8 COMMENTS ON THE SUITABILITY OF THE METHODS USED AND THE ACCURACY OF ACCOUNTING ESTIMATES**

With reference to this engagement we wish to draw attention to the fact that the principal purpose of the decisional process used by the Boards of Directors and the Professional Advisors was to arrive at an estimate of relative values of companies involved in the demerger by applying appropriate criteria for the purposes of the determination of the ratio for the exchange of shares. As a result, the resulting estimates are not intended for any other purpose.

Based on the foregoing, we set out below our main comments on the valuation methods applied.

- **The overall approach**

The methods proposed by the Professional Advisors and adopted by the Boards of Directors of the Banks are those commonly accepted and utilized, both in Italy and internationally, for the valuation of banks and insurers. In particular, in light of the specific features of the entities being valued, for the purpose of the determination of the exchange ratio the most appropriate method was identified for each company. Under different profiles, the choice of several valuation methods and complementary criteria rendered the valuation process more significant and made it possible to better appreciate the results obtained.

- **The emphasis on the Market Cap method for the valuation of Sanpaolo IMI**

We agree with the choice made by the Boards of Directors of and Professional Advisors to the Banks of the Market Cap method for the valuation of Sanpaolo IMI, considering that the market capitalization of the stock reflects the economic value of the entity, particularly in light of its position as one of the thirty largest companies by market capitalization listed on the Italian stock exchange, of the large volume of shares traded daily, and of the availability to the public of information and analyses.

To support further our agreement with the choice, we note that shares in Sanpaolo IMI are, in effect, the payment instrument utilized in the demerger transaction and, accordingly, their market price is suitable to represent a fair price for the transaction.

In the context of the sensitivity analyses performed, we took into account additional timeframes besides those indicated by the Boards of Directors of and Professional Advisors to the Banks, also with the aim of considering fluctuations in the stock market price of shares in Sanpaolo IMI during the period between the date of the report prepared by the Advisors and the date of this report.

- **The emphasis on the Appraisal Value method for the valuation of the Demerged Entity**

We agree, in light of the specific characteristics of the Demerged Entity, with the choice of the Appraisal Value method made by the Boards of Directors of and Professional Advisors to the Banks as the most appropriate valuation method in the circumstances.

This choice was dictated by the following factors, resulting from the analyses performed by the Board of Directors of and Advisors to Sanpaolo IMI, which made the use of the other methods taken into consideration inappropriate for the purpose of determining the exchange ratio:

- The absence in the market of entities closely comparable to the Demerged Entity, particularly in light of the fact that its profitability is necessarily affected by its nature of captive entity having no separate distribution network;

- Difficulties in identifying effectively comparable transactions, given the specific characteristics of the transaction and the features of the entity being valued.

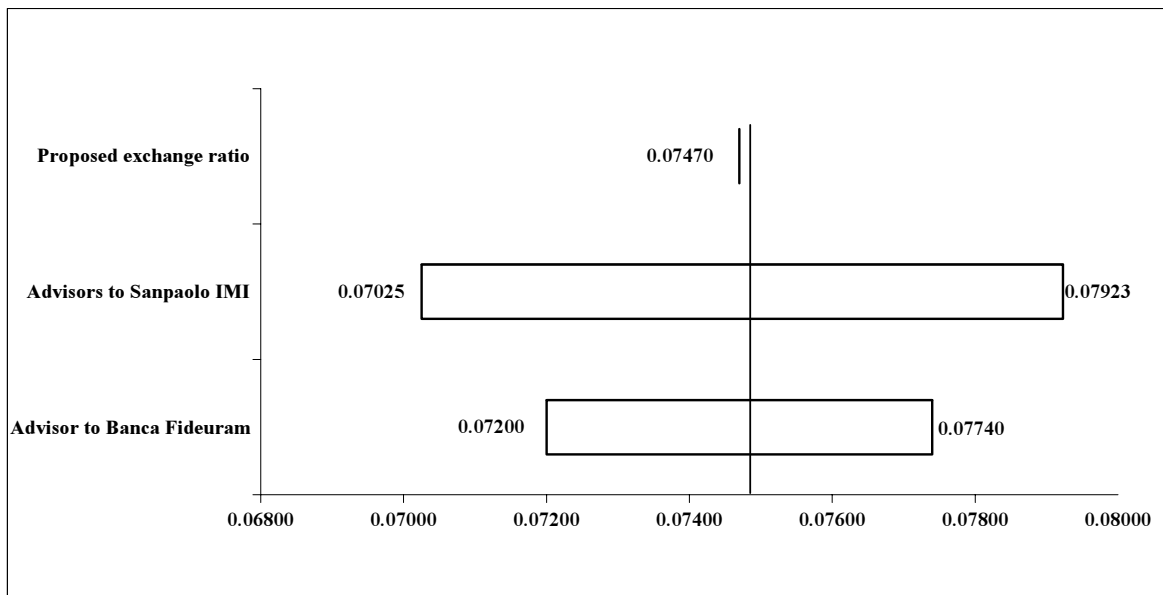
- **A few considerations on the other valuation methods to which the Board of Directors of and Advisors to Sanpaolo IMI made reference**

The analyses carried out by the Board of Directors of and Advisors to Sanpaolo IMI applying the valuation methods, other than the Market Cap method, considered for the valuation of Sanpaolo IMI generated results substantially consistent with those obtained applying the Market Cap method.

The analyses they carried out on the results of the valuation methods, other than the Appraisal Value, considered for the valuation of the Demerged Entity, confirmed that the method adopted was appropriate.

- **Final considerations on the range of exchange ratios identified by the Boards of Directors of and Professional Advisors to the Banks**

Through the application of the methods illustrated in paragraph 4 and, in particular, of the Market Cap method for the valuation of Sanpaolo IMI and of the Appraisal Value method for the valuation of the Demerged Entity, the Boards of Directors of and Professional Advisors to the Banks arrived at a shared range of exchange ratios, represented by the overlap area of the various ranges identified by the Professional Advisors, as summarized in the chart below:





The exchange ratio identified by the Boards of Directors of and Professional Advisors to the Banks, therefore, represents a value close to the median value included in the range presented above.

## **9 SPECIFIC LIMITATIONS ENCOUNTERED BY THE AUDITORS IN CARRYING OUT THE ENGAGEMENT**

We shared the difficulties and peculiarities of the valuation reported in paragraph 5, encountering problems generally recurring in similar valuation exercises. Some aspects worth noting are illustrated below.

- **Differences between the entities being valued**

Sanpaolo IMI and Fideuram Vita belong to different industries, in the circumstances banking and insurance, and show appreciable differences in terms of size, structure and liquidity of stock. We analyzed in detail the different features of Sanpaolo IMI and the Demerged Entity, taking into account, in particular, the possible impact in terms both of choice of valuation methods and of analyses required by the specific features of the entities under consideration.

- **Intrinsic limitations of forecast and actuarial figures**

The valuation methods applied and, in particular, the discounting of dividends, are based on forecasts of future financial years that, by nature, contain elements of uncertainty given the high sensitivity of the financial sector to macroeconomic variables. This difficulty is mitigated by the identification, for Sanpaolo IMI, of the method of stock market prices as the most appropriate valuation method.

As for the valuation of the Demerged Entity, the identification of the Appraisal Value as the most appropriate valuation method validates this consideration to the extent that the actuarial assumptions underlying the application of that method do not entail again the use of forecasts and represent the result of highly subjective valuations.

- **Determination of the synergies resulting from the reorganization of the insurance business**

The Board of Directors of and Advisors to Sanpaolo IMI considered the contingent economic benefits, after the cost of reorganization, that will originate from the synergies expected to result from the reorganization of the insurance business, as valued in the analyses carried out by the Industrial Advisor.

The calculation of those benefits is based on assumptions and forecasts that, by nature, contain elements of uncertainty.

- **Complexity of the valuation methods and sensitivity of the parameters applied**

The valuation methods considered by the Advisors to Sanpaolo IMI and adopted by the Board of Directors required the application of a complex valuation process, which entailed, in particular, the use of a number of parameters in the context of different valuation scenarios, and the adaptation of the parameters identified, including the identification of specific corrective factors and the sensitivity of the results obtained to the working assumptions made.

## **10 CONCLUSION**

Based on the documentation we have examined and the procedures described above, and considering the nature and extent of our work as described in this report, we believe that the valuation methods adopted by the Directors upon the advise of their Professional Advisors are, under the circumstances, reasonable and not arbitrary and have been correctly applied by them in their determination of the exchange ratio contained in the demerger project.

Turin, May 25, 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.”

## List of properties owned by the Bank

Amount in €

LOCATION	INVESTMENT	REVALUATIONS (*)	BOOK VALUE	ADJUSTMENTS	NET SHAREHOLDERS' EQUITY
ACERRA Corso Italia 67/75	174,093	187,426	361,519	78,377	283,142
ACERRA Via Duomo 56	5,878	185,408	191,286	57,268	134,018
ACQUAVIVA DELLE FONTI Via Maselli Campagna 19	44,272	337,763	382,035	114,379	267,656
ACQUI TERME Piazza Italia 10	849,412	2,033,539	2,882,951	1,595,864	1,287,087
AGNADELLO Piazza della Chiesa 5/15	57,439	181,033	238,472	114,001	124,471
AIROLA Piazza della Vittoria 19/20	4,990	191,089	196,079	58,709	137,370
ALASSIO Via Don Bosco 2	142,446	1,998,482	2,140,928	1,063,751	1,077,177
ALBA ADRIATICA Via della Vittoria 119	53,411	344,477	397,888	119,141	278,747
ALBA Corso Torino 14/1	101,340	-	101,340	6,080	95,260
ALBA Piazza Savona 1	466,590	1,750,827	2,217,417	1,153,310	1,064,107
ALBA Via Cuneo 9 / Vicolo San Biagio	4,132	36,637	40,769	23,419	17,350
ALBENGA Via Genova 86	38,044	142,126	180,170	68,147	112,023
ALBENGA Via Valle d'Aosta 6	2,857,520	-	2,857,520	1,110,088	1,747,432
ALBESE Via Vittorio Veneto 6/a	34,875	343,585	378,460	162,966	215,494
ALBINO Via Mazzini 182	1,125,876	491,047	1,616,923	600,800	1,016,123
ALESSANDRIA Piazza Garibaldi 57/58 / Via Savona	4,702,421	4,308,845	9,011,266	4,539,078	4,472,188
ALESSANDRIA Corso Roma 17/19	361,391	2,337,334	2,698,725	1,070,364	1,628,361
ALEZIO Via Senape de Pace 52	3,636	143,575	147,211	44,077	103,134
ALMENNO SAN BARTOLOMEO Via Martiri della Libertà	383,874	315,395	699,269	488,175	211,094
ALPIGNANO Via Mazzini 5	1,048,209	1,044,667	2,092,876	1,447,851	645,025
ALTAMURA Piazza Unità d'Italia 22/23	10,384	273,722	284,106	85,059	199,047
ANACAPRI Via Orlandi 150	2,891	490,634	493,525	147,729	345,796
ANCONA Via Montebello 49/63	1,900,240	2,024,756	3,924,996	2,103,950	1,821,046
ANDRIA Via Cavour 112	22,628	504,062	526,690	157,648	369,042
ANTEY SAINT ANDRE' Via Grandi Mulini	30,833	90,431	121,264	67,090	54,174
AOSTA Corso Battaglione Aosta 65	247,085	912,346	1,159,431	612,347	547,084
AOSTA Piazza Chanoux 38 / Via del Collegio 2	1,374,507	4,845,708	6,220,215	2,909,141	3,311,074
APPIANO GENTILE Via Volta 14	121,705	300,541	422,246	180,967	241,279
ARCONATE Piazza Libertà 1	58,567	697,808	756,375	334,759	421,616
ARENA PO Via Roma 10	225,860	108,316	334,176	168,235	165,941
AREZZO via Mecenate 2	280,242	-	280,242	49,709	230,533
ARGEGNO Via Lungotelo di Destra 6	20,669	97,819	118,488	58,557	59,931
ARONA Corso Repubblica 1	456,387	1,562,959	2,019,346	1,102,808	916,538
ARQUATA SCRIVIA Via Libarna 211	148,512	401,501	550,013	286,073	263,940
ARZANO Via Rimini 6	569,593	351,353	920,946	590,601	330,345
ASCOLI PICENO Via Napoli / Via 3 Ottobre	59,531	1,045,825	1,105,356	330,729	774,627
ASCOLI SATRIANO Piazza Cecco d'Ascoli 25/ab	136,343	34,088	170,431	36,949	133,482
ASTI Via Cesare Battisti 3 / Corso Dante 6	1,600,625	2,809,100	4,409,725	2,158,960	2,250,765
ATRIPALDA Piazza Umberto I 15/13	2,401	204,000	206,401	61,809	144,592
AVELLINO Corso Italia 129/131	27,079	634,209	661,288	197,894	463,394
AVELLINO Via Due Principati 2/2bis	931,961	5,513,216	6,445,177	1,796,453	4,648,724
AVELLINO Via Guarini 40 / Via De Conciliis 14	1,365,834	339,923	1,705,757	716,642	989,115
AVERSA Piazza Magenta 35/40	35,856	1,606,697	1,642,553	491,706	1,150,847
AVEZZANO Via Vittorio Veneto	19,333	693,602	712,935	213,403	499,532
AVIGLIANA Corso Torino 158	992,880	1,834,966	2,827,846	1,869,379	958,467
AZZANELLO Via Valcarengi 10	340	120,867	121,207	51,902	69,305
BARDONECCHIA Via Medail 53	156,949	826,849	983,798	547,802	435,996
BARI Corso Sonnino 134 / Via Gorizia	50,594	507,161	557,755	166,802	390,953
BARI Via Abate Gimma 101	4,650,429	17,562,633	22,213,062	6,643,363	15,569,699
BARI Via Amendola 168/5	206,546	-	206,546	28,147	178,399
BARI Via Giovanni XXXIII 261	259,589	267,198	526,787	114,207	412,580
BARI Via Roppo 76	86,858	62,915	149,773	32,471	117,302
BARI Viale Unità d'Italia 82	373,263	597,676	970,939	210,500	760,439
BARLETTA Corso Garibaldi 123	65,249	4,020,100	4,085,349	1,205,184	2,880,165
BATTIPAGLIA Via Roma 80/84	100,012	2,089,585	2,189,597	653,768	1,535,829
BELGIOIOSO Via XX Settembre 30	377,014	-	377,014	101,637	275,377
BELLAGIO Lungo Lario Manzoni 32/34	58,377	682,962	741,339	324,136	417,203
BENEVENTO Corso Garibaldi 112	87,912	3,403,451	3,491,363	1,044,922	2,446,441
BENEVENTO Via Atlantici 47	18,199	113,621	131,820	39,454	92,366
BERGAMO Via Camozzi 27 / Piazza Cavour 9	9,401,125	14,300,568	23,701,693	10,453,672	13,248,021
BERGAMO Via San Bernardino 72/d	57,423	1,252,893	1,310,316	629,692	680,624
BERGAMO Via Statuto 18	46,226	530,697	576,923	254,963	321,960
BERGAMO Via Suardi 85/87	467,508	1,233,039	1,700,547	842,936	857,611

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

LOCATION	INVESTMENT	REVALUATIONS (*)	BOOK VALUE	ADJUSTMENTS	Amount in €
					NET SHAREHOLDERS' EQUITY
BERGAMO Via XX Settembre 57	439,999	7,926,401	8,366,400	4,356,278	4,010,122
BIELLA Via Cottolengo	435,655	55,625	491,280	214,127	277,153
BIELLA Via Lamarmora / Torino / Delleani	570,829	-	570,829	102,749	468,080
BIELLA Via Marconi 9	236,209	2,457,725	2,693,934	1,078,586	1,615,348
BISCEGLIE Via De Gasperi 246	9,498	483,920	493,418	147,700	345,718
BISTAGNO Corso Italia 46	23,116	209,617	232,733	119,757	112,976
BITONTO Piazza Marconi 59/61	18,799	402,320	421,119	126,073	295,046
BOLLATE Via Vittorio Veneto 2	304,750	1,098,518	1,403,268	608,679	794,589
BONATE SOTTO Via Vittorio Veneto 57/b	52,844	599,467	652,311	249,968	402,343
BORDIGHERA Corso Italia 32	1,501,502	299,923	1,801,425	843,890	957,535
BORGHETTO LODIGIANO Piazza Dalla Chiesa 1/a	2,167	305,515	307,682	112,134	195,548
BORGHETTO SANTO SPIRITO Via IV Novembre 8	99,490	1,171,107	1,270,597	585,888	684,709
BORGO SAN DALMAZZO Corso Barale 22	992,307	785,597	1,777,904	803,101	974,803
BORGO SAN GIACOMO Via Ferrari 5	161,378	222,672	384,050	86,251	297,799
BORGOFRANCO D'IVREA Via Aosta 28	110,812	314,750	425,562	209,886	215,676
BORGONE DI SUSA Via Abegg 5 bis	82,072	324,214	406,286	219,847	186,439
BORGOSESIA Viale Carlo Fassò 2	1,124,384	2,627,497	3,751,881	2,168,451	1,583,430
BOSCOMARENCO Via Roma 6 bis	204,815	86,498	291,313	178,508	112,805
BOSCOREALE Via Cirillo 12 / Via San Felice 2	462,373	316,558	778,931	456,366	322,565
BOSCOTRECASE Via Umberto I 155/157	5,060	201,418	206,478	61,835	144,643
BOSISIO PARINI Piazza Parini 12	413,246	155,778	569,024	274,786	294,238
BRA Via Principi di Piemonte 32	246,295	1,679,278	1,925,573	880,092	1,045,481
BRANDIZZO Via Torino 196	185,833	618,311	804,144	402,210	401,934
BREMBIO Via Garibaldi 10	17,058	202,166	219,224	79,399	139,825
BRESCIA Piazza Garibaldi 5 / Via Tartaglia	5,094,294	-	5,094,294	1,973,204	3,121,090
BRESSO Via XXV Aprile	31,443	-	31,443	1,887	29,556
BRIGA NOVARESE Via Borgomanero 19/21	180,562	612,411	792,973	448,323	344,650
BRINDISI Corso Garibaldi 1 / Piazza Vittoria	40,905	6,094,708	6,135,613	1,835,795	4,299,818
BRINDISI Viale Commenda 208/210	12,940	162,684	175,624	52,568	123,056
BRONI Piazza Garibaldi 7 / Via Cavour	557,772	1,468,747	2,026,519	991,580	1,034,939
BRUSCIANO Via Cucca 28/32 / Via De Gasperi	6,966	140,741	147,707	81,416	66,291
BURAGO DI MOLGORA Via Enrico Toti 2/3	348,771	578,372	927,143	452,023	475,120
BUSTO ARSIZIO Borsano - Via Novara 1	516	327,373	327,889	134,987	192,902
BUSTO ARSIZIO Piazza Manzoni / Via Matteotti	2,393,155	-	2,393,155	646,124	1,747,031
BUSTO ARSIZIO Sacconago - Piazza Chiesa Vecchia 6/b	67,500	575,735	643,235	277,103	366,132
BUSTO ARSIZIO Via Gavinana 8	358,294	316,705	674,999	332,313	342,686
BUSTO ARSIZIO Via Milano 14	939,466	7,060,357	7,999,823	3,340,024	4,659,799
BUSTO ARSIZIO Via Torino 48	194,204	479,338	673,542	275,560	397,982
BUSTO GAROLFO Piazza Lombardia 3	128,460	277,931	406,391	181,356	225,035
CABIATE Via Grandi 6	92,466	346,141	438,607	199,738	238,869
CAGLIARI Largo Carlo Felice 58	182,755	5,870,049	6,052,804	1,808,861	4,243,943
CAGLIARI Piazza Deffenu 4	4,811,163	8,895,982	13,707,145	6,294,397	7,412,748
CAGLIARI Via Amat 1	15,907	428,143	444,050	132,832	311,218
CAGLIARI Via Avendrace 281/283	13,305	322,269	335,574	100,342	235,232
CAGLIARI Via Paoli 31/33	664,607	375,021	1,039,628	405,455	634,173
CAIAZZO Via Latina 1	4,569	160,618	165,187	49,431	115,756
CAIRO MONTENOTTE Piazza della Vittoria 24	129,842	876,957	1,006,799	450,006	556,793
CAIVANO Via Matteotti 54	47,390	747,830	795,220	238,028	557,192
CALOSSO Via Regina Margherita 24/26	56,555	109,390	165,945	92,007	73,938
CALUSCO D'ADDA Via Marconi 36/38	355,554	786,934	1,142,488	460,283	682,205
CALUSO Via San Clemente 1	142,443	375,565	518,008	236,927	281,081
CALVATONE Via Umberto I 83	6,823	185,280	192,103	93,207	98,896
CAMPI SALENTINA Viale della Stazione 1/3	25,659	384,760	410,419	122,861	287,558
CAMPOBASSO Corso Bucci 3	175,380	5,108,275	5,283,655	1,370,403	3,913,252
CAMPOMORONE Via Gavino 110/d	167,138	887,393	1,054,531	556,429	498,102
CANDELO Via Mazzini / Via Moglia 1	149,025	255,015	404,040	156,007	248,033
CANELLI Piazza Amedeo d'Aosta 20 / Via Massimo d'Azeglio 2	324,973	437,056	762,029	354,538	407,491
CANICATTI' Via Carlo Alberto 4/12	237,494	372,526	610,020	366,037	243,983
CANICATTI' Via Regina Margherita 2	118,519	1,078,155	1,196,674	661,321	535,353
CANOSA DI PUGLIA Via Bovio 14	13,382	588,244	601,626	180,108	421,518
CANTOIRA Via Roma 21	42,741	40,954	83,695	59,785	23,910
CANTU' Piazza degli Alpini 1	127,895	1,410,596	1,538,491	643,693	894,798
CAPRI Via Vittorio Emanuele 37/39	68,501	5,044,235	5,112,736	1,530,180	3,582,556
CAPRIOLO Via IV Novembre 90	142,603	628,622	771,225	328,278	442,947
CARAGLIO Piazza Garibaldi 10 / Via Roma	500,963	-	500,963	180,064	320,899

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

LOCATION	INVESTMENT	REVALUATIONS (*)	BOOK VALUE	ADJUSTMENTS	Amount in €
					NET SHAREHOLDERS' EQUITY
CARAMAGNA Via Luigi Ornato 37	1,019,058	152,817	1,171,875	446,005	725,870
CARBONIA Piazza Rinascita	317,032	700,316	1,017,348	297,161	720,187
CARESANA Corso Italia 32	5,501	99,561	105,062	50,909	54,153
CARIGNANO Via Umberto I 118	176,124	649,770	825,894	482,283	343,611
CARMAGNOLA Piazza Martiri della Libertà 31	223,694	941,106	1,164,800	646,520	518,280
CAROVIGNO Via di Vagno / Via Caputi	18,322	397,672	415,994	124,533	291,461
CARRU' Piazza Generale Perotti 11	12,853	352,144	364,997	206,242	158,755
CASALE MONFERRATO Via Magnocavallo 23	1,406,885	2,911,375	4,318,260	2,228,012	2,090,248
CASALECCHIO DI RENO Via del Lavoro 45	7,317,887	231,950	7,549,837	3,054,154	4,495,683
CASALMAGGIORE Via Cairoli 7	457,911	579,848	1,037,759	467,813	569,946
CASALNUOVO Corso Umberto I 475	1,346	212,780	214,126	117,566	96,560
CASALNUOVO Via Napoli 59	192,749	349,530	542,279	64,095	478,184
CASALPUSTERLENGO Via Garibaldi 22	102,221	486,338	588,559	292,048	296,511
CASAZZA Via della Pieve 1	1,031,881	321,174	1,353,055	508,203	844,852
CASELLE LANDI Via IV Novembre 10	3,357	144,002	147,359	59,825	87,534
CASELLE TORINESE Via Cuorogné 86 bis	213,015	669,070	882,085	434,032	448,053
CASERTA Piazza Amico / Via Battisti	2,229,593	8,218,379	10,447,972	3,126,919	7,321,053
CASERTA Via Bosco	125,379	2,338,000	2,463,379	737,424	1,725,955
CASNIGO Piazza Caduti 7	97,310	305,215	402,525	152,329	250,196
CASOREZZO Piazza San Giorgio 9	9,933	368,537	378,470	163,222	215,248
CASORIA Via Principe di Piemonte 54	118,110	483,404	601,514	180,073	421,441
CASSINA DE' PECCHI Via Trento 2 / Via Venezia	698,699	1,983,075	2,681,774	1,549,257	1,132,517
CASSINO Corso della Repubblica 48/56	336,337	1,115,030	1,451,367	434,466	1,016,901
CASTAGNOLE MONFERRATO Piazza Statuto 1/b	31,888	107,000	138,888	65,323	73,565
CASTEL GOFFREDO Piazza Gonzaga 3	516,457	364,877	881,334	431,298	450,036
CASTELLAMMARE Corso Vittorio Emanuele 76/80	22,901	1,454,343	1,477,244	442,237	1,035,007
CASTELLAMMARE Viale Europa 132	399,118	995,316	1,394,434	302,313	1,092,121
CASTELLAMONTE Piazza Martiri della Libertà 2	87,140	438,749	525,889	258,400	267,489
CASTELLANZA Via Matteotti 16/b	181,548	759,713	941,261	417,973	523,288
CASTELLEONE Via Cappi 4	1,122,261	258,914	1,381,175	655,484	725,691
CASTELNUOVO BOCCA D'ADDA Via Umberto I 1	767	184,427	185,194	78,986	106,208
CASTELNUOVO SCRIVIA Via Nino Bixio 15	293,370	528,871	822,241	470,900	351,341
CASTELVETRANO Piazza Matteotti 9/10	477,598	397,819	875,417	573,416	302,001
CASTIGLIONE D'ADDA Via della Chiesa 1	3,109	218,886	221,995	88,437	133,558
CASTROFILIPPO Corso Umberto 42	12,527	109,751	122,278	70,073	52,205
CASTROVILLARI Via XX Settembre	140,470	71,278	211,748	45,907	165,841
CATANZARO Corso Mazzini / Via Tribunali	1,519,667	4,298,471	5,818,138	1,741,281	4,076,857
CATANZARO Piazza Garibaldi	222,853	154,161	377,014	81,737	295,277
CAVA DEI TIRRENI Piazza Duomo 1	8,770	347,575	356,345	106,667	249,678
CAVA MANARA Via Garibaldi 19	168,417	258,534	426,951	217,378	209,573
CAVENAGO D'ADDA Via Conti 6/4	211	117,004	117,215	46,929	70,286
CEGLIE MESSAPICO Via Umberto I 41/43	104,608	219,494	324,102	97,503	226,599
CENTALLO Via Bonifanti 3/5/7	260,130	30,851	290,981	123,170	167,811
CERAMI Via Roma 88/90/92	70,575	114,984	185,559	119,978	65,581
CERCOLA Via Riccardi 127	1,041,393	285,923	1,327,316	683,051	644,265
CERIGNOLA Via Roma 8	7,477	653,834	661,311	197,902	463,409
CERMENATE Via Matteotti 45	468,735	128,407	597,142	214,294	382,848
CERNOBBIO Via Dell'Orto 3	8,557	655,505	664,062	293,326	370,736
CERNUSCO SUL NAVIGLIO Piazza Ghezzi 5	983,202	1,373,131	2,356,333	1,386,394	969,939
CERRO MAGGIORE Via San Bartolomeo 8	14,564	201,473	216,037	91,221	124,816
CERVINARA Via Del Balzo 10	87,213	165,851	253,064	54,864	198,200
CESANA TORINESE Via Roma 14	79,161	358,516	437,677	226,046	211,631
CEVA Via Moretti 7	208,483	458,351	666,834	410,552	256,282
CHIARI Via delle Battaglie 3/e	1,331,426	142,893	1,474,319	566,310	908,009
CHIAVARI Corso Dante Alighieri 73	369,381	1,588,965	1,958,346	876,188	1,082,158
CHIERI Piazza Cavour 8	5,017,988	1,941,281	6,959,269	3,061,167	3,898,102
CHIETI Corso Marruccini 102	246,559	3,739,148	3,985,707	1,193,201	2,792,506
CHIGNOLO PO Via Garibaldi 143	13,025	175,662	188,687	81,330	107,357
CHIUSI Centro Commerciale Etrusco	389,239	-	389,239	107,068	282,171
CHIVASSO Piazza Carletti 1/c	237,386	1,649,516	1,886,902	889,677	997,225
CIGLIANO Corso Umberto I 46	103,625	481,364	584,989	303,707	281,282
CILAVEGNA Piazza Garibaldi 5	63,388	253,441	316,829	156,267	160,562
CIRIE' Via San Ciriaco 25	1,206,079	2,049,313	3,255,392	1,323,841	1,931,551
CISTERNINO Piazza Lagravinese 1	116,773	156,949	273,722	59,343	214,379
CODOGNO Via Alberici 28	332,120	1,409,709	1,741,829	664,987	1,076,842

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

LOCATION	INVESTMENT	REVALUATIONS (*)	BOOK VALUE	ADJUSTMENTS	Amount in €
					NET SHAREHOLDERS' EQUITY
COGNE Via Grappein	191,849	160,738	352,587	205,739	146,848
COLLEGNO Via Manzoni 1	1,321,784	1,642,511	2,964,295	1,841,881	1,122,414
COMO Albate / Via Canturina 186	372,221	168,080	540,301	248,990	291,311
COMO Piazza Cavour 15	576,532	14,536,785	15,113,317	6,160,697	8,952,620
COMO Via Bellinzona 349	22,977	318,511	341,488	178,467	163,021
COMO Via Milano 178	108,784	575,323	684,107	322,534	361,573
CONVERSANO Corso Dante 2	51,207	444,669	495,876	148,397	347,479
CORNAREDO Piazza Libert� 54	520,404	1,325,625	1,846,029	745,184	1,100,845
CORNAREDO Via Milano 95	183,686	503,117	686,803	256,376	430,427
CORSICO Via Caboto 37/41	1,846,623	3,102,633	4,949,256	2,964,213	1,985,043
CORSICO Via Dante / via Monti 31/b	1,712,833	-	1,712,833	629,505	1,083,328
COSENZA Corso Umberto I 17	161,056	5,421,765	5,582,821	1,671,257	3,911,564
COSSATO Via del Mercato 40	464,580	127,332	591,912	249,971	341,941
COSTIGLIOLE D'ASTI Piazza Umberto I 21	234,619	425,510	660,129	406,046	254,083
COURMAYEUR Via Monte Bianco 29 / Piazza Brocherelle 3	208,699	1,941,270	2,149,969	912,408	1,237,561
CREMA Piazza Duomo 1 / Via dei Racchetti 1	381,846	1,329,412	1,711,258	690,724	1,020,534
CREMA Via De Gasperi 62	145,771	-	145,771	56,594	89,177
CREMONA Corso Garibaldi 232 / Via Montello	1,104,141	2,012,235	3,116,376	1,897,493	1,218,883
CREMONA Piazza Cavour 1 / Via Gramsci	352,247	4,659,095	5,011,342	2,425,859	2,585,483
CREMONA Via dei Tigli 3	85,353	62,641	147,994	93,536	54,458
CRESCENTINO Corso Roma 55/57	97,379	567,887	665,266	325,009	340,257
CROTONE Piazza Pitagora 6/9	199,595	1,169,258	1,368,853	409,774	959,079
CUNEO Corso Giolitti / Piazza Europa	1,323,996	4,558,279	5,882,275	3,184,058	2,698,217
CUNEO Madonna dell'Olmo - Via Battaglia 13/15	31,144	-	31,144	1,869	29,275
CUORGNE' Via Ivrea 7	159,055	761,652	920,707	440,229	480,478
DAIRAGO Via XXV Aprile 52/c	52,139	410,583	462,722	209,488	253,234
DALMINE Via Betelli 11	834,228	1,441,818	2,276,046	835,826	1,440,220
DOGLIANI Piazza Carlo Alberto 30 / Via 31 Luglio 21	393,484	520,251	913,735	630,255	283,480
DOMODOSSOLA Piazza Matteotti 16 / Via Gramsci	1,153,246	455,363	1,608,609	621,521	987,088
DONNAS Via Roma 36	317,286	1,083,002	1,400,288	827,100	573,188
DOSOLO Via XXIII Aprile 6/8/10	10,302	154,121	164,423	68,418	96,005
ENDINE GAIANO Via Tonale 49	5,852	190,096	195,948	82,121	113,827
ENNA Piazza VI Dicembre 6	2,027,243	93,584	2,120,827	969,238	1,151,589
ERBA Corso XXV Aprile 64	705,420	1,978,059	2,683,479	1,231,588	1,451,891
ERCOLANO Via IV Novembre 3/5	29,261	1,008,640	1,037,901	310,732	727,169
FAGNANO OLONA Piazza XX Settembre 5	81,070	561,447	642,517	285,150	357,367
FALOPPIO Via Roma 4	167,330	-	167,330	54,528	112,802
FASANO Via Roma 17 / Via Macall�	167,413	235,423	402,836	87,335	315,501
FERRERA ERBOGNONE Corso della Repubblica 27	105,777	121,392	227,169	116,501	110,668
FINALE LIGURE Via Concezione 34/35	446,356	971,678	1,418,034	754,138	663,896
FINO MORNASCO Via Garibaldi 135	74,051	867,137	941,188	437,650	503,538
FIORANO AL SERIO Via Roma 11/B	125,725	696,111	821,836	310,644	511,192
FIRENZE Piazza della Repubblica 4	89,609	3,240,455	3,330,064	1,320,143	2,009,921
FIRENZE Via Cavour 20/24	563,875	9,616,944	10,180,819	3,011,969	7,168,850
FIRENZE Via de' Conti 3 / Via dell'Alloro	452,834	1,683,987	2,136,821	1,006,811	1,130,010
FIRENZE Via Morgagni 4	907,951	662,098	1,570,049	469,417	1,100,632
FIRENZE Via Pratese 191	130,404	-	130,404	15,649	114,755
FOGGIA Corso Vittorio Emanuele II 35	145,039	5,727,854	5,872,893	1,757,680	4,115,213
FOGGIA Piazza Puglia / via Bari 62	2,656,028	2,314,962	4,970,990	3,427,331	1,543,659
FOGGIA Via Bari 34/36	6,234	543,829	550,063	164,624	385,439
FOGGIA Via Masi 36	176,180	923,941	1,100,121	329,244	770,877
FOGGIA Via Napoli	217,845	117,852	335,697	72,779	262,918
FONDI Corso Italia	161,250	226,092	387,342	83,976	303,366
FONTANELLA Piazza Matteotti 18 / via Lazzari 2	573,449	267,434	840,883	405,847	435,036
FORIO D'ISCHIA Via Giuseppe Castellaccio	15,609	645,571	661,180	197,864	463,316
FORMIA Via Vitruvio 9/17	387,832	1,419,740	1,807,572	541,088	1,266,484
FORNO CANAVESE Via Truchetti 7	49,471	351,676	401,147	215,307	185,840
FOSSACESIA Viale dei Pioppi 15	246,823	-	246,823	45,267	201,556
FOSSANO Via Roma 81 / Via Cavour 1	322,957	1,838,768	2,161,725	1,023,896	1,137,829
FRANCAVILLA FONTANA Piazza Giovanni XXIII 12	11,060	453,966	465,026	139,216	325,810
FRATTAMAGGIORE Via Roma / Via Fiume	1,633,176	1,030,016	2,663,192	568,053	2,095,139
FRESONARA Via Boscomarengo 5	142,253	66,301	208,554	109,542	99,012
GAETA Piazza Libert� 8/10	264,704	303,399	568,103	123,165	444,938
GALATINA Via Garibaldi 91	18,775	696,700	715,475	214,123	501,352
GALATINA Via Roma 146/148	-	30,987	30,987	-	30,987

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

Amount in €

LOCATION	INVESTMENT	REVALUATIONS (*)	BOOK VALUE	ADJUSTMENTS	NET SHAREHOLDERS' EQUITY
GALLARATE Corso Sempione 9	2,231,538	518,802	2,750,340	1,132,033	1,618,307
GALLIATE Via Leonardo da Vinci 21 / Via Volta	367,530	1,024,642	1,392,172	841,029	551,143
GAMBARA Piazza IV Novembre 5	516	201,364	201,880	84,741	117,139
GAMBOLO' Corso Umberto 1 4	254,724	344,941	599,665	252,435	347,230
GARLASCO Corso Cavour 172	104,712	646,169	750,881	289,071	461,810
GATTINARA Piazza Italia 10 / Corso Cavour 1	106,174	434,486	540,660	297,603	243,057
GENOVA Piazza Matteotti 2	1,727,120	-	1,727,120	582,671	1,144,449
GENOVA Via Cairoli 6	212,175	1,498,893	1,711,068	853,755	857,313
GENOVA Via Camozzini 11/r / Via Cialdini	404,704	642,998	1,047,702	665,202	382,500
GENOVA Via Cantore 44 / Via Pedemonte	1,596,390	3,791,994	5,388,384	2,900,254	2,488,130
GENOVA Via Cavallotti 46r/48/13/4	419,735	817,151	1,236,886	652,177	584,709
GENOVA Via Fieschi 4	4,146,086	17,254,898	21,400,984	10,327,866	11,073,118
GENOVA Via Gran Madre di Dio	71,512	263,115	334,627	185,262	149,365
GENOVA Via Magnaghi 1 / Via Cecchi 60	591,621	1,736,535	2,328,156	1,222,415	1,105,741
GENOVA Via Rossini 8 - Rivarolo	1,022,588	593,608	1,616,196	812,660	803,536
GENOVA Via Sestri 225/r / Via d'Andrade	374,304	1,488,676	1,862,980	1,032,951	830,029
GENOVA Viale Causa 2 / Via Albaro 38	369,379	1,750,329	2,119,708	960,714	1,158,994
GIAVENO Piazza San Lorenzo 15	191,130	502,196	693,326	437,461	255,865
GIOIA DEL COLLE Via Garibaldi 91	7,442	158,036	165,478	49,521	115,957
GIOIA TAURO Via Nazionale 111 bivio Rizziconi	238,175	242,130	480,305	104,130	376,175
GIOIOSA IONICA Via Gramsci / Via Mancini 1/2	6,516	241,702	248,218	74,272	173,946
GIUGLIANO Via Vittorio Veneto 32/33	28,390	1,206,443	1,234,833	369,608	865,225
GIULIANOVA Piazza Roma 1/5	13,519	1,024,650	1,038,169	310,814	727,355
GORLE Via Don Mazza 1/B	252,518	528,040	780,558	374,331	406,227
GRAGNANO Via Tommaso Sorrentino 38	5,741	301,611	307,352	91,995	215,357
GRASSOBBIO Via Roma 5/7	126,941	340,804	467,745	201,657	266,088
GRESSONEY SAINT JEAN Strada Eyemmatten	14,843	246,714	261,557	124,765	136,792
GROMO Piazza Marconi 2	195,925	163,605	359,530	72,608	286,922
GRONTARDO Piazza Roma 11	105	167,338	167,443	62,042	105,401
GROPELLO CAIROLI Via Libertà 108	366,228	373,200	739,428	375,617	363,811
GROT TAGLIE Via Parini 26 / Via Matteotti	9,214	429,692	438,906	131,370	307,536
GROTTAMINARDA Via Giardino	112,364	238,826	351,190	76,138	275,052
GRUGLIASCO Viale Gramsci 108	4,354	177,417	181,771	59,203	122,568
GRUGLIASCO Viale Gramsci 78/80	727,469	1,453,765	2,181,234	1,208,741	972,493
GUIDONIA MONTECELIO Via Giusti	828,018	2,460,136	3,288,154	1,603,385	1,684,769
GUSPINI Via Matteotti 28	85,992	181,793	267,785	79,558	188,227
IMPERIA Via Cascione 11 / Piazza Marconi 2	1,646,622	2,318,309	3,964,931	1,792,916	2,172,015
INCISA SCAPACCINO Via della Repubblica 3	32,136	209,654	241,790	136,710	105,080
INVERIGO Via Generale Cantore 52	6,921	262,306	269,227	126,622	142,605
IRSINA Corso Musacchio 68	15,938	257,712	273,650	81,920	191,730
ISCHIA PORTO Via Iasolino	7,307	351,707	359,014	107,423	251,591
ISCHIA PORTO Via Vittorio Colonna 242	37,948	1,620,642	1,658,590	496,049	1,162,541
ISERNIA Corso Garibaldi 7	516,523	1,190,367	1,706,890	370,053	1,336,837
ISOLA LIRI Via Roma 7	190,671	243,153	433,824	94,053	339,771
IVREA Piazza Balla 7	4,981,302	3,209,109	8,190,411	3,393,008	4,797,403
IVREA Vicolo Baratonò 3	12,911	9,425	22,336	14,342	7,994
LA MADDALENA Via Amendola	52,854	608,386	661,240	197,882	463,358
LA SPEZIA Viale Italia 162	1,625,665	2,428,770	4,054,435	2,530,641	1,523,794
LAIGUEGLIA Via Roma 102	203,459	839,815	1,043,274	386,711	656,563
LAINATE Via Meda 1/A	341,537	680,210	1,021,747	394,692	627,055
LAMEZIA TERME Via Adige 1/15	108,767	661,065	769,832	230,395	539,437
LANCIANO Corso Trieste e Trento 37/39	7,706	596,508	604,214	180,844	423,370
LANDRIANO Via Rocca 6	83,373	295,906	379,279	197,720	181,559
LANZO INTELVI Piazza Novi 8	9,435	142,907	152,342	71,952	80,390
LANZO TORINESE Via Roma 6/a	64,114	577,703	641,817	310,399	331,418
L'AQUILA Corso Vittorio Emanuele	131,513	5,283,899	5,415,412	1,588,203	3,827,209
LARINO Largo Garibaldi 2	3,654	161,651	165,305	49,467	115,838
LATIANO Piazza Capitano Ippolito 12	5,501	268,041	273,542	81,886	191,656
LATINA Via Matteotti 47	124,494	590,827	715,321	214,076	501,245
LATINA Via Priverno / Via Isonzo 20	1,304,695	3,013,010	4,317,705	1,292,208	3,025,497
LECCE Piazza Mazzini / Via Nazario Sauro	1,717,728	3,754,941	5,472,669	3,112,297	2,360,372
LECCE Via XXV Luglio 13/a	128,384	4,272,131	4,400,515	1,316,991	3,083,524
LECCO Corso Martiri della Libertà	3,769,774	2,347,136	6,116,910	3,173,790	2,943,120
LEGNANO Via Monte Rosa / Via Battisti	229,907	399,635	629,542	299,107	330,435
LEGNANO Via Venegoni 51	200,713	428,873	629,586	320,038	309,548

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LOCATION	INVESTMENT	REVALUATIONS (*)	BOOK VALUE	ADJUSTMENTS	Amount in €
					NET SHAREHOLDERS' EQUITY
LENNO Via Statale Regina 91	40,521	340,249	380,770	148,743	232,027
LEONFORTE Corso Umberto 201/b	152,565	92,058	244,623	169,095	75,528
LIONI Via San Rocco 40	90,965	115,617	206,582	44,787	161,795
LIVORNO FERRARIS Via Giordano 72	107,528	388,204	495,732	228,630	267,102
LIVORNO Via Bagnetti 4	147,131	111,098	258,229	55,984	202,245
LIVORNO Via Cairoli 20	88,244	3,686,986	3,775,230	1,129,304	2,645,926
LOANO Corso Europa 1	270,989	1,987,512	2,258,501	1,048,994	1,209,507
LOANO Via Aurelia 356	42,474	458,995	501,469	252,786	248,683
LOCATE TRIULZI Via Giardino 2	529,098	527,305	1,056,403	520,874	535,529
LOCATE VARESE Via Cesare Battisti 38	402,034	217,787	619,821	267,808	352,013
LOCRI Corso Vittorio Emanuele 81	17,016	421,945	438,961	131,388	307,573
LODI Piazza Mercato 13 / via Strepponi 2	1,437,532	3,238,425	4,675,957	1,603,095	3,072,862
LOMAZZO Piazza Stazione 2	46,961	681,612	728,573	303,185	425,388
LOMELLO Via Roma 6/8	15,388	184,007	199,395	73,782	125,613
LUCERA Piazza Gramsci 15/19	18,013	420,912	438,925	131,378	307,547
LURATE CACCIVIO Via Unione 2	417,953	612,413	1,030,366	349,700	680,666
MAGENTA Via Volta / Via Cavallari	785,436	166,522	951,958	368,046	583,912
MAGLIE Via Scorrano 5	226,082	218,071	444,153	96,292	347,861
MALEO Piazza XXV Aprile 6/8	1,969	147,919	149,888	53,616	96,272
MANDELLO DEL LARIO Piazza Manara 5	437,129	303,526	740,655	392,447	348,208
MANDURIA Via XX Settembre 20	31,283	1,063,901	1,095,184	327,851	767,333
MANFREDONIA Corso Manfredi 152	2,427	327,950	330,377	98,867	231,510
MANTOVA Via Frattini 7	3,546,785	1,257,030	4,803,815	1,785,360	3,018,455
MANTOVA Via Isabella d'Este 10	113,621	-	113,621	30,678	82,943
MAPELLO Via Bravi 3	106,360	417,782	524,142	231,200	292,942
MARANO Via Merolla 9/11	477,500	789,476	1,266,976	649,678	617,298
MARANO Viale Duca d'Aosta	178,942	275,540	454,482	98,532	355,950
MARIANO COMUNE Piazza Roma 47	547,831	46,421	594,252	236,663	357,589
MARIANO DEL FRIULI Via Verdi (terreno)	914	28,378	29,292	-	29,292
MARIGLIANO Corso Umberto I 347/351	12,287	480,821	493,108	147,607	345,501
MASSAFRA Corso Roma 260/264	104,953	117,123	222,076	48,146	173,930
MASSALUBRENSE Viale Filangieri 15/17	5,474	487,535	493,009	147,577	345,432
MATERA Piazza Vittorio Veneto 51	66,804	3,507,259	3,574,063	1,069,670	2,504,393
MATERA Via Generale Passarelli 11	204,742	178,986	383,728	80,374	303,354
MEDE Via Cavour 18	1,179,553	553,750	1,733,303	751,785	981,518
MEDIGLIA Frazione Triginto / Piazza Pertini 6	604,255	165,473	769,728	326,408	443,320
MELEGNANO Piazza Garibaldi 1	1,863,587	1,103,223	2,966,810	1,454,708	1,512,102
MELITO PORTO SALVO Corso Garibaldi 44	99,102	120,334	219,436	65,683	153,753
MELZO Via Magenta 2/8	1,132,852	1,522,170	2,655,022	1,189,061	1,465,961
MENAGGIO Via IV Novembre 38/40	32,998	859,767	892,765	385,608	507,157
MENFI Via della Vittoria 254	252,002	225,507	477,509	310,244	167,265
MERATE Viale Lombardia 2	487,413	910,854	1,398,267	666,418	731,849
MERCATO SAN SEVERINO Via Diaz 111/113 / Via Torino	12,275	359,364	371,639	113,081	258,558
MESERO Via San Bernardo 8	42,395	247,061	289,456	132,947	156,509
META DI SORRENTO Corso Italia 66	2,225	217,428	219,653	65,747	153,906
MILANO Corso Sempione 67	225,933	1,470,653	1,696,586	624,299	1,072,287
MILANO Piazza Cordusio 2	5,415,406	61,829,840	67,245,246	17,316,151	49,929,095
MILANO Via Carducci 4	2,207,367	2,430,881	4,638,248	2,246,439	2,391,809
MILANO Via Domodossola 9/11	767,990	704,742	1,472,732	664,244	808,488
MILANO Via Ettore Ponti 30	515,420	401,363	916,783	406,510	510,273
MILANO Via Hoepli 10	437,503	9,394,471	9,831,974	4,538,277	5,293,697
MILANO Via Imbonati 35	1,323,757	113,191	1,436,948	527,946	909,002
MILANO Via Imbonati 64/a	439,484	3,482,811	3,922,295	1,725,213	2,197,082
MILANO Via Moroni 9	1,099,936	2,722,075	3,822,011	1,998,334	1,823,677
MILANO Viale Monza 118	289,487	3,042,673	3,332,160	1,368,829	1,963,331
MILANO Viale Piceno 2 / Piazza Emilia	900,719	4,595,783	5,496,502	2,368,202	3,128,300
MILANO Viale Restelli 3	174,503	2,661,592	2,836,095	1,225,711	1,610,384
MINORI Corso Vittorio Emanuele 29	74,436	264,942	339,378	99,204	240,174
MIRABELLA ECLANO Via Calcazanco	426,078	-	426,078	106,606	319,472
MODUGNO Piazza Garibaldi 41	31,855	215,879	247,734	74,137	173,597
MOLFETTA Piazza Vittorio Emanuele 7a	10,476	1,526,130	1,536,606	459,991	1,076,615
MOMBERCELLI Piazza Alfieri 2	33,635	151,817	185,452	107,785	77,667
MONCALIERI Centro Contabile Corso Savona 58	32,958,107	38,104,035	71,062,142	32,959,405	38,102,737
MONCALIERI Via Postiglione 29 bis - Vado	106,529	-	106,529	9,588	96,941
MONCALIERI Via San Martino 34	833,183	2,497,584	3,330,767	1,728,636	1,602,131

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



LOCATION	INVESTMENT	REVALUATIONS (*)	BOOK VALUE	ADJUSTMENTS	Amount in €
					NET SHAREHOLDERS' EQUITY
MONCALVO Piazza Carlo Alberto 5	240,548	266,976	507,524	370,125	137,399
MONDOVI' Corso Statuto 22 / Via Sant'Arnolfo	538,359	935,693	1,474,052	914,886	559,166
MONTAFIA Piazza Riccio 9/2	61,442	146,794	208,236	103,186	105,050
MONTALBANO JONICO Via Miele 63	82,057	36,728	118,785	25,753	93,032
MONTEGROSSO D'ASTI Via XX Settembre 67	144,743	140,682	285,425	156,296	129,129
MONTESARCHIO Via Marchitello	341,797	169,495	511,292	110,848	400,444
MONTESILVANO Corso Umberto I 215 / Via Michetti	426,939	270,278	697,217	151,157	546,060
MORTARA Corso Garibaldi 91	334,034	787,725	1,121,759	549,230	572,529
MORTARA Via Josti 26	622,118	1,587,180	2,209,298	1,006,062	1,203,236
MOTTA BALUFFI Via Matteotti 7	10,566	141,127	151,693	45,805	105,888
MOZZATE Via Varese 28	5,165	476,236	481,401	214,368	267,033
MOZZO Via Santa Lucia 1	1,853,099	398,302	2,251,401	870,880	1,380,521
MUGNANO Via Verdi / Via IV Martiri 10	320,684	558,430	879,114	496,415	382,699
NAPOLI Corso Arnaldo Lucci 98/100	76,476	563,881	640,357	191,639	448,718
NAPOLI Corso San Giovanni a Teduccio 227/229	723,614	206,008	929,622	201,542	728,080
NAPOLI Corso Secondigliano 221	7,234	431,758	438,992	131,396	307,596
NAPOLI Piazza degli Artisti 15	16,460	587,728	604,188	180,834	423,354
NAPOLI Via Cervantes	51,708	2,953,161	3,004,869	908,165	2,096,704
NAPOLI Via Cilea 127	46,502	666,229	712,731	213,345	499,386
NAPOLI Via Diocleziano 34/40	10,478	364,041	374,519	112,086	262,433
NAPOLI Via Duomo	39,668	564,487	604,155	180,825	423,330
NAPOLI Via Epomeo 26/28	14,553	535,566	550,119	164,638	385,481
NAPOLI Via Falcone 362/364/366/368	39,351	185,924	225,275	67,495	157,780
NAPOLI Via Foria 34	1,526,670	-	1,526,670	356,477	1,170,193
NAPOLI Via Galeota 31/33	1,968,158	1,499,850	3,468,008	751,863	2,716,145
NAPOLI Via Marconi	516,751	22,568,134	23,084,885	6,872,407	16,212,478
NAPOLI Via Merliani 19	2,339,048	3,434,955	5,774,003	1,728,066	4,045,937
NAPOLI Via Nazionale delle Puglie 238/244	401,483	-	401,483	60,222	341,261
NAPOLI Via Riviera di Chiaia 131	2,724,871	10,644,832	13,369,703	6,266,037	7,103,666
NAPOLI Via San Biagio dei Librai 114	2,220,952	8,779,767	11,000,719	3,296,123	7,704,596
NAPOLI Via San Giacomo 20	41,207	634,115	675,322	202,269	473,053
NAPOLI Via Santa Lucia 53	10,977	650,219	661,196	197,866	463,330
NAPOLI Via Santa Lucia 55/57	135,939	173,935	309,874	67,181	242,693
NAPOLI Via Settembrini 79 Donnaregina	4,212,714	8,983,251	13,195,965	2,913,194	10,282,771
NAPOLI Via Toledo 177/178	43,053,705	98,893,945	141,947,650	42,485,050	99,462,600
NAPOLI Via Toledo 402 / Via Fornovecchio	139,003	5,609,480	5,748,483	1,722,841	4,025,642
NAPOLI Via Tribunali 210/213	507,027	15,756,339	16,263,366	4,867,325	11,396,041
NAPOLI Viale Augusto 1/3/5/7	14,151	920,843	934,994	279,831	655,163
NARDO' Via Genova / Corso Galliano 2/b	60,984	594,958	655,942	196,374	459,568
NERVIANO SANT'ILARIO MILANESE Via San Antonio 1	77,566	276,603	354,169	155,018	199,151
NICHELINO Via Cagliari 23 / Piazza Camandona 3	270,485	-	270,485	17,314	253,171
NICHELINO Via Torino 3	190,228	928,966	1,119,194	786,122	333,072
NIZZA MONFERRATO Via Pio Corsi 77	265,602	1,005,277	1,270,879	635,539	635,340
NOCERA INFERIORE Via Garibaldi 22	182,916	1,712,571	1,895,487	557,594	1,337,893
NOCI Piazza Garibaldi 42	107,874	439,505	547,379	163,861	383,518
NOLA Piazza Matteotti	6,864	721,490	728,354	121,417	606,937
NOLA Via Provinciale Nola-Cancello	23,252	-	23,252	2,093	21,159
NOLE CANAVESE Via Torino 46	73,273	357,329	430,602	221,667	208,935
NOVARA Largo Cavour	896,769	3,654,719	4,551,488	2,074,577	2,476,911
NOVARA Via Marconi 2/T	121,000	84,950	205,950	77,025	128,925
NOVI LIGURE Corso Marengo 10 / Piazza della Repubblica 4	1,252,339	2,238,159	3,490,498	1,800,236	1,690,262
NUORO Via Lamarmora 123/131	1,407,522	813,243	2,220,765	481,462	1,739,303
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	239,214	170,336
OCCHIEPPO SUPERIORE Via Martiri della Libertà 30	199,807	-	199,807	77,572	122,235
OGGIONO Via Cavour 3	572,090	203,925	776,015	376,889	399,126
OLBIA Via Aldo Moro 129	422,637	403,694	826,331	179,149	647,182
OLGIATE COMASCO Via Roma 2	18,901	1,327,787	1,346,688	596,038	750,650
OLMO AL BREMBO Via Roma 45	1,779	185,209	186,988	79,590	107,398
OMEGNA Via Don Beltrami 2	1,636,354	601,511	2,237,865	1,165,183	1,072,682
ORBASSANO Via Roma 43 / Via San Rocco 10	173,033	997,037	1,170,070	653,618	516,452
ORIA Vico Napoli / Piazza Lorich 2	94,004	200,385	294,389	88,146	206,243
ORISTANO Piazza Roma 38/40	382,480	712,194	1,094,674	327,696	766,978
ORTANOVA Via XXV Aprile	271,337	90,183	361,520	78,377	283,143
ORTONA A MARE Piazza della Vittoria 30	34,271	732,852	767,123	229,632	537,491

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LOCATION	INVESTMENT	REVALUATIONS (*)	BOOK VALUE	ADJUSTMENTS	Amount in €
					NET SHAREHOLDERS' EQUITY
ORZINUOVI Piazza Vittorio Emanuele 55 / Via Chierica 3/a	202,525	1,513,281	1,715,806	740,910	974,896
OSPEDALETTO LODIGIANO Via Balbi 53	1,291	251,529	252,820	94,134	158,686
OSSONA Via Patriotti 2 / Via Bosi	14,922	298,655	313,577	143,679	169,898
OSTIANO Via Garibaldi 27 / Via Vighenzi 6	36,204	196,955	233,159	114,061	119,098
OSTUNI Corso Vittorio Emanuele 72	14,168	587,728	601,896	180,190	421,706
OTTIGLIO Via Mazza 18	68,773	209,042	277,815	155,948	121,867
OTTOBIANO Viale Garibaldi 9	22,339	144,156	166,495	67,022	99,473
OVADA Via Cairoli 22	604,335	1,907,201	2,511,536	1,415,838	1,095,698
OZIERI Corso Vittorio Emanuele 2	5,320	361,520	366,840	109,817	257,023
PADERNO DUGNANO Via Gramsci 124	512,468	755,433	1,267,901	527,769	740,132
PADERNO DUGNANO Viale della Repubblica 28	664,275	523,617	1,187,892	533,654	654,238
PADOVA Piazza Salvemini 14	10,450,203	3,600,284	14,050,487	8,028,897	6,021,590
PADOVA Via Scrovegni / Via Delù	10,091,233	-	10,091,233	1,355,443	8,735,790
PADOVA Via Scrovegni 31	1,110,441	396,480	1,506,921	536,462	970,459
PADOVA Via Trieste 57/59	15,610,209	8,181,395	23,791,604	14,086,036	9,705,568
PALERMO Via Dante 48/48a	476,872	745,592	1,222,464	796,547	425,917
PALMI Via Barbaro 47	11,730	399,221	410,951	123,022	287,929
PARABIAGO - VILLASTANZA Piazza Indipendenza 6	12,646	186,037	198,683	79,988	118,695
PARE' Via San Fermo 5	46,039	293,620	339,659	159,245	180,414
PAULLO Via Mazzini 21/23	923,703	1,977,407	2,901,110	872,857	2,028,253
PAVIA Corso Garibaldi 52	74,908	832,128	907,036	397,585	509,451
PAVIA Via Rismondo 2	4,861,949	464,118	5,326,067	1,888,994	3,437,073
PEJA Via Provinciale 3/3a	232,212	729,744	961,956	461,335	500,621
PENNE Via Dante Alighieri 5	11,139	195,221	206,360	61,798	144,562
PEROSA ARGENTINA Via Roma 31 / Piazza Marconi 7	106,927	391,979	498,906	271,637	227,269
PERUGIA Via Baglioni 9	97,221	3,492,282	3,589,503	1,074,045	2,515,458
PERUGIA Via XX Settembre 72 / Via Corgna	2,223,222	2,191,699	4,414,921	2,672,060	1,742,861
PESCARA Corso Vittorio Emanuele 68/76	2,724,295	1,821,495	4,545,790	1,899,642	2,646,148
PESCARA Corso Vittorio Emanuele II 272/276	107,406	3,466,459	3,573,865	1,069,607	2,504,258
PESCARA Via Marconi 56 / Via Dei Marruccini 1	7,028	689,986	697,014	208,612	488,402
PESCARA Via Milano	120,108	117,462	237,570	51,505	186,065
PIADENA Via Libertà 40/36	498,165	497,377	995,542	467,069	528,473
PIANO DI SORRENTO Via delle Rose 16	58,523	432,274	490,797	146,954	343,843
PIAZZATORRE Via Centro 8	19,530	82,647	102,177	38,462	63,715
PINEROLO Piazza Barbieri 39/41	403,175	1,971,197	2,374,372	1,145,206	1,229,166
PINO TORINESE Via Roma 76	352,764	66,270	419,034	180,889	238,145
PIOLTELLO Via Milano 40 / Via Roma	494,835	269,373	764,208	389,468	374,740
PIOSSASCO Via Torino 49	140,783	449,634	590,417	250,534	339,883
PISA Corso Italia 131	170,759	-	170,759	25,614	145,145
PIZZIGHETONE Via Monte Grappa	948,162	98,974	1,047,136	373,914	673,222
POGGIOMARINO Via Manzoni 2 / Via Vittorio Emanuele	417,157	202,566	619,723	281,875	337,848
POGLIANO MILANESE Via Monsignor Paleari 74	53,868	464,181	518,049	213,306	304,743
POIRINO Via Indipendenza 19	120,499	565,731	686,230	391,592	294,638
POLICORO Corso De Gasperi 37/39	121,992	426,593	548,585	164,057	384,528
POLLA Via Crispi	19,240	321,753	340,993	102,053	238,940
POMEZIA Via del Mare 73	547,279	768,233	1,315,512	272,456	1,043,056
POMIGLIANO D'ARCO Via Terracciano 45	121,650	467,118	588,768	163,868	424,900
PONT CANAVESE Via Craveri 6	120,857	189,375	310,232	135,900	174,332
PONTE NOSSA Via IV Novembre 16/18	73,505	244,160	317,665	139,880	177,785
PONTE SAN PIETRO Via Garibaldi 5	256,708	520,371	777,079	354,163	422,916
PONTECAGNANO Piazza Sabato 11/14 / Via Carducci	56,680	604,255	660,935	197,803	463,132
PONTEVICO Via XX Settembre 25	647,768	848,119	1,495,887	942,657	553,230
PONTIROLO NUOVO Piazza Marconi 9	88,709	276,436	365,145	171,687	193,458
POPOLI Corso Gramsci 187	287,182	-	287,182	67,057	220,125
PORDENONE Via Marconi 30	76,075	-	76,075	17,563	58,512
PORLEZZA Piazza Matteotti 12	57,009	336,320	393,329	167,700	225,629
PORTICI Corso Garibaldi 39/42	215,907	879,010	1,094,917	327,768	767,149
POSITANO Piazza dei Mulini 18/20	13,016	534,029	547,045	163,762	383,283
POTENZA Corso Umberto I 57/59	1,351	91,413	92,764	27,772	64,992
POTENZA Corso XVIII Agosto 1850, 99	667,469	3,453,547	4,121,016	1,229,606	2,891,410
POZZUOLI Piazza della Repubblica	12,168	153,388	165,556	49,524	116,032
POZZUOLI Via Terracciano	1,469,023	451,712	1,920,735	399,328	1,521,407
PRATO Viale Vittorio Veneto 7	1,820,686	3,605,670	5,426,356	3,166,083	2,260,273
PREGNANA MILANESE Via Roma 80	97,536	324,530	422,066	201,453	220,613
PRESEZZO Via Papa Giovanni XXIII 4/5 / via Vittorio Veneto	235,906	184,639	420,545	298,427	122,118

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LOCATION	INVESTMENT	REVALUATIONS (*)	BOOK VALUE	ADJUSTMENTS	Amount in €
					NET SHAREHOLDERS' EQUITY
QUARTU SANT'ELENA Via Brigata Sassari / Via Cardano	114,671	623,880	738,551	221,099	517,452
RAPALLO Corso Matteotti 2/4/6 / Via Mameli	286,099	875,169	1,161,268	627,141	534,127
REGGIO CALABRIA Corso Garibaldi 173	211,072	921,026	1,132,098	414,297	717,801
REGGIO CALABRIA Via Castello 4/9	-	16,527	16,527	4,944	11,583
REGGIO CALABRIA Via Miraglia 12	151,989	4,909,439	5,061,428	1,514,772	3,546,656
REGGIO CALABRIA Via Sbarre Inferiore	8,569	8,317	16,886	338	16,548
RESCALDINA Via Alberto da Giussano 43	54,664	272,686	327,350	150,321	177,029
RESCALDINA Via Melzi 2	13,484	598,242	611,726	259,671	352,055
RIVA PRESSO CHIERI Via San Giovanni 2	63,517	431,062	494,579	239,700	254,879
RIVALTA Circolo Ricreativo Via Giaveno 55	1,817,278	605,462	2,422,740	1,071,448	1,351,292
RIVAROLO Piazza Chioratti 1 / Via San Francesco	379,409	1,481,088	1,860,497	865,309	995,188
RIVOLI Piazza Martiri della Libertà 8 / Via Rombò 37	1,377,528	4,343,532	5,721,060	2,964,260	2,756,800
ROBBIO Via Roma 22	216,088	457,384	673,472	178,965	494,507
ROBURENT - SAN GIACOMO Via Sant'Anna 61	67,765	46,160	113,925	73,562	40,363
ROCCARASO Piazza Municipio 1	46,315	211,747	258,062	77,239	180,823
ROMA Corso Francia / Via Jacini	131,929	1,147,051	1,278,980	355,157	923,823
ROMA Corso Vittorio Emanuele 93	12,963	795,860	808,823	241,890	566,933
ROMA Piazza Fermi 40/42	28,657	883,141	911,798	272,823	638,975
ROMA Piazza Pio XI 14/19	109,340	1,456,408	1,565,748	464,070	1,101,678
ROMA Via Amato 80 Acilia	3,505,447	-	3,505,447	1,113,582	2,391,865
ROMA Via Carlo Alberto 24/26	-	1,159,514	1,159,514	347,426	812,088
ROMA Via Circumvallazione Ostiense 88/92	17,056	592,376	609,432	182,321	427,111
ROMA Via Cola di Rienzo 280/286	130,669	415,639	546,308	118,634	427,674
ROMA Via del Corso 403	786,290	1,889,199	2,675,489	782,182	1,893,307
ROMA Via della Stamperia 64	1,756,372	15,869,346	17,625,718	8,140,474	9,485,244
ROMA Via Faà di Bruno 34	400,306	632,608	1,032,914	223,657	809,257
ROMA Via Parigi 11	1,009,781	4,258,088	5,267,869	2,509,227	2,758,642
ROMA Viale dell'Arte 25	30,845,891	116,501,992	147,347,883	72,511,950	74,835,933
ROSETO DEGLI ABRUZZI Via Nazionale Adriatica 301	257,983	217,158	475,141	103,010	372,131
ROVELLASCIA Via Piave 1	23,402	638,991	662,393	274,720	387,673
ROVELLO PORRO Via Piave 22	177,203	439,629	616,832	305,117	311,715
RUBANO - SARMEOLA Via Adige 6	14,721,043	8,283,570	23,004,613	20,159,079	2,845,534
RUBANO Via Pitagora 10/B	5,127,439	-	5,127,439	1,995,664	3,131,775
RUVO DI PUGLIA Largo Cattedrale 18	128,381	202,152	330,533	71,659	258,874
SABBIONETA Piazza Ducale 3 / via dell'Assunta 3	445,067	95,437	540,504	292,705	247,799
SAINTE VINCENT Via Chanoux 88	93,216	939,679	1,032,895	494,144	538,751
SALA CONSILINA Via Roma / Via Boschi 1	3,509	63,524	67,033	20,072	46,961
SALE Via Roma 6	216,269	144,304	360,573	197,656	162,917
SALERNO Corso Vittorio Emanuele 81	70,822	5,518,342	5,589,164	1,672,648	3,916,516
SALERNO Piazza Luciani	552,838	9,559	562,397	35,919	526,478
SALERNO Via Roma 45	-	888,383	888,383	45,702	842,681
SALERNO Via Torrione 88/92	21,390	583,080	604,470	180,919	423,551
SALUZZO Corso Italia 44	394,271	1,147,494	1,541,765	836,272	705,493
SAN BASSANO Via Roma 57	6,604	150,121	156,725	64,425	92,300
SAN COLOMBA AL LAMBRO Via Pasino Sforza 28	228,416	217,792	446,208	234,895	211,313
SAN DAMIANO D'ASTI Via Roma 20	229,851	226,639	456,490	280,678	175,812
SAN DONATO MILANESE Corso Europa / Via Morandi	533,172	381,851	915,023	426,208	488,815
SAN FEDELE INTELVI Via Provinciale 15	381	240,391	240,772	95,897	144,875
SAN FERDINANDO DI PUGLIA Via Centimolo	169,748	212,431	382,179	82,856	299,323
SAN FERMO DELLA BATTAGLIA Via Montelatici 2	325,445	122,128	447,573	216,218	231,355
SAN GIORGIO A CREMANO Piazza Municipio 30	112,549	914,129	1,026,678	301,325	725,353
SAN GIORGIO LOMELLINA Via Roma 1	503,192	-	503,192	139,290	363,902
SAN GIOVANNI BIANCO Via Boselli 10/16	57	172,878	172,935	65,517	107,418
SAN MAURIZIO CANAVESE Via Vittorio Emanuele 59	5,302	453,455	458,757	218,998	239,759
SAN NICOLA LA STRADA Viale Italia / Via Perugia	70,747	528,335	599,082	179,389	419,693
SAN PIETRO VERNOTICO Via Brindisi 173	65,270	208,452	273,722	59,343	214,379
SAN ROCCO AL PORTO Via Dante Alighieri 5	1,095,709	255,449	1,351,158	574,949	776,209
SAN SEVERO Piazza Aldo Moro 43/47	21,587	1,096,438	1,118,025	334,604	783,421
SAN VITO DEI NORMANNI Via San Domenico / Via Resistenza	279,968	-	279,968	70,022	209,946
SANNAZZARO DE' BURGONDI Piazza del Popolo 6	867,809	902,812	1,770,621	1,173,515	597,106
SANREMO Via Matteotti 169	2,002,491	3,831,810	5,834,301	2,784,937	3,049,364
SANTA CRISTINA E BISSONE Via Vittorio Veneto 142/140	44,729	166,979	211,708	97,822	113,886
SANTA MARIA CAPUA VETERE Corso Garibaldi 18/24	217,861	985,400	1,203,261	360,217	843,044
SANTA MARIA DELLA VERSA Via Crispi 1	16,399	204,426	220,825	93,656	127,169
SANT'AGNELLO Via Balsamo 19	3,821	151,322	155,143	46,419	108,724

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

LOCATION	INVESTMENT	REVALUATIONS (*)	BOOK VALUE	ADJUSTMENTS	Amount in €
					NET SHAREHOLDERS' EQUITY
SANT'ANGELO LODIGIANO Via Umberto I 46	144,590	671,791	816,381	364,985	451,396
SANT'EGIDIO ALLA VIBRATA Corso Adriatico 218	141,648	219,872	361,520	78,377	283,143
SANTERAMO IN COLLE Via Stazione 25	107,853	159,474	267,327	50,468	216,859
SANTHIA' Corso Italia 75/87	136,310	532,664	668,974	343,392	325,582
SARNO Via Matteotti 75	9,751	465,328	475,079	142,234	332,845
SARONNO Piazza De Gasperi	49,580	-	49,580	13,387	36,193
SARONNO Piazza Volontari del Sangue 7	130,926	2,768,905	2,899,831	1,201,834	1,697,997
SARRE Strada Statale 26	382,297	442,225	824,522	532,890	291,632
SASSARI Piazza Italia 19	2,387,011	3,889,437	6,276,448	1,614,581	4,661,867
SAUZE D'OUXX Piazza III Reggimento Alpini 24	66,851	289,875	356,726	211,745	144,981
SAVA Via Regina Margherita / Via Bosegna	106,543	136,192	242,735	52,625	190,110
SAVIGLIANO Piazza del Popolo 60	438,462	1,084,120	1,522,582	765,056	757,526
SAVONA Via Paleocopa / Piazza Mamelì 2	1,788,068	4,380,844	6,168,912	3,339,776	2,829,136
SECUGNAGO Via Roma 5	13,068	146,399	159,467	62,996	96,471
SENAGO Piazza Borromeo 2	323,285	322,864	646,149	288,251	357,898
SEREGNO Corso Matteotti / Via Sanzio	1,730,360	534,129	2,264,489	975,592	1,288,897
SERRA SAN BRUNO Via De Gasperi 50	62,365	226,725	289,090	86,556	202,534
SERRACAPRIOLA Corso Garibaldi 130	59,193	147,389	206,582	44,787	161,795
SESTO SAN GIOVANNI Via Fratelli Casiraghi 27	1,297,983	1,006,930	2,304,913	915,278	1,389,635
SESTRI LEVANTE Via Fasce 24	209,920	1,305,943	1,515,863	759,920	755,943
SESTRIERE Piazzale Agnelli 2	105,265	476,992	582,257	333,676	248,581
SETTIMO TORINESE Corso Italia 16	1,095,122	2,470,343	3,565,465	1,639,506	1,925,959
SETTIMO TORINESE Via Torino 118	29,771	104,690	134,461	47,498	86,963
SINISCOLA Via Gramsci 10	137,295	157,085	294,380	63,821	230,559
SOLTO COLLINA Via Sant'Eurasia 1	59,355	168,534	227,889	113,906	113,983
SOMMA VESUVIANA Via Roma 61	267,817	248,416	516,233	154,595	361,638
SOMMARIVA BOSCO Via Cavour 13	39,443	376,596	416,039	201,476	214,563
SORA Largo San Lorenzo	322,124	416,410	738,534	160,114	578,420
SORESINA Via Matteotti 2	26,798	505,376	532,174	230,284	301,890
SORRENTO Corso Italia 210	72,769	2,444,907	2,517,676	753,687	1,763,989
SORRENTO Via degli Aranci 37	162,250	121,802	284,052	61,582	222,470
SOVERE Via Roma 26	144,424	308,065	452,489	205,187	247,302
SPARANISE Via Graziadei	10,479	325,368	335,847	100,511	235,336
SPINO D'ADDA Via Martiri della Liberazione 29	313,965	299,264	613,229	311,486	301,743
STRIANO Via Risorgimento / Via Roma 23	560,183	392,690	952,873	483,238	469,635
SULMONA Piazza XX Settembre 6	12,091	726,655	738,746	221,156	517,590
SUSA Via Mazzini / Corso Inghilterra 10	359,415	843,210	1,202,625	620,521	582,104
TARANTO Corso Giovinazzi / Via D'Aquino	3,407	84,534	87,941	26,326	61,615
TARANTO Via d'Aquino 49/51	159,861	3,966,524	4,126,385	1,235,275	2,891,110
TARANTO Via Orsini 33	12,275	385,277	397,552	119,039	278,513
TAURIANOVA Piazza Italia 24/27	13,933	512,842	526,775	157,674	369,101
TAVERNERIO Via Provinciale per Lecco 16/d	111,102	365,186	476,288	199,423	276,865
TAVIANO Corso Vittorio Emanuele 37	20,952	199,352	220,304	63,714	156,590
TEMPIO PAUSANIA Via Niccolò Ferracciù 2	120,368	478,756	599,124	179,399	419,725
TERAMO Corso San Giorgio 120	48,564	2,824,155	2,872,719	856,676	2,016,043
TERMOLI Corso Nazionale 150/152	2,212,545	104,209	2,316,754	1,048,556	1,268,198
TERMOLI Corso Umberto / Via Nazionale	25,344	1,069,582	1,094,926	327,770	767,156
TERNO D'ISOLA Via Castegnate 1	635,242	246,685	881,927	407,965	473,962
TERZIGNO Piazza Vittorio Emanuele 17	414,761	627,797	1,042,558	626,912	415,646
TICINETO Via Matteotti 1	53,047	243,102	296,149	144,524	151,625
TORINO Corso Bramante 84	952,293	649,488	1,601,781	1,268,562	333,219
TORINO Corso Casale 64/64bis	796,927	2,857,055	3,653,982	1,494,658	2,159,324
TORINO Corso De Gasperi 14	905,611	2,382,760	3,288,371	1,696,350	1,592,021
TORINO Corso Orbassano 134	91,696	1,367,179	1,458,875	634,953	823,922
TORINO Corso Orbassano 138	1,115,415	3,735,803	4,851,218	2,354,268	2,496,950
TORINO Corso Peschiera 151	1,032,213	2,970,251	4,002,464	2,038,670	1,963,794
TORINO Corso Peschiera 162	59,571	964,939	1,024,510	508,655	515,855
TORINO Corso Peschiera 255	1,003,060	-	1,003,060	30,092	972,968
TORINO Corso Re Umberto 51/53	244,638	2,857,198	3,101,836	1,413,409	1,688,427
TORINO Corso San Maurizio 47	432,449	2,547,815	2,980,264	1,315,295	1,664,969
TORINO Corso Svizzera 32	675,967	2,644,676	3,320,643	1,634,770	1,685,873
TORINO Corso Turati 18	202,848	2,462,675	2,665,523	1,192,724	1,472,799
TORINO Corso Unione Sovietica 409	1,121,729	4,017,174	5,138,903	2,835,490	2,303,413
TORINO Corso Vittorio Emanuele II 110	772,537	2,558,483	3,331,020	1,654,198	1,676,822
TORINO Piazza Crispi 61 / Corso Vercelli	645,553	1,868,161	2,513,714	1,372,977	1,140,737

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

	<i>Amount in €</i>				
LOCATION	INVESTMENT	REVALUATIONS (*)	BOOK VALUE	ADJUSTMENTS	NET SHAREHOLDERS' EQUITY
TORINO Piazza della Repubblica 7	321,752	2,901,710	3,223,462	1,407,118	1,816,344
TORINO Piazza Massaua 5	1,347,816	2,775,654	4,123,470	2,208,431	1,915,039
TORINO Piazza Nizza 75	820,241	2,275,051	3,095,292	1,497,083	1,598,209
TORINO Piazza Rebaudengo 7/9	494,306	1,443,349	1,937,655	1,122,587	815,068
TORINO Piazza San Carlo 156/182	14,484,855	98,850,845	113,335,700	54,711,088	58,624,612
TORINO Strada San Vito (Villa Abegg)	2,535,582	3,521,671	6,057,253	2,305,380	3,751,873
TORINO Via Asinari di Bernezzo 50	414,243	1,558,580	1,972,823	978,345	994,478
TORINO Via Banchette / Corso Grosseto	1,866,244	2,111,187	3,977,431	2,567,690	1,409,741
TORINO Via Caluso 1	19,619	385,944	405,563	179,040	226,523
TORINO Via Cimarosa 85	2,173,261	2,642,882	4,816,143	1,972,234	2,843,909
TORINO Via Domodossola 21	2,037	220,011	222,048	66,422	155,626
TORINO Via Gaidano 7	1,745,274	1,805,008	3,550,282	2,118,494	1,431,788
TORINO Via Gaidano 8	196,922	579,622	776,544	288,350	488,194
TORINO Via Giordano Bruno 200/202	6,405	45,586	51,991	22,286	29,705
TORINO Via Gottardo 273	209,410	642,524	851,934	330,215	521,719
TORINO Via Matteucci 2	552,984	1,802,194	2,355,178	1,125,951	1,229,227
TORINO Via Monginevro 228	557,419	1,452,888	2,010,307	1,078,983	931,324
TORINO Via Monte di Pietà 32	12,309,777	47,514,417	59,824,194	26,966,746	32,857,448
TORINO Via Sant'Anselmo 18	156,173	2,251,357	2,407,530	1,073,041	1,334,489
TORINO Via Stradella 34	1,209,093	3,688,147	4,897,240	2,790,997	2,106,243
TORINO Via Tunisi 124	1,405,355	502,737	1,908,092	817,919	1,090,173
TORINO Via Vigliani 160/51 / Via Palma di Cesnola	3,025,440	658,854	3,684,294	1,623,406	2,060,888
TORINO Via XX Settembre 3	229,771	2,685,563	2,915,334	1,320,518	1,594,816
TORRE ANNUNZIATA Corso Umberto 94 / Via Vesuvio	61,983	1,797,270	1,859,253	556,607	1,302,646
TORRE BOLDONE Via Palazzolo 11	37,050	477,358	514,408	234,437	279,971
TORRE DE' PASSERI Corso Garibaldi	94,425	189,627	284,052	61,582	222,470
TORRE DEL GRECO Via Cesare Batisti 14	1,277,289	1,214,615	2,491,904	540,244	1,951,660
TORTONA Piazza Duomo 9	391,909	2,434,367	2,826,276	1,482,501	1,343,775
TORTONA Piazza Mazzini 2	22,477	20,139	42,616	25,790	16,826
TRADATE Corso Bernacchi 85	311,170	870,897	1,182,067	606,010	576,057
TRANI Piazza della Repubblica 63	2,875	652,802	655,677	196,297	459,380
TRESCATE Via Gramsci 1	234,401	742,138	976,539	524,287	452,252
TRESCORE CREMASCO Via Carioni 2	241,631	273,090	514,721	256,063	258,658
TREVIGLIO Piazza Cameroni 2	1,457,876	2,188,455	3,646,331	1,931,912	1,714,419
TREZZO SULL'ADDA Via Garibaldi / Via dei Mille 1	782,113	1,266,851	2,048,964	921,366	1,127,598
TRIESTE Piazza Oberdan 3	91,428	1,068,033	1,159,461	444,317	715,144
TRIESTE Via Coroneo 8	45,205	27,099	72,304	28,199	44,105
TRINO Corso Cavour 61	354,984	577,220	932,204	571,758	360,446
TROFARELLO Via Torino 64	116,335	947,001	1,063,336	529,410	533,926
TURATE Via Marconi 7 / Via Candiani	454,637	349,792	804,429	387,127	417,302
UBOLDO Via Roma 27	30,307	462,856	493,163	222,327	270,836
UDINE Via Marangoni	96,594	1,272,087	1,368,681	737,203	631,478
VADO LIGURE Piazza Cavour 10	1,303,021	39,091	1,342,112	556,696	785,416
VAILATE Via Giani 15	85,042	302,118	387,160	151,943	235,217
VALBONDIONE Via San Lorenzo 24	21,969	91,261	113,230	50,788	62,442
VALENZA Corso Garibaldi 111/113	2,224,716	2,529,203	4,753,919	2,364,899	2,389,020
VALFENERA Via Amedeo d'Aosta 10	56,505	255,210	311,715	162,387	149,328
VALGUARNERA CAROPEPE Via Garibaldi 95	43,121	168,090	211,211	128,769	82,442
VALLE LOMELLINA Via Casserotto 1 / Via Roma 29	216,082	442,617	658,699	438,166	220,533
VALLEMOSSO Piazza Dante Alighieri 8	209,476	376,135	585,611	290,227	295,384
VANZAGHELLO Piazza Sant'Ambrogio 2	325,578	434,984	760,562	345,420	415,142
VARALLO SESIA Piazza Vittorio Emanuele	134,176	370,658	504,834	232,958	271,876
VARESE Piazza Patrone / Via Nazioni Unite	245,869	1,819,382	2,065,251	1,054,292	1,010,959
VARESE Via Marcobi 8	361,372	1,280,068	1,641,440	676,172	965,268
VARESE Via Milano 16	277,229	2,930,721	3,207,950	1,491,595	1,716,355
VASTO Via Maddalena	365,150	140,977	506,127	109,728	396,399
VENAFRO Corso Campano 21	11,971	437,439	449,410	134,526	314,884
VENARIA REALE Viale Buridani 6	170,603	-	170,603	35,594	135,009
VENEZIA - MESTRE Corso del Popolo 58	30,548	67,578	98,126	38,269	59,857
VENEZIA - MESTRE Via Cappuccina 11	96,616	574,778	671,394	261,844	409,550
VENEZIA Rio Terra' San Leonardo 1353	31,853	1,517,518	1,549,371	604,255	945,116
VENOSA Via Roma 26	32,219	246,866	279,085	83,549	195,536
VENTIMIGLIA Via Cavour 30A-B/108	662,576	3,683,809	4,346,385	2,240,836	2,105,549
VERCELLI Viale Garibaldi 12	1,703,059	4,261,769	5,964,828	3,127,782	2,837,046
VERCELLI Via Mercadante 3 / Via Paggi	9,379	150,478	159,857	65,251	94,606

(\*) 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; others.

LOCATION	INVESTMENT	REVALUATIONS (*)	BOOK VALUE	ADJUSTMENTS	Amount in €
					NET SHAREHOLDERS' EQUITY
VERDELLO Via Cavour 19	259,804	744,864	1,004,668	282,070	722,598
VIADANA Piazza Manzoni 32	594,105	712,327	1,306,432	647,012	659,420
VIAREGGIO Via San Francesco	51,676	-	51,676	7,751	43,925
VICO EQUENSE Corso Filangieri 82	17,115	695,667	712,782	213,357	499,425
VIGEVANO Via Decembrio 35 / Via Carducci 1	259,412	3,051,040	3,310,452	1,560,485	1,749,967
VIGNALE MONFERRATO Piazza del Popolo 5	8,560	78,568	87,128	31,222	55,906
VILLA CARCINA Via Glisenti 78	745,518	407,520	1,153,038	620,389	532,649
VILLA CORTESE Via Tosi 22 / Via Speroni	349,479	257,509	606,988	319,388	287,600
VILLA SAN GIOVANNI Via Ammiraglio Curzon	67,087	531,951	599,038	179,372	419,666
VILLACIDRO Via Regione Sarda 59	19,700	264,426	284,126	85,062	199,064
VILLAFRANCA D'ASTI Via Roma 34	39,873	319,845	359,718	196,708	163,010
VILLANTERIO Via IV Novembre 12/a	275,383	360,890	636,273	176,149	460,124
VILLAR PEROSA Via Nazionale 31/9	15,568	460,574	476,142	205,936	270,206
VILLAROSA SICILIA Piazza Vittorio Emanuele 3	299,173	-	299,173	59,744	239,429
VILLASANTA Via Confalonieri / Via Camperio	473,598	23,171	496,769	177,423	319,346
VIMERCATE Via Risorgimento 32/a	826,376	362,775	1,189,151	564,879	624,272
VOGHERA Piazza Duomo 10	2,167,298	3,855,320	6,022,618	3,596,332	2,426,286
ZANICA Via Roma 9/9a	83,083	531,649	614,732	281,090	333,642
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>531,533,641</b>	<b>1,323,110,011</b>	<b>1,854,643,652</b>	<b>782,136,476</b>	<b>1,072,507,176</b>
PARIS Avenue de Suffren	21,304	314,393	335,697	-	335,697
NEW YORK Town of Mamaroneck	505,924	413,411	919,335	313,505	605,830
<b>GRAND TOTAL</b>	<b>532,060,869</b>	<b>1,323,837,815</b>	<b>1,855,898,684</b>	<b>782,449,981</b>	<b>1,073,448,703</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; others.

# Other points on the agenda

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AUTHORIZATION FOR THE PURCHASE AND SALE OF OWN SHARES

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NOMINATION OF THE BOARD OF STATUTORY AUDITORS FOR THE FINANCIAL YEARS  
2005/2006/2007 (PURSUANT TO ART. 20 OF THE ARTICLES OF ASSOCIATION)

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DETERMINATION OF THE REMUNERATION PAYABLE  
TO THE MEMBERS OF THE BOARD OF STATUTORY AUDITORS

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DECISIONS IN RESPECT OF THE REMUNERATION PAYABLE TO THE DIRECTORS

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## Authorization for the purchase and sale of own shares

### THE BOARD OF DIRECTORS' REPORT

#### Point 2 of the Agenda

Shareholders,

The Board of Directors has called you to the meeting to decide 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 2004, prior to its expiry.

The appropriate sections of the Report on Operations and the Explanatory Notes to the 2004 Financial Statements illustrate the transactions in own shares carried out by SANPAOLO IMI S.p.A. during the year.

The intention of the proposal is to continue to take advantage of the diverse opportunities which may arise for the Company, also in respect of the need to optimize the capital structure.

It is also deemed opportune that Directors be empowered with the authorization necessary to perform strategic operations such as special transactions or deals involving share exchanges or other situations where a company might need to have its own shares available, including stock option plans in favor of employees.

Such operations must, in any case, be carried out in compliance with current laws and regulations. Purchases of own shares will also be made according to the procedures provided for 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).

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 million 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 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 transaction. 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:

- in accordance with Art. 15 of the Articles of Association, decided that the remuneration for the three year period 2001/2003 of the Chairman Mr. Rainer Masera and of the Managing Directors Mr. Alfonso Iozzo and Mr. Luigi Maranzana should be supplemented by way of a stock option plan which assigns to each of them 450,000 rights;
- in accordance with Art. 15 of the Articles of Association, decided that, for his appointment for the two year period 2002/2003, the remuneration of Mr Pio Bussolotto should be supplemented by way of a stock option plan which assigns him 300,000 rights;

in both cases the purchase price is equal to 12.6244 euro, whilst the period of exercise of the rights commenced after the issue of the dividend for 2003 and will terminate on 15 May 2006.

Therefore, we invite you to approve the above proposals - and consequently revoke, for the part not executed, the resolution passed on 29 April 2004 authorizing the purchase and sale of own shares - thereby authorizing the Board of Directors to delegate all or part of the power to initiate purchases and disposals of own shares.

Turin, 22 March 2005

The Board of Directors

## Nomination of the Board of Statutory Auditors for the financial years 2005/2006/2007 (pursuant to Art. 20 of the Articles of Association)

### THE BOARD OF DIRECTORS' REPORT

#### Point 3 of the Agenda

Shareholders,

The term of the Board of Directors appointed by the Shareholders' Meeting held on 30 April 2002 expires with the approval of the financial statements as of 31 December 2004.

In compliance with Art. 20 of the Articles of Association, the election of the Controlling Body must take place by way of a voting list.

You are therefore invited to vote in compliance with the Articles of Association.

In this context, we highlight that, as a company quoted on the United States stock exchange and registered with the SEC (*Securities and Exchange Commission*), SANPAOLO IMI is obliged to set up an audit committee in compliance with US regulations which are also applicable to foreign issuers.

In this respect, the Company has empowered the Board of Statutory Auditors with the functions of the audit committee, as provided by American regulations, which above all consist of performing controls on the company's financial reporting process and on the audit of the issuer. The Board of Statutory Auditors is qualified to perform such functions, in consideration of the institutional tasks and responsibilities assigned by current legislation and by way of the professional and independent characteristics which distinguish its components.

Therefore, the Board of Statutory Auditors of SANPAOLO IMI has been assigned the powers in observance of the rules of the Sarbanes Oxley Act and the regulations issued by the SEC.

Furthermore, it is the intention of the Board of Directors to adopt appropriate measures so that the Board of Statutory Auditors can, in accordance with US and Italian regulations, fully perform the tasks assigned, specifically in terms of relations with the auditors and of the management of complaints in respect of financial information.

Lastly, in respect of the nomination of new Auditors, your attention is brought to SANPAOLO IMI's obligation to comply with Italian legislation concerning the respectability and professionalism of the Auditors of quoted banks. In addition, in the light of US standards, it must also notify in its periodical reports, whether at least one financial expert has been appointed to the Bank's audit committee. In this context it should be noted that the term *financial expert* implies the knowledge of the accounting principles applicable in Italy and not necessarily those applicable in the US. On the other hand, being listed on the US stock market establishes the obligation to report to the market in compliance with the regulations applicable to a foreign order and therefore it is considered that specific professional knowledge of such matters would be appropriate for at least one of the members of the Controlling Body of the company.

Turin, 22 March 2005

The Board of Directors

## Determination of the remuneration payable to the Members of the Board of Statutory Auditors

### THE BOARD OF DIRECTORS' REPORT

#### Point 4 of the Agenda

Shareholders,

In relation to the nomination of the Board of Statutory Auditors in compliance with point 3 of the agenda for today's Meeting, it is necessary to determine the remuneration payable to the Members of the Control Body.

\* \* \*

In this respect, we point out that the necessity to conform to US regulations on the matter of an audit committee establishes an amplification, or rather further valuation, of the areas of operation of the Board of Statutory Auditors, resulting in a strengthening of the responsibilities of the Control Body.

In this context, we also invite you to consider the fact that, in addition to the remuneration which will be determined by the Shareholders' Meeting, the Board of Statutory Auditors must allocate funds deemed by the latter to be necessary as remuneration to any external independent consultants appointed to perform the tasks of the audit committee, as required by US standards.

For this purpose it would be opportune for the Shareholders' Meeting to authorize the provision of a *plafond* to be utilized by the Board of Statutory Auditors for the aforementioned costs in order to comply with the regulations regarding the audit committee. The Board of Statutory Auditors shall provide details of the utilization of such provision in their annual report.

\* \* \*

Lastly, we would like to remind you that SANPAOLO IMI holds insurance cover in the form of "Civil liability for company directors, statutory auditors and executives" for employees of the Group as well as other subjects (not employees) appointed as directors and statutory auditors to Group companies or subsidiaries. The maximum sum insured per year for each claim at Group level is around 103 million euro, for a total annual premium at Group level in the region of 1.5 million euro. It should be noted that the burden to SANPAOLO IMI in 2004 was around 544,000 euro.

It is currently expected that the Statutory Auditors of the Parent Bank can also be included in the same insurance policy against payment.

The insurance policy holds harmless those insured - within the limits of the aforementioned maximum sum insured - against any amounts they may be liable to pay to third parties and/or the company itself, for civil liability, including legal expenses, in respect of actions or neglect by way of fault in violating the duties required of their respective appointments. The policy does not cover responsibility deriving from malicious or fraudulent behavior or sanctions of a criminal nature or administrative sanctions issued by Regulatory Authorities, which cannot be insured by law.

To this end, it should be noted that the aforementioned insurance policy allows the Company to convey to the insurer the risk of having to respond with the Company's own assets to any damaging behavior by its representatives, it being understood that they shall be exposed to the excess in respect of the maximum sum insured.

In this context it can be seen how major companies have decided to hold harmless the directors and statutory auditors from civil liability and from legal expenses by way of forms of insurance cover and within the limitations of such cover. This prac-

tice is becoming more common nationally, in line with what is already an internationally widespread practice. This is also in relation to the expansion of responsibility of the Company bodies, as a result of the recent evolution in national and, for companies listed in the United States, such as yours, international regulations.

In the light of the above, it may be possible to authorize the extension of the insurance cover to the Statutory Auditors, with the Bank bearing a total additional amount not in excess of 3% of the cost of the annual premium at Group level. Such authorization would also extend to future years for the duration of the mandate.

\* \* \*

Shareholders,

Given the above, you are hereby invited to decide on the proposal, taking into account that, in compliance with Art. 20 of the Articles of Association, the Shareholders' Meeting can, in addition to the aforementioned remuneration, determine to pay each Statutory Auditor a fixed sum for every Board meeting attended. We would also remind you that the Statutory Auditors are also entitled to reimbursement of expenses incurred for performing their duties, for the amounts approved by the Shareholders' Meeting.

Turin, 22 March 2005

The Board of Directors

## Decisions in respect of the remuneration payable to the Directors

### THE BOARD OF DIRECTORS' REPORT

#### Point 5 of the Agenda

Shareholders,

As you are already aware, Art. 15 of the Articles of Association provides that 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 this provision, the Shareholders' Meeting of 29 April 2004 established that for the year 2004 the total gross variable part payable to the Members of the Board of Directors should be composed as follows:

- 1 per thousand of the net income recorded to the consolidation financial statements of that year, in the event that the growth in such income should be less than 10% of the consolidated net income for the year 2003;
- 1.5 per thousand of the net income recorded to the consolidation financial statements of that year, in the event that growth in such income should be more than 10% on the consolidated net income for the year 2003.

The aforementioned Meeting decided not to set any reference base for the year 2005, postponing the calculation to be decided at the meeting called to approve the financial statements for the year 2004. Such decision was made for the purpose of a more correct valuation, in the light of having access to more precise data concerning the forecast of the Bank's performance.

We also remind you that the same Meeting set the fixed annual gross remuneration payable to each Member of the Executive Committee at euro 65,000.

Lastly, we like to remind you that SANPAOLO IMI holds insurance cover in the form of "Civil liability for company directors, statutory auditors and executives" for employees of the Group as well as other subjects (not employees) appointed as directors and statutory auditors to Group companies or subsidiaries. The maximum sum insured per year for each claim at Group level is around 103 million euro, for a total annual premium for at Group level in the region of 1.5 million euro. It should be noted that the burden to SANPAOLO IMI in 2004 was around 544,000 euro.

It is currently expected that the Directors of the Parent Bank can also be included in the same insurance policy against payment.

The insurance policy holds harmless those insured - within the limits of the aforementioned maximum sum insured - against any amounts they may be liable to pay to third parties and/or the company itself, for civil liability, including legal expenses, in respect of actions or neglect by way of fault in violating the duties required of their respective appointments. The policy does not cover responsibility deriving from malicious or fraudulent behavior or sanctions of a criminal nature or administrative sanctions issued by Regulatory Authorities, which cannot be insured by law.

To this end, it should be noted that the aforementioned insurance policy allows the Company to convey to the insurer the risk of having to respond to any damaging behavior by its representatives with the Company's own assets, it being understood that it shall be exposed to the excess in respect of the maximum sum insured.

In this context it can be seen how major companies have decided to hold harmless the directors and statutory auditors from civil liability and from legal expenses by way of forms of insurance cover and within the limitations of such cover. This prac-

tice is becoming more common nationally, in line with what is now internationally widespread practice. This is also in relation to the expansion of responsibility of the Company bodies, as a result of the recent evolution in national and, for companies listed in the United States, such as yours, international regulations.

In the light of the above, it may be possible to authorize extending the insurance cover to the Directors, with the Bank bearing not more than 10% of the cost of the additional annual premium at Group level. Such authorization would also extend to future years for the duration of the mandate.

Shareholders,

you are therefore invited to take the necessary decisions in respect of the above.

Turin, 22 March 2005

The Board of Directors





# Information for investors

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Requests for information on the SANPAOLO IMI Group should be addressed to:

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